



Control Number: 49834



Item Number: 20

Addendum StartPage: 0

DOCKET NO. 49834

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**APPLICATION OF QUADVEST, L.P.
TO AMEND ITS SEWER
CERTIFICATE OF CONVENIENCE
AND NECESSITY IN LIBERTY
COUNTY**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

COMMISSION STAFF'S AMENDED FINAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Amended Final Recommendation and would show the following:

On August 8, 2019, Quadvest, L.P. (Quadvest) filed an application to amend its sewer certificate of convenience and necessity (CCN) No. 20952 in Liberty County. The requested area consists of approximately 43 acres and zero current customers, and Quadvest has received a request for service for a development that will include 83 connections.

Staff timely filed its final recommendation on the application on February 18, 2020. In support of Staff's recommendation that Quadvest's application be approved, Staff filed the memorandum of Greg Charles and Fred Bednarski, III as Attachment A. However, a draft of the memo, and not the final version, was inadvertently attached. This pleading includes the corrected Attachment A.

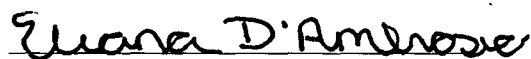
Dated: February 19, 2020

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Thomas S. Hunter
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**DOCKET NO. 49834
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on February 19, 2020, in accordance with 16 TAC § 22.74.



Eleanor D'Ambrosio

Attachment A

PUC Interoffice Memorandum

To: Eleanor D'Ambrosio, Attorney
Legal Division

From: Greg Charles, Engineer
Infrastructure Division

Fred Bednarski III, Financial Analyst
Rate Regulation Division

Date: February 18, 2020

Subject: **Docket No. 49834**, *Application of Quadvest, L.P. to Amend its Sewer Certificate of Convenience and Necessity in Liberty County*

Background

On August 8, 2019, Quadvest L.P. (Quadvest or Applicant) filed an application with the Public Utility Commission of Texas (Commission) to amend its sewer certificate of convenience and necessity (CCN) in Liberty County, Texas pursuant to Texas Water Code (TWC) §§ 13.242 to 13.250 and the 16 Texas Administrative Code (TAC) §§ 24.225 to 24.237. The requested service area consists of 43 acres and currently has no customers.

Notice

The comment period ended on January 6, 2020, 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) and 16 TAC § 24.227(d)(1) require the Commission to consider the adequacy of service currently provided to the requested area.

Staff did not consider this criterion because sewer service is not currently being provided to the requested area.

TWC § 13.246(c)(2) and 16 TAC § 24.227(d)(2) require the Commission to consider the need for service in the requested area.

The requested service area is vacant land that is being developed into residential subdivisions.

TWC § 13.246(c)(3) and 16 TAC § 24.227(d)(3) require the Commission to consider the effect of granting certificate or 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 because there are no other water and sewer providers within the requested service area.

TWC §§ 13.241(b) and (c), 13.246(c)(4) and 16 TAC § 24.227(d)(4) require the Commission to consider the ability of the Applicant to provide adequate service.

Quadvest has a sewer permit registered with the Texas Commission on Environmental Quality (TCEQ) under WQ 0015061-001, with a capacity of 0.06 million gallons per day, which is capable of serving 200 connections (based on the TCEQ metric of 300 gallons per day per connection). The requested area sewer system will be connected to the collection system of an existing subdivision. The system has adequate capacity to serve the 83 connections in the requested area.

TWC §§ 13.241(d), 13.246(c)(5), and 16 TAC § 24.227(d)(5) require the Commission to consider the feasibility of obtaining service from an adjacent retail public utility.

There are no retail public water or sewer utilities within one-half mile of the requested area.

TWC § 13.246(c)(6) and 16 TAC § 24.227(d)(6) require 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 Applicant must demonstrate that it meets one of the five tests.²

The following shows that Quadvest meets one out of five leverage tests. This analysis is based on confidential financial statements ending December 31, 2018 and 2017. These financial statements contained an unqualified auditor's opinion from Haynie & Company, which stated that the financial statements present fairly, in all material respects, the financial position of Quadvest as of December 31, 2018 and 2017. The audit and the related opinion indicate the transparency of Quadvest and indicate sound management capabilities.

Quadvest's debt service coverage ratio is greater than 1.25 as provided in Note 9 of the confidential financial statements (Confidential Attachment FB-1). Therefore, Quadvest meets one of the five leverage tests.

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. Quadvest submitted confidential projected financial statements in its application, which show there are no cash shortages to cover (Confidential Attachment FB-1). Additionally noted, the developer has agreed to pay for all improvements needed to provide continuous and adequate service to the requested area (Confidential Attachment FB-1). Therefore, Quadvest meets the operations test.

¹ 16 TAC § 24.11(e)(2).

² *Id.*

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 Quadvest be required to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

TWC §§ 13.246(7) and (9) and 16 TAC §§ 24.227(d)(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 will be minimally affected as the requested area is developed. In addition, granting the CCN will protect the environmental integrity of the land by eliminating the need for additional onsite sewage facilities in the service area.

TWC § 13.246(8) and 16 TAC § 24.227(d)(8) require the Commission to consider the probable improvement in service or lowering of cost to consumers.

This is not applicable because there are no homes currently receiving service in the requested service area.

The Applicant consented to the attached map and certificate on February 6, 2020.

Recommendation

Based on the above information, Staff recommends that:

- The Applicant 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;
- The amendment of sewer CCN No. 20952 is necessary for the service, accommodation, convenience, and safety of the public;
- The application be approved and the attached map and certificate be provided to the Applicant.