



Control Number: 42987



Item Number: 11

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.



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PUBLIC UTILITY COMMISSION
FILING CLERK

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March 28, 2014

Tammy Benter, Manager
Utilities & District Section
Water Supply Division
Texas Commission on Environmental Quality

Re: Applications from Corix Utilities (Texas) Inc. (Corix) to Purchase Facilities and Transfer Various Certificates of Convenience and Necessity (CCNs) held by the Lower Colorado River Authority (LCRA) and to Obtain or Amend various Water and Sewer CCNs, all as set out in the attached chart (the **Applications**)

Dear Ms. Benter:

Thank you for meeting with Corix on March 25, to discuss your letter dated February 25, 2014 regarding the Commission's approval of sale for the Applications, which are detailed in the chart attached.

Please be informed that the parties are still finalizing pre-closing matters and have agreed on a revised closing date of October 31, 2014, which is prior to the expiration of the executive director's approval of the Applications in accordance with the provisions of 30 TAC 30 §291.112(e). Corix and LCRA continue to work together collaboratively towards closing.

Corix, therefore, respectfully requests an extension of time to provide the closing documents as requested in your letter. Corix appreciates very much the extra effort made by your staff to process our applications so expediently and we truly apologize for any inconvenience we have caused as a result of the delayed closing.

We will provide TCEQ with regular updates on the progress of the closing and confirmation of the closing date. Please do not hesitate to contact us if you have any questions or require additional information.

Sincerely,

Ed Yanoshita, General Manager
Corix Utilities (Texas) Inc.

CC: Dennis Daniel
Manager, Risk Management, Lower Colorado River Authority

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*

91 7199 9991 7031 8280 3949
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

May 1, 2014

CERTIFIED MAIL

Mr. Ed Yanoshita, General Manager
Corix Utilities (Texas) Inc.
1812 Centre Creek Drive, Suite 207
Austin, Texas 78754

Re: Application No. 37704-S, Application from Corix Utilities (Texas) Inc., A2082, to transfer a portion of Certificate of Convenience and Necessity (CCN) No. 11670 held by the Lower Colorado River Authority (LCRA) and to obtain a Water CCN in Burnet, Lampasas, Mills and San Saba Counties

Application No. 37705-S, Application from Corix Utilities (Texas) Inc., A2083, to transfer an uncertificated wastewater system from LCRA and to obtain a Sewer CCN in Lampasas County

CN: 600253637; RN: 101454155 (LCRA)
CN: 604102301; RN: pending (Corix)

Dear Mr. Yanoshita:

We have reviewed the criteria in Texas Water Code (TWC), Section 13.301(e) and determined that a public hearing will not be requested. You may complete your proposed transaction as scheduled, or any time after you receive this notification. Please note that the transaction must comply with the requirements of TWC Section 13.301(d) and therefore cannot be completed prior to the issuance of this letter.

The second part of the application, which is transferring the CCN, will occur following receipt of the following documents:

- a copy of the signed contract or bill of sale, and
- documents supporting the disposition of customer deposits.

The application cannot be approved nor the CCN transferred and issued until we receive evidence that the transaction was completed. These items must be received by the Utilities & Districts Section, Water Supply Division, within 30 days after the effective date of the transaction.

Mr. Ed Yanoshita, General Manager

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May 1, 2014

After the proper documentation is received, staff will prepare a proposed map, certificate, and recommendation for both applicants to review before submitting them to the Executive Director for approval and the issuance of the CCN. A copy of this information will be sent to both the buyer and seller.

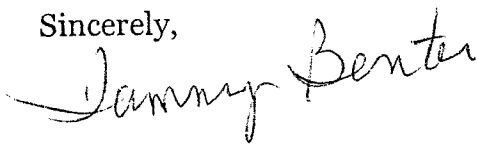
If you concur with the recommendation, the consent forms must be signed and returned by both applicants before the recommendation to transfer the CCN can be approved by the Executive Director. If both consents are not received, the CCN will remain in the name of the seller and the seller remains responsible for the system(s) for purposes of TWC Section 13 regulations. (See TWC, Section 5.122 and 30 Texas Administrative Code Section 50.33).

As an alternative to the seller's continued involvement in the process, the closing document(s) and any accompanying correspondence may include a statement that the seller consents with the transfer of the CCN to the buyer with specific references to the statute and rule noted above. The statement will serve to authorize the Executive Director to take action upon receipt of the buyer's signed consent form. In this situation, however, the seller is relying on the buyer to provide the final consent on the CCN transfer.

