



Control Number: 48388



Item Number: 30

Addendum StartPage: 0

DOCKET NO. 48388

2018 OCT 15 PM 4:16

**APPLICATION OF CHUCK BELL DBA §
CHUCK BELL WATER SYSTEMS, LLC §
AND UNDINE TEXAS, LLC FOR SALE, §
TRANSFER, OR MERGER OF §
FACILITIES AND CERTIFICATE §
RIGHTS IN JOHNSON AND TARRANT §
COUNTIES §**

**PUBLIC UTILITY COMMISSION
OF TEXAS**
PUBLIC UTILITY COMMISSION
FILING CLERK

COMMISSION STAFF’S RECOMMENDATION ON FINAL DISPOSITION

COMES NOW the staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and files this Recommendation on Final Disposition in response to Order No. 4. In support thereof, Staff shows the following:

I. BACKGROUND

On May 24, 2018, Chuck Bell dba Chuck Bell Water Systems, LLC (Chuck Bell) and Undine Texas, LLC (Undine) (together Applicants) filed an application for the sale, transfer, or merger of facilities and certificate rights in Johnson and Tarrant Counties. Specifically, Undine seeks approval to acquire all of the water system assets and service area held by Check Bell under water certificate of convenience and necessity number 12190. The requested area includes approximately 598 acres and 305 connections.

On September 26, 2018, Order No. 4 was issued, establishing a deadline of November 7, 2018, for Staff to request a hearing or file a recommendation on approval of the sale and on the certificate of convenience and necessity amendment. This pleading is therefore timely filed.

II. RECOMMENDATION

As supported by the attached memorandum of Emily Sears of the Water Utility Regulation Division, Staff recommends and respectfully requests the entry of an order permitting the proposed transaction to proceed. Staff recommends that the proposed transaction be found to satisfy the criteria in Texas Water Code § 13.246(c) and Texas Administrative Code (TAC) §§24.225-24.239. If the transaction is permitted to proceed, Staff further requests that Chuck Bell and Undine be required to file evidence that all assets have been transferred to the acquiring entity, and that the disposition of any remaining deposits have been addressed as soon as possible, pursuant to 16 TAC § 24.239(n).

III. CONCLUSION

Staff respectfully requests the entry of an order permitting the proposed transaction to proceed.

Dated: October 15, 2018

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney



Alexander Petak
State Bar No. 24088216
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7377
(512) 936-7268 (facsimile)
Alexander.Petak@puc.texas.gov

**DOCKET NO. 48388
CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record October 15, 2018, in accordance with 16 Texas Admin. Code § 22.74.



Alexander Petak

PUC Interoffice Memorandum

To: Alexander Petak, Attorney
Legal Division

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

From: Emily Sears, Financial Analyst
Water Utility Regulation Division

Date: September 24, 2018

Subject: **Docket No. 48388**, *Application of Chuck Bell dba Chuck Bell Water Systems, LLC and Undine Texas, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Johnson and Tarrant Counties*

On May 24, 2018, Chuck Bell dba Chuck Bell Water Systems, LLC (Seller) and Undine Texas, LLC (Purchaser) (collectively, Applicants) filed an application for the sale, transfer, or merger (STM) of facilities and certificate rights in Johnson and Tarrant Counties, Texas, pursuant to Texas Water Code (TWC) § 13.301 and the 16 Texas Administrative Code (TAC) § 24.239. Specifically, the Purchaser seeks approval to acquire all of the water system assets and service area from the Seller under water Certificate of Convenience and Necessity (CCN) No. 12190, and amend the Purchaser's current CCN No. 13260. The requested area includes approximately 598 acres and 305 connections.

Notice

The comment period ended October 8, 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 Purchaser has 29 public water systems (PWS) registered with the Texas Commission on Environmental Quality (TCEQ) that are capable of providing drinking water that meets the requirements of the Texas Health and Safety Code, Chapter 341 and TCEQ rules and have access to an adequate supply of water. The Purchaser has some outstanding violations, however it is actively working with TCEQ to resolve all of the outstanding violations for the water systems they have acquired.

The Seller has 8 public water systems registered with the TCEQ that meet the requirements of TCEQ rules and have access to an adequate supply of water. The Seller has no outstanding violations with the TCEQ.

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

The purpose of the transaction is to transfer the water systems and service area to the Purchaser. The customers are currently receiving water from the water systems requested to be transferred.

Additional area that is uncertificated has been requested in order to correct the CCN boundaries and accurately reflect the areas currently being served by the Seller.

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 of the same kind already servicing the proximate area.

The Purchaser has requested dual certification for the requested area that overlaps other CCN service areas, and has obtained consent.

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

The Seller has 8 public water systems registered with the TCEQ that have sufficient capacity to serve their customers. The approval of this application will allow the Purchaser to continue to provide service to the customers of the Seller's water systems.

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

The Purchaser is currently serving customers and has sufficient capacity, 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.

16 TAC § 24.11 establishes criteria to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service area. 16 TAC § 24.11(e) lists the financial tests. The Applicant has submitted its financial information confidentially, and meets the debt to equity ratio of less than 1.

16 TAC § 24.11(e)(3) refers to the operations test which requires that the owner or operator must demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations. The Applicant meets the operations test, as no improvements are needed to provide continuous and adequate service to the requested area and no cash shortages are projected for the future.

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 the requested areas are currently being served.

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

The Purchaser intends to raise the standards of quality for customer service, customer and regulatory communications, and all regulatory compliance issues. The Purchaser's employees have between 13 and 29 years of experience in the water and wastewater industry.

The Applicants meet 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 the water CCN No. 12190 to the Purchaser and amending the Purchaser's water CCN No. 13260 is necessary for the service, accommodation, convenience and safety of the public.

Recommendation on approval of sale

Pursuant to 16 TAC § 24.239(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 deposits held by the Seller for the customers being served by the Seller.