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DOCKET NO. 48111

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APPLICATION OF H2O SYSTEMS
PLUS/COLETO WATER SYSTEM
AND JRM WATER, LLC DBA JRM
TO TRANSFER FACILITIES AND
CERTIFICATE RIGHTS IN
VICTORIA COUNTY

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PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

NOTICE OF APPROVAL

This Notice of Approval addresses the application of H2O Systems Plus/Coleto Water System (H2O Systems) and JRM Water, LLC d/b/a JRM for the transfer of facilities and certificate rights in Victoria County. The Commission approves the transfer of all water service area rights held by H2O Systems under certificate of convenience and necessity (CCN) number 11548 to JRM.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. H2O Systems operates, maintains, and controls facilities for providing water service under CCN number 11548 in Victoria County.
2. H2O Systems owns one Texas Commission on Environmental Quality (TCEQ) approved public water system (PWS) under number 2350036.
3. JRM is a domestic limited liability company registered with the Texas secretary of state under file number 800248492.

Application

4. On February 27, 2018, H2O Systems and JRM filed an application requesting approval of the sale of H2O System's water system and the transfer of H2O System's water CCN number 11548 to JRM.
5. The proposed sale and transfer affects water facilities in the Shady Oaks subdivision in Victoria County and transfers a service area with 211 existing customers.

6. The requested area is located approximately 10 miles southwest of downtown Victoria, and is generally bounded on the north by US 59, on the east by Coletto Creek, on the south by Reeves Ranch Park Road and 270 feet south of Debbie Drive, and on the west by US 59 and 728 feet west of Winding Way Drive W.
7. Applicants agreed to the sale of facilities and transfer of service area under water CCN number 11548.
8. In Order No. 2 issued on March 29, 2018, the administrative law judge (ALJ) found the application administratively complete.

Notice

9. Notice of the application appeared in the March 16, 2018 issue of the Texas Register.
10. JRM mailed notice of the application to neighboring utilities, counties, cities, and affected parties on March 29 and 30, 2018.
11. JRM filed an affidavit of Suzan M. Linde, owner of JRM, on April 2, 2018, attesting to the provision of notice to landowners, neighboring utilities, and cities.
12. In Order No. 4 issued on April 16, 2018, the ALJ found the notice sufficient.

Evidentiary Record

13. On March 8, 2019, the parties filed a joint motion to admit evidence and motion for adoption of notice of approval.
14. In Order No. 8 issued April 16, 2019, the ALJ admitted the following evidence into the record: (a) the application of H2O Systems and JRM, filed February 27, 2018; (b) the applicants' affidavit and proof of notice, filed on April 2, 2018; (c) JRM's response to Staff's first request for information filed on May 24, 2018; (d) JRM's response to Staff's second request for information filed on May 24, 2018; (e) Commission Staff's recommendation on the sale transaction and all attachments, filed on June 29, 2018; (f) the applicants' information regarding the closing of the proposed transaction, filed on January 14, 2019; (g) Commission Staff's recommendation on proof of sale, filed on January 14, 2019; (h) the applicants' consent forms to the final map, certificate and tariff, filed on February 28, 2019; and (i) the attached certificate and maps.

Sale

15. In Order No. 6 issued July 2, 2018, the ALJ approved the transaction to proceed and required H2O Systems and JRM to file proof that the transaction had closed and that customer deposits had been addressed.
16. On January 14, 2019, JRM filed notice that the sale had closed on December 16, 2018, and an affidavit from Logan Campbell, president of JRM, who attested that the customer deposits held by H2O Systems had been transferred to JRM.
17. In Order No. 7 issued January 24, 2019, the ALJ found the closing documents sufficient.

Compliance-TWC § 13.301(d), 16 TAC § 24.239(j)(5)(A)

18. There are existing violations with the public water system relating to capacity and reporting violations.
19. Approving the transaction will allow JRM to address the violations and bring the system into compliance with TCEQ's drinking water rules.
20. The public water system currently meets TCEQ's drinking water standards.
21. JRM has not been subject to any enforcement action by the Commission, TCEQ, the Texas Department of Health, the Office of Attorney General, or the United States Environmental Protection Agency.

