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DOCKET NO. 50895

**APPLICATION OF CHAMPS WATER
COMPANY AND MIDWAY WATER
UTILITIES, INC. FOR SALE,
TRANSFER, OR MERGER OF
FACILITIES AND CERTIFICATE
RIGHTS IN HARRIS AND
MONTGOMERY COUNTIES**

**PUBLIC UTILITY COMMISSION
OF TEXAS**

**ORDER NO. 9
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Champs Water Company and Midway Water Utilities, Inc. for sale, transfer, or merger of facilities and certificate rights in Harris and Montgomery counties. The applicants seek to sell and transfer all of the assets, facilities, and certificates of convenience and necessity (CCN) currently held by Champs Water's to Midway Water. Champs Water's water and sewer CCN numbers 10972 and 20385, respectively include 708 acres of water service area with 1,500 water service connections and 543 acres of sewer service area with 1,273 sewer service connections. The administrative law judge (ALJ) grants 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. Champs Water is a domestic for profit corporation registered with the Texas secretary of state under file number 107050700.
2. Champs Water operates, maintains, and controls facilities for providing water and sewer services in Montgomery and Harris counties under CCN numbers 10972 and 20385, respectively.
3. Champs Water owns public water systems registered with the Texas Commission on Environmental Quality (TCEQ) under identification numbers 1010410, 1010517, 1011708, 1010670, 1010192, 1010028, 1011999, and 1700684, and water quality

discharge permit numbers 11739001, 12730001, 11005001, 11158001, and 10436001, 12571001.

4. Midway Water is a domestic for-profit corporation registered with the Texas secretary of state under filing number 111387200.
5. Midway Water operates, maintains, and controls facilities for providing water and sewer services in Dallas, Grayson, Hill, Johnson, and Palo Pinto counties under CCN numbers 12087 and 20705, respectively.

Application

6. On June 1, 2020, the applicants filed an application for approval to transfer all facilities, service areas, and CCN numbers 10972 and 20385, respectively, to Midway Water.
7. On August 3, 4, 10, and 18 and September 24, 2020, applicants filed supplements to the application.
8. This application involves 708 acres of water service area and 1,500 water service connections and 543 acres of sewer service area and 1,273 sewer service connection.
9. The public water systems (PWS), water quality discharge permits (WQ), and requested areas subject to this transaction are described as follows:

Harris County

- **Aldine Forest** (PWS 1010410; and WQ 11739-001); water and sewer

The requested area is located approximately 8.6 miles southwest of downtown Humble, Texas, and is generally bounded on the north by approximately 1,200 feet north of Lauder Road; on the east by Chrisman Road; on the south by Lauder Road; and on the west by Reeveston Road. The total requested area includes approximately 16.1 acres, 48 current water customers, and 46 current sewer customers.

- **Mading Lane** (PWS 1010517); water only

The requested area is located approximately 10.8 miles southwest of downtown Humble, Texas, and is generally bounded on the north by Blue Bell Road; on the east by Airline Drive; on the south by Shane Street; and on the west by North Freeway (IH-45). The total requested area includes approximately 32.1 acres and 113 current water customers.

- North Belt Forest (PWS 1011999; WQ 12571001); water and sewer

The requested area is located approximately 3.2 miles south of downtown Humble, Texas, and is generally bounded on the north by Lexus Drive; on the east by 2,100 feet east of Wilson Road; on the south by Loggia Lane; and on the west by Mesa Drive. The total requested area includes approximately 205 acres and 467 current water and sewer customers.

- Parkland Estates (PWS 1010192; WQ 11158001); water and sewer

The requested area is located approximately 5.4 miles southwest of downtown Humble, Texas, and is generally bounded on the north by Aldine Bender Road; on the east by Rawlings Street, on the south by Nueces Park Drive; and on the west by Old Humble Road. The total requested area includes approximately 19.6 acres, 86 current water customers, and 69 current sewer customers.

- West Montgomery (PWS 1010670; WQ 11005001); water and sewer

The requested area is located approximately 13.6 miles southwest of downtown Humble, Texas, and is generally bounded on the north by West Mount Houston Road; on the east by Cora Street; on the south by Vesta Drive; and on the west by Streamside Drive. The total requested area includes approximately 218.2 acres, 356 current water customers, and 351 current sewer customers.

