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PUBLIC UTILITY COMMISSION  
OF TEXAS

APPLICATION OF SWWC UTILITIES, §  
INC. DBA SOUTHWEST UTILITY §  
COMPANY AND MONARCH §  
UTILITIES I L.P. FOR SALE, §  
TRANSFER, OR MERGER OF §  
FACILITIES AND CERTIFICATE §  
RIGHTS IN HARRIS COUNTY §

PUBLIC UTILITY COMMISSION  
OF TEXAS

**JOINT MOTION TO ADMIT EVIDENCE AND PROPOSED ORDER APPROVING  
SALE/TRANSFER TO PROCEED**

COMES NOW the Staff of the Public Utility Commission of Texas (Staff), representing the public interest, together with SWWC Utilities, Inc., dba Southwest Utility Company (SW Utility), and Monarch Utilities I L.P. (Monarch) (collectively, Applicants), and files this Joint Motion to Admit Evidence and Proposed Order Approving Sale/Transfer to Proceed. In support thereof, the parties show the following:

**I. BACKGROUND**

On January 15, 2019, Applicants filed an application for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Texas. Specifically, Monarach seeks approval to acquire facilities, transfer water service area, and cancel SW Utility’s Certificate of Convenience and Necessity (CCN) No. 12284. The requested area includes approximately 32 total acres and 45 current customers.

On January 22, 2019, the Applicants supplemented their application to include further information related to their respective legal names and form of business.

On May 22, 2019, Commission Staff filed its Final Recommendation, recommending that the transaction be allowed to proceed.

On July 17, 2019, the Commission administrative law judge (ALJ) issued Order No. 7, soliciting the filing of this joint motion to admit evidence and proposed order on or before August 14, 2019. Therefore, this pleading is timely filed.

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

Staff and Applicants respectfully request the ALJ issue an order admitting the following into evidence:

- a) The Applicants' application, filed on January 15, 2019 (AIS Item No. 1);
- b) The Applicants' supplement to the application, including information related to respective legal names and form of business, filed on January 22, 2019 (AIS Item No. 4)
- c) The Applicants' proof of notice and supporting documentation, filed on March 20, 2019 (AIS Item No. 11);
- d) The Applicants' list of all customers provided notice, confidentially filed on March 20, 2019 (AIS Item No. 12); and
- e) Commission Staff's Final Recommendation and attachments, including the memorandum of Leila Guerrero from the Water Utility Regulation Division, filed May 22, 2019 (AIS Item No. 17).

## **III. JOINT PROPOSED ORDER APPROVING SALE/TRANSFER TO PROCEED**

Commission Staff and Applicants have agreed to the attached Joint Proposed Order Approving Sale/Transfer to Proceed, which would authorize Monarch to acquire SW Utility's water facilities, transfer to Monarch water service area held by SW Utility, and cancel SW Utility's CCN No. 12284.

## **IV. CONCLUSION**

The parties respectfully request that the ALJ admit the above evidence and approve the attached Proposed Order.


Dated: August 14, 2019

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Margaret Uhlig Pemberton  
Division Director

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**DOCKET NO. 49103**

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record August 14, 2019 in accordance with 16 TAC § 22.74.



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Steven M. Gonzalez

**DOCKET NO. 49103**

<b>APPLICATION OF SWWC UTILITIES, INC. DBA SOUTHWEST UTILITY COMPANY AND MONARCH UTILITIES I L.P. FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN HARRIS COUNTY</b>	<b>§ § § § § § §</b>	<b>PUBLIC UTILITY COMMISSION  OF TEXAS</b>
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**JOINT PROPOSED ORDER APPROVING SALE/TRANSFER TO PROCEED**

This Order addresses the January 15, 2019, application of SWWC Utilities, Inc. dba Southwest Utility Company (Seller) and Monarch Utilities I L.P. (Purchaser) (collectively, applicants) for approval of a sale, transfer, or merger of facilities and certificate rights in Harris County, Texas. The applicants seek to transfer all of Seller’s facilities and water service area under water certificate of convenience and necessity (CCN) number 12284 to Purchaser’s CCN number 12983. The applicants also seek to cancel Seller’s CCN number 12284. On May 22, 2019, Commission Staff recommended that the transaction in this docket be allowed to proceed. The administrative law judge grants that the transaction proposed in this application may proceed and be consummated.

**I. Findings of Fact**

The Commission makes the following findings of fact:

**Applicants**

1. Purchaser is a limited partnership registered with the Texas secretary of state under file number 800034797.
2. Seller is a subsidiary of SWWC Utilities, Inc., a for-profit corporation registered with the Texas secretary of state under file number 800832416.
3. Seller owns a public water system (PWS) in Harris County registered with the Texas Commission on Environmental Quality (TCEQ) under PWS identification number 1010230.
4. Seller is a retail public utility that provides water service in Texas under CCN number 12284 in Harris County.

5. Purchaser is a retail public utility that provides water service in Texas under CCN number 12983 in Harris County.
6. Purchaser and Seller are affiliated because both entities are owned by the same parent company, SouthWest Water Company (SouthWest).

**Application**

7. On January 15, 2019, the applicants filed an application for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Texas. Specifically, Purchaser seeks approval to acquire facilities, transfer water service area, and cancel CCN No. 12284 currently held by Seller.
8. On January 22, 2019, the applicants supplemented the application to include additional information related to their respective legal names and form of business.
9. The requested service area subject to this transaction is located approximately nine miles southwest of downtown Tomball, Texas, and is generally bounded on the north by Spring-Cypress Road, on the east by Allemand Lane and Far Point Manor Court, on the south by Jarvis Road, and on the west by Skinner Road.
10. The total area affected by the transfer comprises approximately 32 acres and 45 current customers.
11. In Order No. 2 issued on February 14, 2019, the administrative law judge (ALJ) deemed the application administratively complete.

**Notice**

12. On March 20, 2019, the applicants filed the affidavit of George Freitag, Purchaser's Texas Regulatory Manager, attesting that notice was provided to current customers, neighboring utilities, and affected parties on February 21, 2019.
13. In Order No. 4 issued on April 25, 2019, the ALJ deemed the notice sufficient.

**Evidentiary Record**

14. On August \_\_, 2019, the parties jointly moved to admit evidence.
15. In Order No. 8 issued on \_\_\_\_\_, 2019, the ALJ admitted the following evidence into the record: (a) the applicants' application, filed on January 15,

2019; (b) the applicants' supplement to the application, including information related to respective legal names and form of business, filed on January 22, 2019; (c) the applicants' proof of notice and supporting documentation, filed on March 20, 2019; (d) the applicants' list of all customers provided notice, confidentially filed on March 20, 2019; and (e) Commission Staff's Final Recommendation and attachments, including the memorandum of Leila Guerrero from the Water Utility Regulation Division, filed May 22, 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)**

16. Purchaser and Seller have not been subject to any unresolved enforcement action by the Commission, TCEQ, the Texas Department of Health, the Office of Attorney General, or the United States Environmental Protection Agency.
17. Purchaser and Seller do not have any violations listed in the TCEQ database.

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

18. The requested area is currently served by Seller with a PWS registered with the TCEQ under Western Trails Subdivision, PWS No. 1010230.
19. No additional facilities or improvements are currently needed by Purchaser to serve the requested area.

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

20. The fact that there are existing customers in the requested area demonstrates the 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)**

21. There will be no change in daily customer service, and operations will not be affected by granting the application.
22. Daily operations are already provided to the requested area along with other Purchaser systems by Purchaser's regional field offices located near the requested area.
23. Customer service is provided by SouthWest's central offices. Purchaser is a fully owned subsidiary of SouthWest.

24. Except for the name change, the transfer will be seamless to the customers.
25. 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.

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

26. Purchaser has the necessary financial, managerial, and technical resources to continue providing quality utility service to the additional customers.
27. Purchaser and its affiliates have been successfully operating in Texas for many years.

**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)**

28. Purchaser meets two out of the five leverage tests. The Purchaser is required to meet only one.
29. Purchaser has a debt to equity ratio of less than one, using long term debt and equity.
30. Purchaser has a debt service coverage ratio of more than 1.25 using annual net operating income before depreciation and non-cash expenses divided by annual combined long term debt payments.
31. Purchaser's financial projections for five years were not provided at the time of Staff's recommendation to proceed with the transaction.
32. The financial statements for the years ended December 31, 2016, and December 31, 2017, show positive operating income.
33. The operations and maintenance costs would be projected based on Purchaser's past financial experience.
34. Purchaser has no operations and maintenance shortages to cover.
35. Purchaser has demonstrated the financial capability and stability to provide continuous and adequate sewer service.



**The 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. Seller is currently serving the customers in the requested area and has demonstrated sufficient capacity.
37. The feasibility of obtaining service from another adjacent retail public utility was not considered.

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

38. Purchaser's projected operating revenues are sufficient to cover projected operations and maintenance expense for the first five years after the completion of the proposed sale and transfer.
39. There is no need to require Purchaser to provide a bond or other financial assurance to ensure continuous and adequate service.

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

40. There will be no disruptions or changes to the environmental integrity of the land from the transaction.

**Effect on Land – TWC § 13.246(c)(9); 16 TAC § 24.227(d)(9)**

41. The affected water system, Western Trails, is a single subdivision in Harris County.
42. Granting the transaction will not adversely impact the integrity of the land because the requested area is already being served.

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

43. Water utility service will be the same as provided to the existing customers surrounding the requested area.
44. Purchaser will provide water to the existing customers in the requested area and charge the same rates.
45. Transferring the assets of a single stand-alone company, which serves one subdivision, to Purchaser will improve internal accounting and tracking of Seller.

46. The transaction will reduce external reporting requirements and reduce the administrative costs of regulating the Seller.

## **II. Conclusions of Law**

The Commission makes the following conclusions of law.

1. After consideration of the factors in TWC § 13.246(c), Purchaser has demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area. TWC § 13.301(b).
2. Seller and Purchaser have demonstrated that transferring the water service area held under Seller's CCN number 12284 to Purchaser's CCN number 12983 will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public. TWC § 13.301(d), (e).

## **III. Ordering Paragraphs**

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

1. The sale is approved and the transaction between applicants may proceed and be consummated.
2. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, the applicants shall file proof that the transaction has been consummated and customer deposits have been addressed.
3. The applicants have 180 days to complete the transaction.
4. Under 16 Texas Administrative Code § 24.109(o), if the transaction is not consummated within this period, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.
5. The applicants are advised that certificate of convenience and necessity number 12284 will be held by Seller until the sale and transfer transaction is complete in accordance with Commission rules.

6. In an effort to finalize this case as soon as possible, the applicants shall continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
7. Within 15 days following the filing of the applicants' proof that the transaction has been consummated and customer deposits, if any, have been addressed, Commission Staff shall file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

**SIGNED AT AUSTIN, TEXAS on the \_\_\_\_ day of \_\_\_\_\_, 2019.**

**PUBLIC UTILITY COMMISSION OF TEXAS**

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**ADMINISTRATIVE LAW JUDGE**