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DOCKET NO. 52494

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

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**PUBLIC UTILITY COMMISSION

OF TEXAS**

**ORDER NO. 6
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of R&N Enterprises and Monarch Utilities I, LP for the sale, transfer, or merger of facilities and certificate rights in Cooke County. The applicants seek approval to sell and transfer all of R&N’s certificated service area under certificate of convenience and necessity (CCN) number 11644 to Monarch and 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 to cancel R&N’s water CCN number 11644. The Commission approves the sale and transfer and authorizes the transaction between R&N and Monarch to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Monarch is Texas limited partnership registered with the Texas secretary of state under registration number 800034797.
2. Monarch owns, operates, and controls facilities for providing water service under CCN number 12983.
3. R&N is an investor-owned utility that provides retail water service under CCN number 11644.
4. R&N owns and operates two public water systems in Cooke County registered with the Texas Commission on Environmental Quality (TCEQ) under public water system identification numbers 0490030 and 0490041.

Application

5. On September 1, 2021, the applicants filed the application at issue in this proceeding.
6. On September 28, 2021, the applicants filed supplemental information.
7. In the application, the applicants seek approval for the following: (a) for R&N 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.
8. The requested area consists of two subdivisions and public water systems, further described as follows:
 - a. The Pleasant Ridge Addition subdivision, which is served by public water system identification number 0490041 and includes approximately 476 acres and 68 customer connections, is roughly 2.5 miles northeast of Gainesville, Texas, and is roughly bounded on the north by County Road (CR) 135, on the east by CR 131, on the south by CRs 133 and 182, and on the west by CR 133.
 - b. The Timber Creek Addition subdivision, which is served by public water system identification number 0490030 and includes approximately 155 acres and 41 customer connections, is roughly four miles west of Whitesboro, Texas, and is roughly bounded on the north by a line running approximately 295 feet north of and parallel to CR 140, on the east by a line running approximately 510 feet east of and parallel to CR 142, on the south by U.S. Highway 82, and on the west by a line running approximately 755 feet west of and parallel to CR 142.
9. In Order No. 4 filed on December 3, 2021, the administrative law judge (ALJ) found the application administratively complete.

Notice

10. 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 neighboring utilities and affected parties on November 5, 2021.

11. On November 15, 2021, the applicants confidentially filed the list of customers to whom they provided notice.
12. In Order No. 4 filed on December 3, 2021, the ALJ found the notice sufficient.

Evidentiary Record

13. On February 11, 2022, the parties filed a joint motion to admit evidence and proposed order approving the sale and transfer to proceed.
14. In Order No. 5 on March 21, 2022, the ALJ admitted the following evidence into the record of this proceeding: (a) the application of R&N and Monarch filed on September 1, 2021; (b) 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 (d) Commission Staff's recommendation on approval of sale filed on January 18, 2022.

System Compliance

15. 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.
16. 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.
17. Monarch has either resolved the non-compliance issues or has entered into compliance agreements that are leading to resolution of the violations.
18. Monarch does not have a history of continuing mismanagement or misuse of revenues as a utility provider.
19. Monarch demonstrated a compliance history that is adequate for approval of the proposed transaction.

Adequacy of Existing Service

20. All of R&N's existing water facilities and customers are being transferred to Monarch.

21. Public water system numbers 0490030 and 0490041 are capable of providing drinking 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.
22. No additional construction is necessary for Monarch to serve the requested area.

Need for Additional Service

23. There are currently 109 existing customer connections in the requested area that 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 in the requested area.

Effect of Approving the Transaction and Granting the Amendment

25. Approving the transaction will obligate 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. There is no evidence that approval of the transaction will have any adverse effect on any other retail public utility providing service in the proximate area.
28. 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.
29. The quality of service is expected to improve, because Monarch has substantial experience as a retail public utility and because Monarch intends to make various upgrades and improvements to the water system.

Initial Rates

30. 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.

31. Monarch's tariff in force for its other water systems on the date the application described was approved in Docket No. 50319.¹

Ability to Serve: Managerial and Technical

32. The operations, maintenance, management, and customer services will be provided by Monarch through TCEQ-licensed operators who will operate the public water systems.
33. The service currently being provided is not expected to change as a result of the transaction.
34. Monarch owns and operates 106 other public water systems. Some of Monarch's other public water systems 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.
35. 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.
36. Monarch has the technical and managerial capability to provide continuous and adequate service to the requested area.

Ability to Serve: Financial Ability and Stability

37. Monarch has a debt-to-equity ratio of less than one, satisfying the leverage test.
38. 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.
39. Monarch demonstrated the financial capability and stability to provide continuous and adequate water service.

Financial Assurance

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

¹ Application of SWWC Utilities, Inc. dba Water Services, Inc. and Monarch Utilities I LP for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bandera, Bexar, Comal, Gillespie, Guadalupe, Hays, Kendall, Kerr, and Medina Counties, Docket No. 50319, Notice of Approval (May 11, 2021).

Regionalization or Consolidation

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. 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.
43. 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 and Effect on the Land

44. The proposed transaction will not adversely impact the environmental integrity of the land.
45. 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 in Service or Lowering Cost to Consumers

46. 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.
47. The rates charged to customers will likely rise, as Monarch will charge rates already authorized by its tariff.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with Texas Water Code (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), 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. The applicants demonstrated that the sale and transfer of R&N's water facilities and water service area under 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 by TWC §§ 13.246(b) and 13.301(d) and (e).

III. Ordering Paragraphs

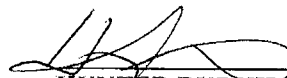
In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The sale is approved and the transaction between R&N and Monarch may proceed and be consummated.
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 consummated and customer deposits, if any, have been addressed.
3. The applicants have 180 days to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not consummated within this period, or an extension has not been granted, this approval is void and the applicants will have to reapply for approval.
5. The applicants are advised that CCN number 11644 and the associated facilities and service areas will continue to be held by R&N until the sale and transfer transaction is completed 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 consummated.
7. 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 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 21st day of March 2022.

PUBLIC UTILITY COMMISSION OF TEXAS



**HUNTER BURKHALTER
CHIEF ADMINISTRATIVE LAW JUDGE**