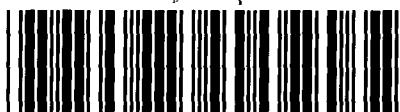




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APPLICATION OF CHARLES §
BRANCH DBA DOUCETTE WATER §
SYSTEM AND LAKESIDE WATER §
SUPPLY AND THOMAS AND DANASA §
RAWLS FOR SALE, TRANSFER, OR §
MERGER OF FACILITIES AND §
CERTIFICATE RIGHTS IN TYLER §
COUNTY §

PUBLIC UTILITY COMMISSION

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**COMMISSION STAFF'S REQUEST FOR REFERRAL TO
THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

Commission Staff (Staff) of the Public Utility Commission of Texas (Commission) files its Request for Referral to the State Office of Administrative Hearings. In support of its request, Staff states the following:

I. Background

Charles Branch d/b/a Doucette Water System and Lakeside Water Supply (Doucette Water System) and Thomas and Danasa Rawls (the Rawls) request the approval of the sale and transfer of certain water assets and a corresponding water certificate of convenience and necessity (CCN No. 12001) for a certificated service area in Tyler County, Texas. Doucette Water System is the seller, and the Rawls are the purchasers.

On October 20, 2016, the Administrative Law Judge issued Order No. 8, which requires Staff to either file a recommendation or request a hearing by October 31, 2016.

II. Request for Referral

Staff has determined that there are factual issues that need to be adjudicated. For example, there is a factual issue regarding whether the Rawls have the financial ability to provide continuous and adequate service. The Rawls have yet to receive the financing for the sale and transfer transaction. Thus, Staff requests that the Commission refer this proceeding to the State Office of Administrative Hearings.¹

¹ See generally 16 Tex. Admin. Code § 22.207. Staff's request is based on the attached memorandum from Leila Guerrero.

III. Conclusion

Staff requests that the Commission refer this proceeding to the State Office of Administrative Hearings.

Date: October 31, 2016

Respectfully Submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

Margaret Uhlig Pemberton
Division Director
Legal Division

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DOCKET NO. 45627

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on October 31, 2016, in accordance with 16 TAC § 22.74.



Sam Chang

PUC Interoffice Memorandum

To: Sam Chang, Attorney
Legal Division

Thru: Tammy Benter, Director
Debi Loockerman, Financial Manager
Water Utility Regulation

From: Leila Guerrero, Regulatory Accountant/Auditor
Water Utility Regulation

Date: October 31, 2016

Subject: **Docket No. 45627**, *Application of Charles Branch dba Doucette Water System and Lakeside Water Supply and Thomas and Danasa Rawls for Sale, Transfer, or Merger of Facilities and Certificate Rights in Tyler County*

On February 17, 2016, Charles Branch dba Doucette Water System and Lakeside Water Supply ("Charles Branch" or "Seller") and Thomas and Danasa Rawls ("Rawls" or "Buyer") (collectively, "Applicants") filed an application with the Commission for the sale and transfer of the Doucette and Lakeside water system assets and Certificate of Convenience and Necessity (CCN) No. 12001 and held by Charles Branch in Tyler County. The Buyer does not currently hold a CCN. If approved, this application will result in the transfer of water CCN No. 12001, including all the utility's assets, customers, and service area to the Rawls. The application is being reviewed under 16 Tex. Admin. Code §§ 24.102, 24.109 and 24.112 (TAC) and Tex. Water Code Ann. §§ 13.241, 13.246, and 13.301 (TWC).

Staff recommends that the Commission refer this case to the State Office of Administrative Hearings (SOAH) to hold a hearing for the following reasons:

- a) Based on the financial information provided with the application, the Buyer does not currently have sufficient financial capability to purchase the proposed utility systems. The buyer is applying for a loan with the Citizens State Bank ("Bank"), for the purchase of the system and the application has been taken to the board of the Bank for approval, however, the Bank will only provide approval conditional on the issuance of the PUC approval of this STM;
- b) The Applicant has not provide correct projected balance sheet and income statement information to determine financial assurance required in 16 TAC § 24.11; and,
- c) The Applicants have not provided information to support a determination of public interest as to the sale at the proposed purchase price of \$625,000. Based on the financial information provided with the application, the only book value provided, net of tax depreciation, for assets being sold is approximately \$60,000. However, the correct

acquisition adjustment determination is based on original installed cost less straight line depreciation. Staff is currently working with the Applicants for provision of additional information to determine the actual appropriate acquisition adjustment and financial assurance in accordance with 16 TAC § 24.11.