



Control Number: 50814



Item Number: 22

Addendum StartPage: 0

RECEIVED

DOCKET NO. 50814

2020 DEC -4 PM 1:14

APPLICATION OF WEST HARRISON	§	PUBLIC UTILITY COMMISSION,
WATER SUPPLY CORPORATION TO	§	FILING CLERK
AMEND ITS WATER CERTIFICATE	§	OF TEXAS
OF CONVENIENCE AND NECESSITY	§	
IN HARRISON COUNTY	§	

COMMISSION STAFF'S FINAL RECOMMENDATION ON THE APPLICATION

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Final Recommendation on the Application. Staff offers the following in support:

I. BACKGROUND

On May 4, 2020, West Harrison Water Supply Corporation (West Harrison) filed an application to amend its water certificate of convenience and necessity (CCN) No. 12728 in Harrison County, Texas under Texas Water Code (TWC) §§ 13.242 to 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 to 24.237. On May 13, 2020, West Harrison filed supplemental information, and on July 1, 2020, West Harrison amended the application to increase the acreage of the requested area from approximately 437 acres to approximately 447 acres.

On September 14, 2020, the administrative law judge (ALJ) filed Order No. 6,¹ which set a deadline of December 4, 2020 for Staff to file a final recommendation on the application. This pleading, therefore, is timely filed.

II. FINAL RECOMMENDATION

After review, and as supported by the attached memorandum of Jolie Mathis of the Commission's Infrastructure Division, Staff recommends approval of the application. Staff's review indicates that West Harrison 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.

¹ The headers in Order Nos. 5 and 6 styled this matter as: *Application of West Harrison Water Supply Corporation to Amend its Sewer Certificate of Convenience and Necessity in Hidalgo County*. Staff believes this is a clerical error and respectfully requests that the styling revert back to *Application of West Harrison Water Supply Corporation to Amend its Water Certificate of Convenience and Necessity in Harrison County*

Additionally, Staff's review suggests that approval of the application is necessary for the service, accommodation, convenience, and safety of the public.

On or before December 11, 2020, the parties will jointly file proposed findings of fact and conclusions of law.

III. CONCLUSION

For the reasons discussed above, Staff respectfully requests that West Harrison's application be approved.

Dated: December 4, 2020

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

Rachelle Nicolette Robles
Division Director

Eleanor D'Ambrosio
Managing Attorney

/s/ Merritt Lander
Merritt Lander
State Bar No. 24106183
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7290
(512) 936-7268 (facsimile)
Merritt.Lander@puc.texas.gov

DOCKET NO. 50814

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 on December 4, 2020 in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Merritt Lander
Merritt Lander

Public Utility Commission of Texas

Memorandum

TO: Merritt Lander, Attorney
Legal Division

FROM: Jolie Mathis, Utility Engineering Specialist
Infrastructure Division

DATE: December 4, 2020

RE: **Docket 50814**, *Application of West Harrison Water Supply Corporation to Amend Its Water Certificate of Convenience and Necessity in Harrison County*

On May 4, 2020, West Harrison Water Supply Corporation (West Harrison) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 12728 in Harrison County, Texas under Texas Water Code (TWC) §§ 13.242 to 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 to 24.237.

Background

West Harrison is seeking to amend its water CCN for the service area containing approximately 447 acres, 3 existing customers, and 15 requests for new service.

Notice

The comment period ended September 14, 2020, and no protests or opt-out requests were received.

Factors Considered

TWC §§ 13.241 and 13.246, and 16 TAC § 24.227 require the Commission to consider certain factors when granting or amending a water or sewer 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.

West Harrison has a Texas Commission on Environmental Quality (TCEQ) approved Public Water System (PWS) Identification No. 1020078. West Harrison does not have any violations listed in the TCEQ database. No additional construction is necessary for West Harrison 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. West Harrison currently serves 3 customers in the rural area outside of its existing CCN. West Harrison desires to include these customers, meters and distribution lines within its CCN boundaries. West Harrison has also received 15 requests for service in the requested area. This requested area is uncertificated area.

TWC §§ 13.241(b) and 13.246(c)(3) require the Commission to consider 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.

