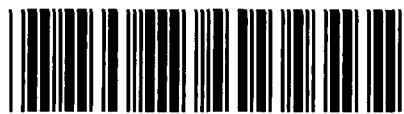




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APPLICATION OF SWWC UTILITIES, §  
INC. DBA INVERNESS UTILITY §  
COMPANY, INC. AND MONARCH §  
UTILITIES I, L.P. FOR SALE, §  
TRANSFER, OR MERGER OF §  
FACILITIES AND CERTIFICATE §  
RIGHTS IN TRAVIS COUNTY §

2019 AUG 16 AM 11:57  
PUBLIC UTILITY COMMISSION  
PUBLIC UTILITY COMMISSION  
OF TEXAS FILING CLERK

**ORDER NO. 7  
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the March 27, 2019, application of SWWC Utilities, Inc. dba Inverness Utility Company, Inc. and Monarch Utilities I, L.P. (collectively, applicants) for approval of a sale, transfer, or merger of facilities and certificate rights in Travis County. The application seeks to transfer all of SWWC’s facilities and service area under water certificate of convenience and necessity (CCN) number 11170 to Monarch. On August 8, 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. SWWC is a Delaware corporation registered with the Texas secretary of state under file number 800832416.
2. SWWC filed an assumed name certificate for the name Inverness Utility Company, Inc. with the Texas secretary of state on February 21, 2019.
3. Inverness is a domestic for-profit corporation registered with the Texas secretary of state under file number 144297500.
4. SWWC operates, maintains, and controls facilities for providing water service in Travis County under CCN number 11170.

5. SWWC owns a public water system (PWS) in Travis County registered with the Texas Commission on Environmental Quality (TCEQ) under PWS identification number 2270102.
6. Monarch is a domestic limited partnership registered with the Texas secretary of state under file number 800034797.
7. Monarch operates, maintains, and controls facilities for providing water service in multiple counties under CCN number 12983.
8. SWWC and Monarch are affiliates through their parent, Southwest Water Company.

#### **Application**

9. On March 27, 2019, the applicants filed an application for approval to transfer all of SWWC's facilities and service area under water CCN number 11170 to Monarch, amend Monarch's CCN number 12983 accordingly, and cancel SWWC's CCN number 11170.
10. The requested area is located approximately three miles west of downtown Village of Lakeway, Texas, and is generally bounded on the north by Lake Travis, on the east by Lake Travis, on the south by Bee Creek Road, and on the west by Lake Travis and Lakehurst Loop.
11. The total area affected by the transfer comprises approximately 325 acres and 177 current customers within the Crosswinds, Hidden Hills, Inverness Point, Lakehurst, and Summit at Lake Travis subdivisions.
12. In Order No. 2 issued on April 29, 2019, the ALJ found the application administratively complete.

#### **Notice**

13. On May 1, 2019, Monarch filed the affidavit of George Freitag, Texas regulatory manager, attesting that notice was provided to all current customers, neighboring utilities, and affected parties on May 1, 2019.
14. In Order No. 3, issued on May 13, 2019, the ALJ deemed the notice sufficient.

#### **Evidentiary Record**

15. On August 8, 2019, the parties filed a joint motion to admit evidence.

16. In Order No. 6 issued on August 12, 2019, the ALJ admitted the following evidence into the record: (a) the applicants' application filed on March 27, 2019; (b) the applicants' proof of notice and supporting documentation filed on May 1, 2019; and (c) Commission Staff's recommendation on the sale to proceed filed on July 1, 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)**

17. There are no reported violations with SWWC's PWS number 2270102 and that system is reported to be in compliance with the drinking water rules of the TCEQ.
18. SWWC and Monarch 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)**

19. SWWC has been the water utility in the requested area and has been providing adequate service through its PWS.
20. No additional facilities or improvements are currently needed by Monarch 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)**

21. The 177 existing customers need continued water service.
22. No new requests for service have been received.

**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. SWWC and Monarch are the only utilities affected by this sale and transfer.
24. The existing customers will be charged the same rates they were charged before 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)**

25. No additional facilities or improvements are needed by Monarch to serve the requested area.

26. Monarch has a sufficient number of licensed operators and the managerial and technical capability to provide adequate and continuous service to the requested service area.
27. Monarch has sufficient water capacity 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. SWWC is currently serving the 177 customers and its existing PWS has sufficient capacity; therefore, it is not feasible to obtain service from another adjacent retail public utility.
29. 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)**

30. Monarch's long term debt, divided by equity, produces a debt-to-equity ratio of less than one.
31. Monarch has demonstrated that it has the available cash levels to serve the requested area.
32. Monarch 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)**

33. Monarch'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.
34. There is no need to require Monarch 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)**

35. The proposed transaction will not adversely impact the environmental integrity of the land because the requested area is currently receiving service.

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

36. The requested area will continue to be served by existing facilities and no additional construction is needed; therefore the effect on the land should be minimal.

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

37. The proposed transaction will improve customer service and 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 13.301(a)(2), and 16 TAC § 24.239.
2. After consideration of the factors in TWC § 13.246(c), Monarch has demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area. TWC § 13.301(b).
3. SWWC and Monarch have demonstrated that transferring the facilities and water service area held under CCN number 11170 from SWWC to Monarch 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 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 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 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 CCN number 11170 will be held by SWWC 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 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 14<sup>th</sup> day of August 2019.

**PUBLIC UTILITY COMMISSION OF TEXAS**

  
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**HUNTER BURKHALTER**  
**ADMINISTRATIVE LAW JUDGE**