- Western Homes (PWS 1010028; WQ 10436001); water and sewer

The requested area is located approximately 8.7 miles southwest of downtown Humble, Texas, and is generally bounded on the north by Connoryale Road; on the east by Aldine Westfield Road; on the south by Isom Street; and on the west by Chrisman Road. The total requested water area includes approximately 63 acres, 285 current water customers. The total requested sewer includes approximately 68 acres and 280 current sewer customers.

- Whisper Meadows (PWS 1011708; WQ 12730001); water and sewer

The requested area is located approximately 4.6 miles southeast of downtown Tomball, Texas, and is generally bounded on the north by the intersection of Huffsmith Kohrville Road and Wind Pine Lane; on the east by Huffsmith Kohrville Road; on the south by

Solomon Road; and on the west by Coons Road. The total requested area includes approximately 16.4 acres, 61 current water customers and 60 current sewer customers.

Montgomery County

- **Rolling Forest** (PWS 1700684); water only

The requested area is located approximately 3.5 miles northeast of downtown Magnolia, Texas, and is generally bounded on the north by the intersection of farm-to-market (FM) 149 and Allyson Road; on the east by FM 149; on the south by FM 1488; and on the west by Mill Creek Road. The total requested area includes approximately 137.2 acres and 84 current water customers.

10. In Order No. 5 filed on September 8, 2020, the ALJ deemed the application, as supplemented, administratively complete.

Notice

11. On September 23, and under confidential seal on September 24, 2020, applicants filed the affidavit of George H. Freitag, Texas Regulatory Manager of Midway Water, attesting that notice of the application was mailed to current customers, neighboring utilities, county authorities, municipalities, ground water conservation districts, and affected parties on September 18, 2020.
12. In Order No. 6 filed on October 16, 2020, the ALJ deemed the notice sufficient.

Intervenor

13. On June 16, 2020, the City of Houston filed a motion to intervene.
14. In Order No. 4 filed on July 6, 2020, the ALJ granted the City of Houston's motion to intervene.

Evidentiary Record

15. On December 15, 2020, applicants and Commission Staff filed an agreed motion to admit evidence.
16. On December 22, 2020, the applicants and Commission filed a joint statement representing that the City of Houston is in agreement with the joint proposed notice of approval filed on December 15, 2020.

17. In Order No. 7 filed on December 16, 2020, the ALJ admitted the following evidence into the record of this proceeding: (a) the application and all attachments filed on June 1, 2020; (b) Commission Staff's recommendation on administrative completeness and proposed notice and attached memorandum filed on July 1, 2020; (c) applicants' supplement to the application filed on August 3, 2020; (d) applicants' supplement to the application filed on August 4, 2020; (e) applicants' confidential response to application deficiencies filed on August 10, 2020; (f) applicants' supplement to the application filed on August 18, 2020; (g) Commission Staff's supplemental recommendation on administrative completeness and proposed procedural schedule filed on September 3, 2020; (h) applicants' proof of notice filed on September 23, 2020; (i) applicants' confidential notice mailing list filed on September 24, 2020; (j) Commission Staff's recommendation on sufficiency of notice filed on October 15, 2020; and (k) Commission Staff's recommendation on approval of the transaction to proceed and attachments filed on November 2, 2020.

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

18. Midway Water has not been the subject of any enforcement actions by the Commission, TCEQ, Texas Department of State Health Services, the Office of the Attorney General, or United States Environmental Protection Agency in the past five years.
19. Champs Water has several violations listed in the TCEQ database.
20. Midway Water plans to resolve Champ's violations and bring the public water systems to standard following transfer.
21. Midway Water does not have any violations listed in the TCEQ database.
22. The applicants have demonstrated a compliance status that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service—TWC § 13.246(c)(1); 16 TAC §§ 24.227(e)(1), 24.239(h)(5)(A)

23. Champs Water has been providing adequate water and wastewater services to the areas being transferred.

Need for Additional Service—TWC § 13.246(c)(2); 16 TAC §§ 24.227(e)(2), 24.239(h)(5)(B)

24. There are 1,500 existing water customers and 1,753 sewer customers in the requested areas; therefore, there is a continuing need for water and wastewater services.
25. Midway Water has received no new requests for services and is not requesting to add additional uncertificated area.
26. The application transfers only existing facilities, customers, and service areas.

Effect of Approving the Transaction—TWC § 13.245(c)(3); 16 TAC §§ 24.227(e)(3); 24.239(h)(5)(C)

27. Champs Water and Midway Water are the only utilities affected by this sale and transfer.
28. Champs Water is already operating and maintaining the public water systems subject to this transaction; therefore, there will be no effect on any other retail public utility serving the proximate areas.
29. The requested areas are already certificated; therefore, there will be no effect on existing landowners.
30. Utilities within a two-mile radius of the requested areas were notified; no protests or adverse comments were received from any other utility.

Ability to Serve: Managerial and Technical—TWC §§ 13.241(a), (c), 13.301(6), (e)(2); 16 TAC § 24.227(a), (e)(4), and 24.239(e), (h)(5)(D)

31. Champs Water's has sufficient capacity to service the requested areas.
32. Midway Water has a sufficient number of licensed water and wastewater operators and the managerial and technical capability to provide continuous and adequate service to the requested water and wastewater service areas.
33. No additional construction is necessary for Midway to serve the requested areas.
34. Midway Water has access to an adequate supply of water and is capable of providing drinking water that meets the requirements of Chapter 341 of the Texas Health and Safety Code, Chapter 13 of the TWC, and the TCEQ's rules.
35. Midway Water is capable of meeting the TCEQ's criteria for sewer treatment plants and the requirements of Chapter 13 of the TWC.

36. Midway Water has the managerial and technical ability to provide continuous and adequate service to the requested areas.

Feasibility of Obtaining Service from Additional Retail Public Utility—TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5); 24.239(h)(5)(E)

37. The requested areas have existing facilities and are currently being served by Champs Water.
38. Notice was provided to utilities within a two-mile radius and no protests or requests to opt out were received regarding the proposed transaction.
39. It is not feasible for an adjacent utility or retail public utility to provide service to the requested areas.

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), (e)(6), and 24.239(e), (h)(5)(D)

40. Midway Water has a debt-to-equity ratio of less than one, satisfying the leverage test.
41. Midway Water has sufficient cash available to cover any projected operations and maintenance shortages during the first five years after completion of the proposed transaction, satisfying the operations test.
42. Midway Water has demonstrated the financial capability and stability to provide continuous and adequate retail water and wastewater services to the requested areas.

Financial Assurance—TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(1), 24.239(f)

43. There is no need to require Midway 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); 16 TAC §§ 24.227(e)(7), (e)(9), 24.239(h)(5)(G)

44. The environmental integrity of the land will not be affected as no additional construction is needed to provide services to the requested areas.
45. The transfer does not require additional construction; therefore, there will be no adverse on the environmental integrity or effect on the land.
46. Midway Water's future improvements to the systems, when needed, will only minimally and temporarily affect the environmental integrity or effect on the land.

Improvement in Service or Lowering of Cost to Consumers—TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 24.239(h)(5)(H)

47. All customers will be charged the same rates they were charged before the transaction.
48. Current and future customers will continue to receive the same level of service in the requested areas.

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

49. Construction of a physically separate water system is not necessary to continue providing water and wastewater services in the requested areas.

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) and 16 TAC §§ 24.227(e) and 24.239(h)(5), Midway Water demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous retail water and wastewater services to the requested areas as required by TWC § 13.301(b) and 16 TAC § 24.239(e).
3. Champs Water and Midway Water have demonstrated that the transfer of public water supply numbers 1010410, 1010517, 1011708, 1010670, 1010192, 1010028, 1011999, and 1700684, and water quality discharge permit numbers 11739001, 12730001, 11005001, 11158001, 10436001, 12571001, and service areas held under water CCN number 10972 and sewer CCN number 20385 from Champs Water to Midway Water will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public under TWC § 13.301(d) and (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 Champs Water and Midway Water 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, if any, have been addressed.
3. The applicants have 180 days to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not consummated within this 180-day 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 10972 and sewer CCN number 20385, respectively, will be held by Champs Water 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 customers deposits, if any, have been addressed, Commission Staff must file a recommendation regarding the sufficiency of the documents and propose a procedural schedule for continued processing of this docket.

Signed at Austin, Texas the 22nd day of December 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



**GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE**