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DOCKET NO. 53936

APPLICATION OF STONETOWN	§	PUBLIC UTILITY COMMISSION
SPRING OAKS UTILITIES, LLC AND	§	
TRINITY SO PTN LP FOR SALE,	§	OF TEXAS
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN HARRIS COUNTY	§	

ORDER NO. 8
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Stonetown Spring Oaks Utilities, LLC and Trinity SO PTN LP for approval of the sale, transfer, or merger of facilities and certificate rights in Harris County. The applicants seek approval of the following: (1) the sale and transfer of the facilities and service area under Trinity's certificate of convenience and necessity (CCN) numbers 13240 and 21089 to Stonetown; (2) the cancellation of Trinity's CCN numbers 13240 and 21089; and (3) the issuance of new CCNs to Stonetown. The administrative law judge (ALJ) approves the transaction between Stonetown and Trinity and the transaction may be completed as proposed.¹

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Trinity is a Texas limited partnership registered with the Texas secretary of state under filing number 801012636.
2. Trinity operates, maintains, and controls facilities for providing retail water service in Harris County under water CCN number 13240.
3. Trinity owns and operates a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1012090.
4. Trinity operates, maintains, and controls facilities for providing retail sewer service in Harris County under sewer CCN number 21089.

¹ This Order only addresses the proposed sale and transfer of facilities and certificate rights from Trinity to Stonetown. At this time, the Commission takes no action on Stonetown's request for issuance of new CCNs.

5. Trinity owns and operates a sewer system that is permitted with the TCEQ under Texas Pollutant Discharge Elimination System permit number WQ0012650001.
6. Stonetown is a Delaware limited liability company registered with the Texas secretary of state under filing number 804516540.

Application

7. On August 5, 2022, Stonetown and Trinity filed the application at issue in this proceeding.
8. The applicants amended the application on August 31, 2022.
9. The applicants filed supplemental information on August 30 and September 22 and 26, 2022, and January 11, 2023.
10. In the application, the applicants seek approval of the following: (1) the sale and transfer of the facilities and service area under Trinity's certificate of convenience and necessity (CCN) numbers 13240 and 21089 to Stonetown; (2) the cancellation of Trinity's CCN numbers 13240 and 21089; and (3) the issuance of new CCNs to Stonetown
11. The requested water service and sewer service areas (collectively, the requested area) are identical in acreage and boundaries.
12. The requested area includes 21 acres and 137 current customer connections.
13. The requested area is located approximately four miles west of downtown Spring, Texas, and is generally bounded on the north by Crosley Field Drive, on the east by Mossy Oaks Road, on the south by Spring Stuebner Road, and on the west by Frassati Way.
14. In Order No. 4 filed on September 30, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

15. On November 3, 2022, Stonetown filed the affidavits of Roy Lapidus and Donna Brown Willis, Stonetown's authorized representatives, attesting that notice of the application was provided to current customers, neighboring utilities, and affected parties on October 18 and 19, 2022.
16. In Order No. 5 filed on December 14, 2022, the ALJ found the notice sufficient.

Evidentiary Record

17. In Order No. 7 filed on February 8, 2023, the ALJ admitted the following evidence into the record of this proceeding:
- (a) the application and all attachments filed on August 5, 2022;
 - (b) the revised maps filed on August 30, 2022;
 - (c) the amendment to the application filed on August 31, 2022;
 - (d) the confidential supplemental information filed on September 22 and 26, 2022;
 - (e) Commission Staff's recommendation on administrative completeness and all attachments filed on September 30, 2022;
 - (f) Stonetown's proof of notice filed on November 3, 2022;
 - (g) Commission Staff's recommendation on sufficiency of the notice filed on November 30, 2022;
 - (h) the third supplement to the application and confidential attachments filed on January 11, 2023;
 - (i) Commission Staff's recommendation on approval of the sale and all attachments filed on January 13, 2023;
 - (j) Stonetown's response to Commission Staff's recommendation on approval of the sale filed on January 20, 2023; and
 - (k) the TCEQ's order approving the transfer of water quality permit WQ0012650001 from Trinity to Springs Oaks, attached to the joint motion to admit evidence and proposed order approving sale to proceed, filed on February 2, 2023.

