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APPLICATION OF SWEA GARDENS ESTATE UTILITY, INC. AND MUNICIPAL OPERATIONS, LLC FOR SALE, TRANSFER OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN HARRIS COUNTY	§ § § § § §	2016 SEP -2 AM 9:01 PUBLIC UTILITY COMMISSION FILING CLERK PUBLIC UTILITY COMMISSION OF TEXAS
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COMMISSION STAFF'S THIRD ADMINISTRATIVE COMPLETENESS RECOMMENDATION

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest and files this response to Order No. 3, Staff's Third Administrative Completeness Recommendation. In support thereof, Staff shows the following:

I. BACKGROUND

On May 9, 2016, Swea Gardens Estate Utility, Inc. (Swea Gardens) and Municipal Operations, LLC (Municipal Operations) (collectively, Applicants) filed an application with the Public Utility Commission of Texas (Commission) for sale, transfer, or merger of facilities and certificate rights in Harris County. On July 25, 2016, the Commission administrative law judge (ALJ) issued Order No. 3, finding the application deficient and requiring the Applicants to file a supplement curing the identified deficiencies by August 5, 2016. Order No. 3 also required Staff to file a supplemental recommendation regarding the administrative completeness of the application by September 2, 2016. Therefore, this pleading is timely filed.

II. DEFICIENCY RECOMMENDATION

In Staff's previous administrative completeness recommendation filed on July 21, 2016, Staff requested that Municipal Operations clarify its ownership structure and stated that if Municipal Operations was in fact a new company, Staff noted that it may be required to give financial assurance. Neither Municipal Operations nor Swea Gardens filed anything in response to Order No. 3. Staff has been in communication with John Montgomery, the representative for Municipal Operations, who has informed Staff that Municipal Operations LLC is not an affiliate company of Municipal Operations, Inc. but rather is owned by a couple in their personal capacities. Because Municipal Operations LLC is a new company and not affiliated with another

company with a financial history, Staff informed Mr. Montgomery that financial assurance would be required. It is Staff's understanding that Municipal Operations LLC is in the process of obtaining an irrevocable letter of credit to provide such financial assurance. Because neither Municipal Operations nor Swea Gardens has filed anything in the record, the application remains deficient and Staff recommends that it be deemed administratively incomplete at this time. Staff further recommends that the Applicants be given until September 30, 2016 to file a response confirming Municipal Operations LLC's ownership structure in writing and providing financial assurance to cover their first four years of operations.

III. PROCEDURAL SCHEDULE

Due to the continued deficiencies in the application, Staff does not recommend a procedural schedule for the evaluation of the merits of the application at this time. Staff recommends that the Applicants be given until September 30, 2016 to file a supplement addressing the identified deficiency in the application. Staff further requests that it be given until October 14, 2016 to file a supplemental administrative completeness recommendation.

IV. CONCLUSION

For the reasons stated above, Staff respectfully recommends that the application continue to be deemed administratively incomplete and that the ALJ order the Applicants to file a supplement addressing the remaining deficiency by September 30, 2016.

Dated: September 2, 2016

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE**

I, Matthew A. Arth, Attorney – Legal Division of the Public Utility Commission of Texas, certify that a copy of this document was served on all parties of record in this proceeding on September 2, 2016 in the following manner: via mail.



Matthew A. Arth