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APPLICATION OF R & N	§	PUBLIC UTILITY COMMISSION
ENTERPRISES AND MONARCH	§	
UTILITIES I L.P. FOR SALE,	§	OF TEXAS
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN COOKE COUNTY	§	

**JOINT MOTION TO ADMIT EVIDENCE AND
PROPOSED ORDER**

COME NOW Karen Reeves dba R&N Enterprises (R&N), Monarch Utilities I L.P. (Monarch), and the Staff of the Public Utility Commission of Texas (Staff) (collectively, the Parties) and file this Joint Motion to Admit Evidence and Proposed Order. In support thereof, the Parties show the following:

I. BACKGROUND

On September 1, 2021, R&N and Monarch (collectively, the Applicants) filed an application for approval of the sale, transfer, or merger (STM) of facilities and certificate rights in Cooke County under Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239. Specifically, the Applicants seek to: (1) transfer all of the facilities and certificated service area currently held under R&N’s water Certificate of Convenience and Necessity (CCN) number 11644 to Monarch; (2) to amend Monarch’s water CCN number 12983 to include the water facilities and certificated service area previously included in R&N’s CCN number 11644; and (3) to cancel R&N’s water CCN number 11644. The requested sale and transfer includes approximately 610 acres and 109 customers.

As addressed in the application, under TWC § 13.3011, Monarch is requesting to charge initial rates for water service that was in force for other water systems on the date the instant application described by TWC § 13.301(a) was filed.

On December 3, 2021, Order No. 4 was issued, requiring the parties to file a joint motion to admit evidence and proposed order approving the sale and allowing the transaction to proceed by February 11, 2022. Therefore, this pleading is timely filed.

II. JOINT MOTION TO ADMIT EVIDENCE

The parties move to admit the following evidence into the record of this proceeding:

1. The application of R&N and Monarch, filed on September 1, 2021 (Interchange Item No. 1);
2. The Applicants' supplemental confidential attachments to the application, filed on September 28, 2021 (Interchange Item No. 3);
3. The Applicants' proof of notice and supporting documentation, filed on November 5, 2021 (Interchange Item No. 9); and
4. Commission Staff's recommendation on approval of sale, filed on January 18, 2022 (Interchange Item No. 13).

III. JOINT PROPOSED ORDER

The attached Joint Proposed Order Approving Sale and Transfer to Proceed would grant Applicants' application for sale, transfer, or merger of facilities and certificate rights in Cooke County.

IV. CONCLUSION

The parties respectfully request that the Commission grant the Joint Motion to Admit Evidence and adopt the attached Joint Proposed Order Approving Sale and Transfer to Proceed.

Respectfully submitted,

SPENCER FANE, LLP
9442 North Capital of Texas Highway
Plaza I, Suite 500
Austin, TX 78759
Telephone: (512) 840-4550
Facsimile: (512) 840-4551

/s/ William A. Faulk, III

William A. Faulk, III
State Bar No. 24075674

cfaulk@spencerfane.com

**ATTORNEY FOR MONARCH UTILITIES
I L.P.**

**PUBLIC UTILITY COMMISSION OF
TEXAS
LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

Maris Lopez Wagley
Managing Attorney

/s/ Kourtnee Jinks

Kourtnee Jinks
State Bar No. 24097146
1701 N. Congress Ave.
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7265
(512) 936-7268 (Fax)
Kourtnee.Jinks@puc.texas.gov

CERTIFICATE OF SERVICE

I hereby certify that notice of the filing of this document was provided to all parties of record via electronic mail on February 11, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ William A. Faulk, III

William A. Faulk, III

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ENTERPRISES AND MONARCH	§	
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JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the September 1, 2021, application of Karen Reeves dba R & N Enterprises (R&N) and Monarch (collectively, the Applicants) for the sale, transfer, or merger of facilities and certificate rights in Cooke County, Texas. The Applicants seek approval of the following: (1) for R&N to sell and transfer all of its facilities and certificated service area currently held under R&N’s water Certificate of Convenience and Necessity (CCN) number 11644 to Monarch; (2) to amend Monarch’s water CCN number 12983 to include the water facilities and certificated service area previously included in R&N’s CCN number 11644; and (3) to cancel R&N’s water CCN number 11644. The administrative law judge (ALJ) approves the sale and transfer and authorizes the transaction between Monarch and R&N to proceed and be consummated.

I. FINDINGS OF FACT

The Commission makes the following findings of fact.

Applicants

1. Monarch is a limited partnership registered with the Texas secretary of state under file number 800034797.
2. Monarch is an investor-owned utility that owns, operates, and controls facilities for providing water service under CCN number 12983.
3. R&N is a non-profit member-owned corporation registered with the Texas secretary of state under filing number 800034797.

4. R&N is a non-profit member-owned corporation that provides retail water service in Texas under CCN number 11644.
5. R&N owns and operates two public water systems (PWS) in Cooke County registered with the Texas Commission on Environmental Quality (TCEQ) under PWS identification numbers 0490030 and 0490041.

Application

6. On September 1, 2021, the applicants filed the application at issue in this proceeding.
7. On September 28, November 5, and November 15, 2021, the applicants filed supplemental information.
8. In the application, the applicants seek approval for the following: (a) for R&N Enterprises to sell and transfer all of its facilities and certificated water service area under CCN number 11644 to Monarch; (b) to amend Monarch's CCN number 12983 to include the water facilities and service area previously included in R&N's CCN number 11644; and (c) to cancel R&N's water CCN number 11644.
9. The requested area includes approximately 610 acres and 109 current customers.
10. The requested area consists of six water subdivisions and two water systems. The requested service areas subject to this transaction are detailed in Attachment A.
11. In Order No. 4 filed on December 3, 2021, the ALJ found the application administratively complete.

Notice

12. On November 5, 2021, the applicants filed the affidavit of Brian Bahr, Director of Rates and Regulatory for Monarch, attesting that notice was provided to all current customers, neighboring utilities, and affected parties on November 5, 2021.
13. In Order No. 4 filed on December 3, 2021, the ALJ found notice sufficient.

Evidentiary Record

14. On February 11, 2022, the parties filed a joint motion to admit evidence and proposed order approving the sale and transfer to proceed.
15. In Order No. __ issued on February __, 2022, the ALJ admitted the following evidence into the record: (a) the application of R&N and Monarch, filed on September 1, 2021; the Applicants' supplemental confidential attachments to the application, filed on September 28, 2021; (c) the Applicants' proof of notice and supporting documentation, filed on November 5, 2021; and (c) Commission Staff's recommendation on approval of sale, filed on January 18, 2022.

System Compliance

16. The last TCEQ compliance investigation of the R&N system was on May 22, 2019. Several violations or concerns were noted as a result of that investigation and have since been resolved. In addition, the Commission's complaint records, which date back to 2017, show 17 complaints against R&N Enterprises.
17. Monarch has been subject to enforcement actions by the Commission, TCEQ, Texas Department of Health, the Office of the Attorney General, or the Environmental Protection Agency in the past five (5) years for non-compliance with rules, orders, or state statutes.
18. Monarch has either resolved the non-compliance issues or has entered into compliance agreements that are leading to resolution of the violations.
19. Monarch does not have a history of continuing mismanagement or misuse of revenues as a utility provider.
20. Monarch demonstrated a compliance history that is adequate for approval of the proposed transaction.

Adequacy of Existing Service

21. All of R&N's existing water facilities and water customers are being transferred to Monarch.
22. No additional construction is necessary for Monarch to serve the requested area.

Need for Additional Service

23. There are 109 existing water connections in the requested area that are receiving service from R&N and have an ongoing need for service.
24. There is no evidence in the record indicating a need for additional service.

Effect of Approving the Transaction and Granting the Amendment

25. Approving the transaction obligates Monarch to provide water service to current and future customers in the requested area.
26. R&N and Monarch are the only utilities affected by this sale and transfer.
27. Because no construction or changes in service are anticipated, the transaction will not affect landowners in the vicinity of the requested area or adjacent utilities.

Initial Rates

28. Monarch as an entity is entitled to request approval to charge initial rates and service charges that are shown in the water tariff issued to Monarch at the time the application was filed.
29. Monarch's tariff in force for its other water systems on the date the application described by Section 13.301(a) was approved in Docket No. 50319.

Ability to Serve: Managerial and Technical

30. The operations, maintenance, management, and customer services will be provided by Monarch through TCEQ-licensed operators who will operate the public water and wastewater systems.

31. The service currently being provided is not expected to change as a result of the transaction.
32. Monarch owns and operates 106 other PWS. Some of Monarch's other PWSs have minor unresolved TCEQ violations that are unrelated to capacity and will not affect Monarch's ability to provide adequate service to the requested area.
33. Monarch has access to an adequate supply of water and is capable of providing water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the TWC, and the TCEQ's rules.
34. Monarch has the technical and managerial capability to provide continuous and adequate service to the requested area.

Ability to Serve: Financial Ability and Stability

35. Monarch has a debt-to-equity ratio of less than one and a debt-service ratio of greater than 1.25, satisfying the leverage test.
36. Monarch has sufficient cash available to cover any projected operations and maintenance shortages during the first five years after the completion of the proposed sale and transfer, satisfying the operations test.
37. Monarch has demonstrated the financial capability and stability to provide continuous and adequate water service.

Financial Assurance

38. There is no need to require Monarch to provide a bond or other financial assurance to ensure continuous and adequate service.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

39. It is not feasible for an adjacent utility to provide service to the requested area because R&N's existing facilities possess sufficient capacity to provide continuous and adequate service.

40. Utilities within a two-mile radius were noticed and no protests, adverse comments, or motions to intervene were filed by any adjacent retail public utility in this docket.

Environmental Integrity

41. The proposed transaction will not adversely impact the environmental integrity of the land.

Effect on the Land

42. The effect on the land should be minimal as the requested area will be served by existing systems and facilities and no additional construction is needed.

Improvement of Service or Lowering Cost to Consumers

43. The proposed transaction will maintain current levels of customer service to existing customers because the water system will continue to be operated and maintained by a sufficient number of licensed operators.

Regionalization or Consolidation

44. Because Monarch does not anticipate building any new facilities to continue serving the requested area, it is not necessary to consider regionalization or consolidation.

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 TAC § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Monarch 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. Monarch demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC § 13.301(b).
4. R&N and Monarch demonstrated that the sale of R&N's water facilities and the transfer of all the service area held under water CCN number 11644 to Monarch will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public, as required TWC §§ 13.246(b) and 13.301(d) and (e).

III. ORDERING PARAGRAPHS

In accordance with the preceding findings of fact and conclusions of law, the Commission issues the following orders.

1. The sale is approved and the transaction between R&N and Monarch may proceed and be consummated.
2. The Commission approves Monarch's request to establish initial rates and service charges for the requested area at Monarch's currently approved rates as shown in its currently issued water tariff.
3. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, the applicants shall file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
4. The applicants have 180 days to complete the transaction.
5. Under 16 TAC § 24.239(m), if the transaction is not consummated within this 180-day period, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.
6. The Applicants are notified that the corresponding service area will remain under water CCN number 11644 and held by R&N until the sale and transfer transaction is complete in accordance with Commission rules.

7. In an effort to finalize this case as soon as possible, the Applicants must file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
8. Within 15 days following the filing of the Applicants' proof that the transaction has been consummated and customer deposits, if any, have been addressed, Commission Staff shall file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

Signed at Austin, Texas this ___ day of _____, 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

HUNTER BURKHALTER
CHIEF ADMINISTRATIVE LAW JUDGE