

Control Number: 48791



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**DOCKET NO. 48791**

**APPLICATION OF PENDLETON  
HARBOR WATER SUPPLY  
CORPORATION AND G-M WATER  
SUPPLY CORPORATION FOR SALE,  
TRANSFER, OR MERGER OF  
FACILITIES AND CERTIFICATE  
RIGHTS IN SABINE COUNTY**

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**PUBLIC UTILITY COMMISSION**

**OF TEXAS**

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**AGREED SUPPLEMENTAL MOTION TO ADMIT EVIDENCE**

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), with agreement from Pendleton Harbor Water Supply Corporation and G-M Water Supply Corporation (collectively, the Parties) and files this Supplemental Motion to Admit Evidence. In support thereof, the Parties show the following:

**I. BACKGROUND**

On October 17, 2018, G-M Water Supply Corporation (G-M WSC) and Pendleton Harbor Water Supply Corporation (Pendleton Harbor) (collectively, Applicants) filed an application for Sale, Transfer, or Merger of facilities and certificate rights in Sabine County, Texas, pursuant to Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239. Specifically, G-M seeks to acquire all of Pendleton Harbor's facilities and service area under water Certificate of Convenience and Necessity (CCN) No. 10737. In addition to the service area acquired from Pendleton Harbor, G-M seeks to add approximately 306 acres of uncertificated area to its water CCN No. 11393. The total requested area includes approximately 1,024 acres and 234 connections.

On September 11, 2019, Staff and Applicants filed an Amended Joint Motion to Admit Evidence and Proposed Order Approving Sale/Transfer to Proceed. On the same date, Staff filed an Amended Final Recommendation. Order No. 13, issued September 25, 2019, directed Staff to file a supplemental TWC § 13.246(c) analysis of the approximately 306 acres of uncertificated area G-M WSC has requested to add to its service area, along with a supplemental motion to admit evidence, by October 16, 2019. Order No. 14, issued October 18, 2019, extended Staff's deadline to November 18, 2019. Therefore, this pleading is timely filed.

## **II. SUPPLEMENTAL MOTION TO ADMIT EVIDENCE**

The Parties respectfully request the entry of the following items into the record of this proceeding: (1) G-M WSC's Responses to Staff's Second Request for Information filed on November 1, 2019 (AIS Item No. 42); and (2) Staff's Supplemental TWC § 13.246(c) Analysis, and all attachments thereto, that is attached to this pleading.

## **III. CONCLUSION**

The Parties respectfully request that the items listed above be entered into the record of this proceeding.

Dated: November 15, 2019

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. 48791**  
**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on November 15, 2019 in accordance with 16 Texas Administrative Code § 22.74.

  
Eleanor D'Ambrosio

**DOCKET NO. 48791**

<b>APPLICATION OF PENDLETON</b>	<b>§</b>	
<b>HARBOR WATER SUPPLY</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>CORPORATION AND G-M WATER</b>	<b>§</b>	
<b>SUPPLY CORPORATION FOR SALE,</b>	<b>§</b>	
<b>TRANSFER, OR MERGER OF</b>	<b>§</b>	<b>OF TEXAS</b>
<b>FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN SABINE COUNTY</b>	<b>§</b>	

**COMMISSION STAFF'S SUPPLEMENTAL TWC § 13.246(c) ANALYSIS**

**COMES NOW** the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this Supplemental TWC § 13.246(c) Analysis in Response to Order No. 13 and would show the following:

**I. BACKGROUND**

On October 17, 2018, G-M Water Supply Corporation (G-M WSC) and Pendleton Harbor Water Supply Corporation (Pendleton Harbor) (collectively, Applicants) filed an application for Sale, Transfer, or Merger of facilities and certificate rights in Sabine County, Texas, pursuant to Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239. Specifically, G-M seeks to acquire all of Pendleton Harbor's facilities and service area under water Certificate of Convenience and Necessity (CCN) No. 10737. In addition to the service area acquired from Pendleton Harbor, G-M seeks to add approximately 306 acres of uncertificated area to its water CCN No. 11393. The total requested area includes approximately 1,024 acres and 234 connections.

**II. SUPPLEMENTAL TWC § 13.246(c) ANALYSIS**

Staff has reviewed G-M WSC's discovery responses, and as detailed in the memorandum of Kathryn Eiland of the Commission's Rate Regulation Division, Staff recommends that G-M WSC's request to amend its CCN with approximately 306 acres of uncertificated area satisfies the criteria in Texas Water Code § 13.246(c) and Texas Administrative Code (TAC) §§ 24.225-24.237. Accordingly, Staff continues to recommend that the proposed transaction be approved to proceed.

### **III. CONCLUSION**

For the reasons discussed above, Staff respectfully requests the entry of an Order approving the proposed transaction to proceed.

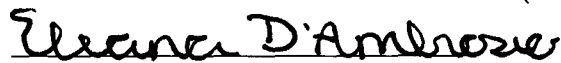
Date: November 15, 2019

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

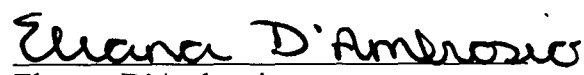
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CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on November 15, 2019 in accordance with 16 Texas Administrative Code § 22.74.



Eleanor D'Ambrosio

## PUC Interoffice Memorandum

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**To:** Eleanor D'Ambrosio, Attorney  
Legal Division

**Thru:** Heidi Graham, Manager  
Infrastructure Division

**From:** Kathryn Eiland, Financial Analyst  
Rate Regulation Division

**Date:** November 18, 2019

**Subject:** **Docket No. 48791**, *Application of Pendleton Harbor Water Supply Corporation and G-M Water Supply Corporation for Sale, Transfer, or Merger of Facilities and Certificate Rights in Sabine County*

On October 17, 2018, G-M Water Supply Corporation (G-M) and Pendleton Harbor Water Supply Corporation (Pendleton) (collectively, Applicants) filed an application for Sale, Transfer, or Merger (STM) of facilities and certificate rights in Sabine County, Texas, pursuant to Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239. Specifically, G-M seeks approval to acquire facilities and cancel Pendleton's water Certificate of Convenience and Necessity (CCN) No. 10737 and amend G-M's water CCN No. 11393. The requested area to be transferred to G-M included approximately 718 acres and 234 connections. G-M also requested an additional 306 acres of uncertificated area to be added to its CCN No. 11393.

Staff provides the following analysis for the 306 acres of uncertificated area to be added to CCN No. 11393.

### **Criteria Considered**

TWC Chapter 13, and 16 TAC Chapter 24, require the Commission to consider nine criteria when granting or amending a water or sewer 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.***

G-M has a public water system (PWS) registered with the Texas Commission on Environmental Quality (TCEQ) under PWS ID No. 2020067 that is capable of providing drinking water that meets the requirements of Texas Health and Safety Code, Chapter 341 and TCEQ rules and has access to an adequate supply of water. Additionally, G-M does not have outstanding violations. No additional construction is necessary for G-M to serve the requested area.

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

There is a gap between G-M's existing service area boundary and the boundary of the service area G-M is seeking to acquire through the STM with Pendleton Harbor. Certification of the 306 acres to G-M's CCN would eliminate the gap. The 306 acres consists of property owned by the USDA

Forest Service and existing farmland and pasture areas. G-M does not anticipate a change in land use after the requested area is certificated to their CCN No. 11393.

***TWC § 13.246(c)(3) requires the Commission to consider the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already 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 requested area.

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

G-M has a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under ID No. 2020067. G-M does not have any violations listed in the TCEQ database. G-M does not anticipate a change in land use after the requested area is certificated to their CCN No. 11393.

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

There are no other water supply utilities in the region to provide service to the requested area.

***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 the 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. The financial tests include a leverage test and operations test. The Commission rules identify five leverage tests.<sup>1</sup> The purchaser must demonstrate that it meets one of the five tests.<sup>2</sup>

The following analysis is based on G-M's audited financial statements, which contained an unqualified auditor's opinion from Tiller and Company which stated that the financial statements present fairly, in all material respects, the financial position of G-M as of December 31, 2018 in accordance with the modified cash basis of accounting. The audit and the related opinion indicate the transparency of G-M and indicate sound management capabilities.<sup>3</sup>

G-M meets the leverage test. G-M has cash and cash equivalents of \$1,431,839<sup>4</sup> as a cushion for two years debt service of \$674,742.<sup>5</sup>

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<sup>1</sup> See 16 TAC § 24.11(e)(2).

<sup>2</sup> *Id.*

<sup>3</sup> Response to request for information Staff RFI 1-1 at 5.

<sup>4</sup> *Id.* at 6 (\$1,018,047 in cash plus \$413,792 in certificates of deposit).

<sup>5</sup> *Id.* at 12 (\$333,857 plus \$340,885).



G-M meets the operations test. G-M did not submit projections in its application; however, based on their 2018 audited financial statements, G-M had a positive change in unrestricted net assets from operations (net operating income) before depreciation of \$311,725.<sup>6</sup> Additionally, no additional facilities need to be constructed. Thus, there are no shortages to cover.

***TWC § 13.246(d) allows the Commission to require an applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided.***

Staff does not recommend that G-M be required to provide a bond or other financial assurance to ensure continuous and adequate service.

***TWC §§ 13.246(c)(7) and (9) require the Commission to consider the environmental integrity and the effect on the land to be included in the certificated area.***

The environmental integrity of the land will not be affected as no additional construction is planned for the requested area.

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

There are no customers in the requested area. G-M is already the water service provider for the majority of Sabine County; therefore, adding the requested area to its CCN would provide any new customers with the same level of water service received by the majority of Sabine County.

Staff recommends that G-M meets all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations, is capable of providing continuous and adequate service and approving this application to amend water CCN No. 11393 is necessary for the service, accommodation, convenience and safety of the public.

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<sup>6</sup> *Id.* at 18 ((\$98,349) plus \$150,082 plus \$212,114).