



Control Number: 49269



Item Number: 25

Addendum StartPage: 0

RECEIVED

APPLICATION OF JACKSON WATER §
SUPPLY CORPORATION TO AMEND A §
WATER CERTIFICATE OF §
CONVENIENCE AND NECESSITY IN §
SMITH COUNTY §

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PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
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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 and would show the following:

I. BACKGROUND

On February 27, 2019, Jackson Water Supply Corporation (Jackson WSC) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10763 in Smith County, Texas. The requested area includes approximately 4,184 acres and 63 current customers. Order No. 6, issued October 9, 2019, adopted a procedural schedule for the continued processing of this docket. The procedural schedule established November 1, 2019, as the deadline for Staff to provide a final map and certificate to Jackson WSC and November 15, 2019, as the deadline for Jackson WSC to file signed consent forms. Each party timely met its deadline.

On November 21, 2019, Staff requested an extension of its deadline to file a final recommendation. Order No. 7, issued November 25, 2019, granted Staff's request and extended the deadline to January 30, 2020. Therefore, this pleading is timely filed.

II. FINAL RECOMMENDATION ON THE APPLICATION

Staff has reviewed Jackson WSC's application, and as detailed in the memorandum of Emily Sears of the Commission's Rate Regulation Division and Nabaraj Pokharel in the Commission's Infrastructure Division (Attachment A), Staff recommends that the application be approved. Staff's review indicates that Jackson WSC 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 (TAC), and therefore, is capable of providing continuous and adequate service. Additionally, Staff's review suggests that approval of the application is necessary for the service, accommodation, convenience, and safety of the public.

In accordance with this recommendation, the corresponding map (Attachment B) and certificate (Attachment C) consented to by Jackson WSC are attached. On or before February 13, 2020, the parties will jointly file proposed findings of fact and conclusions of law.

III. CONCLUSION

For the reasons discussed above, Staff respectfully recommends that the Commission approve Jackson WSC's application.

Dated: January 30, 2020

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Thomas S. Hunter
Division Director

Heath D. Armstrong
Managing Attorney

Eleanor D'Ambrosio
State Bar No. 24097559
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7021
(512) 936-7268 (facsimile)
Eleanor.Dambrosio@puc.texas.gov

**DOCKET NO. 49269
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on January 30, 2020, in accordance with 16 TAC § 22.74.

Eleanor D'Ambrosio

Attachment A

Public Utility Commission of Texas

Memorandum

TO: Eleanor D'Ambrosio, Legal Division

FROM: Emily Sears, Financial Review, Rate Regulation Division
Nabaraj Pokharel, Engineering Specialist, Infrastructure Division

DATE: January 30, 2020

RE: **Docket No. 49269** – *Application of Jackson Water Supply Corporation to Amend a Water Certificate of Convenience and Necessity in Smith County*

On February 27, 2019, Jackson Water Supply Corporation (Jackson WSC or Applicant) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10763 in Smith County, Texas pursuant to Texas Water Code (TWC) § 13.242 to 13.250 and the 16 Texas Administrative Code (TAC) § 24.227.

The requested area includes approximately 4,184 acres and 63 current connections. The comment period ended October 2, 2019, and no protests or opt-out requests were received.

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 serving the requested area, is capable of providing drinking water that meets the requirements of Chapter 341, Health and Safety Code, and has access to an adequate supply of water.

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

The Applicant indicates there are 63 current customers in the proposed service area identified in the application as A1. In the proposed area labeled A2, the Applicant provided a request for service from the residents of the former Circle B Ranch. In the request for service, the letter states the requesting parties have wells, “however, they are all in failing condition and we are in desperate need of water to our homes.”¹ Therefore, there is a need for service in both proposed areas identified as A1 and A2.

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 of the same kind already servicing the proximate area.

There will be no effect on any retail public utility servicing the proximate area as the proposed area does not overlap any other CCN boundaries.

¹ Mapping and Application Content at Attachment 2 (Apr. 26, 2019).

TWC §§ 13.241(b) and 13.246(c)(4) require the Commission to consider the ability of the applicant to provide adequate service.

The Applicant has a long history and knowledge of water systems and industry experience that will enable it to provide continuous and adequate service. The Applicant is committed to comply with the Texas Commission on Environmental Quality's (TCEQ) rules and regulations and to provide continuous and adequate service to the requested area. On July 1, 2019, the Applicant filed clarification that no additional construction is necessary to serve the requested area.

TWC § 13.241(d) requires the applicant to demonstrate to the Commission that regionalization or consolidation with another retail public utility is not economically feasible when construction of a physically separate water or sewer system is required to provide service to the requested area.

Construction of a physically separate water system is not necessary for Jackson WSC to serve the requested area.

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

Jackson WSC is already serving customers in the proposed area labeled A1; therefore, Staff did not consider the feasibility of obtaining service from another adjacent retail public utility. Jackson WSC also has received requests for service from potential customers in the proposed area labeled A2. The adjacent retail public utility, West Gregg Water Supply Corporation, CCN No. 10409, did not intervene in this case, and therefore, Staff did not consider the feasibility of obtaining service from West Gregg Water Supply Corporation.

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 the 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 financial tests include a leverage test and operations test. The Commission rules identify five leverage tests.² The Purchaser must demonstrate that it meets one of the five tests.³

The following shows that Jackson WSC meets three out of five leverage tests. This analysis is based on financial statements ending December 31, 2017. Jackson WSC meets the first test with a debt to equity ratio of 0.37, which is less than one.⁴ Jackson WSC meets the second test with a debt service coverage ratio of 2.69, which is higher than 1.25.⁵ Jackson WSC meets the third test with two years coverage of debt service.⁶

16 TAC § 24.11(e)(3) refers to the operations test, which requires that 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. Jackson WSC did not submit projected financial statements in its application. Jackson WSC's 2017 financial audit showed a net operating loss of \$1,964 for 2017, but a net operating income of \$123,479 for 2016. Since Jackson WSC's financial audit shows a cash balance of \$411,602 for 2017, it can cover the loss for that year. Also, no

² 16 TAC § 24.11(e)(2).

³ *Id.*

⁴ Application at 59 (Feb. 27, 2019) (debt/equity = \$783,794/\$2,135,519 = 0.37).

⁵ Application at 60 and 66 (available for debt service/debt service, ((\$1,964)+\$217,523)/\$80,134 = 2.69).

⁶ *Id.* at 58 and 66 (debt service for 2018 and 2019 < cash, (\$80,134+\$80,134)=\$240,452 < \$411,602).

improvements are needed to provide continuous and adequate service to the requested area. Therefore, Jackson WSC meets the operations test

TWC § 13.246(d)(6) allows the Commission to require an applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided.

Staff does not recommend that Jackson WSC be required to provide a bond or other financial assurance to ensure continuous and adequate service.

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 a minimal effect to the environmental integrity of the land, as Jackson WSC has planned to connect its system with a water line, which also allows for additional connections in the proposed area.

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

In the proposed area labeled A2, the proposed customers would receive improvement in service, as they have indicated their water wells are failing.

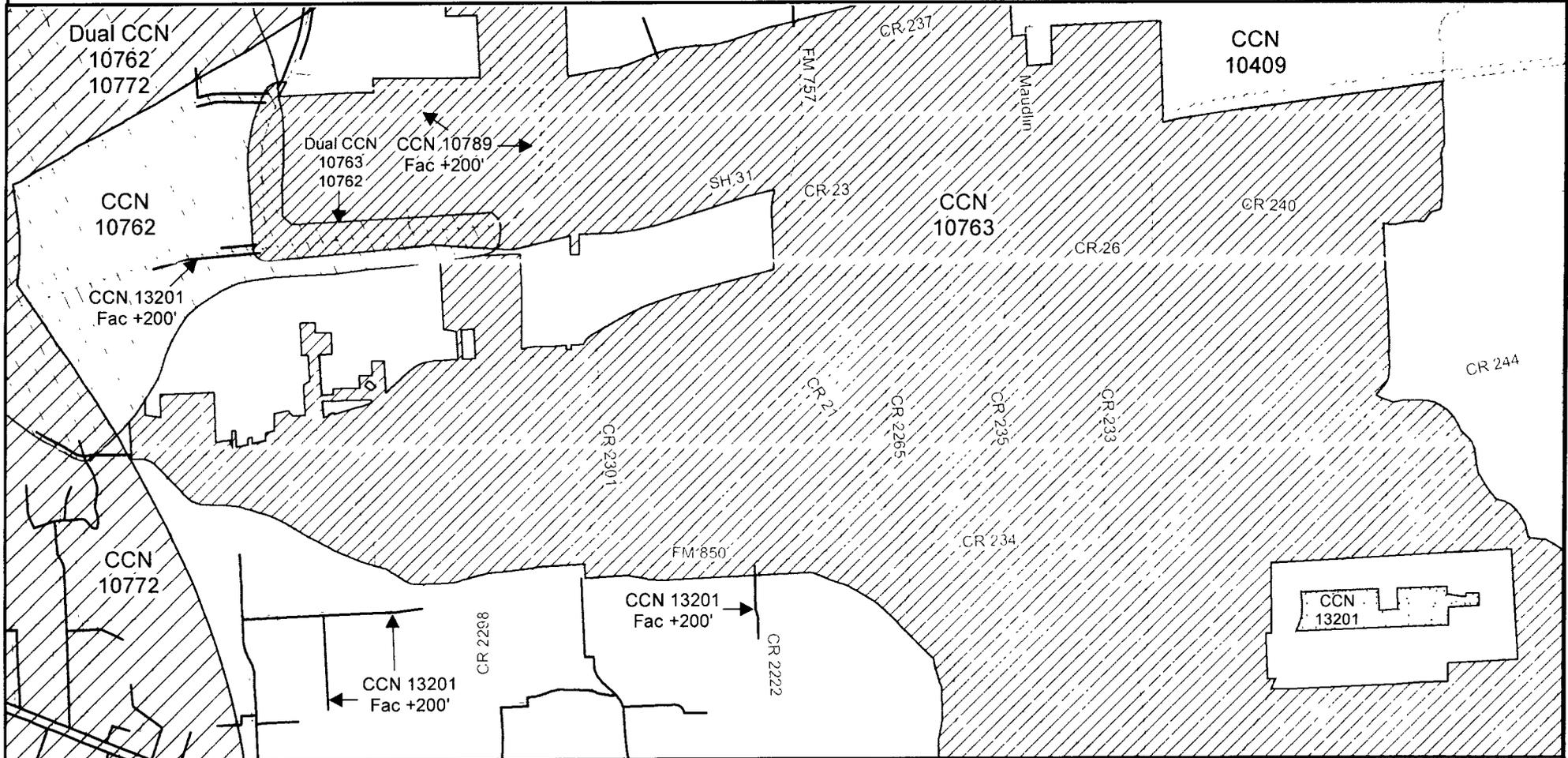
Jackson WSC meets all the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations and can provide continuous and adequate service. Approving this application to amend the service area under water CCN No. 10736 is necessary for the service, accommodation, convenience, and safety of the public.

Jackson WSC consented to the attached map and certificate on November 13, 2019.

Staff recommends the Commission approve the application, issue an order, and provide the attached map(s) and certificate to Jackson WSC.

Attachment B

Jackson Water Supply Corporation
 Portion of Water CCN No. 10763
 PUC Docket No. 49269
 Amended CCN No. 10763 in Smith County



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

Water CCN

-  10763 - Jackson WSC
-  10762 - Southern Utilities Company
-  10772 - City of Tyler
-  10409 - West Gregg WSC
-  13201 - Aqua Texas Inc

Water CCN Facility +200'

-  10763 - Jackson WSC
-  10762 - Southern Utilities Company
-  10789 - Heights Water Company

0 2,600 5,200
 Feet



Map by Komal Patel
 Date created October 28, 2019
 Project Path n:\finalmapping\
 49269JacksonWSC.mxd

Attachment C



Public Utility Commission of Texas

By These Presents Be It Known To All That

Jackson Water Supply Corporation

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, Jackson Water Supply Corporation is entitled to this

Certificate of Convenience and Necessity No. 10763

to provide continuous and adequate water utility service to that service area or those service areas in Smith County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 49269 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 Jackson Water Supply Corporation 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.