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Filing Date - 2024-03-04 02:59:39 PM

Control Number - 54947

Item Number - 37

DOCKET NO. 54947

APPLICATION OF EMERALD HILLS	§	PUBLIC UTILITY COMMISSION
WATER FOR A CERTIFICATE OF	§	
CONVENIENCE AND NECESSITY IN	§	OF TEXAS
SAN PATRICIO COUNTY	§	

**ORDER NO. 10
REQUIRING CLARIFICATION**

This Order addresses the May 1, 2023 application of Emerald Hills Water for a certificate of convenience and necessity (CCN) in San Patricio County. Emerald Hills is proposing to serve a new CCN service area. In its rate study¹ and revised projected financial statements,² Emerald Hills projects adding new customer connections in the proposed new certificated service area within the first two years of operation.

Under 16 Texas Administrative Code (TAC) § 24.11(e)(5)(B)(i), an applicant proposing to serve a new CCN area must provide loan approval documents or firm capital commitments affirming funds are available to install the plant and equipment necessary to serve projected customers in the first two years of projections. Considering the guidance from the Commission in Docket No. 52391, loan approval documents or firm capital commitments must affirm that all funds needed to install the proposed water utility systems for the requested service area are available to the utility.³ Additional consideration of Docket No. 52391 highlights that all CCN applications must include a capital improvement plan under Texas Water Code (TWC) § 13.244(d)(3) and that a pro forma budget is not a capital improvement plan.⁴

By March 18, 2024, Emerald Hills must clarify whether it is projecting new customer connections within the first two years of operation and, if necessary, must file the appropriate additional financial assurance and capital improvement plan.

By April 1, 2024, Commission Staff must file a supplemental recommendation addressing the following:

¹ Cover Letter Revised Financial Projections Rate Study Rate Sheet Water Utility Tariff.

² Cover Letter Revised Financial Projections to Replace the Others Due to Corrections.

³ *Application of Liberty County Utilities, LLC for Water and Sewer Convenience and Necessity in Liberty County*, Docket No. 52391, Order Remanding Proceeding to Docket Management (Oct. 20, 2022).

⁴ *Id.*

- 1) Whether Emerald Hills meets the requirements of 16 TAC § 24.11(e)(5)(B) requiring loan approval documents or firm capital commitments for an applicant proposing service to a new CCN area and possibly projecting additional customer connections within the first two years of operations; and
- 2) Whether Emerald Hills meets the requirements of TWC § 13.244(d)(3) to provide a capital improvement plan.

Signed at Austin, Texas on the 4th day of March 2024.

PUBLIC UTILITY COMMISSION OF TEXAS



**REBECCA BROMLEY-WILLIAMS
ADMINISTRATIVE LAW JUDGE**