

Control Number: 49559



Item Number: 15

Addendum StartPage: 0

DOCKET NO. 49559

**APPLICATION OF THE CITY OF
HALLSVILLE TO AMEND A
CERTIFICATE OF CONVENIENCE
AND NECESSITY AND TO
DECERTIFY A PORTION OF WEST
HARRISON WATER SUPPLY
CORPORATION'S CERTIFICATE
OF CONVENIENCE AND
NECESSITY IN HARRISON COUNTY**

§
§
§
§
§
§
§
§

PUBLIC UTILITY COMMISSION

OF TEXAS

2020 JAN 10 PM 2:39

FILED
PUBLIC UTILITY COMMISSION
CLERK

COMMISSION STAFF'S FINAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this recommendation. Staff recommends that the application be approved. In support thereof, Staff would show the following:

I. BACKGROUND

On May 21, 2019, the City of Hallsville (Hallsville) filed an application to amend its water certificate of convenience and necessity (CCN) No. 13200 and to decertify a portion of West Harrison Water Supply Corporation's (West Harrison) CCN No. 12728 in Harrison County. The application was filed pursuant to Texas Water Code (TWC) §§ 13.242-.250 and 16 Texas Administrative Code 24.225-.237. Hallsville proposes to incorporate an area which is comprised of 16 acres and 24 current customers.

Order No. 4, issued October 23, 2019, set a deadline of January 10, 2020, for Staff to make its final recommendation. This pleading, therefore, is timely filed.

II. FINAL RECOMMENDATION

After review, and in accordance with the attached memorandum of Nabaraj Pokharel of the Infrastructure Division, Staff recommends that the application be approved. Based on Staff's review, Hallsville meets all of the applicable technical, managerial, and financial requirements to demonstrate the capacity to provide continuous and adequate service described in TWC §§ 13.242-.250 and 16 TAC §§ 24.225-.237. Additionally, Staff's position is that the amendment of CCN No. 13200 and the decertification of a portion of CCN No. 12728 is necessary for the service, accommodation, convenience, and safety of the public.

The final map, certificate, and tariff were consented to by both Hallsville and West Harrison on January 3, 2020. Staff further recommends that Hallsville file certified copies of the CCN maps along with a written description of the CCN service area in the Harrison county clerk's office pursuant to TWC §§ 13.257 (r)-(s).

III. CONCLUSION

Staff respectfully requests the issuance of an order consistent with the foregoing recommendation.

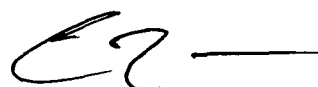
Dated: January 10, 2020

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Thomas S. Hunter
Division Director

Heath D. Armstrong
Managing Attorney

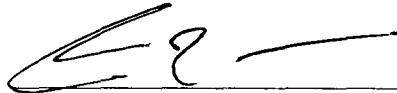


Creighton R. McMurray
State Bar No. 24109536
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7275
(512) 936-7268 (facsimile)
creighton.mcmurray@puc.texas.gov

DOCKET NO. 49559

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 10th of January 2020 in accordance with 16 TAC § 22.74.



Creighton R. McMurray

PUC Interoffice Memorandum

To: Creighton McMurray, Attorney
Legal Division

From: Nabaraj Pokharel, Engineering Specialist
Infrastructure Division

Maxine Gilford, Financial Analyst
Rate Regulation Division

Date: January 10, 2020

Subject: **Docket No. 49559:** *Application of City of Hallsville to Amend and Decertify a Portion of a Water Certificate of Convenience and Necessity of West Harrison WSC's in Harrison County*

On May 21, 2019, the City of Hallsville (Applicant) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 13200 and to decertify a portion of West Harrison WSC's water CCN No. 12728 in Harrison County. The application is being reviewed under Texas Water Code Ann. (TWC) §§ 13.242-13.250 and 16 Texas Administrative Code (TAC) §§ 24.225-24.237.

Background

The Applicant is seeking to decertify a portion of West Harrison WSC's water CCN No. 12728 and amend to CCN No. 13200 for the water certificated service area containing approximately 16 acres and 24 existing customers.

