



Control Number: 47452



Item Number: 14

Addendum StartPage: 0

FILED

APPLICATION OF MUSTANG §
SPECIAL UTILITY DISTRICT TO §
AMEND WATER AND SEWER §
CERTIFICATES OF CONVENIENCE §
AND NECESSITY IN DENTON AND §
COLLIN COUNTIES §

PUBLIC UTILITY COMMISSION

2018 MAR 9 PM 1:32
PUBLIC UTILITY COMMISSION
OF TEXAS
REG. CLERK

COMMISSION STAFF'S FINAL RECOMMENDATION

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Final Recommendation. In support thereof, Staff shows the following:

I. BACKGROUND

On July 28, 2017, Mustang Special Utility District (Mustang) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 11856 and sewer CCN No. 20930 in Denton and Collin County. In Order No. 4, issued December 12, 2017, Staff was ordered to file a final recommendation on the application by March 9, 2018. This pleading is therefore timely filed.

II. RECOMMENDATION

Staff has reviewed the application and recommends that this application to amend water and sewer CCNs be approved. As supported by Attachment A to this pleading, the memorandum of Jolie Mathis of the Water Utility Regulation Division, Staff recommends that the application be found to comply with the criteria outlined for amending a CCN in the Texas Water Code §§ 13.241-250 (TWC) and 16 Tex. Admin Code §§ 24.101-107. The final water and sewer maps and certificates (Attachment B) were consented by Mustang and the consent forms were filed with the Commission on February 21, 2018. Staff further recommends that Mustang file certified copies of the CCN maps along with a written description of the CCN service areas in the county clerk's offices of Denton and Collin Counties, pursuant to TWC §§ 13.257 (r)-(s).

III. CONCLUSION

Staff respectfully requests that the ALJ issue an order reflecting the above recommendation.

Dated: March 9, 2018


Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney

Alex Petak w/ permission
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DOCKET NO. 47452

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 7th of December, 2017 in accordance with 16 TAC § 22.74.

Alex Petak w/ permission
Alexander Petak



ATTACHMENT A

PUC Interoffice Memorandum

To: Alex Petak, Attorney
Legal Division

Thru: Tammy Benter, Director
Heidi Graham, Manager
Water Utility Regulation Division

From: Jolie Mathis, Engineering Specialist
Water Utility Regulation Division

Date: March 6, 2018

Subject: **Docket 47452, Application of Mustang SUD to Amend its Certificate of Convenience and Necessity (CCN) in Denton and Collin Counties**

On July 28, 2017, Mustang Special Utility District (Applicant) filed an application to amend water Certificate of Convenience and Necessity (CCN) No. 11856 and sewer CCN No. 20930 in Denton and Collin Counties. The application is being reviewed pursuant to Texas Water Code Ann. (TWC), §§ 13.242 to 13.250 and the 16 Tex. Admin Code (TAC) §§ 24.101 to 24.107.

Background

The Applicant is seeking to amend a water and sewer CCN for the service area containing approximately 1460 acres and 0 existing customers for water and 446 acres and 0 existing customers for sewer.

Notice

The comment period ended December 18, 2017, and no protests or opt-out requests were received.

Criteria Considered

TWC § 13.246(c) requires the Commission to consider nine criteria when granting or amending a CCN. Therefore, the following criteria were considered:

TWC § 13.246(c)(1) requires the commission to consider the adequacy of service currently provided to the requested area.

There is no service currently provided to the requested area.

TWC § 13.246(c)(2) requires the commission to consider the need for service in the requested area.

Mustang SUD currently provides sewer service under CCN No. 20930 to the 111 acre and 899 acre tracts known as Green Meadows/Smiley Road, and now desires to amend water CCN No. 11856 to include the same properties. In Docket Nos. 45450 and 45462, the Commission approved Mustang SUD's intent to serve the tracts, which were previously decertified by expedited release.

In addition, there is a transfer and service agreement between the City of Aubrey, Mustang Special Utility District, CADG Comanche 248 LLC and Pulte Homes of Texas, LP. CADG Aubrey 107, LLC and Pulte Homes of Texas, L.P. have requested water and sewer service through a nonstandard service agreement for the Winn Ridge property.

TWC § 13.246(c)(3) requires the commission to consider the effect of granting an amendment on the recipient and on any other retail public utility servicing the proximate area.

