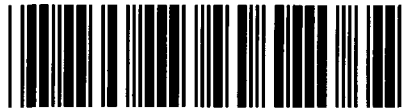


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DOCKET NO. 49272



**APPLICATION OF YANCEY WATER §
SUPPLY CORPORATION TO AMEND §
A WATER CERTIFICATE OF §
CONVENIENCE AND NECESSITY IN §
MEDINA AND FRIO COUNTIES §
§
§**

**PUBLIC UTILITY COMMISSION
OF TEXAS**

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 February 28, 2019, the Yancey Water Supply Corporation (Yancey WSC) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 11463, in Medina and Frio Counties, Texas. The requested area included approximately 224,705 acres and 1,764 connections. However, due to opt-out requests the total requested area is currently approximately 209,526 acres.

On April 1, 2020, Order No. 12 was issued, establishing a deadline of June 3, 2020 for Staff to file a final recommendation on the application. Therefore, this pleading is timely filed.

II. FINAL RECOMMENDATION ON THE APPLICATION

Staff has reviewed Yancey WSC's application and, as detailed in the memorandum of Patricia Garcia of the Commission's Infrastructure Division and Spencer English of the Commission's Rate Regulation Division, Staff recommends that the application be approved. Staff's review indicates that Yancey 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, 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 and certificate consented to by Yancey WSC are included with this pleading.

III.CONCLUSION

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

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

Rachelle Nicolette Robles
Division Director

/s/ Rashmin J. Asher
Rashmin J. Asher
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DOCKET NO. 49272

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on June 3, 2020, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Rashmin J. Asher
Rashmin J. Asher

PUC Interoffice Memorandum

To: Rashmin Asher, Attorney
Legal Division

From: Patricia Garcia, Senior Engineering Specialist
Infrastructure Division

Spencer English, Financial Analyst
Rate Regulation Division

Date: June 3, 2020

Subject: **Docket No. 49272, *Application of Yancey Water Supply Corporation to Amend its Certificate of Convenience and Necessity (CCN) in Medina and Frio Counties***

On February 28, 2019, Yancey Water Supply Corporation (Yancey WSC) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 11463 in Medina and Frio Counties, Texas pursuant to Texas Water Code (TWC) §§ 13.242 to 13.250 and the 16 Texas Administrative Code (TAC) §§ 24.225 to 24.237.

Background

The Applicant is seeking to amend its current water facility line CCN to include areas adjacent to its existing CCN, that are not within any other utility's service area. The originally requested service area contained approximately 224,359 acres and 1,764 existing customers. However, due to requests for opt-outs, the total requested area to amend is 209,526 acres.

Notice

The comment period ended August 2, 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.

The Applicant has a Texas Commission on Environmental Quality (TCEQ) approved Public Water System (PWS) Identification No. 1630021. The Applicant does not have any violations listed in the TCEQ database. No additional construction is necessary for the Applicant to serve the requested area.

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

There is a need for service as there are 2,888 existing customers and potential new customers in the requested areas.

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.

There will be no effect on any retail public utility servicing the proximate area as there are no other water providers in the area.

TWC §§ 13.241(b) and 13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service.

The Applicant has a TCEQ approved PWS ID No. 1630021. The Applicant does not have any violations listed in the TCEQ database. No additional construction is necessary for the Applicant 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.

The Applicant has been providing service in the requested area via facility lines.

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. 16 TAC § 24.11(e) lists the financial tests. The following shows that the Applicant meets three out of four leverage tests for which the Applicant is only required to meet one.

Financial Test

Pursuant to TWC § 13.246(c)(6) the Public Utility Commission of Texas is required 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 TAC § 24.11 including leverage tests and an operations test.

The following analysis is taken from the Applicant's audited financial statements which contained an unqualified auditor's opinion from Ede & Company, LLC which stated that the financial statements present fairly, in all material respects, the financial position of the Applicant as of April, 2018.¹ The audit and the related opinion indicate the transparency of the Applicant, and speak to the Applicant's management capabilities.

The Applicant meets two out of the five leverage tests. The Applicant is only required to meet one. The first test is met with a debt to equity ratio calculated as follows: long term debt of \$2,872,409² divided by equity/net assets of \$12,231,473.³ equals 0.23 which is less than one. The Applicant also has a sufficient unrestricted cash for two years of debt service by a coverage factor of 9.91. The amount of unrestricted cash for two years of debt service is calculated as follows: debt service of \$265,944, calculated by summation of 2017 and 2018 annual debt service amounts of \$132,972.⁴ Unrestricted cash of \$2,635,708⁵ divided by \$265,944 equals 9.91.

The Applicant meets the operations test. The Applicant has not submitted projections in its application; however, based on the financial statements the Applicant had \$451,817⁶ in operating

¹ Application at 138.

² See *id.* at 140.

³ See *id.* at 140.

⁴ See *id.* at 144.

⁵ See *id.* at 140.

⁶ Application at 139.

income. No new infrastructure is required for the Applicant to provide service. Thus, there are no shortages to cover.

TWC § 13.246(d) 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 the Applicant 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.

The environmental integrity of the land will not be affected as no additional construction is needed to provide service to the requested area.

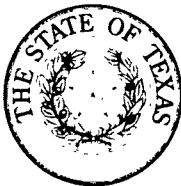
TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers.

The Applicant will continue to provide water service to the existing customers in the area. By amending its current facility line CCN to include areas adjacent to its existing CCN, that are not within any other utility's service area, there will be no changes in the quality of retail service or cost to the customers for the requested area.

Staff recommends that the Applicant meets all of the statutory requirements of Texas Water Code 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 a water CCN No. 11463 is necessary for the service, accommodation, convenience and safety of the public.