Notice

The comment period ended October 17, 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 requested area currently receives service from the Applicant.

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

The City of Hallsville serves approximately 1,588 current customers and provides safe and reliable water services to all the customers. A developer has built a subdivision inside the city limits of Hallsville. A small portion of the new subdivision is inside West Harrison WSC's CCN service area. West Harrison WSC has agreed to give the City of Hallsville this portion so all members inside the new subdivision can be served by the City of Hallsville. Applicant mentioned that the public water system serving the requested area purchases water or sewer treatment capacity from the City of Longview. Applicant also provided the purchase water contract agreement with the application. In addition, there is a service agreement between the City of Hallsville and West Harrison Water Supply Corporation for a reliable and continuous supply of 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.

According to the settlement agreement included with the application, the parties agreed that City of Hallsville shall be the sole provider of the water service area.

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

Staff recommends that the Applicant meets the requirements of 16 TAC §24.227(a)(1) since it has a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under PWS ID No. 1020004. The public water system is capable of providing drinking water that meets the requirements of Texas Health and Safety Code, Chapter 341 and TCEQ rules and has access to an adequate supply of water. The City of Hallsville also has no outstanding violations listed in the TCEQ database.

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

According to the settlement agreement, the parties agreed that City of Hallsville shall be the sole provider of the water service area.

Financial Test

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.¹ The Purchaser must demonstrate that it meets one of the five tests.²

The Applicant meets three 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 \$6,614,513³ divided by equity/net position of \$7,393,881⁴ equals 0.90 which is less than one. The Applicant also has sufficient unrestricted cash available as a cushion for two years of debt service. Debt service payments for year 2019 of \$621,276⁵ plus year 2020 of \$490,382⁶ result in a total of two years of debt service of \$1,111,658 while unrestricted cash totals \$1,970,136.⁷ In addition, the Applicant has a debt service coverage ratio of 1.58 times derived by dividing net operating income before depreciation of \$981,947⁸ by long-term debt payments of \$621,276.

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. Projections were not available in the application; however, the Applicant had \$981,947 in net operating income before depreciation. Therefore, there are no shortages to cover. The facilities to serve this area have already been built and no new facilities are necessary.

¹ See 16 TAC § 24.11(e)(2).

² *Id.*

³ www.mactexas.com, or page 10 of the audited financial statements.

⁴ *Id.*

⁵ www.mactexas.com, or page 33-35 of the audited financial statements.

⁶ *Id.*

⁷ www.mactexas.com, or page 10 of the audited financial statements.

⁸ www.mactexas.com, or pages 8 and 32 of the audited financial statements.

Staff's analysis is based on the Applicant's audited financial statements which contained an unqualified auditor's opinion from Knuckols, Duvall, Hallum & Company which stated that the financial statements present fairly, in all material respects, the financial position of the Applicant as of September 30, 2018. The audit and the related opinion indicate the transparency of the Applicant and indicate sound management capabilities.

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.

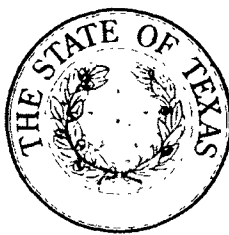
The land will not be affected as there are existing facilities to serve the requested area.

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

Granting the CCN amendment will allow the area to continue to receive water service from City of Hallsville.

Staff recommends that the Applicant meets all of the statutory requirements of TWC 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 its water CCN No. 13200 and to decertify a portion of West Harrison WSC's water CCN No. 12728 in Harrison County is necessary for the service, accommodation, convenience and safety of the public. The Applicant consented to the attached maps and certificates on January 3, 2020.