Pursuant to a settlement agreement, Mustang SUD, the City of Aubrey and the developers agreed that Mustang SUD shall be the sole provider of the Winn Ridge water and sewer service areas, which were originally decertified from Mustang SUD through expedited release under PUC Docket No. 44581 and No. 44580.

TWC § 13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service.

The Applicant has a Texas Commission on Environmental Quality (TCEQ) approved Public Water System (PWS) Identification Nos. 0610200, 0610022, 0610036, 0610226 and all wastewater is currently treated by Upper Trinity Regional Water District, Wastewater Discharge Permit No. WQ0010698-003. The Applicant does not have any violations listed in the TCEQ database.

The Applicant meets the requirements of 16 TAC § 24.105(a)(14)(A) and (B). TCEQ approval letters dated January 17, 2017, February 1st, 2017, and February 17th, 2017 for water and wastewater facilities associated with Winn Ridge and Green Meadows was provided on October 13th, 2017.

TWC § 13.246(c)(5) requires the commission to consider the feasibility of obtaining service from an adjacent retail public utility.

Pursuant to a settlement agreement, Mustang SUD, the City of Aubrey and the developers agreed that Mustang SUD shall be the sole provider of the Winn Ridge water and sewer service areas, which were originally decertified from Mustang SUD through expedited release under PUC Docket No. 44581 and No. 44580.

TWC § 13.246(c)(6) requires the commission to consider the financial ability of the Applicant to pay for facilities necessary to provide continuous and adequate service.

Pursuant to TWC § 13.246(c)(6) the Commission is required to consider the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service and the financial stability of the applicant. Pursuant to 16 TAC § 24.11 the criteria are established to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and proposed utility service area. The tests include a leverage test and an operations test.

The Applicant meets the leverage test with a debt to equity ratio of less than one. Based on the calculations below the Applicant has a debt to equity ratio of 0.61.

- i. 2016 Net Position = \$38,937,963
- ii. 2016 Long-Term Notes Payable = \$23,884,662
- iii. 2016 Debt to Equity Ratio = $\$23,884,662 / \$38,938,963 = 0.61$

The Applicant meets the operations test. The owner or operator must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. The Applicant has not submitted projections in its application; however, based on the Applicant's 2016 CAFR Statement of Revenues, Expenses, and Changes in Fund Net Position, the Applicant had \$1,695,377 in operating income. Thus, there are no shortages to cover.

TWC §§ 13.246(7) and (9) require the commission to consider the environmental integrity and the effect on the land to be included in the certificate.

The land will be minimally affected as the requested area is developed.

TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers.

Granting the CCN amendment will allow the area to receive water and sewer service from Mustang SUD and to be developed in the manner requested by the landowners. Growth in the area of additional residential customers is currently estimated at approximately 5,895 proposed water connections and 1,395 sewer connections over the next 7-10 years.

Staff recommends that the Applicant meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations, is capable of providing continuous and adequate service and approving this application to amend water and sewer CCN Nos. 11856 and 20930 is necessary for the service, accommodation, convenience and safety of the public.

The Applicant consented to the attached maps and certificates on February 21st, 2018.

Based on the above information, Staff recommends the Commission approve the application, issue an order and provide the attached map(s) and certificate(s) to Mustang SUD. Staff further recommends that the Applicant file certified copies of the CCN maps along with a written description of the CCN service area in the county clerk's office pursuant to TWC §§ 13.257 (r)-(s).

ATTACHMENT B



Public Utility Commission of Texas

**By These Presents Be It Known To All That
Mustang Special Utility District**

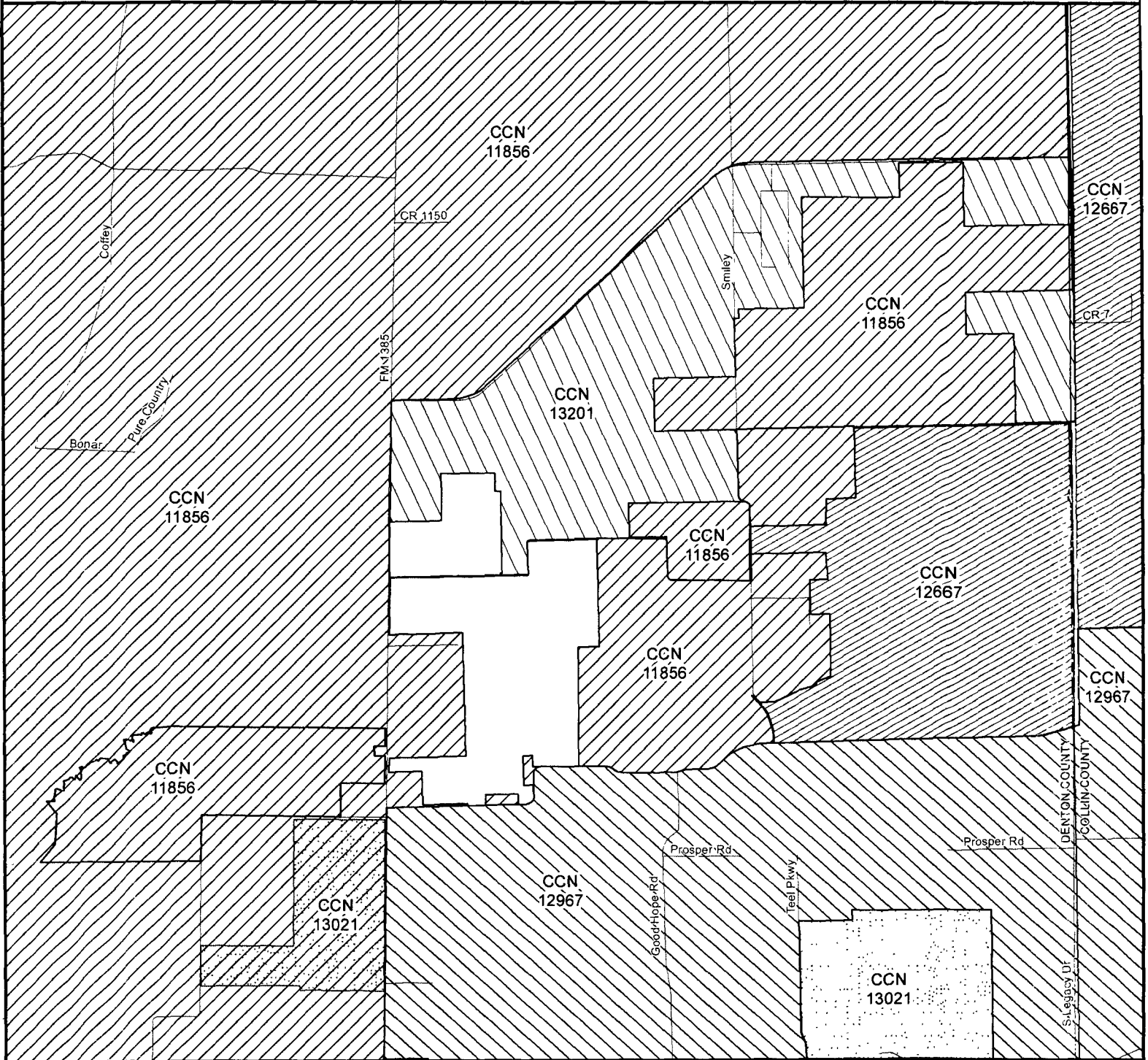
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Mustang Special Utility District is entitled to this

Certificate of Convenience and Necessity No. 11856






to provide continuous and adequate water utility service to that service area or those service areas in Denton and Collin Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 47452 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Mustang Special Utility District to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

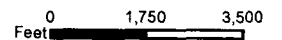
Issued at Austin, Texas, this _____ day of _____ 2018.

Mustang SUD
Portion of Water CCN No. 11856
PUC Docket No. 47452
Amended CCN No. 11856 in Collin and Denton Counties



Water CCN

-  11856 - Mustang SUD
-  13201 - Aqua Texas Inc
-  12667 - City of Celina
-  12967 - City of Prosper
-  13021 - Denton County FWSD 10



Public Utility Commission of Texas
 1701 N. Congress Ave
 Austin, TX 78701

Map by: Komal Patel
 Date created: February 8, 2018
 Project Path: n:\finalmapping\
 47452MustangSUDWater.mxd



Public Utility Commission of Texas

By These Presents Be It Known To All That Mustang Special Utility District

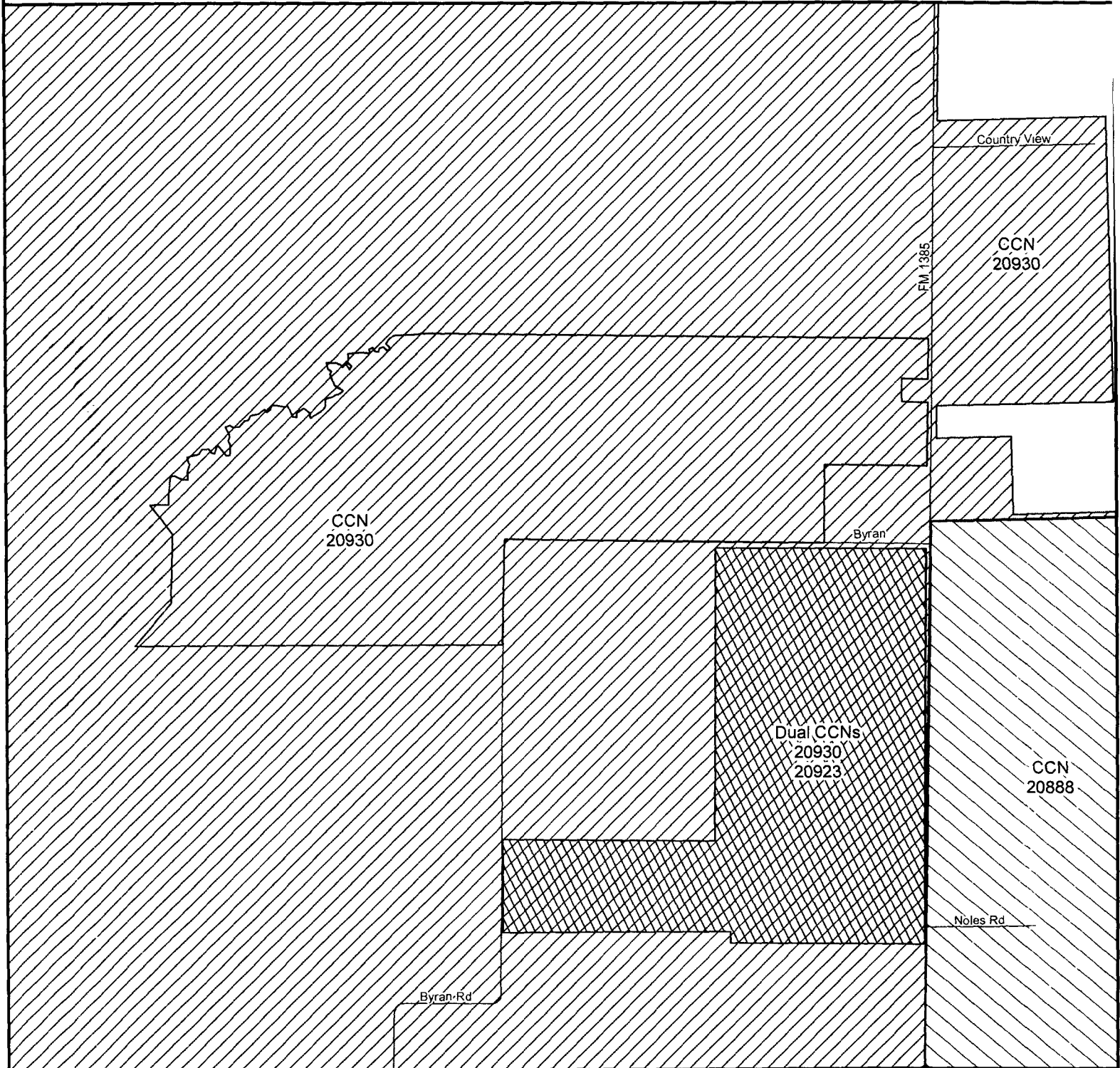
having obtained certification to provide sewer utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Mustang Special Utility District is entitled to this

Certificate of Convenience and Necessity No. 20930

to provide continuous and adequate sewer utility service to that service area or those service areas in Denton and Collin Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 47452 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Mustang Special Utility District to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.




Issued at Austin, Texas, this _____ day of _____ 2018.

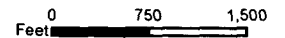
Mustang SUD
 Portion of Sewer CCN No. 20930
 PUC Docket No. 47452
 Amended CCN No. 20930 in Denton County



Public Utility Commission of Texas
 1701 N. Congress Ave
 Austin, TX 78701

Sewer CCN

-  20930 - Mustang SUD
-  20923 - Denton County FWSD 10
-  20888 - City of Prosper



Map by: Komal Patel
 Date created: February 8, 2018
 Project Path: n:\finalmapping\47452MustangSUDSewer.mxd