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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	§	

**COMMISSION STAFF’S RECOMMENDATION
ON ADMINISTRATIVE COMPLETENESS**

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) number 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 and August 11, 2021.

On August 13, 2021, the administrative law judge (ALJ) filed Order No. 2, establishing a deadline of August 27, 2021 for the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a recommendation on the administrative completeness of the application and proposed notice, and requiring Staff and the Applicants to file a recommendation regarding how to proceed with the application and to propose a procedural schedule. Therefore, this pleading is timely filed.

I. ADMINISTRATIVE COMPLETENESS

Staff has reviewed the application and supplemental information and, as detailed in the attached memoranda from Jolie Mathis of the Commission’s Infrastructure Division and Fred Bednarski of the Commission’s Rate Regulation Division, Staff recommends that the application be found administratively incomplete from a managerial, technical perspective, and financial perspective. Staff further recommends that the applicants be ordered to cure the deficiencies identified in Ms. Mathis’ and Mr. Bednarski’s memoranda by September 27, 2021 and that Staff

be given a deadline of October 25, 2021 to file a supplemental recommendation on the administrative completeness of the application.

II. PROCEDURAL SCHEDULE

In accordance with Staff's deficiency recommendation, Staff does not propose a procedural schedule for further processing of this docket at this time. Staff intends to propose a procedural schedule alongside a subsequent recommendation that the application be found administratively complete. Staff notes that the applicants should not issue notice until the application is deemed sufficient.

III. CONCLUSION

For the reasons detailed above, Staff recommends that the application be found administratively incomplete and that the applicants be ordered to file supplemental information to cure the deficiencies by September 27, 2021. Staff respectfully requests the entry of an order consistent with these recommendations.

Dated: August 27, 2021

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
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/s/ Daniel Moore
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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 August 27, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Daniel Moore
Daniel Moore

Public Utility Commission of Texas

Memorandum

TO: Daniel Moore, Attorney
Legal Division

FROM: Jolie Mathis, Utility Engineering Specialist
Infrastructure Division

DATE: August 27, 2021

RE: Docket No. 52317 - Application of Bastrop West Water Supply and K & K Water Company for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bastrop County

On July 14, 2021, Bastrop West Water Supply (Bastrop West) and K & K Water Company (K & K Water) filed an application for the sale and transfer of facilities and certificate rights in Bastrop County under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.

Specifically, Bastrop West, certificate of convenience and necessity (CCN) No. 12050, seeks approval to sell and to transfer all of its facilities and service area to K & K Water under CCN 11836.

The requested area includes 117 customer connections and approximately 289 acres, all of which are being transferred from CCN No. 12050.

The application indicates that the total acreage being requested is approximately 900 acres. However, based on the mapping review by Gary Horton, Infrastructure Division, it was determined the requested area is approximately 289 acres.

Based on the mapping review by Mr. Horton, the financial and managerial review by Fred Bednarski, Rate Regulation Division, and my technical and managerial review of the information filed by the Applicants, I recommend that the application be deemed administratively incomplete and not accepted for filing due to the deficiencies detailed below:

Application Content:

The following deficiencies must be remedied:

1. Provide a copy of the existing Tariff for K&K Water; and

2. Provide a copy of the existing Tariff for Bastrop West.

Note: Any confidential items should be submitted as confidential filings with the PUC. The instructions for filing confidential documents can be found on our website at: (<http://www.puc.texas.gov/industry/filings/FilingProceed.aspx>).

Public Utility Commission of Texas

Memorandum

TO: Daniel Moore, Attorney
Legal Division

FROM: Fred Bednarski, Financial Analyst
Kathryn Eiland, Financial Analyst
Rate Regulation Division

DATE: August 27, 2021

RE: Docket No. 52317 - *Application of Bastrop West Water Supply and K & K Water Company for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bastrop County*

On July 14, 2021, Bastrop West Water Supply (Bastrop West) and K & K Water Company (K & K Water) filed an application for the sale and transfer of facilities and certificate rights in Bastrop County under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.

I reviewed the answers provided to questions 10, 11, 12, and 14 of the application and recommend the application be deemed administratively incomplete, and Bastrop West and K & K Water be required to provide the following information to cure the deficiencies:

- 1) Provide a current list of each plant amount supporting the totals reported by Bastrop West in its 2019 financial statements. Please include the following:
 - a) Date in service;
 - b) Original cost; and
 - c) Accumulated depreciation amount;
- 2) Update the answers to question no. 11 of the application based on the financial documents Bastrop West attached to the application;
- 3) Update the answer to question no. 12 so the sum of the amounts equal zero;
- 4) Provide a copy of the agreement for K & K Water to purchase Bastrop West;
- 5) Complete and notarize the application's affidavits;
- 6) Provide K & K Water's proof of funding sources to purchase Bastrop West for \$300,000.
- 7) Explain how the notes payable will be disposed of on Bastrop West's financial statement; and
- 8) If the notes payable on Bastrop West's financial statement is being transferred to K & K Water, provide proof K & K Water passes one of the financial leverage tests under 16 TAC § 24.11(e)(2).