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DOCKET NO. 49231

**APPLICATION OF PONDER
ENTERPRISES, INC. DBA LONGHORN
COMPANY AND LONE STAR WATER
COMPANY FOR SALE, TRANSFER,
OR MERGER OF FACILITIES AND
CERTIFICATE RIGHTS IN DENTON
COUNTY**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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**ORDER NO. 6
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the February 15, 2019, application of Ponder Enterprises, Inc. dba Longhorn Company and Lone Star Water Company for approval of a sale, transfer, or merger of facilities and certificate rights in Denton County. The application seeks approval for the sale of Ponder Enterprises' water facilities and the transfer of a portion of the water service area held under certificate of convenience and necessity (CCN) number 12810 to Lone Star. On July 31, 2019, Commission Staff recommended that the transaction proceed in this docket. 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. Ponder Enterprises is a domestic for-profit corporation registered with the Texas secretary of state under file number 0039530300.
2. Ponder Enterprises is an investor owned utility that provides water service under CCN number 12810 in Denton County.
3. Ponder Enterprises owns three public water systems (PWS) registered with the Texas Commission on Environmental Quality (TCEQ) under PWS numbers 0610217, 0610179, and 0610223.
4. Lone Star Water is a domestic for-profit corporation registered with the Texas secretary of state under file number 803137555.

Application

5. On February 15, 2019, the applicants filed an application for approval of the sale of Ponder Enterprises of the two water systems (PWS numbers 0610217 and 0610179) and related water service area held under CCN number 12810 to Lone Star Water. PWS number 0610223 is an exempt utility, operated under registration number N0009.
6. In the proposed transaction, Lone Star Water will be issued a new CCN for the requested areas, and Ponder Enterprises will retain approximately 420 acres of service area under CCN number 12810.
7. The requested areas comprise approximately 414 acres and 332 current customers and consist of the following:
 - a) the Longhorn Meadows and Westover Ranch subdivisions with 285 current customers and comprising approximately 386 acres, located three miles south of downtown Ponder, and generally bounded on the north by Swafford Road, on the east by Tim Donald Road and Farm-to-Market Road 156, on the south by Eakin Cemetery Road, and on the west by Angus Drive—PWS number 0610217;
 - b) the Double Rock Estates with 35 current customers and comprising approximately 16 acres, located two miles southeast of downtown Ponder, and generally bounded on the north by Seabom Road, on the east by Florence Road, on the south by Blair Road, and on the west by Coach Road—PWS number 0610179; and
 - c) the Meadow Ranch subdivision with 12 current customers and comprising approximately 12 acres, located three miles south of downtown Ponder, and generally bounded on the north by Eakin Cemetery Road, on the east by Tim Donald Road, on the south by Denton Creek, and on the west by Hovenkamp Lane—PWS number 0610223.
8. In Order No. 3 issued on May 20, 2019, the ALJ found the application administratively complete.

Notice

9. On June 6, 2019, the applicants' filed the affidavit of Paul D. Kauffman, Lone Star Water's president, attesting that notice was provided to all current customers, neighboring utilities, and affected parties on May 31, 2019.

10. In Order No. 4 issued on June 14, 2019, the ALJ deemed the notice sufficient.

Evidentiary Record

11. On August 28, 2019, the parties filed a joint motion to admit evidence.

12. In Order No. 5 issued on September 9, 2019, the ALJ admitted the following evidence into the record: (a) the applicants' application filed on February 15, 2019 as supplemented on March 4, 2019, and April 9, 2019; (b) the applicants' proof of notice and supporting documentation, filed on June 6, 2019; (c) the applicants' responses to Commission Staff's first request for information, filed June 24, 2019; (d) the applicants' responses to Commission Staff's informal request for information, filed July 24, 2019; and (e) Commission Staff's recommendation on the sale to proceed, filed on July 31, 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)

13. Ponder Enterprises and Lone Star Water 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.

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

14. Ponder Enterprises owns and operates the three public water systems to be sold in this transaction that currently provide continuous and adequate service to its customers.

15. An additional generator is needed for the Longhorn Meadows subdivision, PWS number 0610217, to continue to meet TCEQ standards and provide continuous and adequate service to that area.

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

16. There are 332 existing customers in the requested areas to be transferred; therefore, there is a need for service.

17. Lone Star Water has received no new requests for service and is not requesting to add additional uncertificated area.

18. This 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)

19. Ponder Enterprises and Lone Star Water are the only utilities affected by this sale and transfer.
20. The customers in the requested area will continue to be provided adequate and continuous service after the approval of the transaction.

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), and 24.239(g), (j)(5)(E)

21. Lone Star Water has experience operating water systems in the state of Arizona and plans to engage an experienced, local management company to operate the systems to be transferred.
22. Ponder Enterprises and Lone Star Water have sufficient capacity to serve customers and no additional construction is necessary.

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)

23. Ponder Enterprises is currently serving the 332 customers adequately and continuously; therefore, it is not feasible to obtain service from another adjacent retail public utility.
24. Utilities within a two-mile radius were noticed and no protests were received regarding the proposed transaction.

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), and 24.239(g), (j)(5)(G)

25. Lone Star Water meets the leverage test with an effective debt service coverage ratio greater than 1.25.
26. Lone Star Water has demonstrated the financial capability and stability to provide continuous and adequate service to the requested area.

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

27. Lone Star Water's projected operating revenues are sufficient to cover projected operations and maintenance expenses for the first five years after the completion of the sale and transfer.

28. There is no need to require Lone Star Water to provide a bond or other financial assurance to ensure continuous and adequate service.

Environmental Integrity and Effect on the Land—TWC §§ 13.246(c)(7), (c)(9); 16 TAC §§ 24.227(d)(7), (d)(9), 24.239(j)(5)(H)

29. The requested area will continue to be served by existing facilities and minimal construction is needed; therefore, the proposed transaction will not adversely impact the environmental integrity of the land and have minimal effect on the land.

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

30. Lone Star Water will improve customer service to existing customers because the water systems will be operated and maintained by a sufficient number of licensed operators, and there will be no change in rates.
31. Lone Star Water intends add a generator to the Longhorn Meadows system in order to improve service and ensure continuous and adequate service.

Regionalization or Consolidation—TWC §§ 13.241(d); 16 TAC § 24.227(b)

32. Lone Star Water does not anticipate building any new facilities to continue serving the requested area and is not requesting to add service area in the proposed transaction; therefore, regionalization or consolidation is not applicable.

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 13.301(a)(2), and 16 TAC § 24.239.
2. After consideration of the factors in TWC § 13.246(c), Lone Star Water has demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area. TWC § 13.301(b).
33. Ponder Enterprises and Lone Star Water have demonstrated that the sale of Ponder Enterprises water systems, PWS numbers 0610217, 0610179 and 0610223, and transfer of a portion of the water service area under CCN number 12810 to Lone Star is necessary for the service, accommodation, convenience, and safety of the public. TWC § 13.301(d), (e).

III. Ordering Paragraphs

In accordance with these 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 must 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 TAC § 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 water CCN number 12810 will be held by Ponder Enterprises until the sale and transfer transaction is complete in accordance with the Commission's rules.
6. In an effort to finalize this case as soon as possible, the applicants must 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 must file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

Signed at Austin, Texas the 9th day of September 2019.

PUBLIC UTILITY COMMISSION OF TEXAS



CHRISTOPHER OAKLEY
ADMINISTRATIVE LAW JUDGE