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DOCKET NO. 52309

APPLICATION OF THE CITY OF	§	PUBLIC UTILITY COMMISSION
COPPERAS COVE TO AMEND ITS	§	
CERTIFICATE OF CONVENIENCE	§	OF TEXAS
AND NECESSITY IN CORYELL AND	§	
BELL COUNTIES	§	

COMMISSION STAFF’S FINAL RECOMMENDATION ON THE APPLICATION

On July 9, 2021, the City of Copperas Cove (Copperas Cove) filed an application to amend its certificate of convenience and necessity (CCN) in Coryell and Bell counties. Copperas Cove holds water CCN No. 10449. The requested service area consists of approximately 673 acres, 36 existing connections, and no proposed connections. Copperas Cove filed supplemental information on July 19, 2021 and November 22, 2021.

On October 5, 2021, the administrative law judge (ALJ) filed Order No. 3, establishing a deadline of December 3, 2021 for the Staff of the Public Utility Commission of Texas (Staff) to file a final recommendation on the application. Therefore, this pleading is timely filed.

I. RECOMMENDATION ON SUFFICIENCY OF NOTICE

Staff has reviewed the application and supplemental information and recommends that the application be approved, as detailed in the attached memoranda of Patricia Garcia, Infrastructure Division, and Fred Bednarski III, Rate Regulation Division. Staff’s review indicates that the application meets the applicable requirements of Texas Water Code (TWC) Chapter 13 and 16 Texas Administrative Code (TAC) Chapter 24 and, therefore, Copperas Cove is capable of providing continuous and adequate water service. 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 3, 2021, the parties will jointly file proposed findings of fact and conclusions of law.

II. CONCLUSION

For the reasons detailed above, Staff respectfully requests that the application be approved.

Dated: 2021-12-03

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

/s/ R. Floyd Walker
R. Floyd Walker
State Bar No. 24044751
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7261
(512) 936-7268 (facsimile)
floyd.walker@puc.texas.gov

DOCKET NO. 52309

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 2021-12-03, in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

/s/ R. Floyd Walker
R. Floyd Walker

Public Utility Commission of Texas

Memorandum

TO: Floyd Walker, Attorney
Legal Division

FROM: Fred Bednarski III, Financial Analyst
Rate Regulation Division

DATE: December 3, 2021

RE: Docket No. 52309 – *Application of the City of Copperas Cove to Amend its Certificate of Convenience and Necessity in Coryell and Bell Counties*

On July 9, 2021, the City of Copperas Cove (Copperas Cove) filed an application to add approximately 637 acres to its certificate of convenience and necessity (CCN) No. 10449 to provide water service.

I recommend that Copperas Cove be found to have demonstrated 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 Copperas Cove before the date of this memorandum and may not reflect any changes in Copperas Cove's status after this review.

Ability to serve: financial ability and stability (Texas Water Code (TWC §§ 13.241(a) and 13.246(c)(6))

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. Copperas Cove 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 September 30, 2020 in Attachment FB-1. These financial statements contain an unqualified auditor's opinion from Weaver and Tidwell, L.L.P. stating that the financial statements present fairly, in all material respects, the financial position of Copperas Cove as of September 30, 2020.

Based upon my review of Copperas Cove's financial statements, I calculate debt service equal to 1.28. The debt service coverage ratio is net operating income (before depreciation and interest expenses) of \$12,749,940 divided by annual debt service of \$9,946,501. Because the ratio is greater than 1.25, Copperas Cove meets the leverage 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).

Copperas Cove's financial statements include \$6,826,675 in net income and a cash and investments balance of \$41,530,618 that indicate Copperas Cove will have sufficient cash to cover projected shortages. No capital improvements are needed to provide continuous and adequate service to the requested area. Sufficient cash and net operating income available to cover possible future shortages provide an indication of financial stability and financial and managerial capability. Therefore, Copperas Cove meets the operations test specified in 16 TAC § 24.11(e)(3).

Financial assurance (TWC § 13.246(d))

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

Public Utility Commission of Texas

Memorandum

TO: Floyd Walker, Attorney
Legal Division

FROM: Patricia Garcia, Senior Engineering Specialist
Infrastructure Division

DATE: December 3, 2021

RE: Docket No. 52309 – *Application of the City of Copperas Cove to Amend its Certificate of Convenience and Necessity in Coryell and Bell Counties*

1. Application

On July 9, 2021, the City of Copperas Cove (Copperas Cove) filed with the Public Utility Commission of Texas (Commission) an application to amend its water certificate of convenience and necessity (CCN) No. 10449 in Bell and Coryell Counties, Texas under Texas Water Code (TWC) §§ 13.242 through 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 through 24.237. The requested area includes 36 customer connections and approximately 673 acres, comprised of 673 acres of uncertificated area. All the requested area is inside the city limits of Copperas Cove.

The application proposes the addition of approximately 673 acres to CCN No. 10449.

The initial application indicated that the total acreage being requested was approximately 711 acres. Based on the mapping review by Gary Horton, Infrastructure Division, and in coordination with the Copperas Cove, it was determined the requested area is approximately 673 acres.¹

2. Notice

The deadline to intervene was September 27, 2021; there were no motions to intervene, protests, or opt-out requests received.

¹ See Copperas Cove's Supplemental Mapping Materials (Jul. 19, 2021)

3. Factors Considered

Under TWC §§ 13.241 and 13.246, and 16 TAC §§ 24.11(e) and 24.227, the Commission must consider certain factors when granting or amending a water or sewer CCN. Therefore, I considered the following factors in making this recommendation.

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)).*

Copperas Cove has a Texas Commission on Environmental Quality (TCEQ) approved public water systems (PWS) registered as 0500001. Copperas Cove does not have any violations listed in the TCEQ database. No additional construction is necessary for Copperas Cove to serve the requested area. The Commission's complaint records, which go back to 2014, show 25 complaints against Copperas Cove that have been resolved.

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 there are 36 existing customers in the requested area.

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)).*

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

The landowners in the area will have a water provider available when they need to request water service.

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 CCN amendment requested in this application and did not request 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)).*

Copperas Cove has a TCEQ approved PWS registered as 0500001. Copperas Cove does not have any violations listed in the TCEQ database. No additional construction is necessary for Copperas Cove to serve the requested area. The Commission's complaint records, which go back to 2014, show 25 complaints against Copperas Cove.

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)).

Copperas Cove is already serving customers in the requested area and does not need to a physically separate water system to service the area. Therefore, concerns of regionalization or consolidation do not apply.

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)).*

Copperas Cove is currently serving customers in the requested area, has facilities in the requested area to serve any future customers, and has sufficient capacity. 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)).*

The Rate Regulation Division is addressing this criterion in a separate memo.

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)).*

The Rate Regulation Division is addressing this criterion in a separate memo.

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 not be affected as no additional construction is needed 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)).*

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

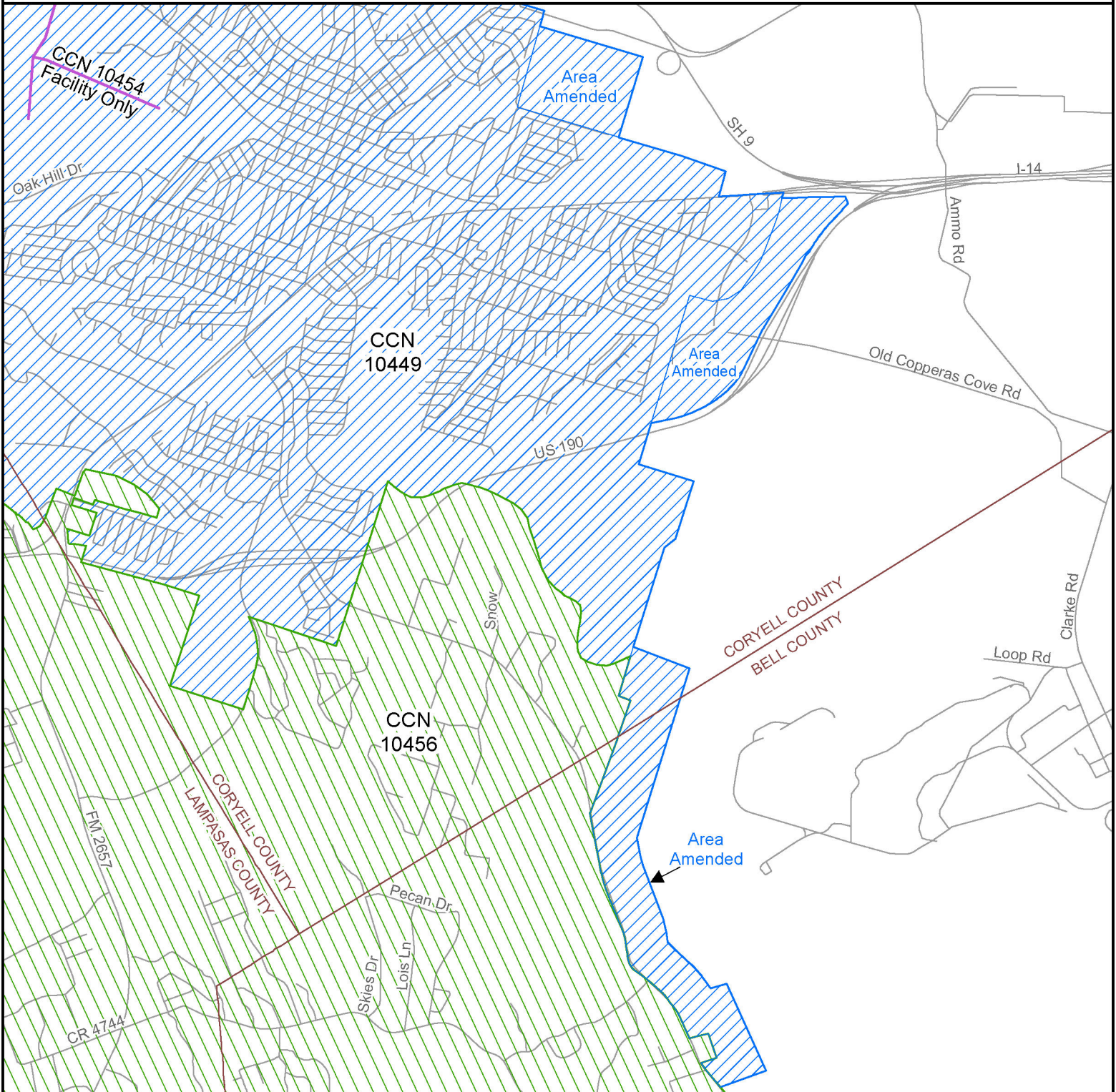
4. Recommendation

Based on the mapping review by Gary Horton, Infrastructure Division, and my technical and managerial review, I recommend that the Commission find that Copperas Cove's application meets all of the statutory requirements of Texas Water Code Chapter 13 and the Commission's Chapter 24 rules and regulations, and that Copperas Cove is capable of providing continuous and adequate service to the requested area. I further recommend that approving this application

to amend a water CCN No. 10449 is necessary for the service, accommodation, convenience and safety of the public.

Copperas Cove consented to the attached map and certificate on November 11, 2021.

City of Copperas Cove
 Portion of Water CCN No. 10449
 PUC Docket No. 52309
 Amended CCN No. 10449 in Bell and Coryell Counties



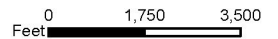
Public Utility Commission of Texas
 1701 N. Congress Ave
 Austin, TX 78701

Water CCN

- 10449 - City of Copperas Cove
- 10456 - Kempner WSC

Water CCN Facility Only

- 10454 - Topsey WSC



Map by: Komal Patel
 Date: October 28, 2021
 Project: 52309CityofCopperasCove.mxd



Public Utility Commission of Texas

By These Presents Be It Known To All That

City of Copperas Cove

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, City of Copperas Cove is entitled to this

Certificate of Convenience and Necessity No. 10449

to provide continuous and adequate water utility service to that service area or those service areas in Bell, Coryell, and Lampasas Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 52309 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 the City of Copperas Cove 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.