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DOCKET NO. 52477

APPLICATION OF HARRISON	§	PUBLIC UTILITY COMMISSION
WILLIAMS AND PINE KNOB ESTATE	§	
WATER, INC. FOR WATER UTILITY	§	OF TEXAS
STOCK TRANSFER	§	

**COMMISSION STAFF'S SUPPLEMENTAL RECOMMENDATION ON
ADMINISTRATIVE COMPLETENESS, NOTICE, AND PROCEDURAL SCHEDULE**

On August 26, 2021, Harrison Williams (Mr. Williams) and Pine Knob Estate Water, Inc. (Pine Knob) (collectively, the Applicants) filed a request for approval of a water utility stock transfer pursuant to Texas Water Code (TWC) § 13.302 and 16 Texas Administrative Code (TAC) § 24.243. Under the transaction, Scott and Judy Robinson (collectively, the Robinsons) would sell 100% of their stock and ownership interest in Pine Knob to Mr. Williams. On October 26, 2021, the Applicants filed supplemental information.

On October 27, 2021, the administrative law judge (ALJ) filed Order No. 5, establishing a deadline of November 8, 2021 for the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a supplemental recommendation on the administrative completeness of the application and notice, and to propose a procedural schedule for continued processing. Therefore, this pleading is timely filed.

I. ADMINISTRATIVE COMPLETENESS

Staff has reviewed the application and, as detailed in the attached memorandum from Leila Guerrero, Rate Regulation Division, recommends that it be found administratively incomplete at this time.

II. NOTICE

Pursuant to 16 TAC § 22.55, the presiding officer may require a party to provide reasonable notice to affected persons. Staff believes there are only two affected parties in this docket, both of whom are aware of the transaction for which they are seeking approval. Therefore, Staff re-urges its recommendation that no further notice be required.

III. PROCEDURAL SCHEDULE

In accordance with Staff's deficiency recommendation, Staff does not propose a procedural schedule for continued processing. Staff recommends that the Applicants be ordered to cure the deficiencies identified in Ms. Guerrero's memorandum by November 24, 2021, and that Staff be given a deadline of December 8, 2021 to file a supplemental recommendation on the administrative completeness of the application and to propose a procedural schedule.

IV. CONCLUSION

Based on the reasons above, Staff respectfully recommends that the application be deemed administratively incomplete at this time and that the above deadlines be established for the Applicants to cure deficiencies and for Staff to file a supplemental recommendation on the administrative completeness of the application. Staff respectfully requests the entry of an order consistent with the foregoing recommendations.

Dated: November 8, 2021

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

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/s/ Scott Miles
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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 November 8, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Scott Miles
Scott Miles

Public Utility Commission of Texas

Memorandum

TO: Scott Miles, Attorney
Legal Division

FROM: Leila Guerrero, Regulatory Accountant
Rate Regulation Division

DATE: November 8, 2021

SUBJECT: **Docket No. 52477** – *Application of Harrison Williams and Pine Knob Estate Water, Inc. For Water Utility Stock Transfer*

On August 26, 2021, Harrison Williams (Mr. Williams) and Pine Knob Estate Water, Inc. (Pine Knob) (collectively, the Applicants) filed a request for approval of a water utility stock transfer. Approval is requested for the transfer of 100% of the stock and ownership interest in Pine Knob from Scott and Judy Robinson (collectively, the Robinsons) to Mr. Williams. I have conducted an administrative review of the application according to Texas Water Code (TWC) § 13.302(a) through (c) and 16 Texas Administrative Code (TAC) § 24.243(a) through (c).

Based on a review of the initial application and supplemental information filed on October 26, 2021, I recommend that the application be deemed insufficient for filing and administratively incomplete. I further recommend that the Applicants provide the following to ensure administrative completeness:

- 1) Copies of Annual Reports for Water and Wastewater for Manvel Terrace Utilities, Inc. (Manvel Terrace Utilities) for the years 2019 and 2018. The Annual Reports have previously been submitted to the PUC in Project Nos. 50316 for 2019¹ and 48918 for 2018.²;
- 2) Copies of the invoices from the Texas Commission on Environmental (TCEQ) for the one percent Regulatory Assessment Fee (RAF) paid for the year 2020 and prior three years for South Coast Utilities, Inc. and Manvel Terrace Utilities. If such invoices do not exist or cannot be obtained, please provide clarify; and
- 3) Corrected financial statements with proper headings for the balance sheets and income statements. Specifically, in response to Staff's previous deficiency recommendation, Mr. Williams provided unaudited financial reports³ for 2019, 2020, and the period ending July 31, 2021, which have the following deficiencies:

¹ 2019 Annual Reports of Water and Wastewater Utilities, Annual Reports (May, 21, 2020).

² 2018 Annual Reports of Water and Wastewater Utilities, 2018 Water and Wastewater Annual Report (Jun. 12, 2019).

³ Confidential- Stock Transfer Agreement (Attachments A-J) Bate Stamp: 1-44, Attachments G, H, and I at

- a. The unaudited financial report for 2019 redacted the heading information that indicates whom the balance sheet and income statement represent financially.⁴ Please provide the unredacted versions and if neither indicate that they represent the financials for Mr. Williams, please clarify;
- b. The unaudited financial report for the period ending July 31, 2021 shows that the income statement is instead for a period ending July 31, 2020 and the balance sheet only indicates that it is for 2021.⁵ Please clarify or correct the headings for the income statement and balance sheet to show that they are both for the period ending July 31, 2021. If neither the income statement nor the balance sheet are for the correct time period, please provide the correct income statement and balance sheet for the period ending July 31, 2021;
- c. In addition to the issue with the heading on the income statement for the period ending July 31, 2021, the amount of \$907,565 for gross profit (loss) does not reconcile with the combined amounts of \$758,333.22 for gross sales and \$0 for cost of goods sold.⁶ Also, there is a \$10 discrepancy in the amount of total expenses listed compared with Staff's reconciliation of the expenses.⁷ Please provide a corrected income statement; and
- d. The balance sheets indicate that Mr. Williams had \$1,432,206 of retained earnings for 2020⁸ and \$1,601,814 of retained earnings for the period ending July 31, 2021⁹ (if heading is incorrect). Please clarify whether these amounts should be for owner's investment instead.

Bates Stamp 33-38 (Oct. 26, 2021).

⁴ *Id.* at Bate Stamp 33 and 34.

⁵ *Id.* at Bate Stamp 37 and 38.

⁶ *Id.* at Bates Stamp 37.

⁷ *Id.*

⁸ *Id.* at Bates Stamp 35.

⁹ *Id.* at Bates Stamp 38.