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DOCKET NO. 48104

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APPLICATION OF RINCON WATER §
SUPPLY CORPORATION TO §
AMEND CERTIFICATE OF §
CONVENIENCE AND NECESSITY §
IN SAN PATRICIO COUNTY §

PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

COMMISSION STAFF'S RECOMMENDATION ON FINAL DISPOSITION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and in response to Order No. 5, files this Recommendation on Final Disposition. In support thereof, Staff shows the following:

I. BACKGROUND

On February 26, 2018, Rincon Water Supply Corporation (Rincon) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 11440 in San Patricio County. The total area being requested includes approximately 120 acres and no current customers.

Atlee Ray Dubose filed a Motion to Intervene on July 23, 2018. The Administrative Law Judge (ALJ) granted the Motion to Intervene on July 30, 2018.

On August 3, 2018 Order No. 5 was issued establishing a deadline of October 3, 2018, if no hearing was requested, for Staff to file a Final Recommendation. The intervenor did not request a hearing by the October 3, 2018 deadline. Therefore, this pleading is timely filed.

II. RECOMMENDATION ON FINAL DISPOSITION

As detailed in the attached memorandum of Andrew Novak in the Commission's Water Utility Regulation Division, Staff has reviewed the application and recommends that it be approved.

III. CONCLUSION

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

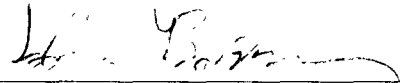
Dated: October 3, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Katherine Lengieza Gross
Managing Attorney

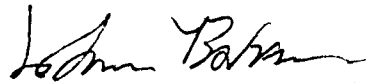


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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on October 3, 2018 in accordance with 16 TAC § 22.74.



Joshua Adam Barron

PUC Interoffice Memorandum

To: Joshua Barron, Attorney
Legal Division

Thru: Heidi Graham, Manager
Water Utility Regulation Division

From: Andrew Novak, Financial Analyst
Water Utility Regulation Division

Date: October 3, 2018

Subject: **Docket 48104**, *Application of Rincon Water Supply Corporation to Amend Certificate of Convenience and Necessity in San Patricio County*

On February 26, 2018, Rincon Water Supply Corporation (Rincon WSC or Applicant) filed with the Public Utility Commission of Texas (Commission) an application to amend Certificate of Convenience and Necessity (CCN) No. 11440 in San Patricio County, Texas pursuant to Texas Water Code Ann. (TWC), §§ 13.242 - 13.250 and 16 Tex. Admin Code (TAC) §§ 24.101 - 24.107.

The Applicant is seeking to amend a water CCN for service area containing approximately 120 acres and 0 existing customers.

Notice

The comment period ended August 20, 2018, and no protests or opt-out requests were received. One request for intervention has been 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.

The Applicant is currently providing service to 0 customers in the requested area.

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

The requested uncertificated area resulted from a landowner's request to extend water service to the landowner's property for the purpose of residential development. Therefore, the need for service has been demonstrated.

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.

Service from other providers for the requested area is not presently available, nor is it presently economically feasible for service or facilities to be provided to the requested area by other nearby retail public utilities

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

The requested area is for eight (8) additional service connections to be served via existing facilities. The Applicant has adequate production, storage, and distribution system in place to provide service to the requested area.

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

Service from other providers for the requested area is not presently available, nor is it presently economically feasible for service or facilities to be provided to the requested area by other nearby retail public utilities.

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.

Financial Test

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. The criteria and tests are listed in TAC 16 § 24.11 including leverage tests and an operations test.

The Applicant meets two of five leverage tests with a debt to equity ratio of 0.03, which is less than 1, and a debt service coverage ratio of 0, which is greater than 1.25.

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 Statement of Income, the Applicant has net operating income of \$37,777.44. In addition, The Applicant has \$789,046.86 in cash on hand and incurred \$76,937.38 in expenses. Thus, there are no shortages to cover, however, should any shortage occur the Applicant has the cash on hand to cover those shortages.

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 is currently undeveloped and the Applicant is willing and capable of providing service in the future.

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

It is expected that the services to the requested area will be comparable to the services provided to the existing customers by the Applicant.

The Applicant meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations, and will be capable of providing continuous and adequate service, approving this application to amend the CCN is necessary for the service, accommodation, convenience and safety of the public.

The Applicant consented to the attached map, and certificates on September 24, 2018.

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