Stonetown's Compliance History

18. Stonetown does not have any unaddressed violations in the TCEQ database.
19. Stonetown has not been under an enforcement action by the Commission, 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.

20. There is no evidence that Stonetown has a history of continuing mismanagement or misuse of revenues as a utility service provider.
21. Stonetown demonstrated a compliance status that is adequate for approval of the transaction.

Adequacy of Existing Service

22. Trinity's public water system and sewer system do not have any unaddressed violations in the TCEQ's database.
23. The Commission's complaint records, which date back to 2017, show no complaints against Trinity.
24. There is no evidence in the record that Trinity has failed to comply with any Commission or TCEQ order.

Need for Additional Service

25. There are currently 137 existing water and sewer customers in the requested area that are receiving service and have an ongoing need for service.
26. This application is to transfer only existing facilities, customers, and service area.
27. There is no evidence of specific requests for additional water or sewer service within the requested area.

Effect of Approving the Transaction

28. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and none filed a protest or motion to intervene.
29. There is no evidence that approval of the transaction will have any adverse affect on any other retail public utility providing service in the proximate area.
30. Trinity is the only utility affected by this transfer.
31. There will be no adverse effect on landowners in the requested area because the requested area is already certificated.
32. Transferring the facilities and service area under CCN numbers 13240 and 21089 to Stonetown will obligate Stonetown to provide continuous and adequate water and sewer service to current and future customers in the requested area.

Ability to Serve: Managerial and Technical

33. Stonetown will employ or contract with a TCEQ-licensed operator who will be responsible for the operation of the public water system and sewer system being transferred.
34. Stonetown has the managerial and technical capability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining: Service from Adjacent Retail Public Utility

35. Retail public utilities within a two-mile radius were provided notice of the transaction and no protests or motions to intervene were filed in this docket.
36. Trinity is currently serving customers and has sufficient capacity. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. At a minimum, an interconnect would need to be installed in order to receive service from an adjacent retail public utility.
37. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

38. It will not be necessary for Stonetown to construct a physically separate public water system or sewer system to serve the requested area.
39. Because the requested area will not require construction of a physically separate public water system or sewer system, consideration of regionalization or consolidation with another retail public utility is not required.

Ability to Serve: Financial Ability and Stability

40. No construction or capital improvements are required for Stonetown to provide service to the requested area.
41. Stonetown MRE Texas, LLC, the immediate parent company of Stonetown, is capable, available, and willing to cover temporary cash shortages and has a debt service coverage ratio that is greater than 1.25, satisfying the leverage test.
42. Stonetown's affiliate, Stonetown MRE Texas, provided a written guarantee of coverage of temporary cash shortages and demonstrated sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations, satisfying the operations test.

43. Stonetown has demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

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

Environmental Integrity and Effect on the Land

45. The requested area will continue to be served with existing infrastructure and no additional construction is needed to provide service to the requested area.
46. There will be no effect on environmental integrity or the land as a result of the transaction.

Improvement in Service or Lowering Cost to Consumers

47. Stonetown will continue to provide water and sewer service to the existing and future customers in the requested area.
48. The rates charged to customers in the requested area will not change as a result of approving the transaction because Stonetown will adopt Trinity's current water and sewer tariffs.

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)(1), and 16 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Stonetown demonstrated that it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
3. Stonetown 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).
4. The applicants demonstrated that the sale and transfer of Trinity's facilities and service area under CCN numbers 13240 and 21089 to Stonetown will serve the public interest and is necessary for the continued service, accommodation, convenience, or 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 transaction between the applicants in this proceeding is approved and may 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 180-day period and no extension has been granted, this approval is void and the applicants will have to reapply for approval.
5. The applicants are advised that the facilities and service area subject to the transaction will remain under CCN numbers 13240 and 21089 and will be held by Trinity until the final order or notice of approval is issued in this matter, in accordance with Commission 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 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 shall file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

Signed at Austin, Texas the 8th day of February 2023.

PUBLIC UTILITY COMMISSION OF TEXAS



**ISAAC TA
ADMINISTRATIVE LAW JUDGE**