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PUC DOCKET NO. 43355

**APPLICATION OF BEAR SPRINGS
WATER CO., INC. AND BEAR
SPRINGS TRAILS WATER SUPPLY
CORPORATION, INC. FOR SALE,
TRANSFER, OR MERGER OF
FACILITIES AND CERTIFICATES OF
CONVENIENCE AND NECESSITY IN
BANDERA COUNTY (37912-C)**

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OF TEXAS
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COMMISSION STAFF'S RESPONSE TO ORDER NO. 7

COMES NOW the staff (Staff) of the Public Utility Commission of Texas, representing the public interest and files this Response to Order No. 7.

I. BACKGROUND

On May 9, 2014, Bear Springs Water Co., Inc. and Bear Springs Trails Water Supply Corporation, Inc. (Applicants) filed an application for the sale, transfer, or merger of facilities and certificates of convenience and necessity in Bandera County. On March 12, 2015, Order No. 7 was issued which declared the application administratively complete and set a procedural schedule, requiring Staff to file its recommendation or request for a hearing on the merits by May 15, 2015. Accordingly, this response is timely filed.

II. STAFF RECOMMENDATION

As detailed in the attached memorandum of Debbie Reyes Tamayo, in the Commission's Water Utilities Division, Staff recommends that the Bear Springs Trails Water Supply Corporation, Inc. (Bear Springs WSC) has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the proposed area. Staff recommends that notice was properly provided pursuant to 16 TEX. ADMIN. CODE (TAC) §§ 24.109 and 24.112. Additionally, Staff recommends the transaction will serve the public interest and that a public hearing is not necessary. Accordingly, Staff recommends that the proposed transaction be completed.

Staff recommends that the parties be required to, within thirty days after the effective date of the transaction, file a signed contract, bill of sale, or other appropriate documents as evidence that the transaction has been finalized. Staff notes that if this documentation is not provided within one year of the date of the Notice of Approval or if an extension is not requested

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and granted, the Commission's approval of the transaction is void pursuant to 16 TAC § 24.112(e). Staff also recommends that Bear Springs WSC be informed that the certificate of convenience and necessity will remain in the name of Bear Springs Water Co., Inc. until the transfer is complete and approved in accordance with the PUC rules and regulations.

Once Staff has received documentation evidencing the completion of the sale, Staff will revise the Commission's mapping information to reflect the transaction. Upon completion of the mapping, the parties must submit to the Commission signed consent forms evidencing their consent to the revised maps. Once Staff has received the completed and signed consent forms from the parties, Staff will issue its final recommendation on the application.

III. CONCLUSION

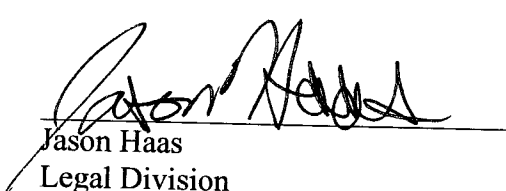
Staff recommends that the transaction be completed and that the parties be directed to submit documentation regarding completion of the transaction before Staff makes its final recommendation on the application. Consistent with the procedural schedule established in Order No. 7, the parties will file a proposed order on or before June 12, 2015.

DATED: May 15, 2015

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director - Legal Division

Karen S. Hubbard
Managing Attorney - Legal Division



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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on May 15, 2015, in accordance with P.U.C. Procedural Rule 22.74.


Jason Haas

PUC Interoffice Memorandum

To: Jason Haas, Attorney
Legal Division

Thru: Tammy Benter, Director
Water Utilities Division

From: Debbie Reyes Tamayo, Program Specialist
Water Utilities Division

Date: May 15, 2015

Subject: Docket No. 43355, Application of Bear Springs Water Co., Inc. for Sale, Transfer or Merger of Facilities and Certificate of Convenience and Necessity in Bandera County.

On May 9, 2014, Bear Springs Trails Water Supply Corporation (WSC) (Applicant) filed an application to acquire all water facilities from CCN No. 12963, held by Bear Springs Water Co., Inc. in Bandera County, pursuant to the criteria in Texas Water Code § 13.301 and Title 16 Texas Administrative Code (TAC) §§ 24.109 and 24.112. This application was filed pursuant to the criteria in the Texas Water Code, Chapter 13, and the TCEQ's rules outlined in 30 TAC §§ 291.109 and 291.112. On September 1, 2014, the rates and CCN programs were transferred from the TCEQ to the Public Utility Commission (PUC). This application was part of the transfer and is now under the PUC's purview. The application is now being reviewed under the PUC's Substantive Rules in 24 TAC §§ 24.109 and 24.112. The application addresses the proposed transfer of facilities from CCN No. 12963, held by Bear Springs Water Co., Inc. in Bandera County.

Based on information filed by the Applicant, the application was deemed administratively complete as noted in Commission Order No. 6. Bear Springs Trails WSC was ordered to provide proper public notice to all current customers, neighboring systems and cities. Notice was properly given on March 31, 2015. Notices were published with the Bandera County Courier on April 2, 2015, and April 9, 2015. Affidavits of notice were received at PUC on February 15, 2015. The comment period for protests ended on May 9, 2015, and no protests were received.

Bear Springs Trails WSC is a newly formed entity. The By-Laws have been presented to the board of directors and have been adopted by a quorum of the membership of Bear Springs Trails WSC. Articles of Incorporation are in good standing with the office of the Secretary of State.

The Applicant has demonstrated adequate financial and managerial capabilities to provide service to the area being requested. Members of the Bear Springs Trails Home Owner's Association (HOA) are the customers affected by this application and are assuming the costs of the formation of the WSC, acquisition cost and transfer of assets from the HOA to the WSC. The HOA provided a bank statement dated March 31, 2015, with a current balance of \$79.4 thousand and financial agreement between HOA and the WSC.

Although the HOA's annual financial reports net income was (\$1,453) for FY2012, (\$13,386) for FY2013, and (\$7,987) for FY2014, projected income statements were provided by the WSC. Based upon approval of this STM application the WSC is planning on filing a rate increase which is part of their projected annual revenue amount as well as reduce expenses by not contracting out for services. The WSC projects net income of \$4,000 for Year 1, \$1,100 for Year 2, \$2,000 for Year 3, \$2,100 for Year 4, and \$2,600 for Year 5 for total 5 year income amount of \$7,700. Since the HOA is funding the purchase of the assets and providing the start-up funds, the WSC projects to have \$91,500 in total assets, \$0.00 long term liabilities and \$12,000 in current

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liabilities. A Financial Support Agreement between the HOA and WSC was filed as item 24 on May 14, 2015 in this docket.

The Applicant possesses the technical capability to provide continuous and adequate service pursuant to 16 TAC § 24.102. Specifically, the Applicant has demonstrated that it currently employs one Class C licensed water operator that operates their TCEQ approved water system under Public Water System (PWS) Identification No. 0100076, which provides service to 21 current customers in the Pipe Creek subdivision. A review of TCEQ records and their Central Registry Database indicate that the PWS is not operating in excess of 85% and has no unresolved PWS violations or complaints.

Therefore, Staff recommends the Commission find that the transaction will serve the public interest and allow the Applicant to proceed with the proposed transaction. Staff further recommends that a public hearing is not necessary.

Lastly, the Applicant should file documentation as evidence that all assets have been transferred to the acquiring entity and that the disposition of any remaining deposits has been addressed as soon as possible. Pursuant to 16 TAC § 24.112(e), the approval of the sale expires one year from the date of the Commission's written approval of the sale. If the sale has not been consummated within that period and unless the Applicant has requested and received an extension from the Commission, the approval is void and the Applicant must re-apply for the approval of the sale. In addition, the Applicant should be informed that the CCN will remain in the name of Bear Springs Water Co., Inc. until the transfer is complete and approved in accordance with the PUC rules and regulations.

TB/DRT