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

City of Hallsville

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, the City of Hallsville is entitled to this

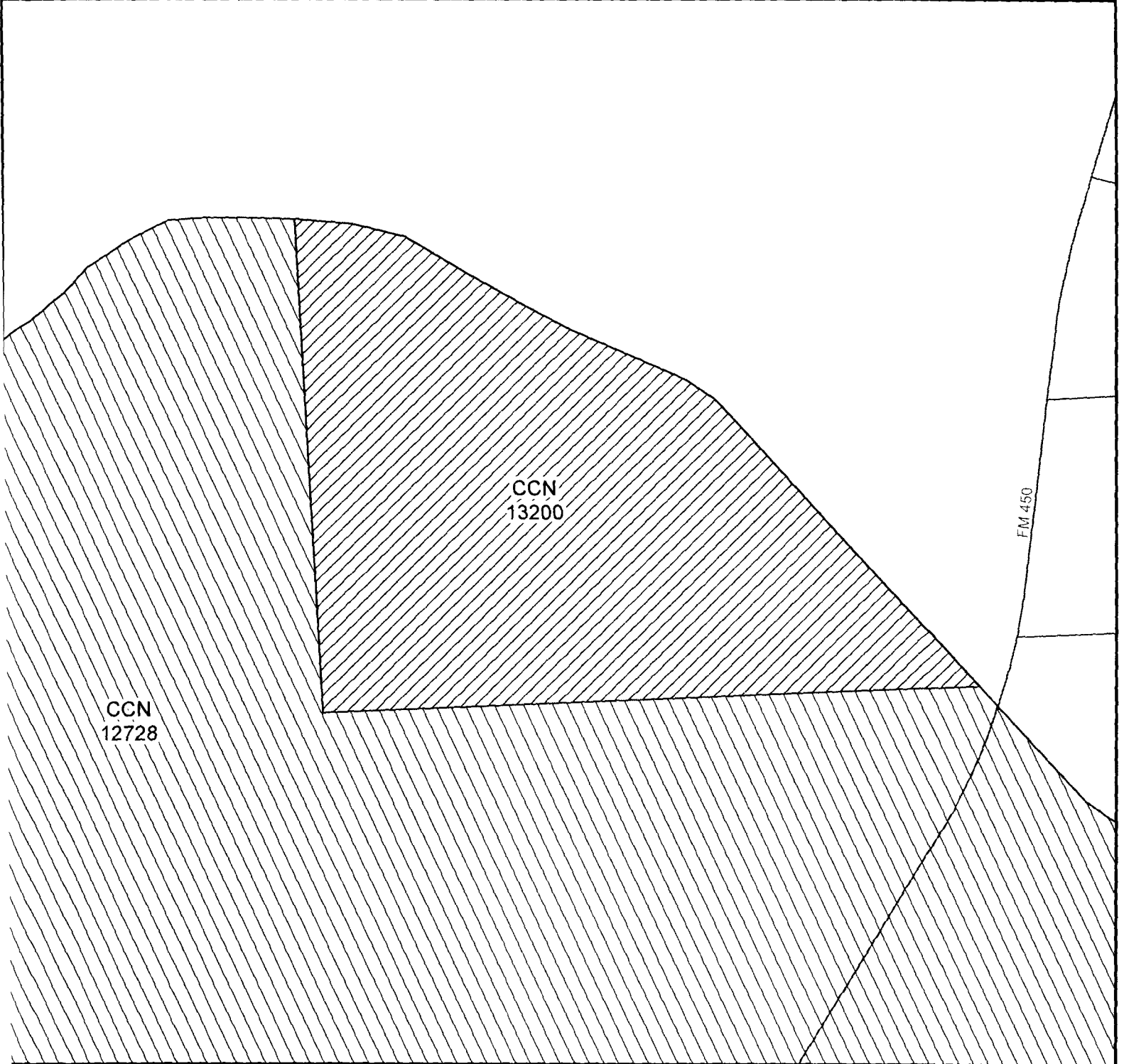
Certificate of Convenience and Necessity No. 13200

to provide continuous and adequate water utility service to that service area or those service areas in Harrison County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 49559 are on file at the Commission offices in Austin, Texas; and are a matter 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 Hallsville 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, the _____ day of _____ 2020.



City of Hallsville
Portion of Water CCN No. 13200
PUC Docket No. 49559

Decertified a Portion of West Harrison Water Supply Corporation, CCN 12728 in Harrison County



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

Water CCN

-  13200 - City of Hallsville
-  12728 - West Harrison WSC

0 200 400
Feet



Map by Komal Patel
Date created November 7, 2019
Project Path n:\finalmapping\
49559CityofHallsville.mxd