

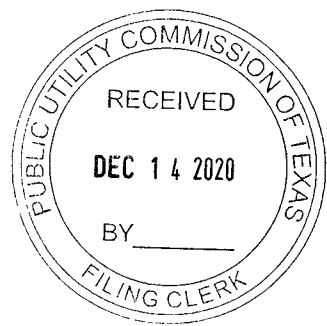


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DOCKET NO. 51048

APPLICATION OF PERRIN SYSTEMS, INC. AND PATTERSON WATER SUPPLY, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN JACK COUNTY	§ § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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**ORDER NO. 6
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Patterson Water Supply, LLC and Perrin Water Systems, Inc. for approval of a sale, transfer, or merger of facilities and certificate rights in Jack County. Patterson and Perrin seek to transfer all of Perrin's water facilities and service area under water certificate of convenience and necessity (CCN) number 12196 to Patterson's water CCN number 13248, and to cancel Perrin's water CCN. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Patterson and Perrin may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Perrin is a domestic for-profit corporation registered with the Texas secretary of state under filing number 0121135100.
2. Perrin operates, maintains, and controls facilities, under the temporary management of Mark Patterson, for providing water service in Texas under CCN number 12196.
3. Perrin owns one public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1190005.

4. On May 3, 2019, Perrin was placed under receivership by an Emergency Order issued by the TCEQ.¹
5. Patterson is a domestic for-profit corporation registered with the Texas secretary of state under filing number 801820571.
6. Patterson owns, through the receivership program, four TCEQ-registered public water systems under identification numbers 0610052 (Vacation Village), 2490049 (Hills of Briar Oaks), 2200117 (Cooley Point), and 1840024 (Crazy Horse Ranch).
7. Patterson operates, maintains, and controls facilities for providing water service under CCN number 13248.

Application

8. On July 14, 2020, Patterson and Perrin filed an application for approval of the sale of public water system number 1190005 and transfer of the corresponding service area held under CCN number 12196 in Jack County from Perrin to Patterson under CCN number 13248.
9. On October 1, 2020, Patterson and Perrin filed a supplement to the application.
10. The requested area includes 163 acres and 129 water connections in Jack County.
11. The requested area includes portions of the City of Perrin, Texas, and is generally bounded on the north by W Davis Street; on the east by Hackley Street; on the south by South Street; and on the west by Rick Road.
12. In Order No. 2 filed on August 17, 2020, the administrative law judge (ALJ) found the application administratively complete.

Notice

13. On September 16, 2020, Patterson filed the affidavit of Mark Patterson, president of Patterson, attesting that notice was provided to current customers, neighboring utilities, county authorities, municipalities, groundwater conservation districts, and affected parties on August 18, 2020.

¹ *In the Matter of An Enforcement Action Against Perrin Water Systems, Inc. and Texas Rain Holding Company, Inc.*; RN102681897, TCEQ Docket No. 2019-0619-UCR-E, Emergency Order Appointing a Temporary Manager of a Water Utility (May 3, 2019). *See also* Order Modifying Emergency Order Appointing a Temporary Manager of a Water Utility. (attachment A).

14. On October 1, 2020, Patterson filed the supplemental affidavit of Mark Patterson, president of Patterson, attesting that notice was provided, along with supporting documentation, to current customers, neighboring utilities, county authorities, municipalities, groundwater conservation districts, and affected parties on August 18, 2020.
15. In Order No. 4 filed on October 16, 2020, the ALJ found the notice sufficient.

Evidentiary Record

16. On December 8, 2020, Patterson, Perrin, and Commission Staff filed a joint motion to admit evidence.
17. In Order No. 5 filed on December 10, 2020, the ALJ admitted the following evidence into the record of this proceeding: (a) The application and all attachments filed on July 14, 2020; (b) Commission Staff's recommendation on administrative completeness, proposed notice, and procedural schedule with attached memorandum filed on August 13, 2020; (c) Patterson's response to Commission Staff's first request for information filed on September 16, 2020; (d) Patterson's supplemental proof of notice filed on October 1, 2020; (e) Commission Staff's supplemental recommendation on sufficiency of notice and proposed procedural schedule filed on October 15, 2020; and (f) Commission Staff's recommendation on approval of the transaction to proceed and attached memorandum filed on November 16, 2020.

System Compliance — Texas Water Code (TWC) § 13.301(e)(3)(4); 16 Texas Administrative Code (TAC) §§ 24.227(a), 24.239(h)(3)(A), (h)(5)(I)

18. Perrin has several violations listed in the TCEQ database and is currently in receivership.
19. Mark Patterson is appointed as temporary manager of Perrin.
20. Patterson has made improvements to public water system 1190005, will continue making recommended investments in the system to bring the system to standard, and has future plans to upgrade and replace much of the distribution system.
21. Patterson has not been subject to any unresolved enforcement action by the Commission, TCEQ, the Texas Department of State Health Services, the Office of Attorney General, or the United States Environmental Protection Agency.

