



Control Number: 56350



Item Number: 42

# **OPEN MEETING COVER SHEET**

## **COMMISSIONER MEMORANDUM**

PUBLIC UTILITY  
COMMISSION OF TEXAS

**MEETING DATE:** January 31, 2025

JAN 30 2025 2:58 pm

**DATE DELIVERED:** January 30, 2025

**AGENDA ITEM NO.:** 8


**CAPTION:** Docket No. 56350 – Application of Quadvest, LP to Amend Its Certificates of Convenience and Necessity in Harris County

**DESCRIPTION:** Chairman Thomas Gleeson Memorandum

# *Public Utility Commission of Texas*

## **Commissioner Memorandum**

**TO:** Commissioner Kathleen Jackson  
Commissioner Courtney K. Hjaltman

**FROM:** Chairman Thomas J. Gleeson 

**DATE:** January 30, 2025

**RE:** January 31, 2025 Open Meeting – Item No. 8  
Docket No. 56350 – *Application of Quadvest, LP to Amend its Certificates of Convenience and Necessity in Harris County*

---

An appeal of Order No. 8 in the above-referenced docket is posted for consideration and action by the Commission. The appeal requests the Commission lift the Commission ALJ's abatement of the proceeding.

For the reasons discussed below, I would grant the appeal to lift the abatement.

### **A. Background**

Commission rules require applicants seeking to amend their water CCN to include service that requires construction of a new public drinking water system to provide a copy of "the approval letter for the plans and specifications issued by the TCEQ for the public drinking water system or facilities" and that "[a]ny approval letter for the proposed public drinking water system or facilities must be filed with the [C]ommission before the issuance of a new CCN or CCN amendment."<sup>1</sup>

On October 7, 2024, Commission Staff filed a motion to abate this proceeding, which the Commission ALJ granted in Order No. 8.<sup>2</sup> Commission Staff's motion to abate was prompted by my memorandum filed in Cresson MUD No. 1's application for a water service CCN that stated TCEQ conditional approval for construction letters were not TCEQ approval letters for public use.<sup>3</sup>

On October 21, 2024, Quadvest, LP filed an appeal of Order No. 8 asserting that the ALJ's abatement of this proceeding to wait for TCEQ final approval letters improperly applies 16 TAC § 24.233(a)(14)(A) and immediately prejudices Quadvest's application for a CCN amendment.

---

<sup>1</sup> 16 TAC §§ 24.233(a)(14)(A).

<sup>2</sup> Order No. 8 at 1.

<sup>3</sup> *Application of Cresson Municipal Utility District No. 1 of Hood County for a Certificate of Convenience and Necessity in Hood County*, Docket No. 54698, Commissioner Memorandum by Chairman Thomas J. Gleeson (Oct. 2, 2024).

## B. Grant the Appeal

The Commission ALJ determined Quadvest’s application only contains TCEQ *conditional* approval letters for construction of the public drinking water system and facilities, not a final approval letter for public use.<sup>4</sup> As such, Order No. 8 abated the proceeding to allow Quadvest time to file its approval letters for the systems.<sup>5</sup>

The facts of this proceeding differ significantly from the Cresson MUD No. 1 proceeding. Quadvest has existing water and sewer CCNs and seeks to amend its CCNs to add approximately 100 acres of proposed development.<sup>6</sup>

Quadvest, Texas Water Utilities, L.P. (TWU), and Texas Association of Water Companies, Inc. (the Association) argue that abating all CCN applications to wait for a TCEQ final approval letter for public use would greatly extend the time needed to process CCN applications, disrupt the industry, and potentially burden utilities with uncertain financial risk.<sup>7</sup> The TCEQ’s informational filings confirm that TCEQ’s permit and review processes for water CCNs require significant time and investment of resources from the utility before a final approval letter for public use is issued for new public drinking water systems.<sup>8</sup>

To the extent that Quadvest’s application in this proceeding differs from Cresson MUD No. 1’s application, I would determine that the facts of Quadvest’s application—taken as a whole—do not necessitate an abatement for Quadvest to obtain TCEQ final approval letter for public use for its proposed new public drinking water system to ensure its ability to provide adequate service. Therefore, I recommend granting Quadvest’s appeal of Order No. 8.

## C. Impact of Previous Memorandum

I would like to take this opportunity to clarify the intended application of my memorandum in the Cresson MUD No. 1 proceeding.

The memo indicated that Cresson MUD No. 1 has not satisfied the requirements of 16 TAC § 24.233(a)(14)(A) because it provided a letter from TCEQ that conditionally approves the construction of facilities rather than a TCEQ approval letter for public use. This is incongruous with the practice of the PUC, which has been to grant CCNs once a letter from TCEQ that conditionally approves construction of facilities has been provided. However, the Commission

---

<sup>4</sup> Order No. 8 at 1.

<sup>5</sup> *Id.*

<sup>6</sup> Quadvest Appeal of Order No. 8 at 11 (Oct. 21, 2024).

<sup>7</sup> Quadvest Appeal of Order No. 8 at 7–11; *See* Texas Water Utilities, L.P. Amicus Letter in Support of Appeal in Docket No. 56350 at 2–3; *See also* Texas Association of Water Companies, Inc. Letter in Support of Quadvest, LP’s Appeal of Order No. 8 at 2–3.

<sup>8</sup> Commission Staff’s Informational Filing for Consideration of Appeal of Order No. 8, Letter from Michele Risko, TCEQ Water Supply Division at 1 (Nov. 14, 2024); Commission Staff’s Informational Filing for Consideration of Appeal of Order No. 8, TCEQ Water and Wastewater Approval Processes – November 2024 at 1–2.

has imposed special conditions in cases when necessary to ensure that the applicant can provide continuous and adequate service, such as in the Cresson MUD No. 1 proceeding.<sup>9</sup>

Under the Texas Water Code (TWC), an applicant is obligated to provide a customer within its CCN service area with continuous and adequate service once a CCN is granted.<sup>10</sup> The Texas Water Code requires the Commission to consider the ability of an applicant to provide adequate service and ensure the applicant possesses the managerial and technical capability to provide continuous and adequate service before granting a CCN or CCN amendment.<sup>11</sup> The Texas Water Code also authorizes the Commission to impose special conditions necessary to ensure that continuous and adequate service is provided.<sup>12</sup> To obtain a CCN, a utility must file an application containing materials specified under 16 TAC § 24.233(a), *including any other information or item requested by the Commission*.<sup>13</sup>

In the Cresson MUD No. 1 proceeding, there were concerns about Cresson having demonstrated the financial, technical, and managerial capability to provide service. Cresson MUD No. 1 did not have a history of the ability to provide continuous and adequate water or sewer service. Cresson MUD No. 1 was relying upon a developer to both fund and construct the necessary facilities for the new public drinking water system. Additionally, Cresson MUD No. 1 had not designated a licensed operator for the proposed system.<sup>14</sup> Therefore, I recommended that a TCEQ final approval letter for public use should be required for Cresson MUD No. 1 before the CCN be granted.<sup>15</sup> Additionally, under TWC § 13.242(a), utilities operated by an affected county, or water supply corporations may not render retail water or sewer service directly or indirectly to the public without first having obtained a CCN.<sup>16</sup> Cresson MUD No. 1 is a municipal utility district; therefore, it is not required to possess a CCN before it may render retail water or sewer service.

The provision of water and sewer service is crucially important to Texas residents, and I believe that the Commission wants to encourage the building of new facilities to provide these services. The Commission also endeavors to balance the growing need for drinking water service in Texas with the CCN holder's legal obligation to provide continuous and adequate service to customers once a CCN is granted. My recommendation for additional information from Cresson

---

<sup>9</sup> See also *Application of Dos Aguas, LLC for a Water Certificate of Convenience and Necessity in Walker, Montgomery, and San Jacinto Counties*, Docket No. 51407, Order Remanding the Proceeding to Docket Management at 3 (Apr. 21, 2022); *Application of Dos Aguas, LLC for a Water Certificate of Convenience and Necessity in Walker and Montgomery Counties*, Docket No. 51407, Order, Finding of Fact 28 and 40 at 5–6 (Jan. 26, 2023).

<sup>10</sup> TWC § 13.250(a).

<sup>11</sup> TWC §§ 13.241(a), 13.246(c)(4).

<sup>12</sup> TWC § 13.246(b).

<sup>13</sup> 16 TAC § 24.233(a)(16).

<sup>14</sup> *Application of Cresson Municipal Utility District No. 1 of Hood County for a Certificate of Convenience and Necessity in Hood County*, Docket No. 54698, Order (Oct. 3, 2024).

<sup>15</sup> *Application of Cresson Municipal Utility District No. 1 of Hood County for a Certificate of Convenience and Necessity in Hood County*, Docket No. 54698, Commissioner Memorandum by Chairman Thomas J. Gleeson (Oct. 2, 2024).

<sup>16</sup> TWC § 13.242(a).

MUD No. 1 was not intended to change how the Commission typically processes water and sewer CCN dockets, and should be limited to the facts in that case.

**D. Conclusion**

For the reasons discussed above, I would grant the appeal and lift the abatement in this proceeding.

I look forward to discussing this matter with you at the open meeting.