Finally, please note that from the time the application is filed until the CCN is issued, it is the applicants' (buyer and seller) responsibility to notify and update the Utility & Districts Section, Water Supply Division, of changes in the financial, managerial, or technical information provided in the application.

If you have any questions, please contact Ms. Sheresia Perryman by phone at 12/239-3654, by fax at 512/239-6972, by email at sheresia.perryman@tceq.texas.gov, or if by correspondence, include MC 153 in the letterhead address below.

Sincerely,



Tammy Benter, Manger
Utilities & Districts Section
Water Supply Division
Texas Commission on Environmental Quality

TB/SP/mmg

IMPORTANT: Checklist must be submitted to Work Leader and Team Leader prior to final map or hearing request.

STM Checklist and to Obtain or Amend a CCN

Applicant: Corix Utilities (Texas) Inc. (Lometa Water and Wastewater Systems)
Application No.: 37704-S & 37705-S

§13.301(a)	Was written application filed on or before the 120 th day before the effective date of a sale? Yes.	Date verified: 2/11/2014
Description: The application was filed on August 26, 2013 and was accepted for filing on November 27, 2013. The applicant indicates that the proposed effective date of the transaction is February 1, 2014.		
§13.241(a) & §13.301(b)	Does the applicant/purchaser possess FMT to provide continuous and adequate service to the requested area AND any areas currently certificated to that person?	Date verified: 2/11/2014
Description: See FM memo.		Date of FM checklist: 10/23/2013
	Description of qualifications: Corix Utilities (Texas) Inc. is a newly formed, wholly-owned subsidiary of Corix Infrastructure (US) Inc. The Company was established to acquire the assets and operations of 18 small utility systems from LCRA and to undertake additional utility operations and activities in the State of Texas. On July 1, 2012, Corix Utilities (Texas) Inc. assumed day-to-day operations, maintenance and asset management responsibility for 18 utility systems subject to this transaction under contract with LCRA. Corix has hired many of the utility operating staff from LCRA to maintain these systems knowledge. Corix Utilities (Texas) Inc. is a part of the Corix Group which provides utility services across North America.	Date verified: 2/11/2014
	Description of any plans for improvements: According to the application, no improvements are required to meet TCEQ standards. However, any planned or required improvements will be made from a combination of intercompany debt, equity funding from Corix Infrastructure (US) Inc., and internal cash flow from operations.	Date verified: 2/11/2014
§13.246(c) (6)	Is the applicant Financially stable, including debt-equity ratio? No.	Date verified: 2/11/2014
Description: The parent company's debt to equity ratio as of 6/30/2012 was \$105 million to \$215 million, or 0.49 to 1.00, which exceeds the TCEQ minimum coverage preferred.		
§13.246(d) & §13.301(c)	Is bond or other financial assurance required to ensure continuous and adequate service? No.	Date verified: 2/11/2014

Description: See FM memo dated 10/23/2013.

§13.136	Have all tariff issues including rates, tap fees and service rules/extension policy language been resolved? Technical staff has questions if some the charges Corix Utilities (Texas) Inc. is proposing in its tariff are allowable under TWC Ch. 13 and 30 TAC 291. Please note that the TCEQ did not have original jurisdiction over the rates and service policies charged by the Lower Colorado River Authority (LCRA). Corix is proposing to charge the same rates as were being charged by the LCRA. A legal assignment was made on 10/18/13 to assist technical staff with reviewing the proposed Corix tariff.	Date verified: PENDING
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Description: Pending	Date tariff was stamped approved: Pending
If entity is a WSC, is most recent version of tariff on file? N/A	Date WSC tariff was received: N/A

§13.132	If the applicant is an IOU , do they have a current Annual Report on file? No.	Date verified: 2/11/2014
Description: Corix is a will be a regulated IOU and as such has never filed an annual report, but will be required to in the future. In addition districts/authorities such as LCRA are not required to submit an annual report.		Date annual report was received: N/A

§288.20	Have all drought contingency plan (DCP) issues been resolved? Yes.	Date verified: 2/11/2014
Description: N/A		Date DCP approval memo was received: 10/30/2013

§13.244(b)	Has the applicant provided all required maps? Yes.	Date verified: 2/11/2014
Date of most recent Overlap Check: 3/10/2014		

§13.244(d)	Were any overlaps identified? None identified.	Date verified: 2/11/2014
Name(s) of Entity(ies) being overlapped: None.		
Were overlaps mentioned in the Overlap Check and the BTR letter: N/A		
Description and Date of how overlap was resolved: N/A		
Date of Agreement to Decertification (if applicable): N/A		