Construction of a physically separate water system is not required for the proposed CCN amendment. The requested area is adjacent to the existing West Harrison CCN boundary. Service to the requested area has been accomplished by waterline extensions. Certifying the requested area will not adversely affect any landowners who will be able to obtain water service from West Harrison rather than drilling a well.

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

West Harrison has a Texas Commission on Environmental Quality (TCEQ) approved Public Water System (PWS) Identification No. 1020078. West Harrison does not have any violations listed in the TCEQ database. West Harrison's PWS has adequate capacity to meet the current and projected demands in the requested area.

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

Currently, there are no other water providers in the area.

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.

Fred Bednarski, Rate Regulation Division, prepared the analysis and recommendation for this section.

The provisions of 16 TAC § 24.11 establish 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 an operations test. The Commission rules identify five leverage tests.¹ West Harrison must demonstrate that it meets one of the five tests.²

West Harrison meets one out of five leverage tests. My analysis is based on financial statements ending December 31, 2018 (Financial Statements). The Financial Statements contain an unqualified auditor's opinion from Knuckols, Duvall, Hallum & Co. stating that the financial statements present fairly, in all material respects, the financial position of West

¹ See 16 TAC § 24.11(e)(2).

² *Id*

Harrison as of December 31, 2018. The audit and the related opinion indicate the transparency of West Harrison and indicate sound management capabilities.

West Harrison meets the second test under 16 TAC § 24.11(e)(2)(B). The 2018 financial statements indicate a debt service coverage ratio of 1.72. I calculated the debt service coverage ratio as follows: change in net assets of \$8,459,³ plus interest expense of \$77,896,⁴ plus depreciation expense of \$136,033,⁵ equals \$222,388 divided by annual long term debt payments \$129,000.⁶ A debt service coverage ratio of greater than 1.25 is an indicator of financial stability and financial and managerial capability.

The provisions of 16 TAC § 24.11(e)(3) refer to the operations test requiring the owner or operator to demonstrate that sufficient cash is available to cover any projected operations and maintenance shortages during the first five years of operations. West Harrison did not submit projected financial statements in its application; however, audited financial statements were provided for 2016 through 2018. These financial statements report a positive change in net assets of \$8,459⁷ in 2018, and a positive Net Cash Provided by Operating Activities of \$76,675⁸ and \$93,422⁹ in 2016 and 2017, respectively. Furthermore, the financial statements indicate a cash and cash equivalent balance of \$396,287.¹⁰ Based on historical experience, I expect no operating shortages in the future. Southwestern Electric Power Company committed to providing capital for infrastructure required to provide continuous and adequate service to the requested area.¹¹ Sufficient cash, capital commitment, and ability to leverage debt due to a healthy debt service coverage ratio provide assurance that West Harrison can cover possible future shortages. Therefore, West Harrison meets the operations test.

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.

Based on the financial and managerial review of the application and the recommendation of Fred Bednarski, West Harrison meets the financial tests. Therefore, no additional financial assurance is needed.

TWC §§ 13.246(c)(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.

³ Application at 85 (May 4, 2020).

⁴ *Id.* at 86.

⁵ *Id.*

⁶ *Id.* at 92

⁷ *Id.* at 85.

⁸ *Id.* at 52

⁹ *Id.* at 69.

¹⁰ *Id.* at 84.

¹¹ West Harrison Water Supply Corporation's Response to Staff's First Set of Requests for Information, Staff 2-3 at 3 (Nov 3, 2020).