Adequacy of Existing Service-TWC § 13.301(d), 16 TAC § 24.239(j)(5)(B); TWC § 13.246(c)(1), 16 TAC § 24.227(d)(1)

22. H2O Systems provides service to the requested areas through its existing public water system. JRM will make capacity improvements to resolve H2O Systems violations

Need for Additional Service-TWC § 13.301(d), 16 TAC § 24.239(j)(5)(C); TWC § 13.246(c)(2), 16 TAC § 24.227(d)(2)

23. The application is only to transfer existing facilities, customers, and service areas.
24. JRM has not received any new requests for service, and JRM is not requesting to add additional uncertificated area.
25. H2O Systems existing customers in the requested areas have a need for service.

Effect of Approving the Transaction and Granting the Amendment-TWC §13.301(d), 16 TAC § 24.239(j)(5)(D); TWC § 13.246(c)(3), 16 TAC § 24.227(d)(3)

26. There are four utilities, cities, or political subdivisions providing water or sewer service within two miles of the requested areas.
27. H2O Systems and JRM are the only utilities affected by this sale and transfer.
28. Water rates will not change because of the sale and transfer.

Ability to Serve: Managerial and Technical-TWC §§ 13.301(b), 16 TAC § 24.239(g), (j)(5)(E); TWC §§ 13.246(c)(4), 13.241(a), 16 TAC §§ 24.227(a), 24.227(d)(4)

29. JRM's management team is comprised of the same people who currently manage H2O Systems.
30. JRM will continue to use the licensed operators who currently operate the water system for H2O Systems.
31. JRM has demonstrated adequate managerial and technical expertise to provide adequate water and sewer service.

Ability to Serve: Financial Ability and Stability-TWC §§ 13.301(b), 16 TAC § 24.239(g), (j)(5)(G); TWC §§ 13.246(c)(6), 13.241(a), 16 TAC §§ 24.227(a), 24.227(d)(6)

32. JRM's projected operating revenues are sufficient to cover the projected operations and maintenance expense for the first five years after the completion of the proposed sale and transfer.
33. JRM has a debt-to-equity ratio of less than one because it currently has no long-term debt.
34. JRM has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations.
35. JRM has demonstrated the financial capability to provide adequate water service.

Financial Assurance-TWC § 13.246(d); 16 TAC § 24.227(e)

36. There is no need to require JRM to provide a bond or other financial assurance to ensure continuous and adequate service.

Service from Adjacent Retail Public Utility-TWC § 13.301(d), 16 TAC § 24.239(j)(5)(F); TWC § 13.246(c)(5), 16 TAC § 24.227(d)(3)

37. H2O Systems is serving the customers in the requested areas, and following the transfer, JRM will provide service using existing infrastructure; therefore, the feasibility of obtaining service from another adjacent retail public utility was not considered.

Environmental Integrity-TWC § 13.301(d), 16 TAC § 24.239(j)(5)(H); TWC § 13.246(c)(7), 16 TAC § 24.227(d)(7)

38. The area will be served with existing infrastructure, and the transfer should have a minimal effect on the environmental integrity of the requested areas.

Effect on Land-TWC § 13.246(c)(9), 16 TAC § 24.227(d)(9)

39. The area will be served with existing infrastructure, and the transfer should have a minimal effect on the land.

Improvement of Service-TWC § 13.301(d), 16 TAC § 24.239(j)(5)(I); TWC § 13.246(c)(8), 16 TAC § 24.227(d)(8)

40. JRM will provide service to customers currently served by H2O Systems.

Lowering of Costs-TWC § 13.301(d), 16 TAC § 24.239(j)(5)(I); TWC § 13.246(c)(8), 16 TAC § 24.227(d)(8)

41. Customers in the requested areas will be charged the same rates they were charged before the sale of H2O Systems water system.

Maps

42. On February 15, 2019, Commission Staff emailed H2O Systems and JRM proposed maps and certificates related to this docket.
43. On February 28, 2019, JRM filed a consent form concurring with the maps and certificates as prepared by Commission Staff.
44. On March 8, 2019, the proposed certificate and map were filed as an attachment to the joint motion to admit evidence.

Certificate

45. All water service area rights held by H2O Systems water CCN number 11548 have transferred to JRM.

Informal Disposition

46. More than 15 days have passed since the completion of the notice provided in this docket.
47. No person filed a protest or motion to intervene.
48. H2O Systems, JRM, and Commission Staff are the only parties to this proceeding.
49. No hearing was requested, and no hearing is needed.
50. Commission Staff recommended approval of the application.
51. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has jurisdiction under Texas Water Code (TWC) §§ 13.041, 13.241, 13.244, 13.246, 13.251, 13.254, and 13.301.
2. JRM is a retail public utility as defined in TWC § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(59).
3. Public notice of the application was provided as required by TWC § 13.301(a)(2) and 16 TAC § 24.239.
4. The Commission processed the application as required by the TWC, the Administrative Procedure Act¹, and Commission rules.
5. H2O Systems and JRM have complied with the requirements of 16 TAC § 24.239(m) with respect to customer deposits.
6. H2O Systems and JRM completed the sale within the time required by 16 TAC § 24.239(o).
7. After considering the factors in TWC § 13.246(c), JRM has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area and its current service area.

¹ Tex. Gov't Code §§ 2001.001–.902.

8. H2O Systems and JRM have demonstrated that the sale of H2O Systems water system and the transfer of H2O Systems' CCN will service the public interest and are necessary for the service, accommodation, convenience, or safety of the public. TWC §§ 13.301(d), 13.246(b).
9. A sale not completed in accordance with TWC § 13.301 is void. TWC 13.301(h).
10. JRM must record a certified copy of the approved map for the certificate amendment, along with a boundary description of the service area, in the real property records of Victoria County within 31 days of receiving this Notice of Approval and submit to the Commission evidence of the recording. TWC § 13.257(r), (s).
11. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

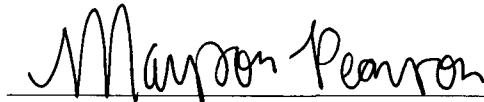
In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves JRM's purchase of H2O Systems water systems and the transfer of H2O Systems water CCN number 11548 to JRM, to the extent provided in this Notice of Approval.
2. The Commission grants the certificate attached to this Notice of Approval.
3. The Commission approves the maps attached to the joint motion for adoption of notice of approval filed on March 8, 2019.
4. Within ten days of the date of this Notice of Approval, Commission Staff must provide a clean copy of the tariffs approved by this Notice of Approval to central records to be marked *Approved* and filed in the Commission's tariff books.
5. JRM must serve every customer and applicant for service within the approved area under water CCN number 11548 that requests water service and meets the terms of JRM's water service, and such service will be continuous and adequate.
6. H2O Systems and JRM must comply with the recording requirements of TWC § 13.257(r) and (s) for the area in Victoria County affected by the application.

7. H2O Systems and JRM must submit to the Commission evidence of the recording no later than 30 days after the recording required by ordering paragraph 6.
8. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

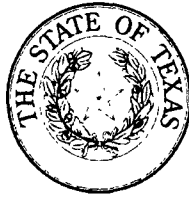
Signed at Austin, Texas the 23rd day of April 2019.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, reading "Mayson Pearson", written over a horizontal line.

MAYSON PEARSON
ADMINISTRATIVE LAW JUDGE

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Public Utility Commission of Texas

By These Presents Be It Known To All That

JRM Water L.L.C.

having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, JRM Water L.L.C., is entitled to this

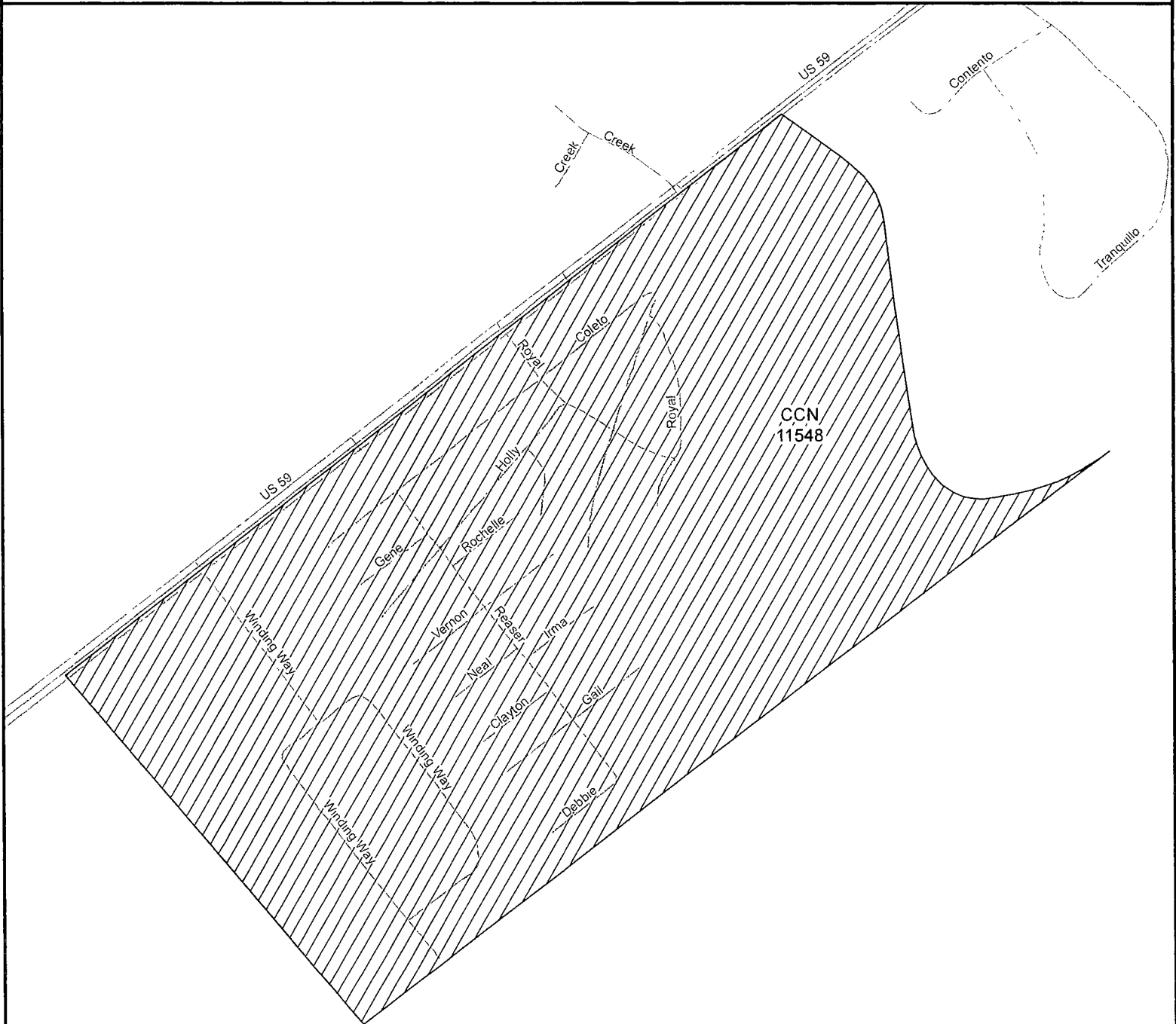
Certificate of Convenience and Necessity No. 11548

to provide continuous and adequate water utility service to that service area or those service areas in Victoria County as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 48111 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of JRM Water L.L.C., to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this 23rd day of April 2019.

JRM Water L.L.C.
Water CCN No. 11548
PUC Docket No. 48111

Transferred all of H2O Systems Plus/Coletto Water System, CCN No. 11548 in Victoria County



Public Utility Commission of Texas
1701 N. Congress Ave
Austin, TX 78701

Water CCN

 11548 - JRM Water L.L.C.

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Map by: Komal Patel
Date created: January 30, 2019
Project Path: n:\finalmapping\
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