22. Patterson demonstrated a compliance status that is adequate for approval of the sale to proceed.

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

23. The 163-acre requested area subject to the transaction is served by TCEQ public water system number 1190005.
24. Perrin is currently in receivership and Patterson has made improvements to the system and will continue making the recommended investments to bring this system to standard. Line replacements are necessary to replace corroded metal lines that are subject to frequent leaks, and repair of a well that has been out of service is also necessary.

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

25. There is a continuing need for service because there are 129 existing connections in the 163-acre requested service area.
26. This application transfers only existing facilities, customers, and service area. There have been no specific requests for additional service within the 163-acre requested area.

Effect of Approving the Transaction and Granting the Amendment—TWC § 13.246(c)(3); 16 TAC §§ 24.227(e)(3), 24.239(h)(5)(C)

27. Patterson has been in operation for over ten years and has been successful in its ability to take water systems from receivership and bring them into full compliance.
28. Existing and future customers will be better served through Patterson's ownership and operation of public water system number 1190005 due to existing and planned improvements in the system infrastructure.
29. Approving the sale and transfer to proceed and granting the CCN amendment will obligate Patterson to provide service to current and future customers in the 163-acre requested area.
30. Because Patterson and Perrin are the only utilities affected by this sale and transfer, there will be no effect on any other retail public utility serving the proximate area.
31. Approving the sale and transfer to proceed will enable Patterson to provide planned upgrades to the water system, likely improving water service to landowners in the area to be transferred.

Ability to Serve: Managerial and Technical—TWC §§ 13.241(a), 13.246(c)(4), 13.301(b), (e)(2); 16 TAC §§ 24.227(a), (e)(4), 24.239(h), (h)(5)(D)

32. Patterson has access to an adequate supply of water and is capable of providing 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.
33. Patterson has made improvements to public water system 1190005 and will continue making the recommended investments to bring the system up to TCEQ's standards.
34. Patterson employs TCEQ-licensed water operators who will operate and maintain the public water system.
35. Patterson has the technical and managerial capability to provide adequate and continuous service to the 163-acre requested area.

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), 24.239(e), (h)(5)(F)

36. Patterson has a debt-to-equity ratio of less than one, satisfying the leverage test.
37. Patterson has sufficient cash available to cover any projected operations and maintenance shortages during the first five years after the completion of the proposed sale and transfer, satisfying the operations test.
38. Patterson has the financial and managerial capability to provide continuous and adequate service to the area being transferred.

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

39. There is no need to require Patterson to provide a bond or other financial assurance to ensure continuous and adequate service.

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

40. Water utilities within a two-mile radius were properly noticed and no protests or opt-out requests were received.
41. Following the transfer, water service to the requested area will be provided by Patterson using existing infrastructure; therefore, it is not feasible to obtain service from an adjacent retail public utility.



Environmental Integrity and Effect on the Land—TWC § 13.246(c)(7), (c)(9); 16 TAC §§ 24.227(e)(7), (e)(9), 24.239(h)(5)(G)

42. The 163-acre requested area will be served with existing infrastructure and no additional construction is necessary.
43. The environmental integrity and effect on the land will be minimal as Patterson continues to make improvements to the existing facilities in the 163-acre requested area.

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

44. Patterson will continue to provide water service to existing and future customers in the 16-acre requested area.
45. Water service to the 163-acre requested area will likely improve due to Patterson's upgrades to the water facilities.
46. The rates charged to existing customers will not change as a result of the proposed transaction.

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

47. Patterson will not need to construct a physically separate water system to continue serving the existing 129 connections in the 163-acre requested area; therefore, concerns of regionalization or consolidation do not apply.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Patterson and Perrin provided notice of the application that complies 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), Patterson demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area as required by TWC § 13.301(b).
3. Patterson and Perrin demonstrated that the sale of Perrin's water facilities and the transfer of the water service area held under CCN number 12196 from Perrin to Patterson will serve the public interest and is necessary for the 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 Patterson and Perrin 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 Patterson and Perrin must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
3. Patterson and Perrin 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 Patterson and Perrin will have to reapply for approval.
5. Patterson and Perrin are advised that the 163-acre requested area will remain under water CCN number 12196 and be held by Perrin until the sale and transfer transaction is complete, in accordance with Commission rules.
6. In an effort to finalize this case as soon as possible, Patterson and Perrin 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 Patterson and Perrin's 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 14th day of December 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE