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DOCKET NO. 48533

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APPLICATION OF BAMMEL
FOREST UTILITY COMPANY
AND QUADVEST, L.P. FOR SALE,
TRANSFER, OR MERGER OF
FACILITIES AND CERTIFICATE
RIGHTS IN HARRIS COUNTY

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PUBLIC UTILITY COMMISSION
OF TEXAS

COMMISSION
FILING CLERK

NOTICE OF APPROVAL

This Notice of Approval addresses the application of Bammel Forest Utility Company and Quadvest, L.P. for approval of Quadvest's purchase of all of the water service area rights and water production and distribution assets from Bammel Forest in Harris County. Bammel Forest's certificate of convenience and necessity (CCN) No. 11597 will be cancelled and its assets will be transferred to Quadvest's CCN No. 11612. The Commission approves the application.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Bammel Forest is a domestic for-profit corporation registered with the Texas secretary of state under file number 13782600.
2. Bammel Forest is a utility company that provides water service in Texas under CCN No. 11597.
3. Bammel Forest owns and operates a public water system (PWS) in Harris County registered with the TCEQ under PWS identification number 1010096.
4. Quadvest is a domestic limited partnership registered with the Texas secretary of state under file number 800539284.
5. Quadvest is a for-profit corporation that provides water service in Texas under CCN No. 11612.

Application

6. On July 18, 2018, Bammel Forest and Quadvest filed an application for approval of the sale, transfer, or merger of public water system PWS No. 1010096 and certificate rights under CCN No. 11597 in Harris County from Bammel Forest to Quadvest.
7. The total area affected by the transfer comprises approximately 324 acres and 346 current customers.
8. In Order No. 2 issued on August 22, 2018, the administrative law judge (ALJ) deemed the application administratively complete.

Notice

9. Notice of the application appeared in the August 3, 2018 issue of the *Texas Register*.
10. On August 31, 2018, Quadvest filed an affidavit, under confidential seal, attesting that notice was provided to all current customers of Bammel Forest, neighboring utilities, and affected parties on August 24, 2018.
11. In Order No. 3 issued on September 12, 2018, the ALJ deemed the notice sufficient.

Sale

12. In Order No. 4 issued October 25, 2018, the Commission approved the sale and transfer to proceed and required completion of the sale and transfer within 180 days.
13. On January 7, 2019, Quadvest filed documents of the sale and transfer, which occurred on November 13, 2018, and the affidavit of Jeff Eastman, CEO of Quadvest, attesting that Bammel Forest's customer deposits had been transferred to Quadvest on December 19, 2018.
14. In Order No. 5 issued on January 25, 2019, the ALJ found the closing documents sufficient.

Evidentiary Record

15. On March 21, 2019, the parties jointly moved to admit evidence and provided a proposed notice of approval.

16. On March 27, 2019, Quadvest moved to admit their tariff, corrected from the version attached to the March 21, 2019 motion. This corrected version of the tariff and motion to admit was unopposed by Commission Staff.
17. In Order No. 7 issued on April 2, 2019, the ALJ admitted the following evidence into the record: (a) application of Bammel Forest and Quadvest filed on July 18, 2018; (b) Commission Staff's amended recommendation on administrative completeness filed on August 20, 2018; (c) Applicants' affidavit of notice filed on August 31, 2018; (d) Commission Staff's recommendation finding notice sufficient filed on September 7, 2018; (e) Commission Staff's recommendation on the transaction filed on October 24, 2018; (f) Quadvest's notice of proof that the transaction was consummated and customer deposits were properly addressed filed on January 7, 2019; (g) Commission Staff's recommendation on the closing of the transaction filed on January 22, 2019; (h) Bammel Forest's signed consent form filed on March 6, 2019, and Quadvest's amended, signed consent form filed on March 12, 2019; (i) the final maps and certificates filed on March 21, 2019, attached to the proposed notice of approval; and (j) the tariff as corrected and filed on March 27, 2019.

