



## **Filing Receipt**

**Filing Date - 2024-04-26 10:26:56 AM**

**Control Number - 54831**

**Item Number - 36**

**DOCKET NO. 54831**

<b>APPLICATION OF QUADVEST, LP TO</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>AMEND ITS CERTIFICATES OF</b>	<b>§</b>	
<b>CONVENIENCE AND NECESSITY IN</b>	<b>§</b>	<b>OF TEXAS</b>
<b>HARRIS COUNTY</b>	<b>§</b>	

**COMMISSION STAFF'S FINAL RECOMMENDATION**

**I. INTRODUCTION**

On April 5, 2023, application of Quadvest, LP (Quadvest) filed an application to amend its certificate of convenience and necessities (CCN) in Harris County. Quadvest holds water CCN No. 11612 and sewer CCN No. 20952.

On April 24, 2024, the administrative law judge (ALJ) filed Order No. 10, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a final recommendation on the application by April 26, 2024. Therefore, this pleading is timely filed.

**II. FINAL RECOMMENDATION**

Staff has reviewed Quadvest's application and supplemental information and, as supported by the attached memoranda from James Harville, Infrastructure Division, and Fred Bednarski III, Rate Regulation Division, recommends that the application be approved. Staff's review indicates that Quadvest 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, certificate, and tariff consented to by Quadvest are included with this pleading. On or before May 10, 2024, the parties will jointly file proposed findings of fact and conclusions of law.

**III. CONCLUSION**

For the reasons discussed above, Staff respectfully requests that Quadvest's application be approved.

Dated: April 26, 2024

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Marisa Lopez Wagley  
Division Director

John York Harrison  
Senior Managing Attorney

/s/ Kevin Pierce  
Kevin Pierce  
State Bar No. 24093879  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3480  
(512) 936-7265  
(512) 936-7268 (facsimile)  
Kevin.Pierce@puc.texas.gov

**DOCKET NO. 54831**

**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 26, 2024, in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Kevin Pierce  
Kevin Pierce

# *Public Utility Commission of Texas*

---

## **Memorandum**

**TO:** Kevin Pierce, Attorney  
Legal Division

**FROM:** James Harville, Infrastructure Analyst  
Infrastructure Division

**DATE:** April 26, 2024

**RE:** Docket No. 54831 – *Application of Quadvest, LP to Amend Its Certificates of Convenience and Necessity in Harris County*

---

### **1. Application**

On April 5, 2023, 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 sewer CCN No. 20952 in Harris County, Texas under Texas Water Code (TWC) §§ 13.242 through 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 through 24.237.

Based on the mapping review by Dave Babicki, Infrastructure Division, the maps and digital mapping data submitted with Item 3 on April 6, 2023 are sufficient.

- The requested area includes 0 customer connections and approximately 238.1 acres, comprised of uncertificated area to amend to Quadvest, LP (CCN Nos. 11612 & 20952).
- The application proposes the addition of approximately 238.1 acres to CCN Nos. 11612 & 20952.

### **2. Notice**

Affidavits were provided affirming that notices were submitted to customers, cities, districts, neighboring retail public utilities, the county judge, groundwater conservation districts, and that there are no landowners in the requested area other than the developers requesting service.

The deadline to intervene was July 14, 2023; 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)).*

There are no customers in the requested area.

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 potential new customers in the requested area due to a residential development.

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)).*

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

The landowners in the area will have a water and sewer provider available when they need to request water and sewer 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)).*

TCEQ rule, 30 TAC § 290.46, Minimum Acceptable Operating Practices for Public Drinking Water Systems, requires the operation of a public water system by trained and licensed personnel. The production, treatment, and distribution facilities at the public water system must be operated at all times under the direct supervision of a water works operator who holds an applicable, valid license issued by the TCEQ executive director. The licensed operator of a public water system may be an employee, contractor, or volunteer. Quadvest will have qualified TCEQ licensed operators licensed in water treatment to run the system.

TCEQ rule, 30 TAC § 30.331(b), Wastewater Operators and Operations Companies, requires the operators of a domestic wastewater treatment facility to have a valid license issued by the TCEQ executive director. Quadvest will have qualified TCEQ licensed operators licensed in wastewater treatment to run the systems.

Quadvest will have licensed operators to run the system operations. Class A - D operators will be the responsible operators for the system.

Quadvest has several Texas Commission on Environmental Quality (TCEQ) approved public water systems (PWS) and wastewater treatment plants (WWTP) registered with the TCEQ. The requested area will be served by the Red Bud Water Plant, PWS ID No. 1013817, and the Red Bud WWTP under Texas Pollutant Discharge Elimination System (TPDES) Permit No. WQ0016190001. Quadvest has violations listed in the TCEQ database. Additional construction is necessary for Quadvest to serve the requested area. The Commission's complaint records, which go back 5 years, show 96 complaints against Quadvest. All the complaints have been reviewed and closed by the Commission's Consumer Protection Division.

**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)).***

Service was requested from neighboring utilities and none of them were able to provide service. TCEQ has approved plans for Quadvest to build facilities in the requested areas to serve future customers and will have sufficient capacity to serve 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)).***

Quadvest received a request for service for the requested area from a developer. Service was requested from neighboring utilities and none of them were able to provide service. Quadvest has TCEQ approved plans to build facilities in the requested area to serve future customers and will have sufficient capacity to serve the area. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

**3.7. *An application for a certificate of public convenience and necessity or for an amendment to a certificate must contain: a capital improvements plan, including a budget and estimated timeline for construction of all facilities necessary to provide full service to the entire proposed service area (TWC § 13.244(d)(3)).***

Quadvest is building a new water and sewer treatment plant to provide service to the requested area. Quadvest provided a budget, an estimated timeline for construction, and a keyed map showing where facilities will be located. Capital improvement details can be found under Item 2 and 16, filed on April 5, 2023, and August 17, 2023, respectively. Estimated costs to build a new water and sewer system is expected to exceed \$100,000, therefore the need for firm capital commitment under 16 TAC § 24.11(e)(5) is required.

The Rate Regulation Division will be addressing the need for firm capital commitment criterion in a separate memo.

- 3.8. *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.

- 3.9. *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.

- 3.10. *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 facilities are constructed to provide service to the requested area.

- 3.11. *Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC § 24.227(e)(8)).*

Future residents of the planned development will have water and sewer service.

#### **4. Recommendation**

Based on the mapping review by Dave Babicki, Infrastructure 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. I further recommend that approving this application to amend its water CCN No. 11612 and sewer CCN No. 20952 is necessary for the service, accommodation, convenience and safety of the public.

Quadvest consented to the attached maps, tariffs, and certificates on April 25, 2024.

# *Public Utility Commission of Texas*

---

## **Memorandum**

**TO:** Kevin Pierce, Attorney  
Legal Division

**FROM:** Fred Bednarski, Financial Analyst  
Rate Regulation Division

**DATE:** April 26, 2024

**RE:** Docket No. 54831 – *Application of Quadvest, LP to Amend its Certificates of Convenience and Necessity in Harris County*

---

On April 5, 2023, Quadvest, LP (Quadvest) filed an application to amend its water certificate of convenience and necessity (CCN), Nos. 11612 and its sewer CCN No. 20952 in Harris 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 Quadvest's financial statements ending December 31, 2022.<sup>1</sup> 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, 2022 and 2021.

Based upon my review of Quadvest's financial statements, I calculate the debt service coverage ratio greater than 1.25 as provided in confidential attachment FB-1. Because the ratio is greater than 1.25, I recommend a finding that Quadvest meets the leverage test specified in 16

---

<sup>1</sup> Confidential – 5 Year Total Capital Commitment with Financials, interchange item no. 14, at pdf 4 thru 31 (Jul. 21, 2023).



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).

Quadvest's audited financial statements and projections to provide water and sewer service to the requested area, provided in confidential attachment FB-1, include operating income and cash flow information that indicate there are not any projected operating shortages to cover. Therefore, I recommend a finding that Quadvest meets the operations test specified in 16 TAC § 24.11(e)(3).

### ***Capital Improvements***

Capital improvements required to provide continuous and adequate water and sewer service to the requested area exceed \$100,000 per the recommendation provided by James Harville, Infrastructure Analyst. Quadvest has obtained developer agreements<sup>2</sup>, a line of credit, and maintains sufficient cash and cash equivalent funds per their audited financial statements to pay for the required system improvements to provide continuous and adequate water and sewer service to the requested area, as provided in confidential attachment FB-1. Therefore, I recommend a finding that Quadvest provided a firm capital commitment and meets the requirements specified in 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.

---

<sup>2</sup> Confidential information, interchange item no. 2, at pdf 46 thru 65 (Apr. 5, 2023).