



## Filing Receipt

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**DOCKET NO. 53472**

<b>APPLICATION OF MONARCH UTILITIES I L.P. TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY AND TO DECERTIFY PORTIONS OF JOHNSON COUNTY SPECIAL UTILITY DISTRICT AND MOUNTAIN PEAK SPECIAL UTILITY DISTRICT IN JOHNSON COUNTY</b>	<b>§ § § § § § § §</b>	<b>PUBLIC UTILITY COMMISSION  OF TEXAS</b>
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**COMMISSION STAFF’S RECOMMENDATION ON FINAL DISPOSITION**

**I. BACKGROUND**

On April 8, 2022, Monarch Utilities I L.P. (Monarch) filed an application to amend its water Certificate of Convenience and Necessity (CCN) number 12983 in Johnson County and for partial decertification of Johnson County Special Utility District's (Johnson County SUD) CCN number 10081 and Mountain Peak Special Utility District's (Mountain Peak SUD) CCN number 10908. Monarch seeks to add 160 acres and no current customer connections. On April 27, 2022 and May 23, 2022, Monarch filed supplemental information.

On August 2, 2022, the administrative law judge (ALJ) issued Order No. 4, directing Staff (Staff) of the Public Utility Commission to file a final recommendation on the application by October 5, 2022. Therefore, this pleading is timely filed.

**II. FINAL RECOMMENDATION ON THE APPLICATION**

Staff has reviewed Monarch’s application, as supplemented, and as detailed in the attached memorandum of Patricia Garcia of the Commission’s Infrastructure Division and Ethan Blanchard of the Commission’s Rate Regulation Division, (Attachment A) Staff recommends that the application be approved. Staff’s review indicates that Monarch 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.

In accordance with this recommendation, the corresponding map (Attachment B) and certificates (Attachment C) consented to by County Line SUD and Polonia WSC are included with this pleading. On or before October 19, 2022, Monarch, Johnson County SUD, Mountain Peak SUD, and Staff will jointly file proposed findings of fact and conclusions of law.

### **III. CONCLUSION**

Staff respectfully recommends that the Commission approve Monarch's application.

Dated: October 12, 2022

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Keith Rogas  
Division Director

John Harrison  
Managing Attorney

/s/ Anthony Kanalas

Anthony Kanalas  
State Bar No. 24125640  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
(512) 936-7459  
(512) 936-7268 (facsimile)  
Anthony.Kanalas@puc.texas.gov

**DOCKET NO. 53472**

**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 October 12, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

*/s/ Anthony Kanalas*  
Anthony Kanalas

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Anthony Kanalas, Attorney  
Legal Division

**FROM:** Patricia Garcia, Senior Engineering Specialist  
Infrastructure Division

**DATE:** October 5, 2022

**RE:** Docket No. 53472 – *Application of Monarch Utilities I L.P. to Amend Its Certificate of Convenience and Necessity and to Decertify Portions of Johnson County Special Utility District and Mountain Peak Special Utility District in Johnson County*

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### **1. Application**

On April 8, 2022, Monarch Utilities I L.P. (Monarch) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 12983 with area decertified from portions of Johnson County Special Utility District (Johnson County SUD), CCN No. 10081, and Mountain Peak Special Utility District (Mountain Peak SUD), CCN No. 10908 in Johnson County, Texas under Texas Water Code (TWC) §§ 13.242 through 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 through 24.237 and § 24.245(d)(1)(E).

The utility’s information in the Secretary of State website indicates that Monarch’s name was changed to Texas Water Utilities, L.P. as of April 22, 2022. The Commission approved certificate was issued to “Monarch Utilities I L.P.” most recently in Docket No. 52035 approved on February 22, 2022. Monarch has submitted a request to officially change their name to Texas Water Utilities, L.P. in Docket No. 53636 until that docket is complete the legal utility name the Commission has on record is Monarch Utilities I L.P.

Based on the mapping review by Tracy Montes, Infrastructure Division:

- The requested area includes approximately 65 customer connections<sup>1</sup> and approximately 160 acres, comprised of:
  - 154 acres of decertified area from Johnson County SUD (CCN No. 10081); and
  - 6 acres of decertified area from Mountain Peak SUD (CCN No. 10908).
- The application proposes the subtraction of approximately 154 acres from Johnson

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<sup>1</sup> Response filed August 1, 2022.

County SUD (CCN No. 10081) and the addition of approximately 154 acres to Monarch Utilities I LP (CCN No. 12983).

- The application proposes the subtraction of approximately 6 acres from Mountain Peak SUD (CCN No. 10908) and the addition of approximately 6 acres to Monarch Utilities I LP (CCN No. 12983).

## **2. Notice**

The deadline to intervene was August 10, 2022; there were no motions to intervene, protests, or opt-out requests received.

## **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, the following factors were considered.

### **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)).***

Customers in the requested area currently receive service from Monarch's Texas Commission on Environmental Quality (TCEQ) approved public water system (PWS) registered as Metroplex Homesteads Water Supply, PWS ID No. 1260074. Monarch does not have any violations listed in the TCEQ database.

No additional construction is necessary for Monarch to serve the requested area. The Commission's complaint records, which go back to 2017, show 400 complaints against Monarch. Monarch has a total of 30,236 customers among 116 PWS.

### **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 65 existing customers and potential new customers in the requested areas.

### **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)).***

Monarch will be the certificated entity for the requested areas and will be required to provide continuous and adequate service to the requested areas.

The landowners in the areas 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 areas. All retail public utilities in the proximate areas 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)).***

Monarch has approximately 116 TCEQ approved PWS.

Customers in the requested area currently receive service from Monarch's TCEQ approved PWS registered as Metroplex Homesteads Water Supply, PWS ID No. 1260074. Monarch does not have any violations listed in the TCEQ database for this water system.

No additional construction is necessary for Monarch to serve the requested area. The Commission's complaint records, which go back to 2017, show 400 complaints against Monarch. Monarch has a total of 30,236 customers among 116 PWS.

**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)).***

Monarch currently provides service to the requested 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)).***

Monarch 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 will be 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 will be 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 be minimally affected as new facilities are constructed 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)).*

Monarch will continue to provide water service to the existing customers in the area. There will be no change in the quality or cost of service to customers.

#### **4. Recommendation**

Based on the mapping review by Tracy Montes, Infrastructure Division, and my technical and managerial review, I recommend that Monarch 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. I further recommend that approving this application to amend its water CCN No. 12983 and for dual certification with portions of Johnson County SUD's water CCN No. 10081 and Mountain Peak SUD's water CCN No. 10908 is necessary for the service, accommodation, convenience and safety of the public.

Monarch consented to the attached map and certificate on September 19, 2022.

A tariff was not issued in this docket because the requested area's associated subdivision is already included in the tariff issued in Docket No. 52201.

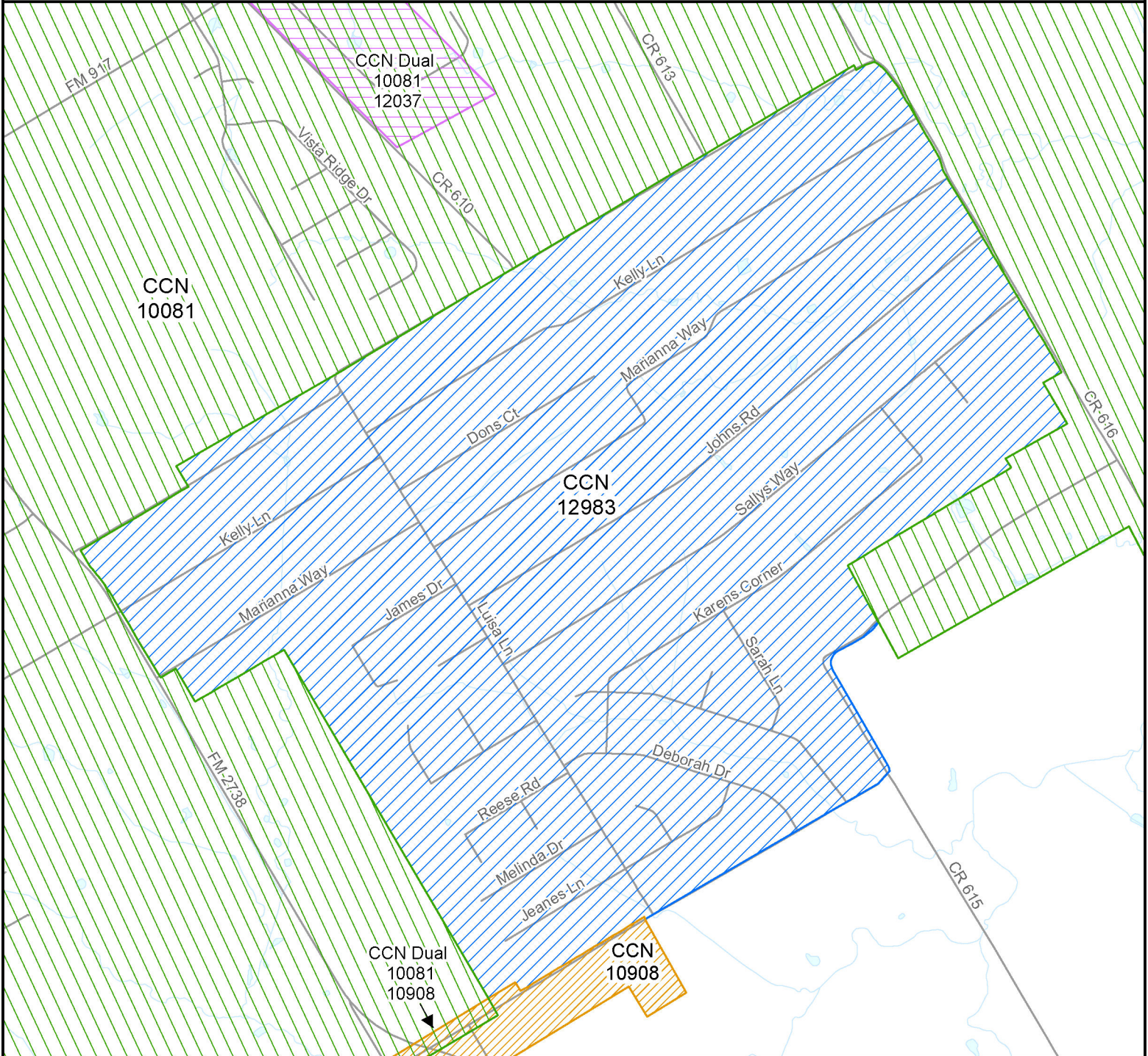
Johnson County SUD consented to the attached map and certificate on October 11, 2022.

