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APPLICATION OF L AND T	§	PUBLIC UTILITY COMMISSION
WATERWORKS LLC AND MONARCH	§	
UTILITIES I, L.P. FOR SALE,	§	OF TEXAS
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN FREESTONE AND	§	
HENDERSON COUNTIES	§	

JOINT MOTION TO ADMIT EVIDENCE AND PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

COME NOW L and T Waterworks LLC (L&T), Monarch Utilities I L.P. (Monarch), and the Staff of the Public Utility Commission of Texas (Staff) (collectively, the Parties) and file this Joint Motion to Admit Evidence and Proposed Order Approving Sale and Transfer to Proceed. In support thereof, the Parties show the following:

I. BACKGROUND

On March 8, 2021, L&T and Monarch (collectively, the Applicants) filed an application for approval of the sale, transfer, or merger (STM) of facilities and certificate rights in Cooke County under Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239. Specifically, the Applicants seek to: (a) transfer all of L&T’s facilities and certificated water service area under CCN numbers 12919 and 12993 to Monarch; (b) to amend Monarch’s CCN number 12983 to include the water facilities and service area previously included in L&T’s CCN numbers 12919 and 12993; (c) to cancel L&T’s water CCN numbers 12919 and 12993; (d) to dually certificate the portion of the requested area under Monarch’s CCN 12983 and Turlington WSC’s CCN number 12793; and (e) to transfer the water service area held by South Freestone County WSC under CCN number 10791 and to amend the area to Monarch’s CCN number 12983. The requested sale and transfer includes approximately 1,657 acres and 133 customers.

On May 20, 2022, Order No. 17 was issued, requiring the Parties to file a joint motion to admit evidence and proposed order approving the sale and allowing the transaction to proceed by July 5, 2022. Therefore, this pleading is timely filed.

II. JOINT MOTION TO ADMIT EVIDENCE

The Parties move to admit the following evidence into the record of this proceeding:

1. The application of L&T and Monarch, filed on March 8, 2021 (Interchange Item No. 1);
2. The applicants' supplemental confidential attachments to the application, filed on March 15, 2021 (Interchange Item No. 3);
3. The applicants' supplemental application of Monarch to include information regarding the service area to be transferred from South Freestone, filed on May 27, 2021 (Interchange Item No. 8);
4. The applicants' revised and updated maps with shapefiles, filed on June 16, 2021 (Interchange Item No. 10);
5. The applicants' response to requests for additional information by Commission Staff, filed on August 16, 2021 and August 17, 2021 (Interchange Item Nos. 16 and 18);
6. The applicants' response to Order Nos. 7 and 9, filed on October 11, 2021 (Interchange Item No. 26);
7. The applicants' proof of notice and supporting documentation, filed on March 16, 2022 and March 31, 2022 (Interchange Item Nos. 38 and 41); and
8. Commission Staff's recommendation on the transaction, filed on June 21, 2022 (Interchange Item No. 47).

III. JOINT PROPOSED ORDER

The attached Joint Proposed Order Approving Sale and Transfer to Proceed would grant Applicants' application for sale, transfer, or merger of facilities and certificate rights in Henderson and Freestone counties.

IV. CONCLUSION

The Parties respectfully request that the Commission grant the Joint Motion to Admit Evidence and adopt the attached Joint Proposed Order Approving Sale and Transfer to Proceed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that notice of the filing of this document was provided to all parties of record via electronic mail on July 5, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ William A. Faulk, III

William A. Faulk, III

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WATERWORKS LLC AND MONARCH	§	
UTILITIES I, L.P. FOR SALE,	§	OF TEXAS
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FACILITIES AND CERTIFICATE	§	
RIGHTS IN FREESTONE AND	§	
HENDERSON COUNTIES	§	

JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of L and T Waterworks LLC (L &T) and Monarch Utilities I, LP (Monarch) (collectively, the Applicants) for the sale, transfer, or merger of facilities and certificate rights in Freestone and Henderson counties. The Applicants seek approval to sell and transfer all of L&T’s facilities and certificated service area under water certificate of convenience and necessity (CCN) numbers 12919 and 12993 to Monarch’s water CCN number 12983, and to cancel L&T’s water CCN numbers 12919 and 12993. The Applicants also seek approval that a portion of the area be dually certificated with CCN number 10793, held by Turlington WSC and a second portion of the service area be decertified from CCN number 10791, held by South Freestone County WSC and included in Monarch’s CCN number 12983. The Commission approves the sale and transfer and authorizes the transaction between L&T and Monarch to proceed and be consummated.

I. FINDINGS OF FACT

The Commission makes the following findings of fact.

Applicants

1. Monarch is a limited partnership registered with the Texas secretary of state under file number 800034797.
2. Monarch is an investor-owned utility that owns, operates, and controls facilities for providing water service under CCN number 12983.
3. L&T is a limited partnership registered with the Texas secretary of state under filing number 801599853.

4. L&T is an investor-owned utility that owns, operates, and controls facilities for providing water service under CCN numbers 12919 and 12993.
5. L&T owns and operates two public water systems (PWS) in Henderson and Freestone counties registered with the Texas Commission on Environmental Quality (TCEQ) under PWS identification numbers 1070235 and 0810038. These two public water systems are termed the Athens Water System Coop and the Moody Water System, respectively.

Application

6. On March 8, 2021, the Applicants filed the application at issue in this proceeding.
7. On March 15, May 27, June 16, June 18, and August 17, 2021, the Applicants filed supplemental information.
8. In the application, the applicants seek approval for the following: (a) for L&T to sell and transfer all of its facilities and certificated water service area under CCN numbers 12919 and 12993 to Monarch; (b) to amend Monarch's CCN number 12983 to include the water facilities and service area previously included in L&T's CCN numbers 12919 and 12993; (c) to cancel L&T's water CCN numbers 12919 and 12993; (d) to dually certificate a portion of the requested area under Monarch's CCN 12983 and Turlington WSC's CCN number 12793; and (e) to decertify a portion of the water service area held by South Freestone County WSC under CCN number 10791 and amend Monarch's CCN number 12983 to include the decertified area.
9. The requested area includes approximately 1657 acres and 113 current customers.
10. The requested area consists of two water systems.
11. In Order No. 7 filed on August 30, 2021, the Commission Administrative Law Judge (ALJ) found the application administratively complete.

Notice

12. On March 16, 2022, the Applicants filed the affidavit of George Freitag, Texas Regulatory Manager for Monarch, attesting that notice was provided to all current customers, neighboring utilities, and affected parties on February 22, 2022.
13. On March 31, 2022, the Applicants filed publishers' affidavits attesting to the publication of notice in the *Athens Daily Review*, a newspaper of general circulation in Henderson County on February 19 and 26, 2022, and in the *Fairfield Recorder*, a newspaper of general circulation in Freestone County, on February 24 and March 3, 2022.
14. In Order No. 7 filed on April 18, 2022, the Commission ALJ found notice sufficient.

Evidentiary Record

15. On July 1, 2022, the Parties filed a joint motion to admit evidence and proposed order approving the sale and transfer to proceed.
16. In Order No. __ issued on July __, 2022, the ALJ admitted the following evidence into the record: (a) the application of L&T and Monarch, filed on March 8, 2021 (Interchange Item No. 1); (b) the applicants' supplemental confidential attachments to the application, filed on March 15, 2021 (Interchange Item No. 3); (c) the applicants' supplemental application, filed on May 27, 2021 (Interchange Item No. 8); (d) the applicants revised and updated maps with shape files, filed on June 16, 2021 (Interchange Item No. 10); (e) the applicants response to requests for additional information by Commission Staff, filed on August 16, 2021 and August 17, 2021 (Interchange Item Nos. 16 and 18); (f) the applicants response to Order Nos. 7 and 9, filed on October 11, 2021 (Interchange Item No. 26); (g) the applicants' proof of notice and supporting documentation, filed on March 16, 2022 and March 31, 2022 (Interchange Item Nos. 38 and 41); and (h) Commission Staff's recommendation on the transaction, filed on June 21, 2022 (Interchange Item No. 47).

System Compliance

17. The last TCEQ compliance investigation of L&T's Athens Water System Coop was on February 22, 2019. The Commission's complaint records, which dates back to 2017, shows four complaints against the Athens Water System Coop.
18. The last TCEQ compliance investigation of L&T's Moody Water System was on March 29, 2019. One violation was noted as a result of the investigation. In addition, the Commission's complaint records, which date back to 2017, show nine complaints against L&T.
19. Monarch submitted a capital improvement plan that shows a list of repairs and improvements Monarch will do for each system in order to bring them both back into compliance with TCEQ rules.
20. Monarch demonstrated a compliance history that is adequate for approval of the proposed transaction.

Adequacy of Existing Service

21. All of L&T's existing water facilities and water customers are being transferred to Monarch.
22. As the existing facilities and service are adequate, there is no further construction necessary for Monarch to provide service to the requested area.

Need for Additional Service

23. There are 133 existing water customers in the requested area that are receiving service from L&T and have an ongoing need for service.
24. There is no evidence in the record indicating a need for additional service.

Effect of Approving the Transaction and Granting the Amendment

25. Approving the transaction obligates Monarch to provide water service to current and future customers in the requested area.

26. L&T and Monarch are the primary utilities affected by this sale and transfer. Turlington WSC is affected by the sale and transfer because a portion of the requested area under Monarch's CCN number 12983 and Turlington WSC's CCN number will be dually certificated. In addition, the water service area held by South Freestone County WSC under CCN number 10791 will be decertified and included in Monarch's CCN number 12983.
27. Because no construction or changes in service are anticipated, the transaction will not affect landowners in the vicinity of the requested area or adjacent utilities.

Initial Rates

28. L&T's customers' rates will not change from their current rates.

Ability to Serve: Managerial and Technical

29. The operations, maintenance, management, and customer services will be provided by Monarch through TCEQ-licensed operators who will operate the public water and wastewater systems.
30. Reliability and quality of water service is expected to improve under Monarch's management.
31. Monarch owns and operates 106 other PWS. Some of Monarch's other PWSs have minor unresolved TCEQ violations that are unrelated to capacity and will not affect Monarch's ability to provide adequate service to the requested area.
32. Monarch 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. Monarch has the technical and managerial capability to provide continuous and adequate service to the requested area.

Ability to Serve: Financial Ability and Stability

34. Monarch has a debt-to-equity ratio of less than one and a debt-service ratio of greater than 1.25, satisfying the leverage test.

35. Monarch 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.
36. Monarch has demonstrated the financial capability and stability to provide continuous and adequate water service.

Financial Assurance

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

Feasibility of Obtaining Service from Adjacent Retail Public Utility

38. It is not feasible for an adjacent utility to provide service to the requested area because L&T's Moody Water System currently provides service outside of its CCN area. In order to correct this, Monarch is transferring a portion of the service area from the nearby water utility, South Freestone County WSC, where the Moody Water System provides service to three connections.
39. In order to provide service to the requested area, the applicants are also requesting that a portion of Turlington WSC's service area under CCN number 12793 be dually certificated with Monarch's CCN number 12983 and that a portion of the water service area held by South Freestone County WSC under CCN number 10791 be decertified and included in Monarch's CCN number 12983.
40. Utilities within a two-mile radius were noticed and no protests, adverse comments, or motions to intervene were filed by any adjacent retail public utility in this docket.

Environmental Integrity

41. The proposed transaction will not adversely affect the environmental integrity of the land.

Effect on the Land

42. The effect on the land should be minimal as facilities are repaired and new meters are installed to provide service to the requested area.

Improvement of Service or Lowering Cost to Consumers

43. The proposed transaction will improve reliability and quality of water service because the water system will be operated and maintained by a sufficient number of licensed operators.

Regionalization or Consolidation

44. The construction of physically separate systems is not necessary for Monarch to serve the requested area, therefore, it is not necessary to consider regionalization or consolidation.

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(c).
2. After consideration of the factors in TWC § 13.246(c), Monarch demonstrated that it is capable of rendering continuous and adequate water service to every customer within the requested area, as required by TWC § 13.251.
3. Monarch demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. L&T and Monarch demonstrated that the sale of L&T water facilities and the transfer of all the service area held under water CCN numbers 12919 and 12993 to Monarch will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public, as required TWC §§ 13.246(b) and 13.301(d) and (e).

III. ORDERING PARAGRAPHS

In accordance with the preceding findings of fact and conclusions of law, the Commission issues the following orders.

1. The sale is approved and the transaction between L&T and Monarch 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 shall 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 notified that the corresponding service area will remain under water CCN numbers 12919 and 12993 held by L&T 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, the Applicants must 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 shall file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

Signed at Austin, Texas this ___ day of _____, 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

**KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE**