

Control Number: 48660



Item Number: 20

Addendum StartPage: 0

DOCKET NO. 48660

APPLICATION OF THE CITY OF §  
LUCAS TO AMEND A WATER §  
CERTIFICATE OF CONVENIENCE §  
AND NECESSITY IN COLLIN §  
COUNTY §

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2019 MAY -2 PM 2:33  
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. 6, files this Commission Staff's Recommendation on Final Disposition. In support thereof, Staff shows the following:

### I. BACKGROUND

On September 4, 2018, the City of Lucas (Lucas) filed an application to amend water certificate of convenience and necessity (CCN) No. 10193 in Collin County. The City of Lucas is amending its CCN so that it reflects the actual service territory that Lucas currently serves. The requested area includes adding approximately 3,626 acres, 2,693 current customers and no new customers.

On March 28, 2019, the administrative law judge (ALJ) issued Order No. 6, revising procedural schedule, and requiring Staff to file a final recommendation on the application by May 6, 2019. Therefore, this pleading is timely filed.

### II. RECOMMENDATION ON FINAL DISPOSITION

Staff has reviewed Lucas's application, and as detailed in the memorandum of Debbie Reyes of the Commission's Water Utility Regulation Division (Attachment A), Staff recommends that the application be approved. In accordance with this recommendation, the corresponding maps (Attachment B) and certificates (Attachment C) that Lucas consented to in their April 22, 2019 filing are attached. On or before May 13, 2019, the parties will jointly file proposed findings of fact and conclusions of law.

### III. CONCLUSION

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

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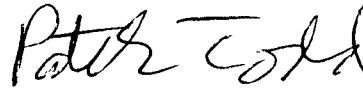
Dated: May 2, 2019

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF  
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Karen S. Hubbard  
Managing Attorney



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**DOCKET NO. 48660**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on May 2, 2019  
in accordance with 16 TAC § 22.74.



Patrick D. Todd

# Attachment A

## PUC Interoffice Memorandum

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**To:** Patrick Todd, Attorney  
Legal Division

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

**From:** Debbie Reyes, Program Specialist  
Water Utilities Regulation Division

**Date:** May 2, 2019

**Subject:** **Docket No. 48660:** *Application of the City of Lucas to Amend a Water Certificate of Convenience and Necessity in Collin County*

On September 4, 2018, the City of Lucas (Lucas) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10193 in Collin County, Texas pursuant to Texas Water Code Ann. (TWC) §§ 13.242-.250 and the 16 Tex. Admin Code (TAC) §§ 24.225-.237.

### **Background**

Lucas is seeking to amend its water CCN to serve an area containing approximately 3,626 total acres and 2,693 existing customers.

### **Notice**

The comment period ended January 26, 2019, 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.*

Lucas is currently providing service to 3,626 existing 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 area is within Lucas's corporate limits, and is a recipient of Lucas's water services.

*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.*

Granting the amendment will enable Lucas to continue providing service to the requested area, and will have no effect on any other retail public utility servicing the approximate area

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

Lucas purchases all its treated water supply from North Texas Municipal Water District (NTMWD). The purchase water contract between NTMWD and Lucas on a take or pay basis, and provides for a maximum demand of 2.5 times Lucas's average daily usage. According to the Texas Commission on Environmental Quality's (TCEQ) Drinking Water Watch database, Lucas's average daily usage is 1.285 million gallons per day (MGD). Per the agreement, Lucas's maximum demand can be up to 3.21 MGD. Since Lucas has 2,693 connections, using the TCEQ metric of 360 gallons per connection per day, Lucas can serve 8,916 connections, which is more than adequate to provide service.

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

The requested area is within the corporate limits of Lucas and includes customers receiving service. Therefore, Staff did not consider the receipt of service from an adjacent retail public utility.

*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 and the financial stability of the applicant.* The following discussion shows that Lucas meets the required criteria:

#### Financial Test

TWC § 13.246(c)(6) requires the Commission to consider the financial ability of an 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 16 Texas Admin. Code (TAC) § 24.11 including leverage tests and an operations test.

The following analysis is taken from Lucas's comprehensive annual financial report (CAFR) which contained an unqualified auditor's opinion from Brookswatson & Co<sup>1</sup>. which stated that the that the financial statements present fairly, in all material respects, the financial position of Lucas as of September 30, 2017. Furthermore, Lucas received a certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association. The CAFR, the related opinion, and the certificate indicate the transparency of Lucas, and speak to Lucas's management capabilities.

Lucas meets one out of the five leverage tests. Lucas is only required to meet one. Lucas meets the debt to equity ratio test calculated as follows: long term bonds payable of \$18,252,865<sup>2</sup> divided by net position (equity) of \$49,760,266<sup>3</sup> equals 0.37 which is less than one.

Lucas meets the operations test. Lucas has not submitted projections in its application; however, based on Lucas's audited financial statements, Lucas had \$2,898,309 change in net position for FY 2017.<sup>4</sup> 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.*

There will be no effect on the land, because Lucas has been providing water services to the requested area for the past 15 years.

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<sup>1</sup> Application at page 47 of 189.

<sup>2</sup> *Id.* at page 66 of 189.

<sup>3</sup> *Id.*

<sup>4</sup> Application at page 68 of 189.

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

Lucas will continue to provide water service to the existing customers in the requested area.

