



Control Number: 48054



Item Number: 21

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DOCKET NO. 48054

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PUBLIC UTILITY COMMISSION
FILING CLERK

APPLICATION OF CANYON FALLS §
MUNICIPAL UTILITY DISTRICT §
NO. 1 OF DENTON COUNTY FOR A §
WATER CERTIFICATE OF §
CONVENIENCE AND NECESSITY IN §
DENTON COUNTY §

PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF'S FINAL RECOMMENDATION

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

I. BACKGROUND

On February 12, 2018, Canyon Falls Municipal Utility District No. 1 (Canyon Falls MUD or Applicant) filed an application to obtain a water Certificate of Convenience and Necessity (CCN) in Denton County pursuant to Texas Water Code (TWC) §§ 13.241 to 13.250 and 16 Texas Administrative Code (TAC) §§ 24.101 to 24.107. The total area being requested to be obtained includes approximately one hundred sixty-one (161) acres and zero (0) customers.

On May 9, 2018, Order No. 5 was issued establishing a deadline of August 24, 2018, for Staff to file a final recommendation on the application. Therefore, this pleading is timely filed.

II. RECOMMENDATION TO APPROVE THE APPLICATION

As detailed in the attached memorandum of Jolie Mathis of the Commission's Water Utility Regulation Division (Attachment A), Staff has reviewed the application and recommends that it be approved. Staff's review indicates that Canyon Falls MUD meets the applicable technical, managerial, and financial requirements of Chapter 13 of the Texas Water Code and Title 16, Chapter 24 of the Texas Administrative Code and, therefore, is capable of providing continuous and adequate service. Additionally, Staff's review suggests that approval of Canyon Falls MUD's application, and the issuance of water CCN No. 13270, is necessary for the service, accommodation, convenience, and safety of the public.

The final map and certificate (Attachment B) were consented by Canyon Falls MUD via a consent form filed with the Commission on July 31, 2018.

Staff further recommends that Canyon Falls MUD file a certified copy of the CCN map, along with a written description of the CCN service area in the county clerk's office of Denton County, pursuant to Texas Water Code (TWC) §§ 13.257(r)-(s).

III. CONCLUSION

For the reasons detailed above, Staff respectfully requests that the application be approved.


Dated: August 22, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney



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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 22, 2018, in accordance with 16 TAC § 22.74.



Richard A. Nemer

Attachment A

PUC Interoffice Memorandum

To: Richard Nemer, Attorney
Legal Division

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

From: Jolie Mathis, Engineering Specialist
Water Utility Regulation Division

Date: August 22, 2018

Subject: **Docket No. 48054**, *Application of Canyon Falls Municipal Utility District No. 1 of Denton County for a Water Certificate of Convenience and Necessity (CCN) in Denton County*

On February 12, 2018, Canyon Falls Municipal Utility District No. 1 (District or Applicant) filed an application with the Public Utility Commission of Texas (Commission) to obtain a water Certificate of Convenience and Necessity (CCN) in Denton County, Texas, pursuant to Texas Water Code Ann. (TWC) §§ 13.241 to 13.250 and 16 Tex. Admin. Code (TAC) §§ 24.101 to 24.107.

Background

The District is seeking to obtain a water CCN for service area containing approximately 161 acres and zero existing customers.

Notice

The comment period ended April 25, 2018, 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 currently is no water service in the requested area.

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

The requested area is currently undeveloped agricultural land that is being developed into a residential subdivision with approximately 340 single-family residences.

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.

The District has entered into an agreement with the Town of Northlake to obtain wholesale water service. Sewer service will be provided by the Town of Argyle. The entire district is located inside the boundaries of the Town of Argyle's sewer CCN No. 20826.

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

A copy of a Water System Management Services Agreement, dated October 24, 2017, entered into between the District, the Town of Argyle, and the Town of Northlake was filed with the application. According to the agreement, the District will construct a water distribution system to serve the District's customers and will obtain management, water operations and maintenance services from the Town of Northlake.

Canyon Falls Village will be developed in six phases. Utility infrastructure will be constructed with each phase. The first two phases are currently under construction. The remaining four phases will be constructed on an annual basis, with construction anticipated to be complete by 2021.

In several TCEQ authorization letters filed with the application and in a supplemental filing by the District, the TCEQ notified the Town of Northlake that the construction of the proposed distribution systems for each phase of Canyon Falls Village constituted less than ten percent of their existing service connections. Therefore, TCEQ approval of engineering plans and specifications for each phase of Canyon Falls Village was not required.

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

The Town of Northlake public water supply system will provide water service.

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.

16 TAC § 24.11 establishes criteria 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 requested utility service area. The criteria and tests listed in 16 TAC § 24.11 include leverage tests and an operations test.

The Applicant meets two of the five leverage tests under 16 TAC § 24.11. Specifically, the Applicant satisfies the leverage test with a debt to equity ratio of less than one. Additionally, the Applicant possesses a debt service coverage ratio of more than 1.25 because it has no long term debt.

The Applicant also meets the operations test, which requires that the owner or operator demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. The Applicant submitted projections in its application and no anticipated cash shortages were identified. As of June 30, 2017, the Applicant had \$25,785 in cash and the projected year end cash balance for each of the first five years of continuing operations is positive. Additionally, the distribution system, and all infrastructure to serve the 340 proposed connections, will be financed through advances from the developer. The Applicant will reimburse the developer out of bond proceeds.

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 environmental integrity of the land will be altered based upon landowner plans to develop the land into a residential subdivision with 340 single-family residences.

