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DOCKET NO. 45942

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APPLICATION OF SWEA GARDENS ESTATE UTILITY, INC. AND MUNCIPAL OPERATIONS, LLC FOR SALE, TRANSFER OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN HARRIS COUNTY	§ § § § § §	PUBLIC UTILITY COMMISSION FILING CLERK OF TEXAS
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**COMMISSION STAFF'S 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. 1, Staff's Administrative Completeness Recommendation. In support, thereof, Staff would show 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 (the Application) with the Public Utility Commission of Texas (Commission) for sale, transfer, or merger of facilities and certificate rights in Harris County. Municipal Operations seeks approval to acquire the water assets and certificate rights of Swea Gardens. These include transfer of Swea Gardens' water certificate of convenience and necessity (CCN) No. 11872, which would affect approximately 2 acres and 495 current customers.

On May 10, 2016, the Commission administrative law judge (ALJ) issued Order No. 1, requiring Staff to file its recommendation regarding the administrative completeness of the Application by June 8, 2016. Therefore, this pleading is timely filed.

**II. DEFICIENCY RECOMMENDATION**

As indicated in the attached memorandum of Emily Sears and Kristy Nguyen of the Water Utilities Division, Staff reviewed the materials submitted by the Applicants and determined that the Application is not sufficient. First, the Application only contains historical financial information for Swea Gardens. Municipal Operations must also file its historical financial information. Second, the Application must include a copy of the sales contract or agreement and include the purchase price. Third, the Application gives the number of historical

and projected taps as 42, but subsequently lists a connection count of 165.<sup>1</sup> The Applicants should file an explanation reconciling these numbers. Finally, answers to Question 13 of the Application indicate a value of \$0 attributed to Total Original Cost (as recorded in the books of the selling entity), Accumulated Depreciation, Net Book Value, etc.<sup>2</sup> The Applicants should consult Swea Gardens' books and rate case documentation from Docket No. 42853 and revise these amounts as necessary. For these reasons, Staff recommends that the Application be found administratively incomplete at this time and that the Applicants be ordered to address these deficiencies.

### **III. PROCEDURAL SCHEDULE**

Due to the 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 June 21, 2016 to cure the identified deficiencies in the Application.

Furthermore, pursuant to 16 TAC § 24.8(d), an application is not considered filed until the Commission makes a determination of administrative completeness. If the ALJ agrees with Staff's deficiency recommendation, then the Application is not administratively complete and therefore the Application is not considered filed.

### **IV. CONCLUSION**

For the reasons stated above, Staff respectfully recommends that the Application be found insufficient and that the Applicants be ordered to file a supplement addressing the deficiencies identified by June 21, 2016.

**Dated: June 8, 2016**

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<sup>1</sup> Application at 10, 13, and 17 (May 9, 2016).

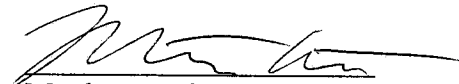
<sup>2</sup> *Id.* at 6 - 7.

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

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CERTIFICATE OF SERVICE**

I, Matthew 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 June 8, 2016 in the following manner: via mail.



Matthew Arth

# *Public Utility Commission of Texas*

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## **Memorandum**

**To:** Matthew Arth, Attorney  
Legal Division

**Through:** Tammy Benter, Director  
Water Utilities Division

**From:** Emily Sears, Financial Analyst  
Kristy Nguyen, GIS Specialist  
Water Utilities Division

**Date:** June 3, 2016

**Subject:** Docket No. 45942; *Application of Swea Gardens Estate Utility, Inc. and Municipal Operations, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County*

### **Background**

On May 9, 2016 Municipal Operations, LLC (Municipal Operations or Purchaser) filed an application to purchase facilities and transfer Certificate of Convenience and Necessity (CCN) No. 11872 of Swea Gardens Estate Utility, Inc. (Swea Gardens or Seller) (collectively Applicants), in Harris County, Texas. The Application was filed pursuant to Section 13.251 of the Tex. Water Code (TWC) and Title 16, Chapter 24 of the Tex. Admin. Code (TAC).

Order No. 1 requested that Staff provide a recommendation regarding the administrative completeness of this application by June 8, 2016. After reviewing the application, Staff has determined that the Applicants provided adequate maps that meet PUC's mapping requirements. However, Staff recommends that the application be deemed administratively incomplete and therefore not accepted for filing due to the deficiencies detailed below.

### **Application Content**

In order to continue processing the application, the Applicants must provide the following information:

1. The historical financial information for Municipal Operations, LLC;
2. The sales contract or purchase agreement between Swea Gardens and Municipal Operations, including the agreed upon purchase price;
3. A reconciliation between the 42 historical and projected number of taps listed on pages 10 and 13, and the 165 connection count given on page 17; and
4. in answering sections A and C of question 13 in the application, the Applicants should use Swea Gardens' books and/or rate case documentation from Docket No. 42853 and subsequently revise the answers given, if necessary.