Staff recommends that Lucas 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 and approving this application to amend the CCN No. 10193 is necessary for the service, accommodation, convenience and safety of the public.

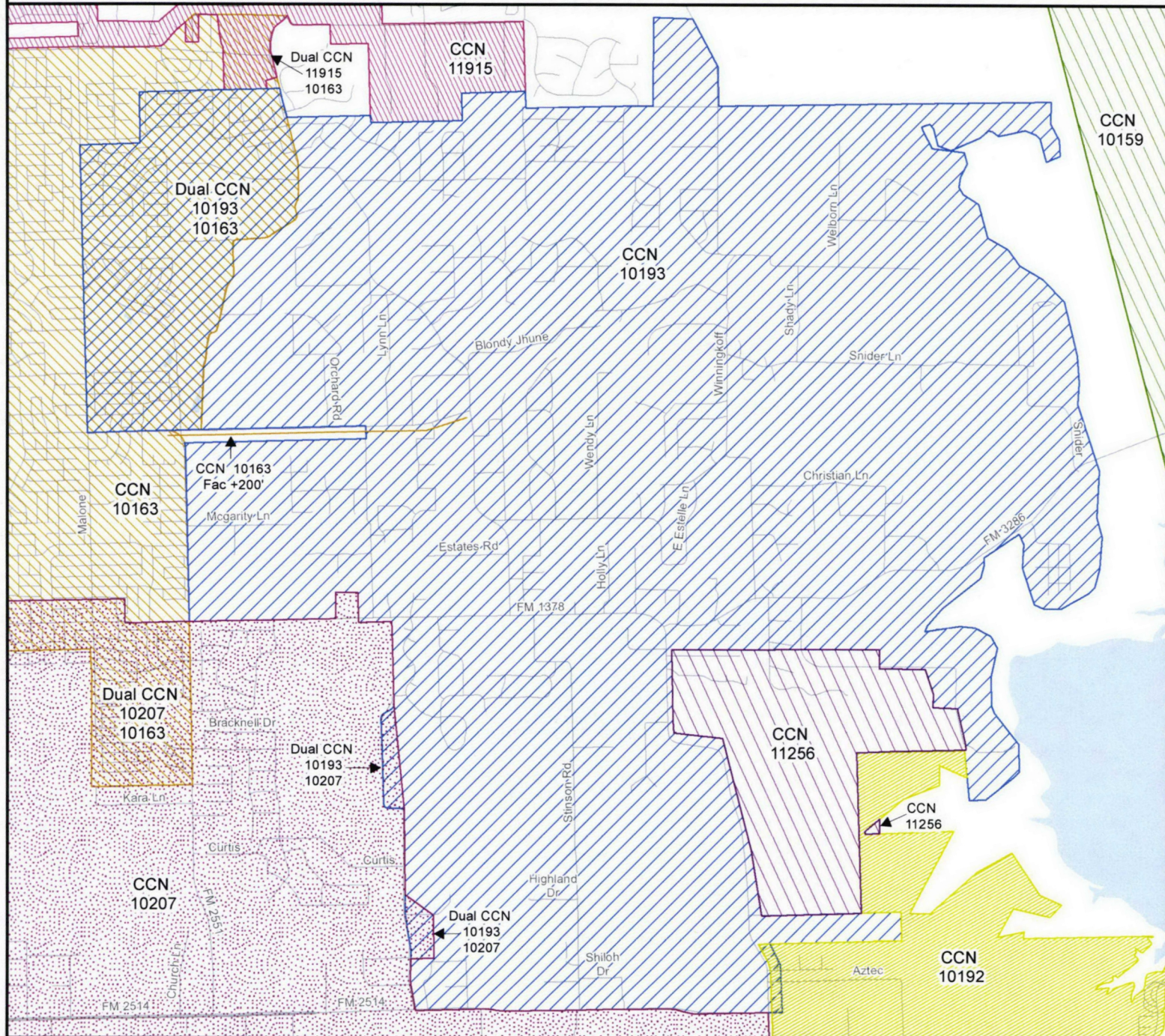
Lucas consented to the attached map and certificate on April 22, 2019.

Based on the above information, Staff recommends the Commission approve the application, issue an order and provide the attached map, and certificate to the City of Lucas. Staff further recommends that Lucas 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).

# Attachment B




City of Lucas  
 Water CCN No. 10193  
 PUC Docket No. 48660  
 Amended CCN No. 10193 in Collin County



**Water CCN**

-  10193 - City of Lucas
-  11915 - City of Fairview
-  10159 - Culleoka WSC
-  11256 - Seis Lagos Utility District
-  10192 - Wylie Northeast SUD
-  10207 - City of Parker
-  10163 - City of Allen

**Water CCN Facility +200'**

-  10163 - City of Allen



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

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Map by: Komal Patel  
 Date created: April 5, 2019  
 Project Path: n:\finalmapping\  
 48660CityofLucas.mxd



# Attachment C



# **Public Utility Commission of Texas**

## **By These Presents Be It Known To All That City of Lucas**

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, City of Lucas is entitled to this

### **Certificate of Convenience and Necessity No. 10193**

to provide continuous and adequate water utility service to that service area or those service areas in Collin County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 48660 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 City of Lucas 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 \_\_\_\_\_ 2019.