System Compliance—Texas Water Code (TWC) § 13.301(e)(3)(A); 16 Texas Administrative Code (TAC) §§ 24.227(a), 24.239(j)(3)(A), (j)(5)(A)

18. There are no reported violations with Bammel Forest's public water system PWS No. 1010096 and that system is reported to be in compliance with the drinking water rules of the Texas Commission on Environmental Quality (TCEQ).
19. Quadvest has not been subject to any enforcement action by the Commission, TCEQ, the Texas Health and Human Services Commission, the Office of Attorney General, or the United States Environmental Protection Agency.

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

20. Bammel Forest provides service to the requested water service area through its existing public water system and that service is continuous and adequate.
21. The existing public water system will be transferred to Quadvest.

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

22. The application is to transfer only existing facilities, customers, and service area.

23. Quadvest has received no new requests for service and is not requesting to add additional uncertificated area.
24. Bammel Forest's existing customers in the requested water service area have a need for service.

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

25. There are 47 utilities, cities, or political subdivisions providing water within two miles of the requested area.
26. Bammel Forest and Quadvest are the only utilities affected by this sale and transfer.
27. Quadvest anticipates that water rates will not increase because of the sale and transfer.

Ability to Serve: Managerial and Technical—TWC §§ 13.241(a), 13.246(c)(4), 13.301(b), (e)(2); 16 TAC §§ 24.227(a), (d)(4), 24.239(g), (j)(5)(E)

28. Quadvest's management team is comprised of five people, each having 10 or more years of experience in the water industry.
29. Quadvest has a sufficient number of licensed water operators and the managerial and technical capability to provide adequate and continuous service to the transferred water service area.

Ability to Serve: Financial Ability and Stability—TWC §§ 13.241(a), 13.246(c)(6), 13.301(b); 16 TAC §§ 24.11(e), 24.227(a), (d)(6), 24.239(g), (j)(5)(G)

30. Quadvest's projected net operating income for a year, plus the depreciation and non-cash expenses for the year, divided by the projected debt service payments for the year, results in a debt-service-coverage ratio of more than 1.25 for the years 2018 and 2019.
31. Quadvest's debt-to-equity ratio is less than one.
32. Quadvest demonstrated that it has the available cash levels to serve the requested service area.
33. Quadvest has demonstrated the financial capability and stability to provide continuous and adequate water service.

Financial Assurance—TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(e), 24.239(h)

34. Quadvest'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.
35. There is no need to require Quadvest to provide a bond or other financial assurance to ensure continuous and adequate service.

Feasibility of Obtaining Service from Adjacent Retail Public Utility—TWC §§ 13.246(c)(5); 16 TAC §§ 24.227(d)(5), 24.239(j)(5)(F)

36. Bammel Forest is serving the customers in the requested water service area, and following the transfer, Quadvest will provide service using existing infrastructure; therefore, it is not feasible to obtain service from another utility.

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

37. The requested water service area will be served with existing infrastructure and the transfer should have a minimal effect on the environmental integrity of the requested area.

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

38. The water service area will be served with existing infrastructure and the transfer should have a minimal effect on the land.

Improvement of Service or Lowering Cost to Consumers—TWC § 13.246(c)(8); 16 TAC §§ 24.227(d)(8), 24.239(j)(5)(I)

39. Quadvest intends to improve customer service and communications with customers.
40. Customers in the requested water service area will be charged the same rates they were charged before the sale of Bammel Forest's water system and Quadvest intends to lower water rates for the requested water service area upon filing of its next rate change application.

Tariff and Map

41. On February 28, 2019, Commission Staff emailed to Quadvest and Bammel Forest proposed map, certificate, and tariff related to this docket.
42. On March 6, 2019, Bammel Forest filed consent forms concurring with the map as prepared by Commission Staff.