The Applicant consented to the attached map and certificate on May 21, 2020.

Based on the above information, Staff recommends the Commission approve the application, issue an order and provide the attached map and certificate to Yancey Water Supply Corporation. 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).



Public Utility Commission of Texas

By These Presents Be It Known To All That

YANCEY WATER SUPPLY CORPORATION

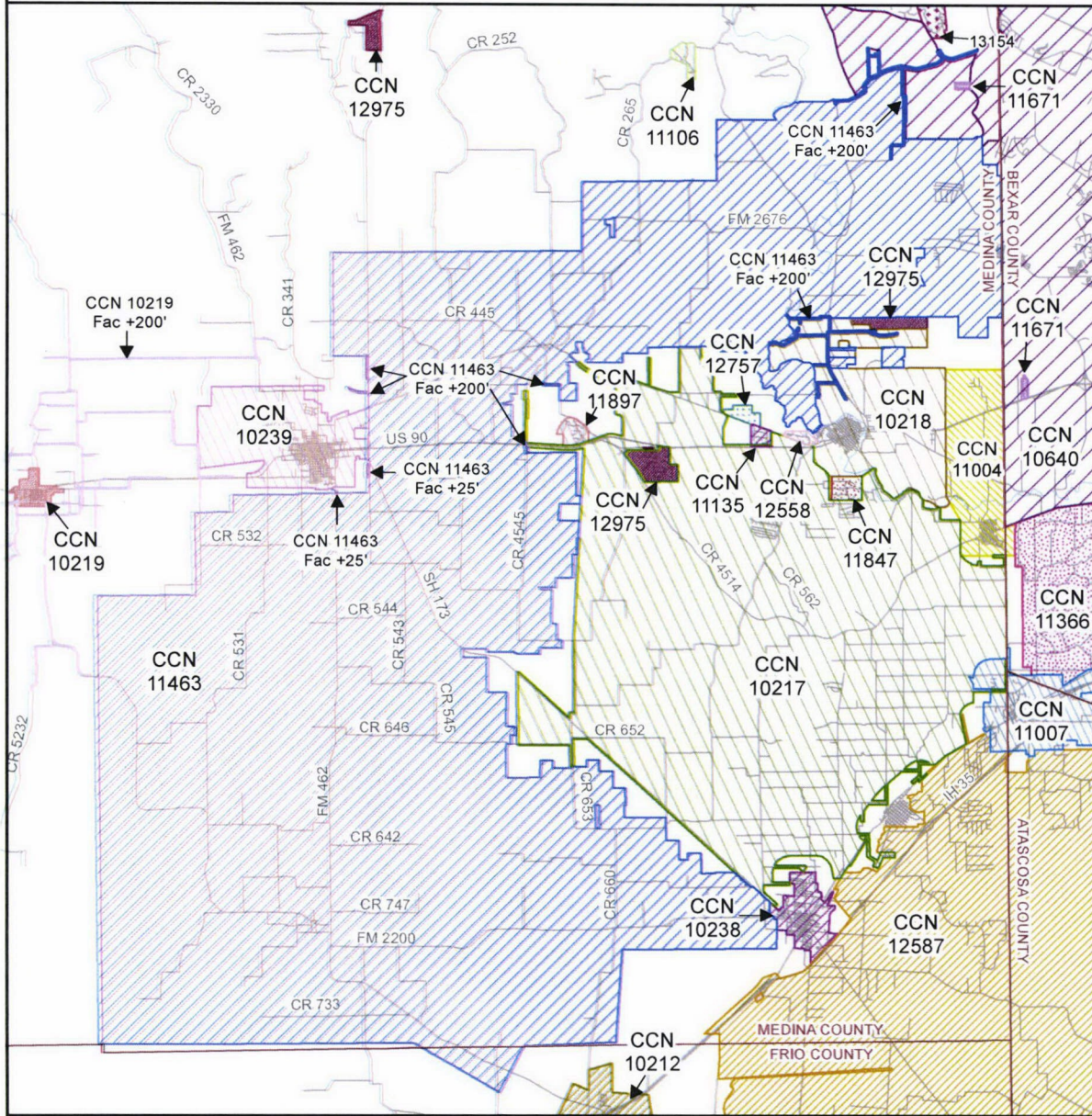
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Yancey Water Supply Corporation is entitled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

Certificate of Convenience and Necessity No. 11463

to provide continuous and adequate water utility service to that service area or those service areas in Medina and Frio Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 49272 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 Yancey 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 _____ 2020.

Yancey Water Supply Corporation
 Water CCN No. 11463
 PUC Docket No. 49272
 Amended CCN No. 11463 in Frio and Medina Counties



0 2 4
 Miles



Water CCN

- 11463 - Yancey WSC
- 10219 - Medina County WCID 2
- 10239 - City of Hondo
- 12975 - Old Highway 90 Water Service
- 11106 - SWWC Utilities Inc
- 10640 - San Antonio Water System
- 13154 - LCR Water Development LP
- 11004 - City of La Coste
- 11671 - Rio Medina Water
- 10218 - City of Castroville
- 12757 - Ville D'Alsace WSC
- 11135 - Highway 90 Ranch WSC
- 10217 - East Medina County SUD

- 12558 - New Alsace WSC
- 11847 - Medina River West WSC
- 11897 - Creekwood Ranches WSC
- 11366 - Atascosa Rural WSC
- 11007 - City of Lytle
- 12587 - Benton City WSC
- 10238 - City of Devine
- 10212 - Moore WSC

Water CCN Facility Lines

- 11463 - Yancey WSC
- 11871 - West Medina WSC



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

Map by: Komal Patel
 Date created: April 30, 2020
 Project Path: n:\finalmapping\
 49272YanceyWSC.mxd