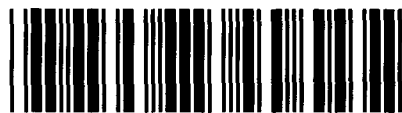




Control Number: 49931



Item Number: 4

Addendum StartPage: 0

APPLICATION OF COMMUNITY
WATER SERVICE, INC. AND
PATTERSON WATER SUPPLY, LLC
FOR SALE, TRANSFER, OR MERGER
OF FACILITIES AND CERTIFICATE
RIGHTS IN DALLAS AND DENTON
COUNTIES

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PUBLIC UTILITY COMMISSION

OF TEXAS

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UTILITY COMMISSION
FILING CLERK

**COMMISSION STAFF'S RECOMMENDATION ON ADMINISTRATIVE
COMPLETENESS AND PROPOSED PROCEDURAL SCHEDULE**

COMES NOW the Commission Staff of the Public Utility Commission of Texas (Staff), representing the public interest, and files this recommendation. Staff recommends that the application be deemed administratively incomplete and that the applicants be ordered to address the identified deficiencies. In support thereof, Staff shows the following:

I. BACKGROUND

On September 4, 2019, Community Water Service, Inc. and Patterson Water Supply, LLC (collectively, Applicants) filed an application for approval of the sale, transfer, or merger of sewer facilities and certificate rights in Dallas and Denton counties. Specifically, the applicants seek to transfer all of Community Water's water service area to Patterson's water service area and the cancelation of Community's CCN number. The requested transfer area includes approximately 335 acres and 344 connections.

On September 6, 2019, Order No. 1 was issued establishing a deadline of October 4, 2019 for Staff to file a recommendation on the administrative completeness of the application and notice and propose a procedural schedule for further processing of the application. This pleading, therefore, is timely filed.

II. ADMINISTRATIVE COMPLETENESS

As detailed in the attached memorandum from Patricia Garcia in the Commission's Infrastructure Division, Staff has reviewed the application and recommends that it be found administratively incomplete. Specifically, Staff has identified deficiencies in the application content. Staff recommends that Applicants submit additional application content, as further detailed in the attached memorandum.

III. PROCEDURAL SCHEDULE

Staff recommends that the application be found administratively incomplete. Therefore, Staff recommends that a deadline of November 4, 2019 be established for Applicants to supplement the application. Staff further recommends that a deadline of December 4, 2019 be established for Staff to review Applicants' supplemental information and make a supplemental recommendation on the administrative completeness of the application. Staff notes that Applicants should not issue notice until the application is found administratively complete.

IV. CONCLUSION

For the reasons discussed above, Staff respectfully recommends that the application be found administratively incomplete. Staff further recommends that the procedural schedule proposed above be adopted for further processing of this docket.

Dated: October 4, 2019

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

Margaret Uhlig Pemberton
Division Director

Karen S. Hubbard
Managing Attorney



Sarah D. McDaniel
State Bar No. 24092340
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7289
(512) 936-7268 (facsimile)
sarah.mcdaniel@puc.texas.gov

DOCKET NO. 49931

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on October 4, 2019, in accordance with 16 TAC § 22.74.


Sarah D. McDaniel

PUC Interoffice Memorandum

To: Sarah McDaniel, Attorney
Legal Division

Thru: Heidi Graham, Director of Water Utility Engineering
Infrastructure Division

From: Patricia Garcia, Engineering Specialist
Infrastructure Division

Date: October 4, 2019

Subject: **Docket No. 49931**, *Application of Community Water Service, Inc. and Patterson Water Supply, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Dallas and Denton Counties*

On September 4, 2019, Patterson Water Supply, LLC (Patterson or Purchaser) and Community Water Service, Inc. (Community Water or Seller) (collectively, Applicants) filed an application for Sale, Transfer, or Merger (STM) of facilities and certificate rights in Dallas and Denton Counties, Texas, pursuant to Texas Water Code Ann. (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.

Specifically, Patterson, Certificate of Convenience and Necessity (CCN) No. 13248, seeks approval to acquire facilities and to transfer all of Community Water's water CCN No. 10091. The requested area includes approximately 335 acres and 344 connections.

Staff has reviewed the information provided by the Applicants and recommends the application be deemed administratively incomplete and not accepted for filing due to the deficiencies detailed below:

Application Content:

1. For Question No. 5 on page 4, provide the number of customers with and without deposits.
2. Question No. 22A on page 9 of the application for "Rocky Point Community" states no improvements are required to meet Texas Commission on Environmental Quality (TCEQ) standards, but the comprehensive compliance agreement and the application state the system is operating below capacity. Please correct the response on this question.
3. For both public water systems, the application indicates that there is a moratorium on new connections. Please provide a statement regarding what will be done to correct this issue.

Separate from the deficiencies noted above, the Applicants must also provide the following items before Staff can recommend approval of the transaction:

Technical and Financial Information:

1. Provide the list of assets to be transferred for the Rocky Point and Daneildale systems and include the date in service, asset name, original cost of plant and the accumulated depreciation amount.
2. Complete the blanks for question 13 and 14 and include the asset amounts and acquisition adjustment.

3. Please note Community Water Service, Inc. regulatory assessment fees are delinquent for 2014, 2015, 2016, 2017. Contact the TCEQ Water Supply Division 512-239-4691 to address this issue.
4. Please provide proof that the violation for public water system number 0610052, Vacation Village, for “Failure to provide a production capacity of at least 0.6 gallons per minute (gpm)” has been resolved with the TCEQ or that a resolution is pending.

Additionally, the application states that Patterson Water Supply wants to include the public water systems being transferred by this application into the tariff for Patterson Water Supply and use the current rates used for their other public water systems. When an STM application is approved for a Purchaser that is an investor owned utility, the rates approved by the Commission for the Seller remain until a twelve-month test year is established and a rate filing package is submitted to the Commission by the Purchaser.

Note: Any confidential items should be submitted as confidential filings with the PUC. The instructions for filing confidential documents can be found on our website at: (<http://www.puc.texas.gov/industry/filings/FilingProceed.aspx>).