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APPLICATION OF DOGWOOD
ESTATES WATER COMPANY AND
LAKESHORE UTILITY COMPANY
FOR SALE, TRANSFER, OR MERGER
OF FACILITIES AND CERTIFICATE
RIGHTS IN HENDERSON COUNTY

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PUBLIC UTILITY COMMISSION
FILED
FILING CLERK
OF TEXAS

**ORDER NO. 7
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Sentry Title Company, Inc. dba Lakeshore Utility Company and Rick L. Brown dba Dogwood Estates Water Company for the sale, transfer, or merger of facilities and certificate rights in Henderson County. The applicants seek to transfer the facilities, customers, and water service area held by Dogwood Estates' under water certificate of convenience and necessity (CCN) number 10823 to Lakeshore's water CCN number 10843. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Dogwood and Lakeshore Utility may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Lakeshore Utility is owned by Rick L. Brown, a sole proprietor.
2. Dogwood Estates is a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1070043.
3. Dogwood Estates owns, operates, and controls water facilities for providing water service under CCN number 10823 in Henderson County.
4. Lakeshore is a Texas corporation registered with the Texas secretary of state under file number 0030295200.
5. Lakeshore owns a public water system registered with the TCEQ under identification number 1070181.

6. Lakeshore owns, operates, and controls facilities for providing water service under CCN number 10843 in Henderson and Smith counties.

Application

7. On October 2, 2020, Dogwood Estates and Lakeshore filed an application at issue in this proceeding.
8. The applicants seek approval to sell and transfer all of Dogwood Estates' facilities and water service area under water CCN number 10823 to Lakeshore's water CCN number 10843.
9. On December 4, 2020, the applicants supplemented their application with revised maps.
10. The requested area to be transferred is located approximately two miles northeast of downtown Athens, Texas, and is generally bounded on the north by West Corsicana Street, on the east by West Cayuga Drive, on the south by Farm to Market Road (FM) 753, and on the west by FM 753.
11. The total area affected subject to this transaction is comprised of 7,238 acres and 422 current connections.
12. In Order No. 3 filed on January 6, 2021, the ALJ found the application administratively complete.

Notice

13. On January 29, 2021, the applicants filed the affidavit of affidavit of Bret W. Fenner, authorized representative of Lakeshore Utility Company and Tim Whatley, President of Lakeshore Utility Company, attesting that notice was provided to current customers, neighboring utilities, and affected parties on January 7 and 14, 2021.
14. In Order No. 4 filed on February 26, 2021, the ALJ found the notice sufficient.

Evidentiary Record

15. On May 13, 2021, the parties jointly moved to admit evidence.
16. In Order No. 6 filed on May 25, 2021, the ALJ admitted the following evidence into the record: (a) the applicants' application and all attachments filed on October 2, 2020; (b) the applicants' application supplement providing revised proposed transaction details and a

revised list of assets, filed on October 29, 2020; (c) Commission Staff's recommendation on administrative completeness and proposed notice and proposed procedural schedule filed on November 2, 2020; (d) the applicants' application supplement providing revised current acreage and customer count and a copy of the approved water tariff for Lakeshore filed on November 6, 2020; (e) Commission Staff's supplemental recommendation on administrative completeness and proposed notice and proposed procedural schedule, filed on January 5, 2021; (f) the applicants' affidavit of notice to customers and neighboring utilities, filed on January 29, 2021; (g) Commission Staff's recommendation on the sufficiency of notice, filed on February 19, 2021; and (h) Commission Staff's recommendation on approval of sale, filed on March 19, 2021.

System Compliance

17. The last TCEQ compliance investigation of the Dogwood Estates system was on September 10, 2019.
18. There was an alleged violation documented during the investigation, which was resolved within 14 days and resolved as an area of concern.
19. In the Commission's complaint records, which cover the last 5 years, there is only one complaint against Dogwood Estates.

Adequacy of Existing Service

20. Dogwood Estates holds a public water system identification number registered with the TCEQ under public water system identification number 1070043.
21. Dogwood Estates is currently serving customers and has sufficient capacity.
22. No additional construction is necessary for Lakeshore to serve the requested area.

Need for Additional Service

23. There are currently 422 existing customer connections in the requested area; therefore, there is a need for service.
24. No additional service is needed at this time.

Effect of Approving the Transaction and Granting the Amendments

25. There will be no effect on the landowners as the area is currently certificated.

26. There will be no effect on any retail public utility servicing the proximate area.
27. All retail public utilities in the proximate area were provided notice of the transaction and CCN amendment proposed in this application and did not request to intervene.

Ability to Serve: Managerial and Technical

28. Dogwood Estates has a TCEQ approved public water system registered as Dogwood Estates Water Company, public water system number 1070043.
29. The last TCEQ compliance investigation of the Dogwood Estates system was on September 10, 2019.
30. The alleged violation documented during the investigation was resolved within 14 days and resolved as an area of concern.
31. The Commission's complaint records show only one complaint against Dogwood Estates in the last 5 years.
32. Lakeshore has the managerial and technical ability to provide continuous and adequate service to the requested area.

Ability to Serve: Financial Ability and Stability

33. Lakeshore has a debt-to-equity ratio that is less than one, satisfying the leverage test.
34. Lakeshore's 2019 financial statements and Dogwood Estates' 2019 annual report were submitted with the application and reported sufficient operating income and cash on hand to cover any operations and future maintenance shortages and to provide continuous and adequate service to the requested area.
35. Lakeshore demonstrated that it has the financial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

36. There is no need to require Lakeshore to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

37. Dogwood Estates is currently serving the existing customers in the requested area with existing facilities and has sufficient capacity.

38. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

Environmental Integrity and Effect on the Land

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

Improvement in Service or Lowering Cost to Consumers

40. Lakeshore will continue to provide water service to the existing customers in the requested area.
41. There will be no change in the quality or cost of service to the customers.

Regionalization or Consolidation

42. The construction of a physically separate system is not necessary for Lakeshore to service the requested area; therefore, concerns of regionalization or consolidation do not apply.

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), Lakeshore demonstrated adequate financial, managerial, and technical capability to provide adequate and continuous service to the requested area as required by TWC § 13.301(b).
3. Dogwood and Lakeshore demonstrated that the sale and transfer of the facilities and service under CCN number 10823 from Dogwood to Lakeshore under CCN number 10843 will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public as required by 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 Dogwood and Lakeshore 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. Dogwood and Lakeshore have 180 days to complete the transaction.
4. Under 16 TAC § 29.239(m), if the transaction is not consummated within this period, or an extension has not been granted, this approval is void and Dogwood and Lakeshore will have to reapply for approval.
5. Dogwood and Lakeshore are advised that the requested area will remain under water CCN number 10823 and be held by Dogwood until the sale and transfer transaction is completed 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 customer deposits, if any, 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 29th day of June 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, appearing to read 'G. Siemankowski', written in a cursive style.

GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE

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