



## Filing Receipt

**Received - 2021-12-06 09:08:32 AM**  
**Control Number - 52172**  
**ItemNumber - 19**

**DOCKET NO. 52172**

<b>APPLICATION OF AQUA TEXAS,</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>INC. TO AMEND ITS CERTIFICATE</b>	<b>§</b>	
<b>OF CONVENIENCE AND NECESSITY</b>	<b>§</b>	<b>OF TEXAS</b>
<b>IN COLLIN COUNTY</b>	<b>§</b>	

**COMMISSION STAFF'S RESPONSE TO ORDER NO. 7  
AND SUPPLEMENTAL MOTION TO ADMIT EVIDENCE**

On May 27, 2021, Aqua Texas, Inc. (Aqua Texas) filed an application to amend its certificate of convenience and necessity (CCN) in Collin County. Aqua Texas holds water CCN No. 13201. The requested service area consists of 138 acres, zero existing connections, and 924 proposed connections. Aqua Texas filed supplemental information on June 23, 2021.

On November 10, 2021, the administrative law judge (ALJ) filed Order No. 7, requiring the Staff (Staff) of the Public Utility Commission of Texas to file a supplemental recommendation on the financial aspects of the application. Therefore, this pleading is timely filed.

## **I. SUPPLEMENTAL FINANCIAL RECOMMENDATION**

Order No. 7 requests clarification on whether Aqua Texas' financial documentation meets the requirements of 16 TAC § 24.11(e)(2) and (3). Specifically, the ALJ requests clarification on whether Aqua Texas' affiliated interests have: (1) demonstrated that they are capable, available, and willing to cover temporary cash shortages; and (2) provided a written guarantee of coverage of temporary cash shortages.

As detailed in the memorandum of Fred Bednarski, Rate Regulation Division, attached to Staff's October 19, 2021 recommendation on final disposition, Aqua Texas' financial documentation demonstrates that Aqua Texas' affiliate, Essential Utilities, Inc., has satisfied the leverage and operations tests. Specifically, Aqua Texas' documentation, included as attachments 11 and 12 to the application, demonstrates that the affiliate has met the leverage test with a debt-to-equity ratio of less than one. Additionally, Aqua Texas' documentation demonstrates that the affiliates have satisfied the operations test with sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations.

As further detailed in Mr. Bednarski's October 19, 2021 memorandum, Aqua Texas' affiliate has demonstrated that they are capable, available, and willing to cover temporary cash shortages as required under 16 TAC § 24.11(e)(2)(E).

Lastly, while the affiliates have not provided a written guarantee to cover cash shortages, such a written guarantee is not required. As stated under 16 TAC § 24.11(e)(3), "[a]n affiliated interest *may* provide a written guarantee of coverage of temporary cash shortages (emphasis added)." Staff did not require a written guarantee of coverage from Aqua Texas' affiliates because a written guarantee is not required under the rule and the affiliates have otherwise demonstrated their willingness to cover cash shortages.

## **II. MOTION TO ADMIT EVIDENCE**

The parties respectfully request that the following documents be admitted into evidence in this proceeding:

- a. Aqua Texas's response to Order No. 7, filed on November 23, 2021 (Interchange Item No. 18); and
- b. Commission Staff's response to Order No. 7, filed on December 7, 2021 (Interchange Item No. 19).

### **III. CONCLUSION**

Staff recommends that Aqua Texas' application for a water CCN be approved. Staff respectfully requests that the items listed above be admitted into the evidentiary record of this proceeding and that a notice of approval be issued consistent with the proposed notice of approval filed on October 27, 2021, as modified by the above-discussed clarifications.

Dated: December 6, 2021

Respectfully submitted,

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

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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 on December 6, 2021 in accordance with the Order Suspending Rules filed in Project No. 50664.

/s/ Merritt Lander  
Merritt Lander