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DOCKET NO. 51262

APPLICATION OF FOREST GLEN § PUBLIC UTILITY COMMISSION
UTILITY COMPANY FOR APPROVAL §
OF CHANGE IN OWNERSHIP UNDER § OF TEXAS
TWC § 13.302 §

COMMISSION STAFF'S FINAL RECOMMENDATION

COMES NOW the Staff (Staff) of the Public Utility Commission of Texas (Commission), representing the public interest, and in response to Order No. 4, files this Final Recommendation. Staff recommends that the application be approved. In support thereof, Staff would show the following:

I. BACKGROUND

On September 8, 2020, Forest Glen Utility Company (Forest Glen) filed an application for a change in ownership under Texas Water Code (TWC) § 13.302 and 16 Texas Administrative Code (TAC) § 24.243. Hausman Holdings, LLC (Hausman) currently holds a 50.33% interest in Forest Glen. BVRT Utility Holding Company, LLC (BVRT) owns the remaining 49.67%. Hausman and BVRT have entered into a stock purchase agreement to transfer all of Hausman's issued and outstanding shares of stock to BVRT resulting in BVRT owning Forest Glen in its entirety. The parties state that the transaction will occur at the time the Commission approves this application, but in no event before the 61st day after the submittal of the application. Forest Glen filed supplements to its application on October 6, 2020 and December 1 and 2, 2020.

In Order No. 4, filed November 13, 2020, Staff was directed to file a final recommendation or request a hearing by December 8, 2020. Therefore, this pleading is timely filed.

II. ADMINISTRATIVE COMPLETENESS

As detailed in the attached memorandum by Leila Guerrero of the Commission's Rate Regulation Division, Staff has reviewed the application and recommends that it be approved. Staff's review indicates that Forest Glen will maintain the managerial, and technical ability to provide continuous and adequate service after the stock purchase is consummated because BVRT will not make changes to the contract operator or technical staff currently used by Forest Glen. In

addition, BVRT and Forest Glen have demonstrated the required financial capability, satisfying the leverage test and operations test.

III. CONCLUSION

For the reasons stated above, Staff respectfully recommends that the application be approved.

Dated: December 8, 2020

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

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/s/ John Harrison
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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on December 8, 2020 in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ John Harrison
John Harrison

Public Utility Commission of Texas

Memorandum

TO: John Harrison, Attorney
Legal Division

FROM: Leila Guerrero, Regulatory Accountant/Auditor
Rate Regulation Division

DATE: December 8, 2020

RE: Docket No. 51262 – *Application of Forest Glen Utility Company for Approval of Change in Ownership Under TWC § 13.302*

On September 8, 2020, Forest Glen Utility Company (Forest Glen) filed an application for a change in ownership under Texas Water Code (TWC) § 13.302 and 16 Texas Administrative Code (TAC) § 24.243. I find that Forest Glen has demonstrated adequate financial, managerial, and technical capability to provide continuous and adequate service to the area subject to this application. I recommend that the Commission find the change of ownership requested in this application is in the public interest and that the Commission approve the transaction.

According to the application,¹ Hausman Holdings, LLC (Hausman) currently holds a 50.33% interest in Forest Glen. BVRT Utility Holding Company, LLC (BVRT) owns the remaining 49.67% interest. Hausman and BVRT have entered into a stock purchase agreement in which Hausman will transfer all of its issued and outstanding shares of stock in Forest Glen to BVRT, resulting in BVRT owning Forest Glen in its entirety. The parties state on page 2 of the application that the transaction will occur at the time the Commission approves this application, but in no event before the 61st day after the submittal of the application.

In reviewing the application, I applied the standard set forth in 16 TAC § 24.243(b), as well as the standards set forth in 16 TAC §§ 24.11(e)(1), (e)(2)(A) and (e)(3).

Forest Glen holds sewer CCN No. 21070. I reviewed the projected financial information for Forest Glen for 2020 through 2025.² The income statement reported net income of [REDACTED] and [REDACTED] for 2020, 2021, 2022, 2023, 2024, and

¹ Application at 1 (Sep. 8, 2020).

² Forest Glen Utility Company Projected Financial Information (Dec 2, 2020) (Projected Financial Information).

³ [REDACTED]

2025, respectively. The balance sheet as of December 31, 2020 reported long-term debt of [REDACTED] and equity of [REDACTED] resulting in a debt to equity ratio of 0.03. Therefore, Forest Glen meets the leverage test specified in 16 TAC § 24.11(e)(2)(A).

No operating shortages are expected in the future based on the projected profits of Forest Glen. Therefore, Forest Glen meets the operations test required by 16 TAC § 24.11(e)(3).

Based upon the above discussion, I recommend that the Commission find that the change of ownership requested in this application is in the public interest and that the Commission approve the transaction. This conclusion is based on information provided by Forest Glen prior to this date and does not reflect any changes in the utility's financial status after this review.

4 [REDACTED]

5 [REDACTED]