43. On March 12, 2019, Quadvest filed a consent form concurring with the map, certificate, and tariff as prepared by Commission Staff.
44. On March 21, 2019, the proposed tariff, certificate, and map were filed as an attachment to the joint motion to admit evidence.
45. On March 27, 2019, Quadvest filed a corrected proposed tariff attached to a motion to admit it as evidence. Commission Staff did not oppose the corrected proposed tariff.

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. Bammell Forest, Quadvest, and Commission Staff are the only parties to this proceeding.
49. Commission Staff recommended approval of the application.
50. The decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has jurisdiction over this application under TWC §§ 13.041, 13.241, 13.244, 13.246, 13.251, and 13.301.
2. Bammel Forest and Quadvest are retail public utilities as defined in TWC § 13.002(19) and 16 TAC § 24.3(59).
3. Public notice of the application was provided as required by TWC § 13.301 and 16 TAC § 24.239.
4. The Commission processed the application as required by the TWC, the Administrative Procedure Act,¹ and Commission rules.
5. Bammel Forest and Quadvest completed the sale within the time authorized by the Commission in accordance with 16 TAC § 24.239(o).

¹ Tex. Gov't Code ch. 2001.

6. After consideration of the factors in TWC § 13.246(c), Quadvest has demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area. TWC § 13.301(b).
7. Bammel Forest and Quadvest complied with the requirements of 16 TAC § 24.239(m) with respect to customer deposits.
8. Bammel Forest and Quadvest have demonstrated that transferring TCEQ PWS No. 1010096 and the water service area of CCN No. 11597 from Bammel Forest to Quadvest's CCN No. 11612 and cancelling Bammel Forest's CCN No. 11597 will serve the public interest and are necessary for the service, accommodation, convenience, and safety of the public. TWC § 13.301(d), (e).
9. Quadvest must record a certified copy of the certificate transferred and map approved by the Notice of Approval, along with a boundary description of the water service area, in the real property records of Harris County within 31 days of receiving the Notice of Approval and submit to the Commission evidence of the recording. TWC § 13.257(r), (s).

III. Ordering Paragraphs

In accordance with the preceding findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves Quadvest's purchase of Bammel Forest's water system and the transfer of Bammel Forest's water service area under CCN No. 11597 to Quadvest, to the extent provided in this Notice of Approval.
2. The Commission cancels CCN No. 11597.
3. The Commission amends Quadvest's CCN No. 11612 to include the requested service area as described in this Notice of Approval and shown on the attached map.
4. The Commission approves the tariff as corrected and filed on March 27, 2019.
5. Within ten days after the Notice of Approval is issued, Commission Staff must file a clean copy of the tariff approved by the Notice of Approval to central records to be marked approved and filed in the Commission's tariff books.

6. Quadvest must provide continuous and adequate water service to every customer and applicant for service within the service area for water CCN No. 11612 in accordance with Quadvest's water tariff.
7. Bammel Forest and Quadvest must comply with the recording requirements in TWC § 13.257(r) and (s) for the areas in Harris County affected by the application.
8. Bammel Forest and Quadvest must submit to the Commission evidence of the recording no later than 45 days after receipt of the signed Notice of Approval.
9. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 6th day of May 2019.

PUBLIC UTILITY COMMISSION OF TEXAS



CHRISTOPHER OAKLEY
ADMINISTRATIVE LAW JUDGE



Public Utility Commission of Texas

By These Presents Be It Known To All That
Quadvest, L.P.

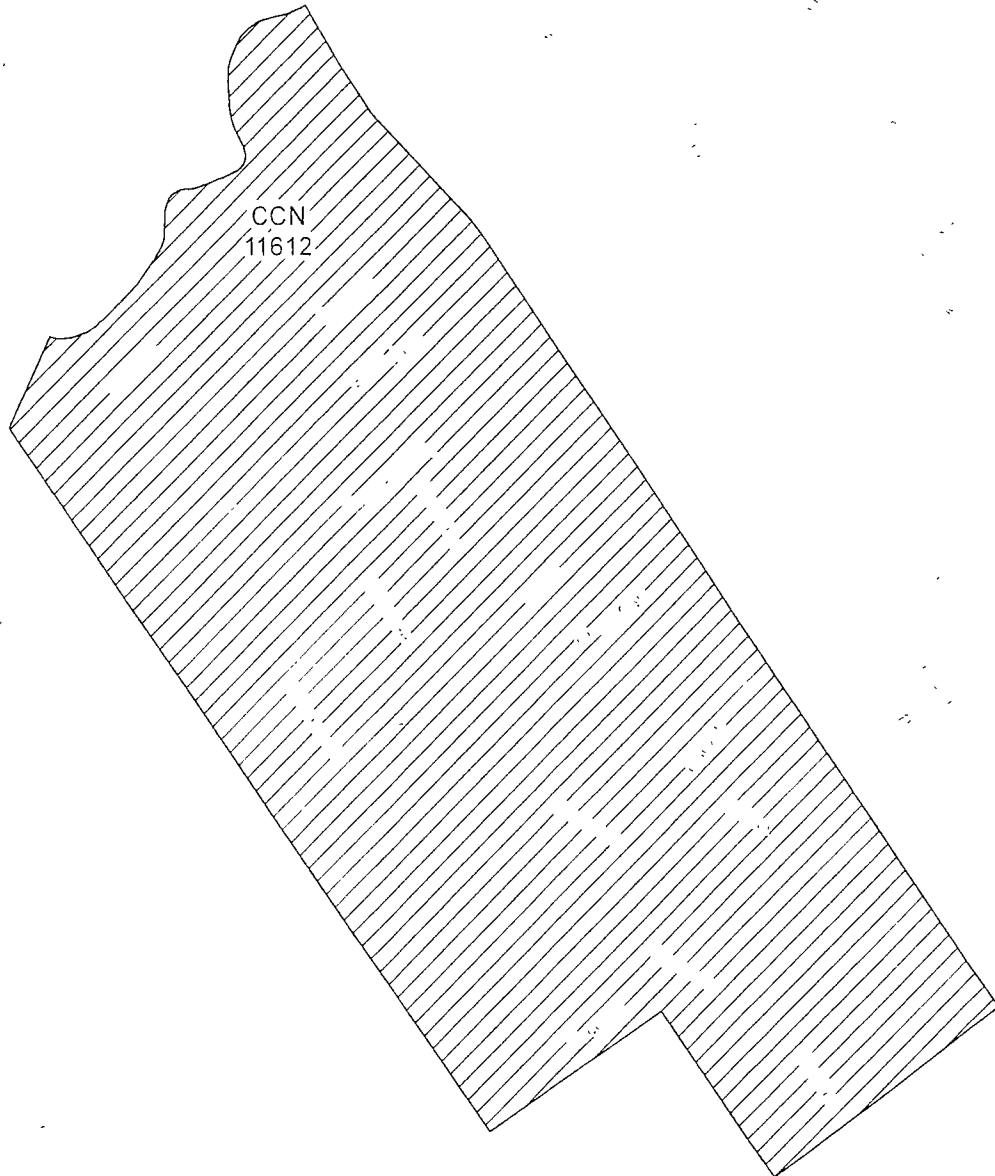
having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Quadvest, L.P., is entitled to this

Certificate of Convenience and Necessity No. 11612

to provide continuous and adequate water utility service to that service area or those service areas in Aransas, Brazoria, Fort Bend, Harris, Jackson, Liberty, Matagorda, Montgomery, Walker, and Waller Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 48533 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 the Quadvest, L.P., 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 6th day of MAY 2019.

Quadvest, LP
Water CCN No. 11612
PUC Docket No. 48533
Transferred all of Bammel Forest Utility Company, CCN No. 11597 in Harris County



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

Water CCN



11612 - Quadvest LP

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Feet



Map by Koral Patel
Date created February 14, 2019
Project Path n:\finalmapping\
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