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DOCKET NO. 53922

APPLICATION OF SKYLINE DRIVE	§	PUBLIC UTILITY COMMISSION
LANDOWNERS ASSOCIATION	§	
WATER SYSTEM AND JOHNSON	§	OF TEXAS
COUNTY SPECIAL UTILITY	§	
DISTRICT FOR SALE, TRANSFER OR	§	
MERGER OF FACILITIES AND TO	§	
AMEND JOHNSON COUNTY SPECIAL	§	
UTILITY DISTRICT'S WATER	§	
CERTIFICATE OF CONVENIENCE	§	
AND NECESSITY IN JOHNSON	§	
COUNTY	§	

ORDER NO. 12
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Skyline Drive Landowners Association and Johnson County Special Utility District for approval of the sale, transfer, or merger of facilities and certificate rights in Johnson County. Skyline Drive and Johnson County SUD seek approval of the following: (1) the sale and transfer of all facilities and water service area held by Skyline Drive under certificate of convenience and necessity (CCN) number 12479 to Johnson County SUD; (2) the amendment of Johnson County SUD's CCN number 10081 to include all facilities and service area previously held by Skyline Drive under CCN number 12479; (3) the cancellation of Skyline Drive's CCN number 12479; and (4) the amendment of Johnson County SUD's CCN number 10081 to add 26.8 acres of uncertificated area. This Order addresses only the proposed sale and transfer of facilities and certificate rights from Skyline Drive to Johnson County SUD. This Order does not address Johnson County SUD's request for the addition of 26.8 acres of uncertificated area. The administrative law judge (ALJ) approves the transaction between Skyline Drive and Johnson County SUD and authorizes it to be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Skyline Drive is a Texas property owners' association.

2. Skyline Drive holds CCN number 12479 which obligates it to provide retail water service in its certificated service area in Johnson County.
3. Skyline Drive owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under public water system identification number 1260060.
4. Johnson County SUD is a special utility district operating under chapter 65 of Texas Water Code (TWC).
5. Johnson County SUD holds CCN number 10081 which obligates it to provide retail water service in its certificated service area in Johnson County.
6. Johnson County SUD owns a public water system registered with the TCEQ under public water system identification number 1260018.

Application

7. On August 1, 2022, Skyline and Johnson County SUD filed the application at issue.
8. The applicants filed supplemental information on August 2, and December 19, 2022, and on February 22, and 28, 2023.
9. In the application, as supplemented, the applicants seek approval of the following:
 - (a) the sale and transfer to Johnson County SUD of all of Skyline Drive's facilities and service area held under CCN number 12479;
 - (b) the amendment of Johnson County SUD's CCN number 10081 to include the facilities and service previously included in Skyline Drive's CCN number 12479;
 - (c) the cancellation of Skyline Drive's CCN number 12479; and
10. The requested area includes the following:
 - (a) 61.7 acres of area that is singly certificated under Skyline Drive's CCN number 12479;
 - (b) 26.8 acres of uncertificated area immediately adjacent to Skyline Drive's existing certificated service area; and
 - (c) 34 customer connections.

11. The requested area is located approximately 4.7 miles northeast of downtown Godley, Texas, and is generally bounded on the north by the intersection of First Street and Texas Street, on the east by County Road 915B, on the south by County Road 915, and on the west by Clearview Drive.
12. In Order No. 4 filed on January 24, 2023, the ALJ found the application, as supplemented, administratively complete.

Notice

13. On February 22, 2023, Johnson County SUD filed the affidavit of Pete Kampfer, general manager of Johnson County SUD, attesting that notice was provided to customers, cities, districts, neighboring retail public utilities, county offices, and affected parties on January 31, 2023.
14. On February 22, 2023, Johnson County SUD filed a publisher's affidavit attesting to the publication of notice in the *Cleburne Times Review*, a newspaper of general circulation in Johnson County, on February 4 and 11, 2023.
15. In Order No. 5 filed on March 7, 2023, the ALJ found the notice sufficient.
16. On June 16, 2023, Johnson County SUD filed proof that there are no owners of a tract of land that is at least 25 acres and is wholly or partially included in the requested area.
17. In Order No. 9 filed on July 17, 2023, the ALJ found the supplemental notice sufficient.

Evidentiary Record

18. In Order No. 10 filed on August 2, 2023, the ALJ admitted the following evidence into the record of this proceeding:
 - (a) The application and all attachments filed on August 1, 2022;
 - (b) The applicants' supplemental information to the application filed on August 2, 2022;
 - (c) the applicants' amended application filed on December 19, 2022;
 - (d) Commission Staff's recommendation on administrative completeness, proposed notice, and proposed procedural schedule and request to restyle the docket filed on January 23, 2023;

- (e) the applicants' proof of notice and supporting documentation filed on February 22, 2023;
- (f) the applicants' supplemental information to the application filed on February 28, 2023;
- (g) Commission Staff's recommendation on sufficiency of notice and proposed procedural schedule filed on March 6, 2023;
- (h) Commission Staff's final recommendation on approval of the sale filed on April 17, 2023;
- (i) the parties' joint motion to admit evidence and joint proposed order approving the sale and allowing the transaction to proceed and approving the CCN amendment filed on April 28, 2023; and
- (j) the applicants' response to Order No. 7 filed on May 30, 2023;
- (k) Commission Staff's clarification in response to Order No. 7 filed on May 30, 2023;
- (l) The applicants' supplemental proof of notice and supporting documentation filed on June 16, 2023; and
- (m) Commission Staff's recommendation on sufficiency of supplemental notice filed on July 5, 2023.