§13.246(h)	Were opt-out requests received during the comment period? Yes.	Date verified: 3/20/2014
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	Were opt-out requests granted? No. The request to opt-out was received by TCEQ and a letter was sent to the applicant regarding the request. The applicant submitted revised maps on 2/25/2014. However, upon the subsequent overlap check, it was determined that the requested opt-out area is in area that is already certificated. Therefore, it is not a valid opt-out request.	Date verified: 3/20/2014
Date revised maps were received: 2/25/2014		Date of subsequent Overlap Check: 3/10/2014
§291.102(d)) §13.246(c) 1(2)	Was applicant able to demonstrate a need for service in the entire proposed area? The applicant, Corix Utilities (Texas) Inc. filed an STM application to acquire water and uncertificated sewer facilities from LCRA and to obtain Water and Sewer CCNs in Burnet, Lampasas, Mills and San Saba Counties.	Date verified: 2/11/2014
# of acres in proposed area: 254,213 (water); 580 (sewer)		Date of letter from developer requesting service from the applicant: N/A
Copies of letters from landowners requesting service: N/A		Date received from the applicant: N/A
Copies of applications for service received by the applicant: N/A		Date received from the applicant: N/A
Maps showing existing facilities in the proposed area: Yes.		Date received from the applicant: 10/16/2013
Maps showing existing customers in the proposed area: No.		Date received from the applicant: 10/16/2013
Maps showing locations of requests for service from landowners in the proposed area: N/A		Date received from the applicant: N/A
§13.244(c)	Has the applicant received the required consent, franchise, or permit of the proper municipality or other public authority. If a WSC is decertifying a portion of their CCN area, consent from USDA is required. N/A	Date verified: 2/11/2014
Description: N/A		
§13.246(a) & §13.301(a)	Notice of the application has been provided to all affected parties. Yes.	Date verified: 2/11/2014
Comment period end date: 2/1/2014		
Date(s) of Individual and Landowner Notices: 12/16/2013		
Name of Newspaper: "Lampasas Dispatch Record" and "San Saba News & Star"		
Waivers?: N/A		
Additional notice required for amendment?: Yes.		

Date(s) of Publication: 12/20 & 12/27/2013 in the Lampasas Dispatch Record; 12/26/2013 & 1/2/2014 in the San Saba News & Star		County(ies) Published: Lampasas (generally circulated in Burnet, Lampasas & Mills) and San Saba
Date Notice Information (affidavits, copies of individual notices) was received. 12/16/2013 & 1/14/2014		
Were notices revised by the applicant? Yes. In accordance with the accepted for filing letter. If yes, please explain:		
If applicable, have protestants' concerns been addressed by letter from the staff or utility? No protests received.		Date verified: 2/11/2014
Names of protestants: N/A		
Description of protests: N/A		
Protestants included on mailing list?: N/A		
§13.246(c) (1)	What is the adequacy of service currently being provided to the requested area?	Date verified: 12/3/2013
Description: According to the application there are currently 931 water customers and the number of sewer customers was blank. The notice indicated there are 938 water and 298 sewer customers. The application is for Corix to transfer a portion of CCN No. 11670 held by LCRA and to transfer an uncertificated wastewater system from LCRA and to obtain water and sewer CCNs.		
§13.246(c) (3)	What is the effect of granting of a CCN to the recipient and on any other retail public utility of the same kind already serving the proximate area? None.	Date verified: 2/12/2014
Description: The area is already being served by LCRA and this application is for Corix to acquire facilities from LCRA and to obtain Water and Sewer CCNs.		
§13.246(c) (4)	Will the applicant be able to provide adequate service to the proposed area? Yes.	Date verified: 2/12/2014
Description: LCRA is currently providing adequate service. However, in November 2010 LCRA announced its intention to divest itself of the retail and wholesale water and wastewater utility systems that it owned. Corix was selected to acquire substantially all of the utility systems that LCRA was seeking to divest.		
§13.246(c) (5)	Is it feasible to obtain service from an adjacent retail public utility? No.	Date verified: 2/12/2014
Description: This is not a new system. It is an application for Corix to acquire facilities from LCRA and to obtain Water and Sewer CCNs.		
§13.246(c) (7)	Is there an effect on the environmental integrity of the proposed area? N/A	Date verified: 2/12/2014
Description: N/A. LCRA is currently providing service from existing facilities. This application is for Corix to acquire facilities from LCRA and to obtain Water and Sewer CCNs.		
§13.246(c) (8)	Is there probable improvement of service or lowering of cost to consumers in the proposed area? Unknown	Date verified: 2/12/2014

