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DOCKET NO. 52317

APPLICATION OF BASTROP WEST	§	PUBLIC UTILITY COMMISSION
WATER SUPPLY AND K & K WATER	§	
COMPANY FOR SALE, TRANSFER,	§	OF TEXAS
OR MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN BASTROP	§	
COUNTY	§	

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

On July 14, 2021, Bastrop West Water Supply (Bastrop West) and K & K Water Company (K & K Water) (collectively, Applicants) filed an application for approval for the sale, transfer, or merger of facilities and certificate rights in Bastrop County. The Applicants seek approval to sell and transfer all of Bastrop West's facilities and certificated service area under water Certificate of Convenience and Necessity (CCN) No. 12050 to K & K Water's water CCN number 11836. The requested area consists of approximately 289 acres and 117 customer connections. The Applicants filed supplemental information on July 27, 2021, August 11, 27, and August 31, 2021, October 3, and 25, 2021, February 2 and 17, 2022, and April 26, 2022.

On May 17, 2022, the administrative law judge (ALJ) filed Order No. 9, establishing a deadline of June 3, 2022 for the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file together with the Applicants joint proposed findings of fact, conclusions of law, and ordering paragraphs. Therefore, this pleading is timely filed.

I. JOINT MOTION TO ADMIT EVIDENCE

The Parties¹ move to admit the following items into the record evidence of this proceeding:

1. The application filed on July 14, 2021 (Interchange Item No. 1);
2. Bastrop West's First Supplement to Application, filed on July 27, 2021 (Interchange Item No. 3);
3. Bastrop West's Second Supplemental Mapping Materials, filed on August 11, 2021 (Interchange Item No. 4);

¹ Staff has attempted to contact the Applicants regarding this filing and has not received a response.

4. Applicant's Response to Order No. 2, filed on August 27, 2022 (Interchange Item No. 8);
5. Bastrop West's Supplemental to the Application, filed on August 31, 2021 (Interchange Item No. 9);
6. Bastrop West's Supplemental Financial documents, filed on September 3, and October 25, 2021 (Interchange Item Nos. 11 and 16);
7. Commission Staff's Recommendation on Administrative Completeness, Notice, and Proposed Procedural Schedule filed on October 25, 2021 (Interchange Item No. 15);
8. Bastrop West's Proof of Notice and Affidavit of Notice to current customers, neighboring utilities, and affected parties, filed on February 17, 2022 and April 26, 2022 (Interchange Item Nos. 21 and 26);
9. Commission Staff's Recommendation on Sufficiency of Notice, filed on February 25, 2022 (Interchange Item No. 25); and
10. Commission Staff's Recommendation on the Transaction, filed on May 2, 2022 (Interchange Item No. 27).

II. PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

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 Bastrop County.

III. CONCLUSION

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

Dated: June 8, 2022

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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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 June 8, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Kourtnee Jinks

Kourtnee Jinks

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COMPANY FOR SALE, TRANSFER,	§	OF TEXAS
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CERTIFICATE RIGHTS IN BASTROP	§	
COUNTY	§	

PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

This Order addresses the application of Bastrop West Water Supply (Bastrop West) and K & K Water Company (K & K Water) (collectively, Applicants) for the sale, transfer, or merger of facilities in Bastrop County, Texas. K & K Water seek the sale and transfer of all facilities and service area held under Bastrop West's water Certificate of Convenience and Necessity (CCN) No. 12050 to K & K Water, the cancellation of Bastrop West's water CCN No. 12050, and the amendment of K & K Water's water CCN No. 11836 to include the area previously included in Bastrop West's water CCN No. 12050. The administrative law judge (ALJ) grants that the sale is approved and the transaction between the applicants may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. Bastrop West is a water supply corporation that operates, maintains, and controls facilities for providing water service in Bastrop County under CCN No. 12050.
2. Bastrop West owns and operates public water systems registered with the Texas Commission on Environmental Quality (TCEQ) as Bastrop West Water Company 0110047.
3. K & K Water is a sole proprietorship owned by Paul and Karen Klaus.
4. K & K Water is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Bastrop County under CCN No. 11836.

Application

5. On July 14, 2021, the Applicants filed the application for approval of the sale and transfer of all facilities and service area held under Bastrop West's water CCN No. 12050 to K & K Water, cancellation of Bastrop West's water CCN No. 12050, and amend K & K Water's

water CCN No. 11836 to include the area previously included in Bastrop West's water CCN No. 12050.

6. Bastrop West supplemented the application on July 27, 2021, August 11, 27, and August 31, 2021, October 3, and 25, 2021, February 2 and 17, 2022, and April 26, 2022.
7. In the application, the applicants seek approval of the following transaction: (a) K & K Water will acquire all of Bastrop West's water facilities and water service area under water CCN number 11836; (b) Bastrop West's water CCN No. 12050 will be cancelled; and (c) K & K Water's water CCN No. 11836 will be amended to include the area previously included in Bastrop West's water CCN No. 12050.
8. The requested area comprises approximately 289 acres and 117 connections.
9. The requested areas is located approximately 10 miles west of Bastrop, Texas and is generally bordered north by State Highway 71, on the east by Pope Bend Road South, on the south by Edmonson Lane, and on the west by Triangle Acres Lane.
10. In Order No. 6 filed on January 10, 2022, the ALJ deemed the application administratively complete.