Mountain Peak SUD consented to the attached map and certificate on October 11, 2022.





Monarch Utilities I L.P.  
 Portion of Water CCN No. 12983  
 PUC Docket No. 53472  
 Amended CCN No. 12983 and

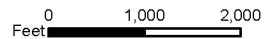
Decertified a Portion of Johnson County Special Utility District, CCN No. 10081 and  
 Decertified a Portion of Mountain Peak Special Utility District, CCN No. 10908 in Johnson County



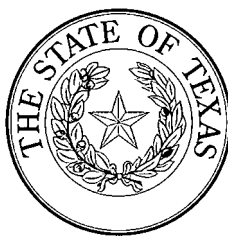
Public Utility Commission of Texas  
 1701 N. Congress Ave  
 Austin, TX 78701

**Water CCN**

-  12983 - Monarch Utilities I LP
-  10081 - Johnson County SUD
-  10908 - Mountain Peak SUD
-  12037 - James D Dyche dba Crest Water Company



Map by: Komal Patel  
 Date: September 8, 2022  
 Project: 53472MonarchUtilities.mxd



# **Public Utility Commission of Texas**

## **By These Presents Be It Known To All That Monarch Utilities I L.P.**

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, Monarch Utilities I L.P. is entitled to this

### **Certificate of Convenience and Necessity No. 12983**

to provide continuous and adequate water utility service to that service area or those service areas in Bandera, Bexar, Brazoria, Chambers, Comal, Cooke, Denton, Gillespie, Grayson, Guadalupe, Harris, Hays, Henderson, Hood, Johnson, Kendall, Kerr, Liberty, Marion, Matagorda, Medina, Montgomery, Parker, Polk, San Jacinto, Smith, Tarrant, Travis, Trinity, Tyler, Van Zandt, Wise, and Wood Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 53472 are on file at the Commission offices in Austin, Texas; and are a matter of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Monarch Utilities I L.P. 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.



# **Public Utility Commission of Texas**

**By These Presents Be It Known To All That**

## **Johnson County Special Utility District**

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, Johnson County Special Utility District, is entitled to this

### **Certificate of Convenience and Necessity No. 10081**

to provide continuous and adequate water utility service to that service area or those service areas in Ellis, Hill, Johnson, and Tarrant Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 53472 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 Johnson County Special Utility District, 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.



# **Public Utility Commission of Texas**

**By These Presents Be It Known To All That**

## **Mountain Peak Special Utility District**

having obtained certification to provide sewer 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, Mountain Peak Special Utility District is entitled to this

### **Certificate of Convenience and Necessity No. 10908**

to provide continuous and adequate sewer utility service to that service area or those service areas in Ellis and Johnson Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 53472 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 Mountain Peak Special Utility District, 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.

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Anthony Kanalas  
Legal Division

**FROM:** Ethan Blanchard  
Rate Regulation Division

**DATE:** October 12, 2022

**RE:** Docket No. 53472 – *Application of Monarch Utilities I, L.P. to Amend its Certificate of Convenience and Necessity and to Decertify Portions of Johnson County Special Utility District and Mountain Peak Special Utility District in Johnson County*

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On April 8, 2022, Monarch Utilities I, L.P. (Monarch) filed an application to amend its water certificate of convenience and necessity (CCN) number 12983 in Johnson 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. Monarch 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, 2020. These financial statements contain an unqualified auditor's opinion from PricewaterhouseCoopers LLP stating that the financial statements present fairly, in all material respects, the financial position of Monarch as of December 31, 2020.

Based upon my review of Monarch's financial statements, I calculate debt service equal to 9.38. [REDACTED]

[REDACTED] Because the ratio is greater than 1.25, I recommend a finding that Monarch 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).

Monarch has no projected shortages to cover. [REDACTED]

[REDACTED] Therefore, I recommend a finding that Monarch meets the operations test specified in 16 TAC § 24.11(e)(3).

***Recommendation***

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

Consequently, I recommend a finding that Monarch 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 Monarch before the date of this memorandum and may not reflect any changes in Monarch's status after this review.

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[REDACTED]