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

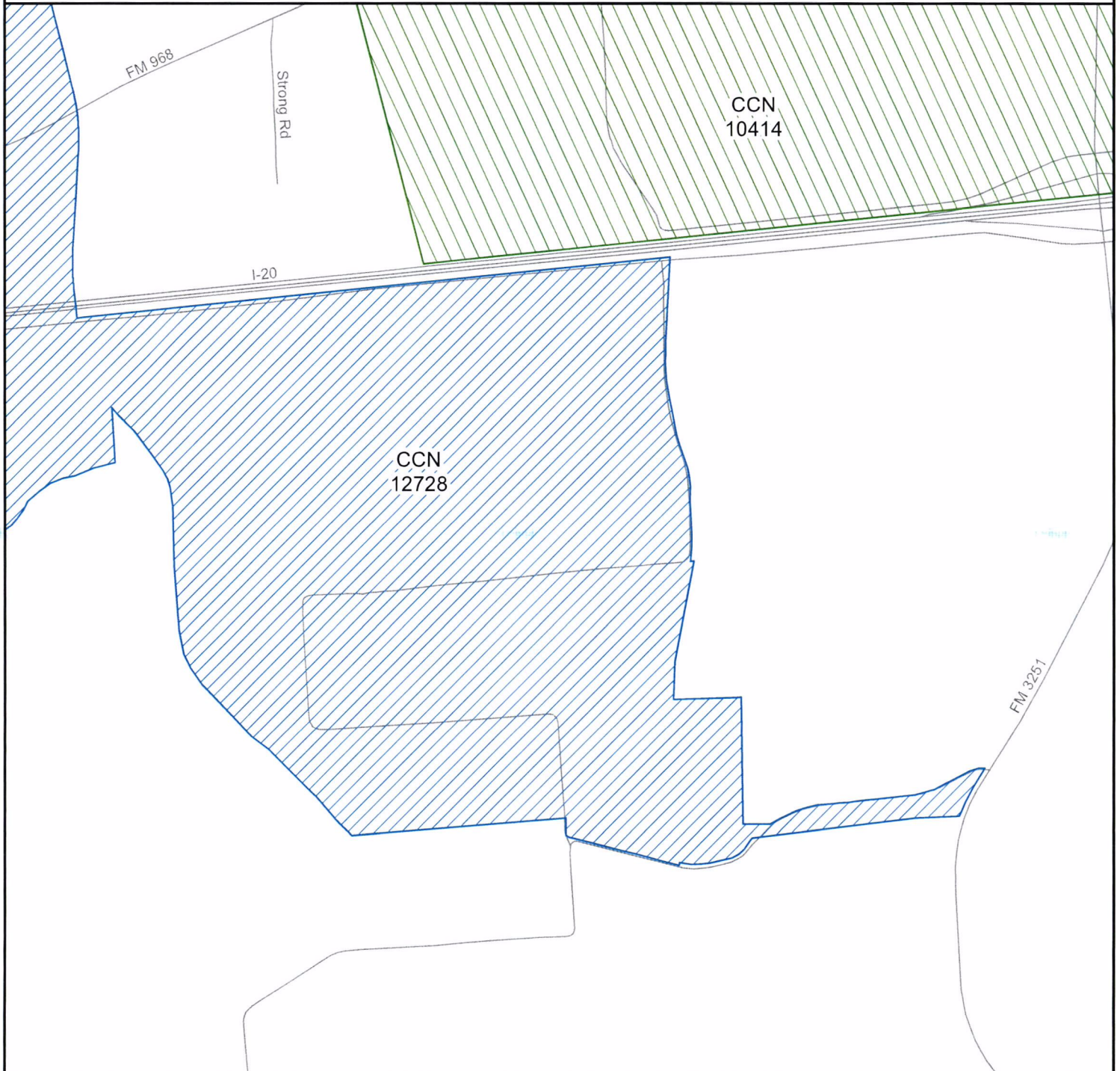
West Harrison will continue to provide water service to the existing customers in the area with no change to the cost to customers.

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 West Harrison meets all of the statutory requirements of Texas Water Code Chapter 13 and the Commission's Chapter 24 rules and regulations, that West Harrison is capable of providing continuous and adequate service, and that approving this application to amend water CCN No. 12728 is necessary for the service, accommodation, convenience and safety of the public.

West Harrison consented to the attached map and certificate on November 16, 2020.

Based on the above information, I recommend approval of the application, and the provision of the attached map and certificate to West Harrison.

West Harrison Water Supply Corporation
Portion of Water CCN No. 12728
PUC Docket No. 50814
Amended CCN No. 12728 in Harrison County



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

Water CCN

-  12728 - West Harrison WSC
-  10414 - Talley WSC

0 625 1,250
Feet



Map by: Komal Patel
Date created: November 5, 2020
Project Path: n:\finalmapping\
50814WestHarrisonWSC.mxd



Public Utility Commission Of Texas

By These Presents Be It Known To All That

West Harrison 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, West Harrison Water Supply Corporation is entitled to this

Certificate of Convenience and Necessity No. 12728

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. 50814 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 West Harrison 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 _____ 20__.