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

Staff did not review this criterion because service is not currently provided to the requested area.

The District consented to the attached map and certificate on July 31, 2018.

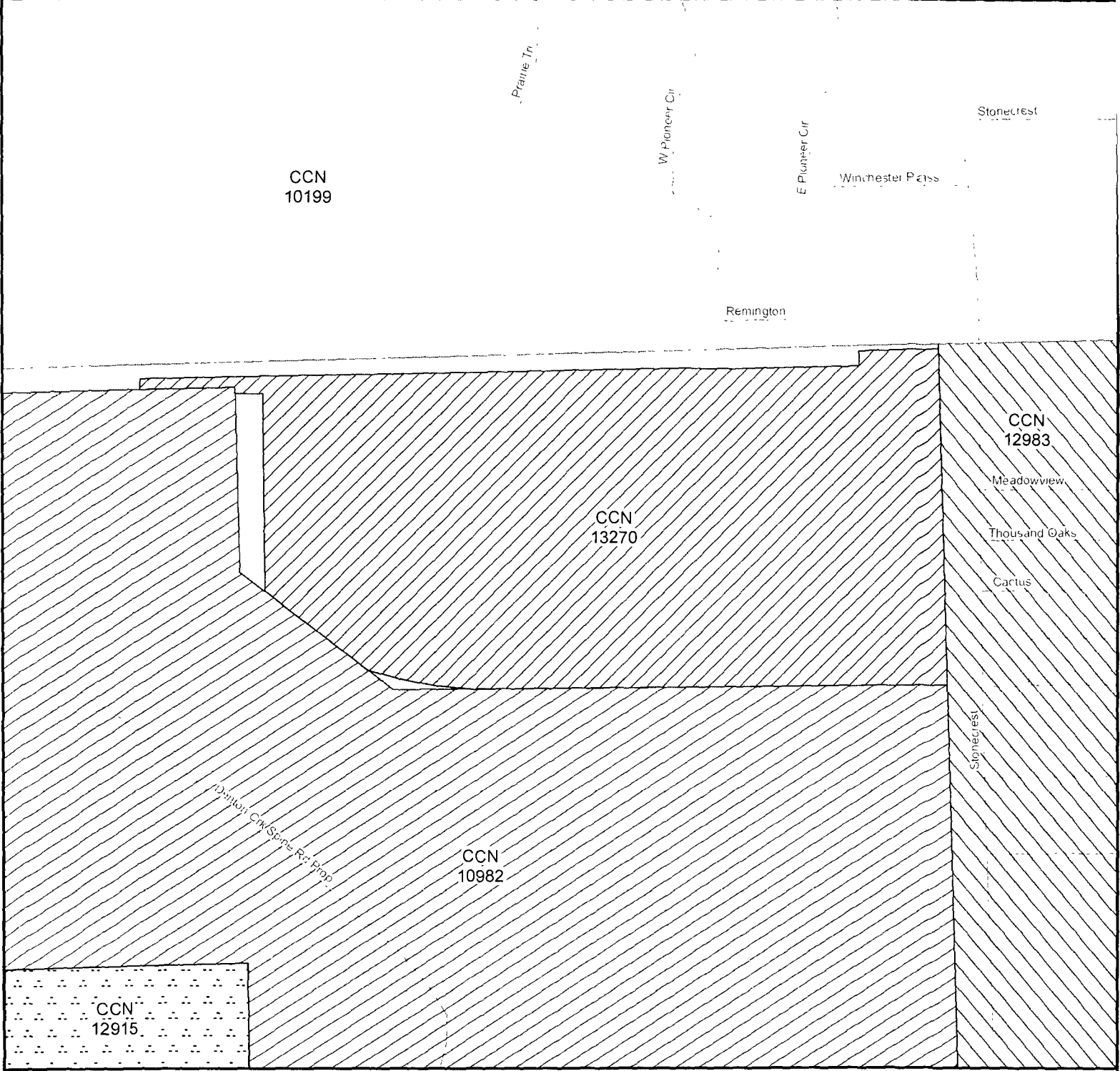
Recommendation

Based on the above information, Staff recommends that:

- The District meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations and is capable of providing continuous and adequate service. Approving this application, and the issuance of water CCN No. 13270, is necessary for the service, accommodation, convenience and safety of the public;
- The District file a rate application with the Commission within 18 months from the date service begins, pursuant to 16 TAC 24.21(b)(1)(C); and
- The Commission issue an order approving the application and provide the attached map and certificate to the District. Staff further recommends that the District file certified copies of their 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

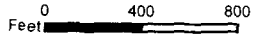
Canyon Falls MUD No. 1
 Water CCN No. 13270
 PUC Docket No. 48054
 Obtained New CCN in Denton County



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

Water CCN

-  13270 - Canyon Falls MUD No 1
-  10199 - Argyle WSC
-  12983 - Monarch Utilities I LP
-  10982 - Town of Flower Mound
-  12915 - Town of Northlake



Map by Komal Patel
 Date created July 16, 2018
 Project Path n finalmapping\48054CanyonFallsMUD1 mxd



Public Utility Commission Of Texas

By These Presents Be It Known To All That

Canyon Falls Municipal Utility District No. 1

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, Canyon Falls Municipal Utility District No. 1, is entitled to this

Certificate of Convenience and Necessity No. 13270

to provide continuous and adequate water utility service to that service area or those service areas in Denton County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 48054 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 the Canyon Falls Municipal Utility District No. 1, 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.