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DOCKET NO. 51431

**APPLICATION OF QUADVEST
LP TO AMEND A SEWER
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**

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. On November 3, 2020, the administrative law judge (ALJ) filed Order No. 1 granting Quadvest's request to sever the water and sewer portions of its application. Accordingly, this docket addresses the sewer portion of Quadvest's application.

In Order No. 9, filed on May 13, 2021, the ALJ established a deadline of June 14, 2021 for Staff of the Public Utility Commission of Texas (Staff) to file comments addressing Quadvest's response to Order no. 5. Therefore, this pleading is timely filed.

I. FINAL RECOMMENDATION ON THE APPLICATION

Staff has reviewed Quadvest's response to Order no. 5, and as detailed in the attached, amended, memorandum of Jolie Mathis, of the Commission's Infrastructure Division, Staff recommends that the application be approved. 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.

The corresponding map, certificate, and tariff consented to by Quadvest are included with Staff's January 25, 2021 pleading.

II. CONCLUSION

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

Date: June 14, 2021

Respectfully Submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

Rachelle Nicolette Robles
Division Director

Rashmin J. Asher
Managing Attorney

/s/ Kourtnee Jinks
Kourtnee Jinks
State Bar No. 24097146
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7265
(512) 936-7268 (facsimile)
kourtnee.jinks@puc.texas.gov

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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 14, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Kourtnee Jinks
Kourtnee Jinks

Public Utility Commission of Texas

Memorandum

TO: Kourtnee Jinks, Attorney
Legal Division

FROM: Jolie Mathis, Utility Engineering Specialist
Infrastructure Division

DATE: June 14, 2021

RE: Docket No. 51431 – *Application of Quadvest, LP to Amend a Sewer Certificate of Convenience and Necessity in Harris County*

On November 15, 2019, in Docket No. 50244, Quadvest, LP (Quadvest) filed with the Public Utility Commission of Texas (Commission) an application to amend its water certificate of convenience and necessity (CCN) No. 11612 and its sewer CCN No. 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 Order No. 1 was filed granting Quadvest's motion to sever the water and sewer portions of the application. Accordingly, Docket No. 50244 will address the requested water CCN amendment. Docket No. 51431 was created to address the requested sewer CCN amendment.

Background

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

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 January 8, 2021, the administrative law judge denied HMW's motion to intervene.

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.

Quadvest has several Texas Commission on Environmental Quality (TCEQ) Wastewater Permits (WQ). The Wastewater Permit that will be providing service to the requested area is Decker Rosehill WWTP, WQ0015825001. Service is not currently being provided to this area as there are no customers currently in the requested area. TCEQ has issued a final permit based on the TPDES Application.

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 the sole property owner of the requested area is developing a subdivision and has requested service from Quadvest to serve the future customers.

TWC §§ 13.241(b) and 13.246(c)(3) requires 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.

There will be no effect on any retail public utility servicing the proximate area. There is one landowner in the requested area. The landowner requested Quadvest provide water service to the future customers in the requested area.

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

The Wastewater Permit that will be providing service to the requested area is Decker Rosehill WWTP, WQ0015825001. Quadvest received approval of their wastewater permit from TCEQ. For sewer utilities, TCEQ does not issue separate approval letters for plans and specifications for construction of the wastewater treatment plant [24.233(a)(15)(A)].

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

There is one utility (HMW) within 1/2 mile from the requested area. Service was not requested from the utility for the proposed subdivision.

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.

Staff Witness Fred Bednarski III, Financial Analyst in the Rate Regulation Division, provides the following analysis for the Commission's review and decisions.

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. The Applicant 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).

Leverage tests

My analysis is based on confidential audited financial statements ending December 31, 2018 and December 31, 2017. The Applicant's 2018 financial statements report a debt service coverage ratio of 1.64 as submitted in confidential Attachment FB-1. Because the ratio is greater than 1.25, the Applicant meets the test specified in 16 TAC § 24.11(e)(2)(B).

Operations test

An owner or operator must demonstrate sufficient available cash to cover projected cash shortages for operations and maintenance expense during the first five years of operations, as required by 16 TAC § 24.11(e)(3). The Applicant's confidential financial projections indicate cash flow shortages as submitted in confidential attachment FB-1. Although the Applicant projects cash flow shortages to serve the requested area, the Applicant generates sufficient annual net income and maintains a sufficient cash balance to cover the projected annual shortages as also included in confidential attachment FB-1. Sufficient cash and net operating income available to cover possible future shortages provides an indication of financial stability and financial and managerial capability. Therefore, the Applicant meets the operations test specified in 16 TAC § 24.11(e)(3).

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, Quadvest meet 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 be maintained because the landowner will be able to develop the property around a centralized sewer system instead of requiring several septic systems to serve future customers.

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

There will be an improvement of service as service is not currently available to customers in the requested area.

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 sewer CCN No. 20952 is necessary for the service, accommodation, convenience and safety of the public.

Quadvest consented to the attached map, tariff, and certificate on January 14, 2021.

Based on the above information, I recommend the Commission approve the application, issue an order and provide the attached map, tariff, and certificate to Quadvest LP. I further

recommend that Quadvest 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).