



Control Number: 45627



Item Number: 8

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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

2016 MAY 18 AM 9:50

OF TEXAS

PUBLIC UTILITY COMMISSION
FILING CLERK

COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION

Commission Staff (Staff) of the Public Utility Commission of Texas (Commission) files its Supplemental Recommendation. In support of its Supplemental Recommendation, 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. The proposed effective date of the sale and transfer transaction is June 11, 2016.

On March 18, 2016, the Administrative Law Judge entered Order No. 2, which found Doucette Water System and the Rawls' application not administratively complete. Order No. 2 also permitted Doucette Water System and the Rawls the opportunity to cure the deficiencies in their application.

On April 14, 2016, Doucette Water System filed additional information, including new mapping information and transactional documents.

II. Staff's Supplemental Recommendation

Staff has reviewed the additional information filed by Doucette Water System. While the additional mapping data is sufficient, the Rawls' financial information is deficient. Staff has identified the following deficiencies:

1. Additional information regarding the loan with Citizen State Bank needs to be provided, including the date and amount of the loan, parties to the loan, the interest rate, the term of the loan, and amount of monthly payments;
2. Documentation that confirms the \$50,000 reserve account;
3. Documentation regarding the original cost and accumulated depreciation (as of December 31, 2015); and
4. The Rawls' projected financial statements (balance sheet and income statements) for the first five (5) years of operations.

Given these deficiencies, Staff recommends that the application not be deemed administratively complete.¹

Staff recommends that Doucette Water System and the Rawls be given an opportunity to cure the financial information deficiencies identified by Staff, with the deadline to cure being June 15, 2016. Staff will review any additional documents submitted by Doucette Water System and the Rawls for administrative completeness and make a supplemental recommendation on administrative completeness, with the deadline being July 6, 2016.

III. Conclusion

Staff recommends that Doucette Water System and the Rawls be given an opportunity to cure the financial information deficiencies identified by Staff.

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¹ Staff's recommendation is based on the attached memorandum of Leila Guerrero of the Water Utilities Division.

Date: May 18, 2016

Respectfully Submitted,

Margaret Uhlig Pemberton
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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 18, 2016, in accordance with 16 Tex. Admin. Code § 22.74.



Sam Chang

PUC Interoffice Memorandum

To: Sam Chang, Attorney
Legal Division

Thru: Tammy Benter, Director
Lisa Fuentes, Manager
Heidi Graham, Manager
Water Utility Regulation

From: Leila Guerrero, Regulatory Accountant/Auditor
Jolie Mathis, Engineering Specialist
Gary Horton, Jr., GIS Specialist
Water Utility Regulation

Date: May 17, 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 ("Doucette WS and Lakeside WS" or "Seller") and Thomas and Danasa Rawls ("Rawls" or "Buyer") (collectively, "Applicants") filed an application with the Commission for the Sale, Transfer, or Merger (STM) of all of the water system assets of Certificate of Convenience and Necessity (CCN) No. 12001 held by Doucette WS and Lakeside WS in Tyler County. The Buyer does not currently hold a CCN. If approved, this application will result in the transfer of Doucette WS and Lakeside WS's 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 reviewed the additional information provided by the Applicants on April 14, 2016. The mapping information satisfied the mapping requirements, however, the financial information is still insufficient. Staff recommends the Applicants provide the following financial information, as follows:

- 1) Additional information regarding the secured loan with Citizen State Bank in Woodville, Texas, as mentioned by Danasa Rawls in the letter dated April 9, 2016, in Item No. 7.
 - a) Date and amount of the loan;
 - b) Parties to the loan (under whose name is the loan);
 - c) Interest per annum;
 - d) Term of the loan and amount of the monthly payments; and
 - e) Copy of documentation from Citizen State Bank.

- 2) Copy of the deposit with Lincoln Financial or other financial documents to confirm the \$50,000 reserve account;
- 3) Documentation of the original cost and the accumulated depreciation as of December 31, 2015, of Doucette and Lakeside Water Supply's water systems to be purchased; and
- 4) Copy of projected financial statements (balance sheet and income statements) for the Buyer for the first five (5) years of operations.