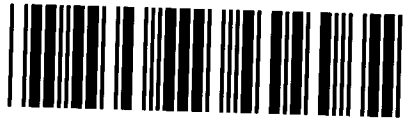


Control Number: 44387



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PUBLIC UTILITY COMMISSION

APPLICATION OF NORTHWEST §
WATER SYSTEMS, INC. AND §
NERRO SUPPLY INVESTORS, LLC §
FOR SALE, TRANSFER, OR §
MERGER OF FACILITIES AND §
CERTIFICATE RIGHTS IN HARRIS §
AND MONTGOMERY COUNTIES §

PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION STAFF'S RESPONSE TO ORDER NO. 1

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files Commission Staff's Response to Order No. 1 and would show the following:

I. BACKGROUND

On January 29, 2015, Northwest Water Systems, Inc. (Northwest) and Nerro Supply Investors, LLC (Nerro) (collectively, Applicants) filed an application for approval of the sale, transfer, or merger (STM) of facilities and certificate rights in Harris and Montgomery Counties, Texas. Nerro seeks approval to purchase the water assets currently held by Northwest under certificate of convenience and necessity (CCN) number 10336 and retain Northwests' CCN. The Applicants state that the rates will not change for the affected customers.¹

On February 3, 2015, the Administrative Law Judge (ALJ) issued Order No. 1, requiring Staff to file comments regarding the administrative completeness of the application by March 3, 2015. Therefore, this pleading is timely filed.

II. ADMINISTRATIVE COMPLETENESS OF THE APPLICATION AND NOTICE

P.U.C. SUBST. R. 24.8 provides for the review for administrative completeness of CCN applications. If the Commission determines that material deficiencies exist in the application, the application may be rejected.² Additionally, P.U.C. SUBST. R. 24.109 provides the Commission's required contents of a STM application. Staff has reviewed the application for

¹ Application at 7 (Jan. 29, 2015).

² P.U.C. SUBST. R. 24.8(a).

administrative completeness and, based on the attached memorandum of Jolie Mathis of the Commission's Water Utilities Division, Staff has determined that the application and notice contain material deficiencies and is therefore administratively incomplete.

Specifically, the Applicants did not properly complete Part F, Question 19 of the application related to whether the systems operate within the city limits of a municipality or district boundaries. The Applicants must amend this question and submit copies of franchise agreements or consent letters from each district or city, as described in Staff's memo. Additionally, the Applicants must amend their proposed notice to include the boundary descriptions as worded in Staff's memo and, for clarity, include a map with the notices that shows the proposed areas *highlighted*. Finally, the Applicant did not provide a complete list of entities who must receive notice within a 2-mile boundary of the proposed water services areas. The applicant must provide an amended list to include those entities listed in Staff's memo. Staff notes that the Applicants should not issue any notices until the documents have been approved by the Commission.

III. PROPOSED PROCEDURAL SCHEDULE

Due to the deficiencies identified in Staff's memo, Staff proposes that in lieu of a procedural schedule, the ALJ allow the Applicants 30 days to cure the deficiencies. Staff will then review the amended application for administrative completeness, and proposes to issue a supplemental recommendation on administrative completeness and a proposed procedural schedule, if appropriate, within 30 days of the Applicants' filing.

IV. CONCLUSION

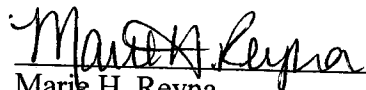
Staff has determined that the application and notice are not administratively complete due to the deficiencies identified in Staff's memo. Staff respectfully requests that the ALJ issue an order requiring the Applicants to cure the application and notice deficiencies within thirty (30) days.

Dated: March 3, 2015

Respectfully Submitted,

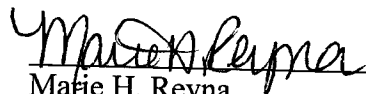
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**P.U.C. DOCKET NO. 44387
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on March 3, 2015, in accordance with P.U.C. Procedural Rule 22.74.


Marie H. Reyna

PUC Interoffice Memorandum

To: Marie Reyna, Attorney
Legal Division

Through: Tammy Benter, Director
Water Utilities Division

From: Jolie Mathis, Engineering Specialist
Suzanne Burt, Cartographer
Water Utilities Division

SUBJECT: Docket No. 44387, Application of Nerro Supply Investors, LLC for Sale, Transfer, or Merger of Facilities and Certificate of Convenience and Necessity (CCN) No. 10336 of Northwest Water Systems, Inc., in Harris and Montgomery Counties

DATE: February 24, 2015

On January 29, 2015, Nerro Supply Investors LLC filed an application with the Public Utility Commission (Commission) to purchase facilities and transfer CCN No. 10336 of Northwest Water Systems, Inc., in Harris and Montgomery Counties. Northwest Water Systems, Inc. is certificated to 4 separate subdivisions: Hazy Hollow East Estates, Spring Creek Valley Estates, White Oak Valley Estates and Shady Brook Acres. The application is being reviewed under the PUC Subst. R. 24.109.

Based on an administrative review of the application, Staff recommends the application be deemed insufficient and administratively incomplete for filing. Specifically, the application and proposed notice contain the following deficiencies:

Application deficiencies:

- (1) Part F, Question 19 was not answered. It appears that the following subdivisions operate within city limits and/or district boundaries.
 - a) Hazy Hollow East Estates is within the city limits of Pinehurst, and within the San Jacinto River Authority.
 - b) Spring Creek Valley Estates is within the City of Tomball and also these districts: North Harris County Regional Water Authority, Harris County FCD, San Jacinto River Authority, Port of Houston Authority, Coastal Water Authority, Harris-Galveston Coastal Subsidence District.
 - c) White Oak Valley Estates is within San Jacinto River Authority.
 - d) Shady Brook Estates is within San Jacinto River Authority.
- (2) The Application should be directed to submit copies of franchise agreements or consent letters from each district or city referenced above.

Proposed Notice deficiencies:

- (1) The notice documents should be revised to include the following boundary

descriptions:

a) Hazy Hollow East Estates

The area subject to this transaction is located approximately 17 miles southwest of downtown Conroe, TX, and is generally bounded on the north by Little Thorn Lane and Green Tree Rd; on the east by Hazy Meadow Drive; on the south by FM 1774; and on the west by Meadow Edge Drive & Green Tree Rd. The total area being requested includes approximately 611 acres and serves 721 current customers.

b) Spring Creek Valley Estates

The area subject to this transaction is located approximately 30 miles northwest of downtown Houston, TX, and is generally bounded on the north by Spring Creek; on the east by State Hwy 249; on the south by Brown Rd; and on the west by Coral Canyon. The total area being requested includes approximately 154 acres and serves 217 current customers.

c) White Oak Valley Estates

The area subject to this transaction is located approximately 10 miles southeast of downtown Conroe, TX, and is generally bounded on the north by FM 2090; on the east by FM 1485; on the south by FM 3083; and on the west by Grangerland Rd. The total area being requested includes approximately 282 acres and serves 227 current customers.

d) Shady Brook Acres

The area subject to this transaction is located approximately 20 miles southwest of downtown Conroe, TX, and is generally bounded on the north by Old Hockley Rd; on the east by Nichols Sawmill Rd; on the south by Country Place Lane; and on the west by Mink Branch Creek. The total area being requested includes approximately 95 acres and serves 56 customers.

- (2) The maps submitted with the notices should show the proposed areas highlighted for clarity.
- (3) The applicant provided an incomplete list of entities who must receive notice within a 2-mile boundary of the proposed water service areas. In addition to those utilities listed in the application, the Applicant should provide notice to the following entities:

Champ's Water Co. (CCN 10976)
City of Pinehurst
Montgomery County WCID 4
Montgomery County MUD 130
Montgomery County MUD 131
Grand Oaks MUD
Harris County FCD
Harris -Galveston Coastal Subsidence District
Harris County MUD 416
Port of Houston Authority

Coastal Water Authority
East Montgomery County MUD 8
East Montgomery County MUD 12
Montgomery County MUD 111
Montgomery County MUD 30
Clovercreek MUD

The Applicant should not notice neighboring entities, customers, or other parties until their notice documents have been approved by the Commission.