Description: Corix will charge the existing rates currently charged by LCRA and maintain those rates until Corix has better information about the cost of services.		
§13.246(c) (9)	What is the effect on the land in the proposed area? None.	Date verified: 2/12/2014
Description: Service will be provided to the customers from existing facilities.		
§13.246(e)	If applicable, has the applicant made efforts to extend service to any economically distressed areas? N/A	Date verified: 2/12/2014
Description: The proposed area is not an economically distressed area.		
§13.241(b) (1)	Is the applicant capable of providing drinking water that meets the requirements of Chapter 341, Health & Safety Code? Yes.	Date verified: 2/12/2014
Description: See Compliance Summary		
§13.241(b) (2)	Does the applicant have access to an adequate supply of water? Yes.	Date verified: 2/12/2014
Description: LCRA currently has facilities in the area that is being transferred and currently has the capacity to service, since the areas are currently being served.		
§13.241(c)	Is the applicant capable of meeting commission's design criteria for sewer treatment plants? N/A	Date verified: 2/12/2014
Description: Sewer service is provided by existing sewer facilities.		
§13.241(d)	If the applicant has proposed to construct a physically separate water or sewer system, the applicant has demonstrated that regionalization with another retail public utility is not economically feasible. N/A	Date verified: 2/12/2014
Description. See attached Feasibility Checklist.		
	<p>If applicable, the staff person must send an email to Central Registry requesting them to link the appropriate CCN, CN and RN numbers.</p> <p>The email should be addressed to: WWW-Registry with WUD Priority in the subject line.</p> <p>If these numbers are not linked appropriately, the Chief Clerk's Office will not be able to accept the application for posting and the file will be returned to our program area. This will cause a delay in the getting the final order and CCN(s) signed.</p>	Date verified: 2/12/2014
Description: N/A		
	If a WSC is decertifying a portion of their CCN area, consent from USDA is required. N/A	Date verified: 2/12/2014
Description: N/A		

COMPLIANCE SUMMARY:

General: Water System Name: LCRA - Lometa Water System
Plans & Specs Approval Letter Date (*if applicable*): N/A
Log # (*if applicable*): N/A
Public Water System No.: 1410002
Inspection Date: 9/16/2010
Deficiencies: 1. Failure to notify TCEQ prior to making an addition to the water system's production facilities. 2. Failure to identify all chemical feed lines. 3. Failure to provide operating records during the investigation.

Based on TCEQ letter dated 10/29/2010, no further submittal to the TCEQ Waco Regional Office was required concerning the investigation.

General: Wastewater System: LCRA - Lometa Wastewater Treatment Facility
Permit No.: WQ-0011982-001
Issued/Renewal Date: N/A
Inspection Date: 1/26/2011
Deficiencies: No violations were alleged as a result of the investigation.

Signed: Sheresa Ruyman Date: 3/20/14

Feasibility Checklist

Applicant: Corix Utilities (Texas) Inc. (Lometa Water and Wastewater Systems)
Application No.: 37704-S & 37705-S

§291.102(3)	Applicant has provided a list of all public drinking water supply systems within a 2 mile radius. Yes.	Date verified: 2/12/2014
Description: A list of utilities was provided with the application and identified with the overlap check.		
§291.102(3)	Applicant has provided copies of written requests seeking to obtain service from each system within a 2 mile radius. N/A	Date verified: 2/12/2014
Description: The application is for Corix to acquire existing facilities from LCRA and to obtain Water and Sewer CCNs.		
§291.102(a)(3)	Applicant has demonstrated that it is not economically feasible to obtain service from a neighboring system.	Date verified: 2/12/2014
Description: N/A. See above.		
§291.102(a)(3)	Applicant has provided copies of written responses or evidence that the neighboring system has failed to respond.	Date verified: 2/12/2014
Description: N/A. See above.		
Date of letters sent to neighboring systems:		
§291.102(a)(3)	Applicant has provided a description of the type of service that the neighboring system is willing to provide and has compared it with the service the applicant is proposing and the applicant's service is clearly better.	Date verified: 2/12/2014
Description: N/A. See above.		
§291.102(a)(3)	Applicant has provided an analysis of all necessary costs for constructing, operating, and maintaining the new system for at least the first five years.	Date verified: 2/12/2014
Description: N/A. See above.		
§291.102(a)(3)	Applicant has provided an analysis of all necessary costs for acquiring and continuing to receive service from the neighboring system for at least the first five years.	Date verified: 2/12/2014
Description: N/A. See above.		
§291.102(a)(3)	How do the costs for providing service as a stand-alone system compare with the costs of obtaining service from a neighboring system?	Date verified: 2/12/2014
Description: N/A. See above.		

Signed: Sheresa Perryman Date: 3/20/14

§13.301 (d)	Will the transaction serve the public interest? Yes, the LCRA has chosen to divest of its water and wastewater operations in the Central Texas region. Yes. Corix is capable of rendering adequate and continuous service to every consumer within the certificated area, has extensive experience as a utility service provider and has a history of complying with regulatory requirements. Corix also has the ability to provide the necessary capital investment to ensure the provision of continuous and adequate service to the customers of the public utilities. Corix plans to maintain or increase system performance and ensure the provision of reliable, cost effective and complaint services over the term of the contract.	Date verified: 2/12/2014
	Is the applicant willing to make improvements?: Yes, However, according to the application, no improvements are required to meet TCEQ standards. However, any planned or required improvements will be made from a combination of intercompany debt, equity funding from Corix Infrastructure (US) Inc., and internal cash flow from operations.	
§13.301(e)	Does the purchaser or any affiliate of the purchaser have a history of noncompliance with the requirements of the commission within the past 5 years? No.	Date verified: 2/12/2014
Description: This is a newly formed IOU. Checked CCEDS and there are no enforcement cases pending regarding the seller.		
Any active enforcement actions?: No.		
Enforcement Coordinator: N/A		
Date of previous enforcement orders: N/A		
Penalties: N/A		
In compliance with previous orders?: N/A		
§13.301(e)	Does the purchaser or any affiliate of the purchaser have a history of continuing mismanagement or misuse of revenues as a utility service provider? No.	Date verified: 2/12/2014
Description: Verified in CCEDS and Corix Utilities Inc., RN: 106448079 does not have any enforcement actions.		
§13.301(j)	If applicable, has the seller made a written disclosure to the purchaser related to customer contributions in aid of construction derived from specific surcharges?	Date verified: 2/12/2014
Description: Yes. Corix Utilities (Texas) Inc. attached Exhibit G: <i>Price and Utility Cost Data</i> for the system(s) being sold from the LCRA. Lometa's Water CIAC is listed as (\$401,574.00) and Lometa's Wastewater CIAC is listed as (\$488,714.00) in this exhibit.		

Have any customer deposits been accounted for? Yes, Corix provided a list of customers holding deposits; reference Exhibit B in the application. In addition Exhibit H Other Transaction Considerations states that "Customer deposits will be purchases from LCRA and held on account. Amounts will be reviewed and adjusted as per the TCEQ rules and refunds will be provided to customers as required."	Date verified: 2/12/2014
Do any of the systems being transferred have violations that need to be corrected? No, see Compliance Summary.	Date verified: 2/12/2014
If the purchaser is a corporation, is it in good standing with the State Comptroller? Yes, reference Exhibit C.	Date verified: 2/12/2014
Have all TCEQ Fees and penalties and any laboratory fees owed by either the seller or purchaser been paid? Yes.	Date verified: 2/12/2014
What are the terms of the sale? See question 12 of the application.	Date verified: 2/12/2014
Sales price: \$2,719,043 (water); \$0 (wastewater) - See Exhibit G	
# of customers affected: 938 (water) and 298 (wastewater) customers per the notice.	
Original cost of plant being transferred: \$7,381,729 - See Exhibit G	
Accumulated depreciation: \$1,964,418 - See Exhibit G	
Date of closing: Pending.	
If facility being transferred is a wastewater treatment system, has the applicant requested a transfer of the wastewater discharge permit? Yes. See letters dated 3/27/2013 from TCEQ and 9/30/2013 from Corix to TCEQ.	Date verified: 12/3/2013
Miscellaneous information: N/A	Date verified: 12/3/2013
Is the system under the jurisdiction of a city (if yes, name the city)? Yes. There are 322 water customers within the City of Lometa city limits. See Exhibit Q for Memorandum of Agreement.	
Is the seller's CCN being canceled?: No, Corix Utilities (Texas) Inc. will be obtaining Water and Sewer CCN Nos.	

Signed: Sheresa Perryman Date: 3/20/14

