



Control Number: 50057



Item Number: 14

Addendum StartPage: 0

DOCKET NO. 50057

RECEIVED

APPLICATION OF MOUNTAIN §
RIVER WATER COMPANY AND RJR §
WATER COMPANY, INC. FOR SALE, §
TRANSFER, OR MERGER OF §
FACILITIES AND CERTIFICATE §
RIGHTS IN PARKER AND PALO §
PINTO COUNTIES §

2020 MAR 13 PM 3:09
PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

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

This Order addresses the September 27, 2019, application of Mountain River Water Company and RJR Water Company, Inc., for approval of the sale, transfer, or merger of facilities and certificate rights in Parker and Palo Pinto counties. The applicants seek approval to transfer all of Mountain River Water's water service area and associated certificate of convenience and necessity (CCN) number 12139 to RJR Water. On February 14, 2020, Commission Staff recommended that the transaction proceed in this docket. The administrative law judge (ALJ) grants that the transaction between applicants may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Mountain River Water is a domestic for-profit corporation registered with the Texas secretary of state on April 19, 1977, under file number 40359600.
2. Mountain River Water owns a public water system (PWS) registered with the Texas Commission on Environmental Quality (TCEQ) PWS number 1840077.
3. Mountain River Water operates, maintains, and controls facilities that provide water service in Parker and Palo Pinto counties under CCN number 12139.
4. RJR Water is a domestic for-profit corporation registered with the Texas secretary of state on July 17, 2019, under filing number 803371238.

14

Application

5. On September 27, 2019, Mountain River Water and RJR Water filed an application for approval to sell all of Mountain River's water facilities and transfer all customers and service area held under CCN number 12139 to RJR Water.
6. The requested area comprises approximately 345 acres and 132 current customers.
7. The requested area is located approximately four miles southwest of downtown Millsap, Texas, and is generally bounded on the north the by the Brazos River, on the east by the Brazos River, on the south by Soda Springs Road, and on the west by the Brazos River.
8. In Order No. 2 filed on October 31, 2019, the ALJ found the application administratively complete.

Notice

9. On November 21, 2019, RJR Water filed the affidavit of Robbie Evans, partner of RJR Water, attesting that notice was provided to current customers, neighboring utilities and affected parties on November 14, 2019 and November 15, 2019.
10. In Order No. 3 filed on December 4, 2019, the ALJ found notice sufficient.

Evidentiary Record

11. On February 17, 2020, the parties filed a joint motion to admit evidence.
12. In Order No. 5 filed on March 10, 2020, the ALJ admitted the following evidence into the record: (a) the application filed on September 27, 2019; (b) RJR Water's supplemental mapping information filed on October 14, 2019; (c) the applicants' proof of notice filed on November 21, 2019; and (d) Commission Staff s recommendation on the transaction to proceed filed on January 17, 2020.

System Compliance—Texas Water Code (TWC) § 13.301(e)(3); 16 Texas Administrative Code (TAC) §§ 24.227(a), 24.239(1)(3)(A), (j)(5)(A)

13. Mountain River Water is in violation of TCEQ rules that require a minimum production capacity of 0.6 gallons per minute for each connection in the PWS.
14. Due to the high percentage of seasonal-only residents in the requested area, Mountain River Water has applied to the TCEQ for an alternative capacity requirement exception to bring PWS number 1840077 into compliance.

15. RJR Water has 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.
16. RJR Water does not have any violations listed in the TCEQ database.
17. RJR Water will continue to work with the TCEQ for an alternative capacity requirement exception for PWS number 1840077.
18. RJR Water has demonstrated a compliance status that is adequate for approval of the sale.

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

19. RJR Water has applied to the TCEQ for an alternative capacity requirement exception to serve existing customers adequately and continuously.
20. If the TCEQ does not grant an exception for capacity, RJR Water has an additional well that can be placed into service to meet capacity requirements.

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

21. There are 132 existing connections in the areas to be transferred; therefore, there is an ongoing need for service.
22. RJR Water has received no new requests for service and is not requesting to add additional uncertificated area.
23. 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)

24. The proposed transaction will allow RJR Water to serve the customers in the requested area.
25. Mountain River Water and RJR Water are the only utilities affected by the proposed 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), 24.239(2), (j)(5)(E)

26. RJR Water has a sufficient number of licensed water operators and the managerial and technical capability to provide adequate and continuous service to the requested water service area.

27. Mountain River Water and RJR Water are working with the TCEQ to have sufficient capability to serve the customers of 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. RJR Water will continue to serve the requested area with existing facilities; therefore, it is not feasible to obtain service from an adjacent 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), 24.239(2), (j)(5)(G)

30. RJR Water has a debt-to-equity ratio of less than one, satisfying the leverage test.
31. RJR Water has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations, meeting the operations test.
32. RJR Water has the financial ability and financial stability necessary 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. There is no need to require RJR Water 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(1)(5)(H)

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

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

35. There will be no negative effect on the land because no additional construction is anticipated to provide adequate and continuous service to the requested area.

Improvement of Service or Lowering Cost to Consumers—TWC § 13.246(c)(8); 16 TAC § 24.227(d)(8), 24.239(1)(5)(I)

36. The proposed transaction will improve service to the requested area.
37. Existing customers of Mountain River Water will be charged the same rates after the proposed transaction is complete, but RJR Water intends to request a rate increase with the

Commission no later than 12 months after a notice of approval is issued in the present docket.

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

38. No new physically separate water system will be constructed as a result of the 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), RJR Water has demonstrated adequate financial, managerial, and technical capability to provide continuous and adequate service to the requested area. TWC § 13.301(b).
3. The applicants have demonstrated that transferring the water service area held under CCN number 12139 from Mountain River Water to RJR Water will service the public interest and is necessary for the services, 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. Under 16 TAC § 24.109(o), if the transaction is not consummated within 180 days following the date of this Order, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.
3. The applicants are advised that the water facilities, requested area, and CCN will continue to be held by Mountain River Water until the sale and transfer is complete in accordance with Commission rules.

4. In an effort to finalize this case as soon as possible, the applicants must file, within 30 days of this Order and every 30 days thereafter, updates regarding the status of the transaction until the transaction is complete.
5. Not later than 30 days after the effective date of the transaction, the applicants must file proof that the transaction has been consummated and customer deposits have been addressed in satisfaction of 16 TAC § 24.239(m).
6. Within 15 days following the filing of the applicants' proof that the transaction has been consummated and customer deposits 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 13th day of March 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



CHRISTOPHER OAKLEY
ADMINISTRATIVE LAW JUDGE

q:\cadm\doCKET management\water\stm\50xxx\50057-6 approve sale.docx