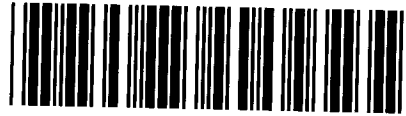


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DOCKET NO. 44512

**APPLICATION OF FOREST
HIGHLANDS, INC AND FOREST
OAKS MOBILE HOMES FOR SALE,
TRANSFER, OR MERGER OF
FACILITIES AND CERTIFICATE OF
CONVENIENCE AND NECESSITY
IN TRAVIS COUNTY**

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PUBLIC UTILITY COMMISSION
OF
TEXAS

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COMMISSION STAFF'S FINAL RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Final Recommendation. In support thereof, Staff shows the following:

I. BACKGROUND

On March 6, 2015, Oak Forest Highlands, Inc. (Highlands or Seller) and Forest Oaks Mobile Homes, LLC (Forest Oaks or Purchaser) filed an application (Application) for the sale, transfer, or merger (STM) of facilities and certificate of convenience and necessity rights in Travis County. Specifically, Forest Oaks seeks approval to acquire all of the water system assets of Highlands. Highlands's water certificate of convenience and necessity (CCN) No. 12086 would also be transferred to Forest Oaks. In Order No. 3, the Administrative Law Judge (ALJ) deemed the Application sufficient for filing and instructed the Applicants to issue notice. On June 25, 2015, the Purchaser filed affidavits of notice and samples of the notice it issued. On July 2, 2015, Professional Contract Services, Inc. (PCSI), operating a water well immediately east of the Forest Oaks' parcel, filed a request for a public hearing to clarify the area the covered by certificate of convenience and necessity (CCN) that is the subject of the Application.

Order No. 6 allowed PCSI until September 1, 2015 to file a hearing request or withdraw its conditional hearing request. On August 31, 2015, PCSI timely filed a withdrawal of its hearing request and protest to the Application. Order No. 8 allowed Staff until September 28, 2015 to file a final recommendation request a hearing. Therefore, this pleading is timely filed.

II. RECOMMENDATION

As noted in the attachment (Attachment A) of Emily Sears and Komal Patel, Staff recommends that the Applicants be approved to proceed with the proposed transaction. Attachment A details how the Application satisfies Tex. Water Code §§ 13.241, 13.246, and 13.301 (TWC), and 16 Tex. Admin. Code §§24.102, 24.109 and 24.112 (TAC). Attachment A also provides instruction on the submission of closing documents.

II. PREOPOSED PROCEDURAL SCHEDULE

Staff proposes the following procedural schedule:

Deadline for the Applicants to respond to Staff's final recommendation.	October 5, 2015
120-day deadline for the Commission to grant, deny, or refer to a hearing.	October 16, 2015
Deadline for the Applicant to file closing documents if they are approved to proceed with the proposed transaction.	1 year from the approval of the transaction
Schedule for the Applicants to file status updates until the closing documents are received and deemed sufficient if the proposed transaction is approved.	Every 30 days

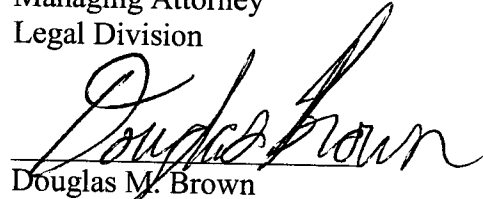
III. CONCLUSION

Staff respectfully requests the issuance of an order consistent with the above recommendations.

Respectfully Submitted,

Margaret Uhlig Pemberton
Division Director
Legal Division

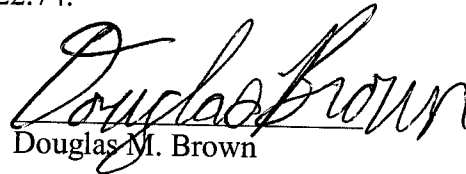
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Austin, Texas 78711-3326

DOCKET NO. 44512
CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on or before September 25, 2015 in accordance with 16 TAC § 22.74.



Douglas M. Brown

ATTACHMENT A

Public Utility Commission of Texas

Memorandum

To: Douglas Brown, Attorney
Legal Division

Thru: Tammy Benter, Director
Water Utilities Division

From: Emily Sears, Utility Rates Analyst
Komal Patel, GIS Specialist
Water Utilities Division

Date: September 16, 2015

Subject: Docket No. 44512; *Application of Oak Forest Highlands, Inc. and Forest Oaks Mobile Homes, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Travis County*

On March 6, 2015 Forest Oaks Mobile Homes, LLC ("Forest Oaks MH" or "Purchaser") filed an application to purchase facilities and transfer Certificate of Convenience and Necessity ("CCN") No. 12086 of Oak Forest Highlands, Inc. ("Oak Forest Highlands" or "Seller") (collectively called "Applicants") in Travis County, Texas. The application was filed pursuant to the criteria in the Tex. Water Code §§ 13.241, 13.246, and 13.301 (TWC), and 16 Tex. Admin. Code §§24.102, 24.109 and 24.112 (TAC).

Based on information filed by the Applicant on April 17 and May 5, 2015 the Commission deemed the application sufficient for filing. The Applicants were ordered to provide proper public notice to all current customers, neighboring systems and cities, and was attached to the memo. On June 26, 2015, the Applicants provided an affidavit for notice to current customers, neighboring systems and cities send out on June 3, 2015. Also, on June 26, 2015, the Applicants provided a publisher's affidavit for a newspaper publication dated June 12 and June 19, 2015. The comment period for protests ended on July 18, 2015. Notice of the application was proper because it was provided to all entities required to receive notice pursuant to TWC § 13.301.

On July 2, 2015, Professional Contract Services, Inc. (PCSI) requested a public hearing regarding its objections to the Notice and its request for amendment of the Certificate. PCSI withdrew their hearing request on August 31, 2015.

Staff concludes Forest Oaks MH demonstrates adequate financial, managerial and technical capability to provide service in the area subject to this application. TWC § 13.246(c) requires the Commission to consider nine criteria when granting or amending a CCN. As a result of this application, the Seller will transfer its water CCN No. 12086 to the Purchaser. Therefore, the following criteria were considered:

- 1) **TWC § 13.246(c)(1) refers to the adequacy of service currently provided to the requested area.**

The requested transaction includes the water utility service from the Forest Oaks Village MH Community, public water system (PWS) No. : 2270271 for 30 current customer connections. A review of TCEQ's records show there are no unaddressed violations, and the permit is active.

- 2) **TWC § 13.246(c)(2) refers to the need for service in the requested area.**

The fact that there are current customers (30) in the requested area demonstrates the need for service.

- 3) **TWC § 13.246(c)(3) refers to the effect of granting a certificate on the recipient and on any other retail water utility servicing the proximate area.**

Only the Applicants will be affected by this transaction. As a result of the transaction, the Seller's water CCN No. 12087 will be transferred to the Purchaser. The Seller's current customers will become customers of the Purchaser and will have reliable water service.

- 4) **TWC § 13.246(c)(4) refers to the ability of the applicant to provide adequate service.**

The Purchaser hired Mr. Palmer Stevens, who is a class D certified water system operator, and will provide water service using the existing system.

- 5) **TWC § 13.246(c)(5) refers to the feasibility of obtaining service from an adjacent retail public utility.**

In this case, the area is already receiving service and no additional service is needed.

- 6) **TWC § 13.246(c)(6) refers to the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service and the financial stability of the applicant.**

The existing system does not have any outstanding violations, and does not require major capital improvements or repairs. The mobile home park is operating as two businesses, with the mobile home park supplementing the utility operations until the utility applies for a rate increase, which the manager has indicated he will do at the close of the STM application. Mr. Stevens also provided a combined business plan for the utility and mobile home park. Staff believes the Applicant has demonstrated adequate financial capability to provide service in the area subject to this application.

- 7) **TWC § 13.246(c)(7) refers to the environmental integrity.**

In this case, there will be no impact on the environment as the system is already in place and does not need any repairs or improvements at this time.

- 8) **TWC § 13.246(c)(8) refers to the probable improvement of service or lowering of cost to consumers in that area resulting from the granting of the certificate.**

The Purchaser anticipates that the quality of utility service will be the same or better. The Seller owners/operators are experiencing health challenges, and live off-site. Mr.

Stevens will be living on-site, and therefore has a greater interest in the quality of the system.

9) **TWC § 13.246(c)(9) refers to the effect on the land to be included in the certificated area.**

In this case, there will be no impact on the land as the system is already in place and does not need any repairs or improvements at this time.

Purchaser meets all of the requirements of TWC § 13.246(c). Approving this application and transferring in the Seller's water service area, assets and customers under CCN No. 12086 is necessary for the service, accommodation, convenience and safety of the public.

The Purchaser is capable of providing continuous and adequate service. Therefore, Staff recommends that the Commission allow the Applicants to proceed with the proposed transaction.

Staff further recommends that the proposed transaction be completed and that the Applicants send 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 Title 16, TAC, Section 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 Applicants has requested and received an extension from the Commission, the approval is void and the Applicants must re-apply for the approval of the sale. In addition, I recommend the Applicants be informed that the CCN will remain in the name of the Seller until the transfer is complete and approved in accordance with the PUC rules and regulations.