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| APPLICATION OF BEACHVIEW | § | PUBLIC UTILITY COMMISSION |
| ACRES WATER ASSOCIATION AND | § | |
| HILCO UNITED SERVICES, INC. DBA | § | OF TEXAS |
| HILCO H2O FOR SALE, TRANSFER, | § | |
| OR MERGER OF FACILITIES AND | § | |
| CERTIFICATE RIGHTS IN HILL | § | |
| COUNTY | § | |

ORDER NO. 7
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Beachview Acres Water Association and HILCO United Services, Inc. dba HILCO H2O for the sale, transfer, or merger of facilities and certificate rights in Hill County. The applicants seek approval to sell and transfer all of Beachview Acres facilities and service area under certificate of convenience and necessity (CCN) number 13186 to HILCO's CCN number 12998, and the cancellation of Beachview Acres CCN number 13186. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Beachview Acres and HILCO may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Beachview Acres holds water CCN number 13186 for the provision of water service in Hill County.
2. Beachview Acres provides water service to the area certified by CCN number 13186 from a public water system (PWS) registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1090045.
3. HILCO was appointed as temporary manager for Beachview Acres by the TCEQ in an emergency order signed by the TCEQ's executive director on June 1, 2020, in TCEQ docket number 2020-0667-UCR-E.¹

¹ *Order Affirming Emergency Order Appointing a Temporary Manager of a Water Utility*, Docket No. 2020-0667-UCR-E, Order (June 1, 2020).

4. HILCO's appointment as temporary manager was affirmed by the TCEQ in an order signed on July 6, 2020.
5. On November 30, 2020, HILCO was reappointed as temporary manager for Beachview Acres by the TCEQ in an emergency order signed by the TCEQ's executive director in TCEQ docket number 2020-0667-UCR-E.
6. On June 14, 2021, HILCO was reappointed as temporary manager for Beachview Acres by the Commission in a final order in docket number 52077.²
7. HILCO is a Texas for-profit corporation registered with the Texas secretary of state under file number 141139900.
8. HILCO provides water services under water CCN number 12998 in Bosque, Ellis, and Hill counties.

Application

9. On November 23, 2020, Beachview Acres and HILCO filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Hill County. Specifically, HILCO seeks approval to acquire facilities and to transfer all of Beachview Acres' water service area under Beachview Acres' water CCN number 13186 to HILCO.
10. On February 12 and 23, March 12, and May 18, 2021, the applicants filed supplements to the application.
11. The total requested service area comprises 29.18 acres of water service area and 42 water service connections.
12. The requested area is located approximately five miles northwest of downtown Whitney and is generally bounded on the north by Tobacco Road, on the east by Park Avenue, on the south by the intersection of Linda Lee Loop and Linda Road, and on the west by Lake Whitney.
13. In Order No. 4 filed on May 7, 2021, the ALJ deemed the application, as supplemented, administratively complete.

² *Commission Staff's Petition for an Order Appointing a Temporary Manager for Ann Robinson dba Beachview Acres Water Association, Docket No. 52077, Order (June 14, 2021).*

Notice

14. On May 18, 2021, applicants filed the affidavit of Thomas Cheek, president of HILCO, attesting that notice of the application was mailed to current customers, neighboring utilities, county authorities, municipalities, groundwater conversation districts, and affected parties on May 13, 2021.
15. In Order No. 5 filed on July 15, 2021, the ALJ deemed the notice sufficient.

Evidentiary Record

16. On August 27, 2021, the parties jointly moved to admit evidence.
17. In Order No. 6 filed on September 27, 2021, the ALJ admitted the following evidence into the record: (a) the application and all attachments filed on November 23, 2020; (b) Commission Staff's recommendation on administrative completeness, proposed notice and procedural schedule filed on December 28, 2020; (c) HILCO's response statement to the Commission's memorandum filed on February 12, 2021; (d) HILCO's supplemental response to Commission Staff's recommendation on administrative completeness, proposed notice, and procedural schedule filed on February 23, 2021; (e) Commission Staff's supplemental recommendation on administrative completeness and proposed procedural schedule filed on March 1, 2021; (f) HILCO's supplemental mapping content filed on March 12, 2021; (g) Commission Staff's second supplemental recommendation on administrative completeness and proposed procedural schedule filed on April 30, 2021; (h) HILCO's proof of notice filed on May 18, 2021; (i) Commission Staff's recommendation on sufficiency of notice filed on July 14, 2021; and (j) Commission Staff's recommendation on the transaction filed on August 2, 2021.

System Compliance

18. Beachview Acres has a TCEQ approved PWS registered as Beachview Acres Water Association, PWS ID No. 1090045.
19. The last TCEQ compliance investigation of the Beachview Acres system was on July 11, 2019. No violations were noted as a result of that investigation.
20. Beachview Acres does not have any complaints listed in Commission records.

21. The applicants have demonstrated a compliance status that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

22. HILCO has been providing adequate water service to the area being transferred.

Need for Additional Service

23. There are 42 existing water customers in the requested areas; therefore, there is a need for service.

Effect of Approving the Transaction and Granting the Amendments

24. HILCO will be the certificated entity for the requested area and be required to provide adequate and continuous service to the requested area.
25. The requested area is already certificated; therefore, there will be no effect on landowners.
26. All retail public utilities in the proximate area were provided notice of the transaction.
27. No retail public utility intervened.
28. There will be no effect on any retail public utilities in the proximate area.

Ability to Serve: Managerial and Technical

29. HILCO has sufficient capacity to provide adequate service in the requested area.
30. HILCO has several TCEQ approved PWS with a total of 3,655 connections.
31. HILCO does not have any violations listed in the TCEQ database. The Commission's complaint records show five complaints against HILCO.
32. HILCO was appointed temporary manager Beachview Acres in June 2020 and reappointed by the Commission in June 2021.
33. As the temporary manager of Beachview Acres, HILCO has installed an interconnect to provide adequate service to the requested area.
34. HILCO has the managerial and technical capability to provide continuous and adequate service in the requested area.

Ability to Serve: Financial Ability and Stability

35. HILCO has a debt-to-equity ratio of less than one, satisfying the leverage test.

36. HILCO has demonstrated it has sufficient cash available to cover any projected cash shortages for operations and maintenance expense during the first five years of operations, satisfying the operations test.
37. HILCO has demonstrated the financial capability and stability to provide continuous and adequate retail water service to the requested area.

Financial Assurance

38. There is no need to require HILCO 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

39. HILCO is currently providing service to Beachview Acres' customers and has sufficient capacity.
40. HILCO installed an interconnect in order to provide service to the requested area; therefore, it is not feasible to obtain service from a different adjacent retail public utility.

Regionalization or Consolidation

41. Because the requested area will not require the construction of a physically separate water system, consideration of regionalization or consolidation with another retail public utility is not required.

Environmental Integrity and Effect on the Land

42. There will be no effect on the land or environmental integrity because the proposed transaction because customers will continue to be served using existing infrastructure and no additional construction is necessary.

Improvement in Service or Lowering Cost to Consumers

43. HILCO will continue to provide water service to existing customers in the area.
44. The cost to customers will be lower than the current approved temporary rate and the quality of service will improve from what was provided by Beachview Acres.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with Texas Water Code (TWC) §§ 13.246 and 13.301(a)(2), and 16 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), HILCO demonstrated that it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
3. HILCO demonstrated adequate financial, managerial, and technical capability to provide adequate and continuous service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. Beachview Acres and HILCO demonstrated that the sale and transfer of Beachview Acres facilities and water service area under CCN number 13186 to HILCO will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public as required by TWC §§ 13.246(b) and 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 Beachview Acres and HILCO 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. Beachview Acres and HILCO 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 Beachview Acres and HILCO will have to reapply for approval.
5. Beachview Acres and HILCO are advised that the requested area will be held by Beachview Acres 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 27th day of September 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, appearing to read 'G. Siemankowski', is written over a horizontal line.

GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE