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DOCKET NO. 49103

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 3:17
OF TEXAS

ORDER NO. 9
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) for approval of a sale, transfer, or merger of facilities and certificate rights in Harris County. 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. The administrative law judge (ALJ) 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. Seller is a for-profit corporation registered with the Texas secretary of state under file number 800832416.
2. Seller owns a public water system (PWS) in Harris County registered with the Texas Commission on Environmental Quality (TCEQ) under PWS identification number 1010230.
3. Seller is a retail public utility that provides water service in Texas under CCN number 12284 in Harris County.
4. Purchaser is a limited partnership registered with the Texas secretary of state under file number 800034797.
5. Purchaser is a retail public utility that provides water service in Texas under CCN number 12983 in Harris County.

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6. Purchaser and Seller are affiliated because both entities are owned by the same parent company, SouthWest Water Company.

Application

7. On January 15, 2019, the applicants filed an application for sale, transfer, or merger of facilities and certificate rights in Harris County. 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 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 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 14, 2019, the parties jointly filed a motion to admit evidence.
15. In Order No. 8 issued on August 20, 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. Seller and Purchaser have not been subject to any unresolved enforcement actions by the Commission, Texas Commission on Environmental Quality (TCEQ), the Texas Department of Health, the Office of the Attorney General, or the United States Environmental Protection Agency.
17. Seller and Purchaser 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), 24.239(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. Seller does not have any violations listed in the TCEQ database.

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

20. There are approximately 45 existing customers in the requested area to be transferred, therefore, there is a need for service.
21. Purchaser has received no new requests for service and is not requesting to add additional uncertificated area.
22. The application is to transfer only existing facilities, customers, and service area.

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)

23. There will be no effect on any other retail public utility servicing the proximate area as the transaction merges existing operating subsidiaries of the same parent company.

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)

24. Purchaser has a sufficient number of licensed operators and the managerial and technical capability to provide adequate and continuous service to the requested service area.
25. Purchaser and Seller have sufficient capacity to serve the customers and no additional construction is necessary to provide continuous and adequate service.
26. Seller has an existing water permit from the TCEQ under TX1010230 (Western Trails Subdivision).

27. Sufficient capacity exists with Seller's existing water facilities and permits, therefore, no additional construction is necessary to serve the requested area.

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)

28. Utilities within a two mile radius were noticed and no protests or requests to opt out were received regarding the proposed transaction.
29. It is not feasible for an adjacent utility to provide service to the requested 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. Purchaser meets the leverage test with a debt to equity ratio of less than one.
31. Purchaser further meets the leverage test with an effective debt service coverage ratio greater than 1.25.
32. Purchaser has demonstrated the financial capability and stability to provide continuous and adequate sewer service.

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

33. 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.
34. 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) and Effect on Land – TWC § 13.246(c)(9); 16 TAC § 24.227(d)(9)

35. The environmental integrity of the land will not be effected as no additional construction is needed to provide service to the requested area.

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

36. Water utility service will be the same as provided to the Purchaser's existing customers surrounding the requested area.
37. All customers will be charged the same rates they were charged before the transaction.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with TWC § 13.246 and 16 TAC § 24.239.
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

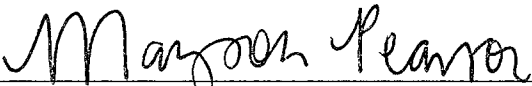
In accordance with the preceding findings of fact and conclusions of law, the Commission issues the following orders.

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 CCN 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 the 29th day of August 2019.

PUBLIC UTILITY COMMISSION OF TEXAS



MAYSON PEARSON
ADMINISTRATIVE LAW JUDGE

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