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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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**PUBLIC UTILITY COMMISSION
OF TEXAS**

**ORDER NO. 15
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Southwest Environmental Resources and Manvel Terrace Utilities, Inc. for approval of the sale, transfer, or merger of facilities and certificate rights in Fort Bend County. The applicants seek approval of the following transaction: (1) the sale and transfer of all facilities and service area held under Southwest's certificate of convenience and necessity (CCN) number 11648 to Manvel Terrace, (2) the cancellation of Southwest's CCN number 11648, and (3) the amendment of Manvel Terrace's CCN number 12080 to include the area previously included in Southwest's CCN number 11648. The administrative law judge (ALJ) approves transaction between Southwest and Manvel Terrace to be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Southwest is a sole proprietorship
2. Southwest operates, maintains, and controls facilities for providing retail water service in Fort Bend County under CCN number 11648.
3. Southwest owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 0790144.
4. Manvel Terrace is a Texas corporation registered with the Texas secretary of state under filing number 78001700.
5. Manvel Terrace operates, maintains, and controls facilities for providing retail water service under CCN number 12080 in Harris and Brazoria counties.

6. Manvel Terrace owns and operates a public water system registered with the TCEQ under identification number 0200102.

Application

7. On July 16, 2021, the applicants filed the application at issue in this proceeding.
8. The applicants filed supplemental information on August 3 and 13, September 21 and 22, and October 12, 2021.
9. In the application, Southwest and Manvel Terrace seek approval for the following transaction: (a) Manvel Terrace will acquire all of Southwest's water facilities and service area under CCN number 11648; (b) Southwest's CCN number 11648 will be cancelled; and (c) Manvel Terrace's CCN number 12080 will be amended to include the area previously included in Southwest's CCN number 11648.
10. The requested area includes approximately 83 acres and 167 current connections.
11. The requested area is located approximately 3.6 miles south of downtown Rosenberg and is generally bounded on the north by Geronimo Lane, on the east by North Highway 36, on the south by Ustinik Road, and on the west by Apache Lane.
12. In Order No. 4 filed on November 16, 2021, the ALJ found the application administratively complete.

Notice

13. On December 18, 2021, the applicants filed the affidavit of Harrison Williams, president of Manvel Terrace, attesting that notice was provided to current customers of Southwest, neighboring utilities, and affected parties on December 3, 2021.
14. In Order No. 5 filed on January 5, 2022, the ALJ found the notice sufficient.

Evidentiary Record

15. On March 30, 2022, the parties filed a joint motion to admit evidence.
16. In Order No. 7 filed on April 8, 2022, the ALJ admitted the following evidence into the record of this proceeding: (a) the application filed on July 16, 2021; (b) Manvel Terrace's supplemental information filed on August 3, 2021; (c) Manvel Terrace's confidential financial information filed on August 13, 2021; (d) Manvel Terrace's supplemental

information filed on September 21, 2021; (e) Manvel Terrace's confidential financial information filed on September 22, 2021; (f) Manvel Terrace's maps filed on October 12, 2021; (g) Commission Staff's supplemental recommendation on administrative completeness and proposed notice filed on November 15, 2021; (h) Manvel Terrace's proof of notice filed on December 18, 2021; (i) Commission Staff's recommendation on sufficiency of notice filed on December 29, 2021; (j) Manvel Terrace's responses to Commission Staff's first requests for information filed on March 2, 2022; (k) Manvel Terrace's financial information, copies of articles on incorporation and amendments filed on March 2, 2022; (l) Manvel Terrace's responses to Commission Staff's second requests for information and affidavit filed on March 2, 2022; (m) Manvel Terrace's appendix B filed on March 8, 2022; (n) Commission Staff's recommendation on the transaction filed on March 16, 2022; and (o) Commission Staff's confidential attachment FB-1 filed on March 16, 2022.

Purchaser's Compliance History

17. Manvel Terrace has not been under an enforcement action by the Commission, TCEQ, Texas Health and Human Services, the Office of the Texas Attorney General, or the United States Environmental Protection Agency in the past five years for non-compliance with rules, orders, or state statutes.
18. Manvel Terrace does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
19. Manvel Terrace has demonstrated a compliance status that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

20. The last TCEQ compliance investigation of Southwest's public water system number 0790144 was on January 22, 2020, and violations were documented as a result of that investigation.
21. Manvel Terrace will submit, and implement, engineering plans to the TCEQ for the improvements necessary to meet the TCEQ's minimum capacity requirements and has plans to address the remaining violations once it acquires Southwest's public water system.

