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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 FINAL RECOMMENDATION AND REQUEST TO RESTYLE
THE DOCKET**

On August 26, 2021, Harrison Williams (Mr. Williams) 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 Estate Water, Inc. (Pine Knob) to Mr. Williams. On October 26, 2021, December 3, 2021, December 16, 2021, and December 21, 2021, the Applicants filed supplemental information.

On January 12, 2022, the administrative law judge (ALJ) filed Order No. 9, establishing a deadline of January 25, 2022 for the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a request a hearing or file a final recommendation for the transaction to proceed. Therefore, this pleading is timely filed.

I. FINAL RECOMMENDATION

Staff has reviewed the supplemented application and, as detailed in the attached memorandum from Leila Guerrero, Rate Regulation Division, recommends that, in accordance with 16 TAC § 24.243(b), Mr. Williams has demonstrated that he has the financial, managerial, and technical capability for providing continuous and adequate service after the change in ownership is consummated. As such, Staff recommends that the supplemented application be approved. Further, as previously indicated, Staff notes that the proposed effective date of December 19, 2021, as listed in the initial application, has since passed. However, Staff continues to recommend that this is not issue as the underlying stock sale and purchase agreement, signed by Mr. Williams and the Robinsons, stipulates that the stock transfer is set to close after the Commission approves the transaction to proceed.

II. REQUEST TO RESTYLE THE DOCKET

Staff notes that the application and all subsequent filings have been filed individually by Mr. Williams. On the Interchange, the Commission's public filing system, Pine Knob is listed as the filing party for Item No. 7, however based on Staff's review of the confidential filing, it is evident that the documents were filed by Mr. Williams. As such, Staff recommends that Mr. Williams is the applicant in this proceeding, who is seeking approval to acquire a controlling interest in Pine Knob under TWC § 13.302 and 16 TAC § 24.243. Therefore, Staff respectfully requests that the docket be restyled as *Application of Harrison Williams for Approval of Change in Ownership in Pine Knob Estate Water, Inc. under TWC § 13.302*.

III. CONCLUSION

For the reasons specified above, Staff respectfully recommends that the supplemented application be approved and that the docket be restyled. Staff respectfully requests the entry of an order consistent with these recommendations.

Dated: January 25, 2022

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 January 25, 2022, 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: January 25, 2022

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) filed a request for approval of a water utility stock transfer of 100% of the stock and ownership interest in Pine Knob Estate Water, Inc. (Pine Knob) from Scott and Judy Robinson (collectively, the Robinsons) to Mr. Williams.¹ Pine Knob provides water utility service to customers in Montgomery, Liberty, and Harris counties under Certificate of Convenience and Necessity Number (CCN) 12948.² I have conducted an administrative review of the application according to Texas Water Code (TWC) § 13.302(a) through (c), 16 Texas Administrative Code (TAC) §§ 24.243(a) through (c) and 24.11(e).

Based on my review, I recommend that Mr. Williams has demonstrated 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 Mr. Williams before the date of this memorandum and may not reflect any changes in Mr. Williams' status after this review.

I applied the standard set forth in 16 TAC § 24.243(b) which states that a person acquiring a controlling interest in a utility is required to demonstrate adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area and to the person's certificated service area, if any. I also applied the standards set forth in 16 TAC §§ 24.11(e)(1), (e)(2)(B), and (e)(3).

Financial Assurance

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 TAC § 24.11. Mr. Williams must demonstrate that he 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).

¹ Application at 1 (Aug. 26, 2021).

² *Application of Pine Knob Estates Water, Inc. for a Price Index Rate Adjustment*, Docket No. 40617, Notice of Approval at Bates Stamp 4 (Jul. 11, 2016); *see also* Public Utility Commission of Texas, Water Utility Details for Pine Knob Estates Water, www.puc.texas.gov/WaterSearch, <http://www.puc.texas.gov/WaterSearch/Utility?siteId=21091> (last visited Jan. 21, 2022) .

Leverage test

Mr. Harrison's July 31, 2021 and December 31, 2020 financial statements report long-term debt of zero (\$0.00) for both and equity of \$[REDACTED] and \$[REDACTED], respectively.³ The debt-to-equity ratio is zero. Because the ratio is less than 1.0, Mr. Harrison meets the leverage test specified in 16 TAC §24.11(e)(2)(A). In addition, Mr. Harrison meets the tests specified in 16 TAC §§24.11(e)(2)(B) and (C) because he holds no long-term debt and has cash available of \$[REDACTED] and \$[REDACTED], as of July 31, 2021 and December 31, 2020, respectively.⁴

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). An affiliated interest may provide a written guarantee of coverage of temporary cash shortages. The affiliated interest of the owner or operator must satisfy the leverage test.

Mr. Williams owns and operates SP Utility Company, Inc. (SP Utility), which holds CCN Nos. 12978 and 20817, for water and sewer, respectively.⁵ I reviewed the annual financial reports for SP Utility for the years ending December 31, 2020, 2019, and 2018.⁶ No operating shortages are expected in the future based on the historical profits of SP Utility. Therefore, Mr. Williams meets the operations test required by 16 TAC § 24.11(e)(3).

I recommend that the Commission find that the change of ownership requested in this application is in the public interest and that the Commission approve the transaction.

³ Confidential- Financial Forms Bates Stamp- 1 to 6, Balance Sheet for the Seven Months Ending July 31, 2021 at Bates Stamp 1 and Balance Sheet as of December 31, 2020 at Bates Stamp 3 (December 21, 2021).

⁴ *Id.*

⁵ Application at 1; see also Confidential- Stock Transfer Agreement (Attachments A-J) Bates Stamp: 1-44, Attachment B at Bates Stamp 4 (Oct. 26, 2021) (Confidential Supplement) and *Application of Harrison Williams and SP Utility Company, Inc. for Water Utility Stock Transfer*, Docket No. 49247, Notice of Approval at Findings of Fact No. 2 (Jul. 8, 2019).

⁶ Confidential Supplement, Attachment E at Bates Stamp 17-25, Attachment D at Bates Stamp 11-16, and Attachment C at Bates Stamp 5-10.