



Control Number: 47807



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PUBLIC UTILITY COMMISSION  
OF TEXAS

APPLICATION OF GOLDENROD §  
ESTATE HOMEOWNERS §  
ASSOCIATION INC. AND §  
GOLDENROD WATER SUPPLY §  
CORPORATION FOR SALE, §  
TRANSFER, OR MERGER OF §  
FACILITIES AND CERTIFICATE §  
RIGHTS IN FORT BEND COUNTY §

PUBLIC-UTILITY COMMISSION  
OF TEXAS

**COMMISSION STAFF’S RECOMMENDATION ON THE TRANSACTION**

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

**I. BACKGROUND**

On November 28, 2017, Goldenrod Estate Homeowners Association Inc. (Goldenrod Estate HOA) and Goldenrod Water Supply Corporation (Goldenrod WSC) (collectively, Applicants) filed an application for sale, transfer, or merger of facilities and certificate rights in Fort Bend County. Specifically, Goldenrod Estate HOA seeks approval to transfer all of its water well assets and service area under certificate of convenience and necessity (CCN) No. 12933 to Goldenrod WSC. The requested area includes approximately sixty-five (65) acres and twenty-two (22) connections.

On January 18, 2018, the Administrative Law Judge (ALJ) issued Order No. 3, deeming the Applicants’ notice sufficient and requiring Staff to request a hearing or file a recommendation on approval of the proposed transaction by March 7, 2018. Therefore, this pleading is timely filed.

**II. RECOMMENDATION TO APPROVE THE TRANSACTION TO PROCEED**

As detail in the attached memorandum of Jolie Mathis, Water Utility Regulation Division, Staff recommends and respectfully requests the entry of an order permitting the proposed transaction to proceed. Staff’s review indicates that the proposed transaction satisfies the relevant statutory and regulatory criteria, including those factors identified pursuant to Texas Water Code § 13.246(c). Additionally, Staff recommends that Goldenrod WSC has demonstrated the financial,

technical, and managerial capability to provide continuous and adequate service to the area subject to the proposed transaction.

### **III. CONCLUSION**

Staff respectfully requests that the ALJ issue an order permitting the proposed transaction to proceed.

**DATED:** March 7, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

Karen S. Hubbard  
Managing Attorney



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**DOCKET NO. 47807**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on March 7, 2018, in accordance with 16 TAC § 22.74.



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Richard Nemer

## PUC Interoffice Memorandum

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**To:** Richard Nemer, Attorney  
Legal Division

**Thru:** Tammy Benter, Director  
Heidi Graham, Manager  
Water Utility Regulation Division

**From:** Jolie Mathis, Engineering Specialist  
Water Utility Regulation Division

**Date:** February 27, 2018

**Subject:** **Docket No. 47807**, *Application of Goldenrod Estate Homeowners Association, Inc. and Goldenrod Water Supply Corporation for Sale, Transfer, or Merger of Facilities and Certificate Rights in Fort Bend County*

On November 28, 2017, Goldenrod Water Supply Corporation (WSC or Purchaser) and the Goldenrod Estate Homeowners Association, Inc. (HOA or Seller) (collectively, Applicants) filed an application for sale, transfer, or merger (STM) of facilities and certificate rights in Fort Bend County, Texas, pursuant to Texas Water Code Ann. (TWC) § 13.301 and 16 Tex. Admin Code (TAC) § 24.109. Specifically, Goldenrod Estate HOA has created Goldenrod WSC and seeks approval to transfer Goldenrod Estate HOA's water Certificate of Convenience and Necessity (CCN) No. 12933 and facilities to the newly created Goldenrod WSC. The requested area includes approximately 65 acres and 22 connections.

### Notice

The comment period ended February 5, 2018, and no protests or opt-out requests were received.

### Criteria Considered

TWC § 13.246(c) requires the Commission to consider nine criteria when granting or amending a CCN. Therefore, the following criteria were considered:

***TWC § 13.246(c)(1) requires the commission to consider the adequacy of service currently provided to the requested area.***

The HOA has a Texas Commission on Environmental Quality (TCEQ) approved Public Water System (PWS) Identification No. 0790383. There are no violations for the PWS listed in the TCEQ database.

***TWC § 13.246(c)(2) requires the commission to consider the need for service in the requested area.***

The Applicants have agreed to the transfer of HOA's CCN and facilities to WSC.

***TWC § 13.246(c)(3) requires the commission to consider the effect of granting an amendment on the recipient and on any other retail public utility servicing the proximate area.***

There will be no effect on any retail public utility servicing the proximate area as there are no other water providers in the area.

***TWC § 13.246(c)(4) requires the commission to consider the ability of the Applicant to provide adequate service.***

HOA's TCEQ approved PWS will be transferred to WSC once this application is approved by the Commission. The PWS does not have any violations listed in the TCEQ database. No additional construction is necessary for WSC to serve the requested area.

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

The Applicants have an agreement to transfer the CCN and facilities; therefore, the feasibility of obtaining service from another adjacent retail public utility was not considered.

***TWC § 13.246(c)(6) requires the commission to consider the financial ability of the Applicant to pay for facilities necessary to provide continuous and adequate service.***

Pursuant to TWC § 13.246(c)(6) the Commission is required to consider the financial ability of an applicant to pay for facilities necessary to provide continuous and adequate service and the financial stability of the applicant. The criteria and tests are listed in 16 TAC § 24.11 including leverage tests and an operations test.

1. WSC meets two out of five leverage tests; however, WSC is only required to meet one.

WSC meets the leverage test with a **debt to equity ratio of less than one because they have \$0.00 in long term debt.**

- a. Start Up Equity = \$77,655; and
- b. Start Up Long-Term Notes Payable = \$0.

WSC meets the leverage test with a **debt service coverage ratio of more than 1.25 because they have \$0.00 in long term debt payments.**

- a. Start Up Operating Income before depreciation and non-cash expenses = \$17,000; and
- b. Annual Long-term Debt Payments = \$0.

2. WSC has \$29,000 of reserve capital in the bank and continuing revenue from the sale of water to the homeowners of Goldenrod Estates Subdivision. Projections included no negative cash flow. Thus, there are no shortages to cover.

***TWC §§ 13.246(7) and (9) require the commission to consider the environmental integrity and the effect on the land to be included in the certificate.***

The environmental integrity of the land will not be effected as no additional construction is needed to provide service to the requested area.

***TWC § 13.246(8) requires the commission to consider the probable improvement in service or lowering of cost to consumers.***

WSC will continue to provide water service to the existing customers in the area.

The WSC meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations. Approving this application to transfer all of water CCN No. 12933 and facilities to Goldenrod WSC is necessary for the service, accommodation, convenience and safety of the public.

**Recommendation on Approval of Sale**

Pursuant to 16 TAC § 24.109(i), Staff recommends the Commission find that the transaction will serve the public interest and allow the Applicants to proceed with the proposed transaction. Staff notes there are no deposits held by HOA for the customers being served by HOA. Staff further recommends that a public hearing is not necessary.

Lastly, the approval of the sale expires six months from the date of the Commission's written approval of the sale. If the sale is not consummated within that period, and unless the Applicants request and receive an extension from the Commission, the approval is void and the Applicants must re-apply for the approval of the sale. In addition, the Applicants should be informed that the CCN will remain in the name of HOA until the transfer is complete and approved in accordance with the Commission's rules and regulations.