



Control Number: 50244



Item Number: 57

Addendum StartPage: 0

DOCKET NO. 50244

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APPLICATION OF QUADVEST  
LP TO AMEND A CERTIFICATE  
OF CONVENIENCE AND  
NECESSITY IN HARRIS COUNTY

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PUBLIC UTILITY COMMISSION  
OF TEXAS

**COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION ON FINAL  
DISPOSITION IN RESPONSE TO ORDER NO. 14**

On November 15, 2019, Quadvest, L.P. (Quadvest) filed an application to amend its certificates of convenience and necessity (CCN) in Harris County. Quadvest holds water CCN number 11612 and sewer CCN number 20952. The requested service area consists of approximately 50 acres and has 0 current customers. Quadvest filed supplemental information on February 5, 2021 and April 5, 2021.

In Order No. 17 filed on April 12, 2021, the administrative law judge required the Staff of the Public Utility Commission of Texas (Staff) to file a supplemental recommendation in response to Order No. 14 addressing regionalization, consolidation, effects on adjacent utilities, if any, and whether Quadvest has complied with 16 Texas Administrative Code (TAC) § 24.227(b)(3) and (4) by April 26, 2021. Therefore, this pleading is timely filed.

**I. SUPPLEMENTAL FINAL RECOMMENDATION**

Staff has reviewed Quadvest's application, as supplemented, and as detailed in the attached updated memorandum of Patricia Garcia, of the Commission's Infrastructure Division, Staff continues to recommend that the application be approved. After reviewing Quadvest's responses to Staff's request for information, Staff recommends that Quadvest has substantially satisfied the requirements of 16 TAC § 24.227(b)(3) and (4).

Staff's review indicates that Quadvest substantially 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.

## **II. CONCLUSION**

For the reasons stated above, Staff respectfully continues to recommend that the Commission approve Quadvest's application.

Date: April 26, 2021

Respectfully Submitted,

### **PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION**

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**DOCKET NO. 50244**

### **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 April 26, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Kourtnee Jinks  
Kourtnee Jinks

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Kourtnee Jinks, Attorney  
Legal Division

**FROM:** Patricia Garcia, Senior Engineering Specialist  
Infrastructure Division

**DATE:** April 23, 2021

**RE:** Docket No. 50244 – *Application of Quadvest, LP to Amend its Certificate of Convenience and Necessity in Harris County*

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### **1. Application**

On November 15, 2019, Quadvest, LP (Quadvest) filed with the Public Utility Commission of Texas (Commission) an application to amend its water and sewer certificate of convenience and necessity (CCN) Nos. 11612 and 20952 in Harris County, Texas under Texas Water Code (TWC) §§ 13.242 to 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 to 24.237. On November 3, 2020, the requested amendment to the sewer CCN was severed and ordered to be addressed in Docket No. 51431.

Quadvest is seeking to amend a water CCN for the service area containing approximately 51 acres and 0 existing customers.

### **2. Notice**

The comment period ended April 16, 2020, and no protests or opt-out requests were received. On November 30, 2020, HMW Special Utility District (HMW) filed a motion to intervene. On December 15, 2020, the ALJ denied HMW's motion to intervene.

### **3. Factors Considered**

TWC §§ 13.241 and 13.246, and 16 TAC §§ 24.11(e) and 24.227 require the Commission to consider certain factors when granting or amending a water or sewer CCN. Therefore, the following factors were considered.

#### **3.1. *Consideration of the adequacy of service currently provided to the requested area and system compliance (TWC § 13.246(c)(1); 16 TAC § 24.227(a) and (e)(1)).***

Service is not currently being provided to this area as there are no customers currently in the requested area.

**3.2. *Consideration of the need for additional service in the requested area (TWC § 13.246(c)(2); 16 TAC § 24.227(e)(2)).***

There is a need for service as the property owner is developing a subdivision and has requested service from Quadvest to serve the future customers.

**3.3. *Consideration of the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already servicing the proximate area (TWC §§ 13.241(b) and 13.246(c)(3), 16 TAC § 24.227(e)(3)).***

Quadvest will be the certificated entity for the requested area and be required to provide adequate and continuous service to the requested area.

The landowner in the requested area will have a water provider available for the subdivision that is being developed.

There will be no effect on any retail public utility servicing the proximate area. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application. On November 30, 2020, HMW Special Utility District (HMW) filed a motion to intervene. On December 15, 2020, the ALJ denied HMW's motion to intervene.

**3.4. *Consideration of the managerial and technical ability of the applicant to provide adequate service (TWC § 13.246(c)(4); 16 TAC § 24.227(a) and (e)(4)).***

Quadvest has several Texas Commission on Environmental Quality (TCEQ) approved Public Water Systems (PWS). The PWS that will be providing service to the requested area is Decker Prairie Rosehill, PWS Identification No. 1013703. Quadvest does not have any violations listed in the TCEQ database. Quadvest has received approval from the TCEQ for the construction of the facilities needed in order to provide service to the requested area.

**3.5. *The applicants' demonstration 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. (TWC § 13.241(d); 16 TAC § 24.227(b)).***

Water service was requested from retail public utilities within one half mile of the outer boundary of the requested areas and no affirmative responses were received.

On December 13, 2019, a petition from the landowner to remove the requested area from HMW's water CCN No. 10342 in Harris County was granted in Docket No. 49280.<sup>1</sup>

**3.6. *Consideration of the feasibility of obtaining service from an adjacent retail public utility (TWC § 13.246(c)(5); 16 TAC § 24.227(e)(5)).***

Quadvest provided a list of entities, including utilities, municipalities, districts, and the county judge, within 2 miles of the requested area and a copy of a letter requesting service along with their CCN amendment application. In response to Staff's First Request for Information, Quadvest confirmed the letter requesting service was provided to each of the

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<sup>1</sup> *Petition of Previllage, LLC to Amend HMW Special Utility District's Water Certificate of Convenience and Necessity in Harris County by Expedited Release*, Docket No. 49280, Order at 6 (Dec. 13, 2019)

providers on the 2-mile notice list<sup>2</sup>. None of the utilities on the list provided a response to the letter.

Quadvest received a request for service for the requested area from Decker Prairie Rosehill Development, LTD. TCEQ has approved plans for Quadvest to build facilities in the requested area to serve future customers. Quadvest will have sufficient capacity to serve the area. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

**3.7. *Consideration of the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service (TWC § 13.246(c)(6); 16 TAC §§ 24.227(a) and (e)(6), 24.11(e)).***

Fred Bednarski III, Financial Analyst in the Rate Regulation Division, provided the following.

The review addresses the financial ability and stability requirements in TWC §13.246(c)(6) and the related financial assurance provisions in 16 TAC §24.11 pertaining to Quadvest. The conclusions are based on information provided prior to the date of this memorandum and may not reflect any changes in Quadvest's status subsequent to this review.

An owner or operator of a retail public utility must have the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service areas, as established by 16 TAC § 24.11. Quadvest must demonstrate that it meets one of the five leverage tests under 16 TAC § 24.11(e)(2) as well as an operations test under 16 TAC § 24.11(e)(3).

Quadvest meets the second leverage test under 16 TAC § 24.11(e)(2)(B). The financial statement included in confidential Attachment FB-1 reports a debt service coverage ratio that is more than 1.25. A debt service coverage ratio more than 1.25 indicates financial stability and financial and managerial capability.

Quadvest meets the operations test specified in 16 TAC § 24.11(e)(3), which requires an owner or operator to demonstrate sufficient available cash to cover any projected operations and maintenance shortages during the first five years of operations. Quadvest submitted projected financial statements associated with the provision of water service and the funding of necessary capital improvements for five years for the requested area. The statements indicate cash flow shortages as submitted in confidential attachment FB-1. Although Quadvest projects cash flow shortages to serve the requested area, the financial statements indicate that the Applicant generates sufficient annual net income and maintains a sufficient cash balance to cover the projected annual shortages. Sufficient cash balances to cover projected annual shortages indicates financial stability and financial and managerial capability.

**3.8. *Requirement of the 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 (TWC §§ 13.246(d); 16 TAC § 24.227(f)).***

Mr. Bednarski provided the following.

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<sup>2</sup> Response at page 2 (April 5, 2021).

As explained in the discussion of TWC § 13.246(c)(6) and 16 TAC §§ 24.227(a), (e)(6), and 24.11(e) Quadvest meets the financial tests. Therefore, no additional financial assurance is needed.

**3.9. *Consideration of the environmental integrity and the effect on the land to be included in the certificated area (TWC § 13.246(c)(7) and (9); and 16 TAC § 24.227(e)(7) and (9)).***

The environmental integrity of the land will be minimally affected as the water plant and distribution lines are constructed to provide service to the requested area.

**3.10. *Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC § 24.227(e)(8)).***

There will be an improvement of service as water service is not currently available in the requested area. Quadvest is an existing Investor Owned Utility and plans to use the currently approved rates from Docket No. 47910.

**4. Recommendation**

Based on the mapping review by Tracy Montes, Infrastructure Division, the financial and managerial review by Fred Bednarski, Rate Regulation Division, and my technical and managerial review, I recommend that Quadvest 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. 11612 is necessary for the service, accommodation, convenience and safety of the public.

Quadvest consented to the attached map, tariff, and certificate on December 22, 2020.