Notice

11. On February 17, 2022 and April 26, 2022, Bastrop West filed the affidavit of Paul Klaus and Karen Klaus, Owners of Bastrop West, attesting that notice was provided to all current customers of Bastrop West, neighboring utilities, and affected parties on February 17, 2022.
12. The deadline to intervene was March 21, 2022.
13. No motions to intervene, protests, or opt-out requests were filed
14. In Order No. 8 filed on February 28, 2022, the ALJ deemed the notice sufficient.

Evidentiary Record

15. On June 3, 2022, the parties filed a joint motion to admit evidence.
16. In Order No. __ filed on _____, the ALJ admitted the following evidence into the record: (a) the application filed on July 14, 2021; (b) Bastrop West's First Supplement to Application, filed on July 27, 2021; (c) Bastrop West's Second Supplemental Mapping Materials, filed on August 11, 2021; (d) Applicant's Response to Order No. 2, filed on August 27, 2022; (e) Bastrop West's Supplemental to the Application, filed on August 31,

2021 (f) Bastrop West's Supplemental Financial documents, filed on September 3, and October 25, 2021; (g) Commission Staff's Recommendation on Administrative Completeness, Notice, and Proposed Procedural Schedule filed on October 25, 2021; (h) Bastrop West's Proof of Notice and Affidavit of Notice to current customers, neighboring utilities, and affected parties, filed on February 17, 2022 and April 26, 2022; (i) Commission Staff's Recommendation on Sufficiency of Notice, filed on February 25, 2022 and (j) Commission Staff's Recommendation on the Transaction, filed on May 2, 2022.

System Compliance

17. K & K Water's public water systems K & K Water has resolved all violations listed in the TCEQ database.
18. Commission records lists K & K Water has one complaint and it was resolved.
19. K & K Water demonstrated a compliance history that is adequate for approval of the sale to proceed.

Need for Additional Service

20. There is a continuing need for service because Bastrop West is currently serving 117 connections in the requested area.
21. This is an application to transfer only existing facilities, customers, and service area. There have been no specific requests for additional service within the 289-acre requested area.

Effect of Approving the Transaction and Granting the Amendment

22. Approving the sale and transfer to proceed and granting the CCN amendment will obligate K & K Water to provide continuous and adequate water service to current and future customers in the 289-acre requested area.
23. Because this application is to transfer only existing facilities, customers, and service area, there will be no effect on any other retail public utility servicing the proximate area.
24. There will be no effect on landowners as the area is currently certificated.
25. There will be no effect on any retail public utility servicing the proximate area. All retail utilities in the proximate area were provided notice of the transaction taking place in this application and did not request to intervene.

26. K & K Water will adopt Bastrop West's rates that are in effect at the time of the consummation of the transaction.

Ability to Serve: Managerial and Technical

27. K & K Water owns and operates a public water systems registered with TCEQ and does not have any active violations listed in the TCEQ database.
28. K & K Water employs or contracts with a TCEQ-licensed water operators who will operate the public water system.
29. K & K Water has the technical and managerial capability to provide adequate and continuous service to the requested area.

Regionalization or Consolidation

30. The construction of a physically separate system is not necessary for K & K Water to serve the requested area. Therefore, concerns of regionalization or consolidation do not apply.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

31. Bastrop West is currently serving customers and has sufficient capacity. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities would need to be constructed. At a minimum, an interconnect would need to be installed in order to connect to a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

Ability to Serve: Financial Ability

32. Paul and Karen Klaus, the owners of K & K Water, are capable, available, and willing to cover temporary cash shortages, and has a debt-to-equity ratio of less than one, satisfying the leverage test.
33. Paul and Karen Klaus provided a written guarantee of coverage of temporary cash shortages and demonstrated that K & K Water has sufficient cash available to cover any projected operations and maintenance shortages in the first year five years of operations after completion of the transaction and possesses the cash and leverage ability to pay for capital improvements and necessary equity investments—satisfying the operations test.
34. K & K Water demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

35. There is no need to require K & K Water to provide a bond or other financial assurance to ensure continuous and adequate service.

Environmental Integrity and Effect on the Land

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

Improvement of Service or Lowering Cost to Consumers

37. The rates charged to customers in the requested area will not change as a result of the proposed transaction because K & K Water will adopt the tariff for Bastrop West's water system that is in effect at the time of the consummation of the transaction.

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. The applicants 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), K & K Water demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC § 13.301(b).
3. It is not necessary for K & K Water to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
4. The applicants have demonstrated that the sale of Bastrop West's facilities to K & K Water will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public under TWC § 13.301(d), (e).

III. Ordering Paragraphs

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

1. The sale is approved and the transaction between the applicants 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. 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 advised that the requested areas and associated facilities will remain under water CCN number 12050 and held by Bastrop West 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 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 ____ day of _____ 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

ADMINISTRATIVE LAW JUDGE