22. The Commission's complaint records, which date back to 2017, show no complaints against Southwest.

Need for Additional Service

23. There is a continuing need for service because Southwest is currently providing service to 167 connections in the requested area.
24. There have been no specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

25. Approving the sale and transfer to proceed and granting the CCN amendment will obligate Manvel Terrace to provide adequate and continuous service to current and future customers in the requested area.
26. Utilities within a two-mile radius were noticed and no protests or requests to intervene were filed in this docket.
27. This application is to transfer only existing facilities, customers, and service area; therefore, there will be no effect on any other retail public utility providing service in the proximate area.
28. There will be no effect on landowners as the area is currently certificated.

Ability to Serve: Managerial and Technical

29. Manvel Terrace owns and operates a public water system registered with the TCEQ and does not have any active violations listed in the TCEQ database.
30. The Commission's complaint records, which date back to 2017, show no complaints against Manvel Terrace.
31. Manvel Terrace employs or contracts with TCEQ-licensed water operators who will operate the public water system being sold and transferred.
32. Other than issues with capacity, Southwest's public water system number 0790144 is capable of providing water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the Texas Water Code (TWC), and the TCEQ's rules.
33. Manvel Terrace intends to invest the capital required to make upgrades, renovations, and repairs necessary to ensure customers receive safe and reliable service.

34. Once Manvel Terrace installs the planned additional capacity, it will have access to an adequate supply of water.
35. Manvel Terrace has the technical and managerial capability to provide adequate and continuous service to the requested area.

Ability to Serve: Financial Ability and Stability

36. Flow-Tech Utility LLC, Manvel Terrace's affiliate, is capable, available, and willing to cover temporary cash shortages, and has a debt-to-equity ratio that is less than one, satisfying the leverage test.
37. Flow-Tech provided a written guarantee of coverage of temporary cash shortages, demonstrated that it 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.
38. Manvel Terrace demonstrated the financial and managerial capability and stability necessary to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

39. There is no need to require Manvel Terrace to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

Regionalization or Consolidation

40. It will not be necessary for Manvel Terrace to construct a physically separate water system to serve the requested area.
41. Because the requested area will not require construction of a physically separate water system, consideration of regionalization or consolidation with another retail public utility is not required.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

42. Southwest is currently serving customers in the requested area with existing facilities and there will be no changes to land uses or existing CCN boundaries as a result of the transaction.

43. 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 a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

Environmental Integrity and Effect on the Land

44. The requested area will continue to be served with existing infrastructure.
45. There will be minimal effects on environmental integrity and on the land as a result of the planned construction of a storage tank and other planned upgrades, renovations, and repairs to the public water system.

Improvement in Service or Lowering Cost to Consumers

46. Water service to the requested area will improve because Manvel Terrace intends to make upgrades, renovations, and repairs necessary to improve the safety and reliability of service.
47. The rates charged to customers in the requested area will not change as a result of the proposed transaction because Manvel Terrace will adopt Southwest's current tariff upon consummation of the transaction.

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 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Manvel Terrace 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. Manvel Terrace 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. The applicants demonstrated that the sale of Southwest's water facilities and the transfer of water service area held under CCN number 11648 from Southwest to Manvel Terrace

under CCN number 12080 will serve the public interest and is necessary for the service, accommodation, convenience, or 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 transaction between Southwest and Manvel Terrace is approved and may be completed as proposed.
2. As soon as possible after the effective date of the transaction, but no later than 30 days after the effective date, the applicants must file proof that the transaction has been completed and customer deposits, if any, have been addressed.
3. Southwest and Manvel Terrace have 180 days to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not completed within this 180-day period, or an extension has not been granted, this approval is void and Southwest and Manvel Terrace will have to reapply for approval.
5. The applicants are advised that the requested areas and associated facilities will remain under CCN number 11648 and will be held by Southwest until the final order or notice of approval is issued in this matter, 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 completed.
7. Within 15 days following the filing of the applicants' proof that the transaction has been completed 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 19th day of July 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink that reads "Katie Moore Marx". The signature is written in a cursive style with a large initial 'K'.

**KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE**