



## Filing Receipt

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**DOCKET NO. 52324**

<b>APPLICATION OF SOUTHWEST</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>ENVIRONMENTAL RESOURCES AND</b>	<b>§</b>	
<b>MANVEL TERRACE UTILITIES, INC.</b>	<b>§</b>	<b>OF TEXAS</b>
<b>FOR SALE, TRANSFER, OR MERGER</b>	<b>§</b>	
<b>OF FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN FORT BEND COUNTY</b>	<b>§</b>	

**COMMISSION STAFF’S RECOMMENDATION ON THE TRANSACTION**

On July 16, 2021, Manvel Terrace Utilities, Inc. (Manvel Terrace) and the Southwest Environmental Resources (Southwest) (collectively, Applicants) filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Fort Bend County. Specifically, Manvel Terrace seeks approval to acquire facilities and to transfer water service area held under Southwest’s Certificate of Convenience and Necessity (CCN) No. 11648 to Manvel Terrace’s CCN No. 12080.

On February 23, 2022, the administrative law judge (ALJ) filed Order No. 6, establishing a deadline of March 16, 2022, for the Staff (Staff) of the Public Utility Commission of Texas (Commission) to request a hearing or file a final recommendation on approval of the sale and CCN amendment. Therefore, this pleading is timely filed.

**I. RECOMMENDATION TO ALLOW THE TRANSACTION TO PROCEED**

As described in the attached memoranda of Patricia Garcia, Infrastructure Division, and Fred Bednarski, Rate Regulation Division, Staff recommends that the transaction be approved to proceed and that the procedural schedule in Order No. 5 be maintained for continued processing of this matter. Staff’s review indicates that the proposed transaction satisfies the relevant statutory and regulatory criteria, including those factors identified in Texas Water Code (TWC) Chapter 13 and 16 Texas Administrative Code (TAC) Chapter 24. Staff further recommends that Manvel Terrace has demonstrated that it possesses the financial, technical, and managerial capability to provide continuous and adequate service to the area subject to the proposed transaction.

**II. CONCLUSION**

Staff respectfully requests the entry of an order allowing the proposed transaction to proceed.

Dated: March 16, 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 March 16, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/Mildred Anaele  
Mildred Anaele

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Mildred Anaele, Attorney  
Legal Division

**FROM:** Patricia Garcia, Senior Engineering Specialist  
Infrastructure Division

**DATE:** March 16, 2022

**RE:** Docket No. 52324 – *Application of Southwest Environmental Resources and Manvel Terrace Utilities, Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Fort Bend County*

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### **1. Application**

On July 16, 2021, Manvel Terrace Utilities, Inc. (Manvel Terrace) and the Southwest Environmental Resources (Southwest) (collectively, Applicants) filed an application for sale, transfer, or merger (STM) of facilities and certificate rights in Fort Bend County, Texas, under Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.

Specifically, Manvel Terrace, Certificate of Convenience and Necessity (CCN) No. 12080, seeks approval to acquire facilities and to transfer all of the water service area from Southwest under water CCN No. 11648.

The requested area includes 167 current customers and approximately 83 acres of transferred area from Southwest Environmental Resources, CCN No. 11648, to Manvel Terrace Utilities, Inc., CCN No. 12080.

The application proposes the subtraction of approximately 83 acres from CCN No. 11648. The application proposes the addition of approximately 83 acres to CCN No. 12080.

The application indicates that the total acreage being requested is 83.9 acres. Based on the mapping review by Tracy Montes, Infrastructure Division, it was determined the requested area is approximately 83 acres.

### **2. Notice**

The Applicants provided notice consistent with 16 TAC § 24.239(c). The deadline to intervene was January 2, 2022; there were no motions to intervene, protests, or opt-out requests received.

### **3. Factors Considered**

Under TWC §§ 13.241 and 13.246 and 16 TAC §§ 24.11(e), 24.227 and 24.239, the Commission must consider certain factors when granting or amending a water or sewer CCN. These factors are addressed below.

**3.1. *Consideration of the adequacy of service currently provided to the requested area and system compliance (TWC § 13.246(c)(1), 13.301(e)(3)(A); 16 TAC §§ 24.227(a) and (e)(1), 24.239(h)(3)(A), (h)(5)(A), and (h)(5)(D)).***

Southwest has a Texas Commission on Environmental Quality (TCEQ) approved public water system (PWS) registered as Southwest Environmental Resources, PWS ID No. 0790144.

The last TCEQ compliance investigation of the Southwest system was on January 22, 2020. Southwest received some violations as a result of that investigation. One of the violations was for not submitting a planning report to TCEQ which is required from utilities that have a CCN and have reached 85% of its capacity as compared to the most restrictive criteria of TCEQ's minimum capacity requirements in Chapter 290. Manvel Terrace indicated that an engineer will submit plans to the TCEQ for a larger storage tank to increase storage capacity at Southwest's water treatment plant. Manvel Terrace also stated that there are plans in place to address the remaining TCEQ violations at Southwest once the system is acquired. The Commission's complaint records, which date back to 2017, show no complaints against Southwest.

**3.2. *Consideration of the need for additional service in the requested area (TWC § 13.246(c)(2); 16 TAC §§ 24.227(e)(2) and 24.239(h)(5)(B)).***

The purpose of the transaction is to transfer Southwest's customers, water treatment plant, facilities, and CCN area to Manvel Terrace. The customers are currently receiving water service from Southwest's public water system.

**3.3. *Consideration of the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already servicing the proximate area (TWC § 13.246(c)(3), 16 TAC §§ 24.227(e)(3), 24.239(h)(5)(c)).***

Manvel Terrace will be the certificated entity for the requested area and be required to provide adequate and continuous service to the requested area.

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

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

**3.4. *Consideration of the managerial and technical ability of the applicant to provide adequate service (TWC §§ 13.241(a) and (b), 13.246(c)(4); and 13.301(b) and (e)(2); 16 TAC §§ 24.227(a) and (e)(4), and 24.239(f) and (h)(5)(D)).***

Manvel Terrace has the ability to provide adequate service in the requested area. Manvel Terrace has a TCEQ approved public water system registered as Marvel Road Terrace Subdivision, PWS ID No. 0200102. Manvel Road Terrace does not have any violations listed in the TCEQ database. The Commission's complaint records, which date back to 2017, show no complaints against Manvel Terrace.

- 3.5. ***The applicants' demonstration that regionalization or consolidation with another retail public utility is not economically feasible when construction of a physically separate water or sewer system is required to provide service to the requested area. (TWC § 13.241(d); 16 TAC § 24.227(b)).***

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

- 3.6. ***Consideration of the feasibility of obtaining service from an adjacent retail public utility (TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5) and 24.239(h)(5)(E)).***

Southwest is currently serving customers in the requested area. Manvel Terrace has a plan to improve service provided to the requested area. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

- 3.7. ***Consideration of the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service (TWC §§ 13.246(c)(6) and 13.301(b); 16 TAC §§ 24.227(a) and (e)(6), 24.11(e), and 24.239(f) and (h)(5)(F)).***

The Rate Regulation Division is addressing this criterion in a separate memo.

- 3.8. ***Requirement of the applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided (TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(f), 24.239(f)).***

The Rate Regulation Division is addressing this criterion in a separate memo.

- 3.9. ***Consideration of the environmental integrity and the effect on the land to be included in the certificated area (TWC § 13.246(c)(7) and (9); and 16 TAC §§ 24.227(e)(7) and (9) and 24.239(h)(5)(G)).***

The environmental integrity of the land will be minimally affected as the storage tank is constructed to provide additional storage capacity at the Southwest water plant.

- 3.10. ***Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 24.239(h)(5)(H)).***

Manvel Terrace will continue to provide water service to the existing customers in the area. There will be no change in the quality or cost of service to customers.

The Applicants meet all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations. Approving this application to transfer water

facilities in the requested area, and all of the water service area of the water CCN No. 11648 to Manvel Terrace and amending water CCN No. 12080 of Manvel Terrace is necessary for the service, accommodation, convenience and safety of the public.

**4. Recommendation**

Based on the above information, I recommend that the Commission find that the transaction will serve the public interest and that the Applicants be allowed to proceed with the proposed transaction. There are no deposits held by Southwest for the customers being served by the Southwest Environmental Resources public water system. I further recommend that a public hearing is not necessary.

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Mildred Anaele, Attorney  
Legal Division

**FROM:** Fred Bednarski III, Financial Analyst  
Rate Regulation Division

**DATE:** March 16, 2022

**RE:** Docket No. 52324 - *Application of Southwest Environmental Resources and Manvel Terrace Utilities, Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Fort Bend County*

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On July 16, 2021, Manvel Terrace Utilities, Inc. (Manvel Terrace) and Southwest Environmental Resources (Southwest Environmental) filed an application for the sale, transfer, or merger of facilities and certificate rights in Fort Bend County.

I recommend a finding that Manvel Terrace demonstrates the financial and managerial capability needed to provide continuous and adequate service to the area subject to this application. My conclusions are based on information provided by Manvel Terrace before the date of this memorandum and may not reflect any changes in Manvel Terrace's status after this review.

***Ability to serve: financial ability and stability (Texas Water Code (TWC) §§ 13.241(a) and 13.246(c)(6))***

An owner or operator of a retail public utility must have the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service areas, as established by 16 Texas Administrative Code (TAC) § 24.11. Manvel Terrace must demonstrate that it meets one of the five leverage tests under 16 TAC § 24.11(e)(2) as well as the operations test under 16 TAC § 24.11(e)(3).

*Leverage test*

My analysis is based on Manvel Terrace's affiliate, Flow-Tech Utility LLC's (Flow-Tech) financial statements ending December 31, 2020. Flow-Tech's financial statements, provided in confidential Attachment FB-1, report a debt-to-equity ratio of 0.00. Because the ratio is less than 1.0, Flow-Tech meets the test specified in 16 TAC § 24.11(e)(2)(A). Flow-Tech is also capable, available, and willing to cover temporary cash shortages. Therefore, through its affiliate, Manvel Terrace meets the leverage test specified in 16 TAC § 24.11(e)(2)(E).

*Operations test*



An owner or operator must demonstrate sufficient available cash to cover projected cash shortages for operations and maintenance expense during the first five years of operations, as required by 16 TAC § 24.11(e)(3).

Manvel Terrace's financial projections, as provided in confidential Attachment FB-1, show that there are no projected shortages to cover. Capital improvements needed to provide continuous and adequate service to the requested area will be paid for with Flow-Tech's cash reserves and net operating income as provided in confidential Attachment FB-1. Additionally, Manvel Terrace provided an affidavit indicating Flow-Tech's commitment to providing funds necessary for cash required to purchase Southwest Environmental and make necessary capital improvements. Sufficient cash and net operating income available to cover possible future shortages provide an indication of financial stability and financial and managerial capability. Therefore, Manvel Terrace meets the operations test specified in 16 TAC § 24.11(e)(3).

***Financial assurance (TWC § 13.246(d))***

Because Manvel Terrace meets the financial tests, I do not recommend that the Commission require additional financial assurance.