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DOCKET NO. 48532 RECEIVED

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APPLICATION OF J&S WATER §
COMPANY, LLC AND NERRO §
SUPPLY, LLC FOR SALE, §
TRANSFER, OR MERGER OF §
FACILITIES AND CERTIFICATE §
RIGHTS IN HARRIS, CHAMBERS, §
AND LIBERTY COUNTIES §

COMMISSION STAFF’S RECOMMENDATION ON THE SUFFICIENCY OF THE CLOSING DOCUMENTS

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

I. BACKGROUND

On July 18, 2018, J&S Water Company, LLC (J&S) and Nerro Supply, LLC (Nerro) (collectively, Applicants), filed an application for sale, transfer, or merger of facilities and certificate rights in Harris, Chambers, and Liberty Counties. Specifically, the Applicants seek approval to transfer a portion of J&S’s facilities and water and sewer service areas under water Certificate of Convenience and Necessity (CCN) No. 12085 and sewer CCN No. 20658 to Nerro’s water CCN No. 12252 and sewer CCN No. 20366. The requested area includes approximately 154 acres and 553 connections.

On November 19, 2018, the administrative law judge (ALJ) issued Order No. 4, approving the Applicants’ request to proceed with and consummate the transaction. Order No. 4 also required Staff to file a recommendation on the sufficiency of the Applicant's responsive documents within 15 days of their filing. The Applicants filed a closing document on March 27, 2019. Because this recommendation is filed within 15 days of the Applicant's filing, this pleading is timely filed.

II. RECOMMENDATION ON TRANSACTION

As detailed in the attached memorandum of Emily Sears of the Commission’s Water Utility Regulation Division, Staff recommends that the closing documents be found deficient. Pursuant to 16 TAC § 24.239(m), the transferor and the transferee shall file with the commission, under oath, a list of the customer deposits that contains the customer’s name and address, date and

amount of deposit, the unpaid interest on the deposit and the disposition of the deposit. The closing documents filed on March 27, 2019 do not contain this required list of customer deposits. Staff recommends that the Applicants be ordered to file a list that complies with the requirements of 16 TAC § 24.239(m) and shows that the deposits have either been refunded or transferred to the transferee.

III. CONCLUSION

Staff respectfully requests that the administrative law judge issue an order consistent with the above recommendation.

Dated: April 9, 2019

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on April 9, 2019, in accordance with 16 Texas Administrative Code § 22.74.

Patrick D. Todd

Patrick D. Todd

PUC Interoffice Memorandum

To: Todd Patrick, Attorney
Legal Division

Thru: Lisa Fuentes, Manager
Water Utility Regulation Division

From: Emily Sears, Financial Analyst
Water Utility Regulation Division

Date: April 9, 2019

Subject: **Docket No. 48532**, *Application of J&S Water Company, LLC and Nerro Supply, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris, Chambers and Liberty Counties*

On March 27, 2019, J&S Water Company, LLC (Seller) and Nerro Supply, LLC (Purchaser) (collectively, Applicants) filed closing documents pursuant to Order No. 4, issued November 19, 2018. The Applicants were required to provide documentation, as evidence, that all assets were transferred to the acquiring entity, and that the disposition of any remaining deposits were addressed pursuant to 16 Texas Administrative code (TAC) § 24.239(m)-(n). The filed documents included documentation showing all assets were transferred from the Seller to the Purchaser, and signed by the Applicants.

Staff has reviewed the documents and recommends that they be deemed insufficient because the Applicants did not include documents showing that the outstanding customer deposits were transferred.

Staff recommends that the Applicants file the documents required in 16 TAC § 24.239(m).