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DOCKET NO. 51923

APPLICATION OF QUADVEST, L.P.	§	PUBLIC UTILITY COMMISSION
TO AMEND ITS WATER	§	
CERTIFICATE OF CONVENIENCE	§	OF TEXAS
AND NECESSITY IN MONTGOMERY	§	
COUNTY	§	

COMMISSION STAFF’S RESPONSE TO ORDER NO. 28

On March 22, 2021, Quadvest, L.P. (Quadvest) filed an application to amend its water certificate of convenience and necessity (CCN) No. 11612 and sewer CCN No. 20952 in Montgomery County, Texas.

On April 11, 2023, the administrative law judge (ALJ) filed Order No. 28, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to supplement its final recommendation with the memorandum from the Commission’s Rate Regulation Division regarding whether Quadvest has satisfied the leverage and operations tests by April 28, 2023. Therefore, this pleading is timely filed.

I. SUPPLEMENTAL RECOMMENDATION

Staff has reviewed the Quadvest application, and as supported by the attached memorandum from Ethan Blanchard, Rate Regulation Division, recommends that Quadvest has satisfied the leverage and operations test. Therefore, Staff recommends that the application be approved.

II. CONCLUSION

For the reasons stated above, Staff requests an order consistent with this recommendation.

Dated: April 28, 2023

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

/s/ Marisa Lopez Wagley

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CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document will be provided to all parties of record via electronic mail on April 28, 2023 in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

/s/ Marisa Lopez Wagley

Marisa Lopez Wagley

Public Utility Commission of Texas

Memorandum

TO: Kevin Bartz
Legal Division

FROM: Ethan Blanchard
Rate Regulation Division

DATE: July 20, 2022

RE: Docket No. 51923 *Application of Quadvest, L.P. to Amend its Certificate of Convenience and Necessity in Montgomery County*

On March 22, 2022, Quadvest, LP (Quadvest) filed an application to amend its water certificate of convenience and necessity (CCN) number 11612 and sewer CCN number 20952 in Montgomery County under Subchapter G of Texas Water Code Chapter 13.

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 Texas Administrative Code (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 the operations test under 16 TAC § 24.11(e)(3).

Leverage Test

My analysis is based on financial statements ending December 31, 2019. These financial statements contain an unqualified auditor's opinion from Calvetti Ferguson stating that the financial statements present fairly, in all material respects, the financial position of Quadvest as of December 31, 2019.¹

Based upon my review of Quadvest's financial statements, I calculate a debt service coverage ratio equal to 4.51.² Because the ratio is greater than 1.25, I recommend a finding that Quadvest meets the leverage test specified in 16 TAC § 24.11(e)(2)(B).

¹ Application, *Confidential- Financials*, item no. 3, at bates 7 (Mar. 24, 2021).

² *Id.*, at 11. The calculations for which can be found in confidential Attachment EB-1.

Operations Test and Capital Improvements

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).

Quadvest's financial projections show that there will be projected cash shortages during the first five years of operations resulting from system capital improvements, however these shortages amount to less than the cash currently held by Quadvest.³ Therefore, I recommend a finding that Quadvest meets the operations test specified in 16 TAC § 24.11(e)(3) and the requirements of 16 TAC § 24.11(e)(5)(B).

Recommendation

Because Quadvest meets the financial tests, I do not recommend that the Commission require additional financial assurance.

Consequently, I recommend a finding that Quadvest demonstrates the financial and managerial capability needed to provide continuous and adequate service to the area subject to this application. My conclusions are based on information provided by Quadvest before the date of this memorandum and may not reflect any changes in Quadvest's status after this review.

³ *Id.*, at 23. The calculations for which can be found in Attachment EB-1.