Purchaser's Compliance History

- 19. The Commission's complaint records, which date back to 2017, show 30 complaints against Johnson County SUD. All the complaints have been reviewed and closed by the Commission's customer protection division.
- 20. Johnson County SUD 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.
- 21. Johnson County SUD does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.

22. Johnson County SUD has demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

23. There are currently 34 connections in the requested area that are being served by Skyline Drive through public water system number 1260060 and such service has been continuous and adequate.
24. The last TCEQ compliance investigation of Skyline Drive's water system was on October 22, 2022.
25. Skyline Drive has violations listed in the TCEQ database that have since been resolved.
26. The Commission's complaint records, which date back to 2017, show no complaints against Skyline Drive.
27. Capital improvements are necessary for Johnson County SUD to continue providing continuous and adequate service to the requested area.
28. There is no evidence in the record that Skyline Drive has failed to comply with a Commission or TCEQ order.

Need for Additional Service

29. There are 34 customer connections in the requested areas that are receiving service from Skyline Drive and have an ongoing need for service.
30. The requested area includes uncertificated area with existing customers served by Skyline Drive.
31. There is no evidence in the record indicating a need for additional service.

Effect of Approving the Transaction and Granting the Amendment

32. Johnson County SUD will be sole certificated water utility for the requested area.
33. Johnson County SUD will be required to provide continuous and adequate water service to current and future customers in the requested area.
34. There will be no effect on landowners as requested area is currently certificated or receiving service from Skyline Drive.

35. All retail public utilities in the proximate area were provided notice of the transaction proposed in this application, and no protests, adverse comments, or motions to intervene were filed by any adjacent retail public utility.

Ability to Serve: Managerial and Technical

36. Johnson County SUD owns and operates public water system number 1260018, which is registered with the TCEQ.
37. Johnson County employs TCEQ-licensed operators who will be responsible for operating the public water systems being transferred.
38. Johnson County SUD has the managerial and technical ability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

39. Skyline Drive is currently serving the existing customers in the requested area with existing facilities and service has been continuous and adequate.
40. Johnson County SUD is an adjacent retail public utility.
41. Texas Water Utilities, LP, the only other retail public utility in the proximate area, did not file a protest, adverse comment, or motion to intervene in this proceeding.
42. It is not feasible to obtain service from a different retail public utility.

Regionalization or Consolidation

43. It will not be necessary for Johnson County SUD to construct a physically separate water system to serve the requested area.
44. Because the requested area will not require construction of a physically separate water system, consideration of regionalization or consolidation with an adjacent retail public utility is not required.

Ability to Serve: Financial Ability and Stability

45. Johnson County SUD has a debt-to-equity ratio that is less than one, satisfying the leverage test.

46. Johnson County SUD projects that there are no operations and maintenance shortages to cover during the first five years of operations after approval of the transaction and CCN amendment. Therefore, Johnson County SUD satisfied the operations test.
47. Johnson County SUD submitted documents indicating it possesses the funds necessary for the purchase of Skyline Drive's water system and for the construction of the capital improvements necessary for Johnson County SUD to continue providing continuous and adequate service to existing customers.
48. Johnson County SUD demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service.

Financial Assurance

49. There is no need to require Johnson County SUD to provide a bond or other financial assurance to ensure continuous and adequate service.

Environmental Integrity and Effect on the Land

50. The effect on environmental integrity and the land will be minimal and temporary as facilities are constructed for Johnson County SUD to continue providing continuous and adequate service to the requested area.

Improvement of Service or Lowering Cost to Consumers

51. Reliability and quality of water service are expected to improve under Johnson County SUD's management.
52. No lowering of cost to consumers will result from approving the transaction to proceed.

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(a) and 13.301(a)(2) and 16 Texas Administrative Code (TAC) § 24.239(c).¹

¹ After this application was filed, 16 TAC § 24.239 was amended, effective March 29, 2023. Accordingly, all references and citations to 16 TAC § 24.239 in this Order are made to the version in effect at the time the application was filed.

2. After consideration of the factors in TWC § 13.246(c), Johnson County SUD demonstrated that it is capable of rendering continuous and adequate service to every customer within the requested areas, as required by TWC § 13.251.
3. Johnson County SUD demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service in the requested area as required by TWC §§ 13.241(a) and 13.301(b) and 16 TAC § 24.239(e).
4. The applicants demonstrated that the sale and transfer of Skyline Drive's facilities and service area under CCN number 12479 to Johnson County SUD will serve the public interest and is necessary for the continued service, accommodation, convenience, or safety of the public as required under TWC §§ 13.246(b) and 13.301(d) and (e).

III. Ordering Paragraphs

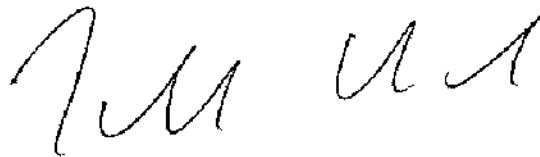
In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves the transaction between the applicants in this proceeding and authorizes it to be completed as proposed.
2. As soon as possible after the effective date of the transaction, but not 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. The applicants have 180 days from the date of this Order to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not completed within this period, or an extension is not granted, this approval is void and the applicants must reapply for approval.
5. This Order does not transfer CCN number 12479 and the associated service area from Skyline Drive or authorize Johnson County SUD to provide service in Skyline Drive's certificated service area. Skyline Drive must provide continuous and adequate service in its certificated service area until a final order or notice of approval issued by the Commission cancels or transfers Skyline Drive's CCN.

6. In an effort to finalize the 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 procedural schedule for continued processing of this docket.

Signed at Austin, Texas the 18th day of September 2023.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, appearing to read 'J. Huhn', is written above a horizontal line.

JEFFREY J. HUHN
ADMINISTRATIVE LAW JUDGE