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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	§	

NOTICE OF APPROVAL

This Notice of Approval 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 Commission approves the following: (1) the sale and transfer of Trinity's facilities and service areas within 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 CCN numbers 13306 and 21134 to Stonetown, which include the area previously within Trinity's CCN numbers 13240 and 21089.

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 holds CCN number 13240 which obligates it to provide retail water service in its certificated service area in Harris County.
3. Trinity owns a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1012090.
4. Trinity holds CCN number 21089 which obligates it to provide retail sewer service in its certificated service area in Harris County.
5. Trinity owns a sewer system that is permitted with the TCEQ under Texas Pollutant Discharge Elimination System permit number WQ0012650001.

6. On January 13, 2023, Trinity's TPDES permit number WQ0012650001 was transferred to Stonetown.
7. Stonetown is a Delaware limited liability company registered with the Texas secretary of state under filing number 804516540.

Application

8. On August 5, 2022, Stonetown and Trinity filed the application at issue in this proceeding.
9. The applicants amended the application on August 31, 2022.
10. The applicants filed supplemental information on August 30 and September 22 and 26, 2022, and January 11, 2023.
11. In the application, the applicants seek approval of the following: (1) the sale and transfer of the facilities and service areas under Trinity's 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.
12. The requested water service and sewer service areas (collectively, the requested area) are identical in acreage and boundaries.
13. The requested area includes 21 acres and 137 current customer connections.
14. 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.
15. In Order No. 4 filed on September 30, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

16. 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.
17. In Order No. 5 filed on December 14, 2022, the ALJ found the notice sufficient.

18. On May 30, 2023, Stonetown filed the affidavit of Adam Minnick, Stonetown MRE Texas, LLC's authorized representative, the immediate parent company of Stonetown, attesting that Stonetown MRE Texas is the sole landowner in the requested area and there is no other owner of a tract of land that is at least 25 acres and is wholly or partially included in the area proposed to be certified according to the most current tax appraisal rolls of the applicable central appraisal district at the time the Commission received the application.
19. In Order No. 13 filed on July 28, 2023, the ALJ found the notice, as supplemented, sufficient.

Evidentiary Record

20. 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.
21. In Order No. 13 filed on July 28, 2023, the ALJ admitted the following additional evidence into the record of this proceeding:
- a. the applicants' proof of completed transaction filed March 10, 2023;
 - b. the applicants' supplemental affidavit regarding notice filed on May 30, 2023;
 - c. Commission Staff's recommendation on sufficiency of closing documents filed on March 27, 2023;
 - d. the applicants' consent forms filed on May 5, 2023;
 - e. the map, certificate, and tariff attached to the joint supplemental motion to admit and joint proposed notice of approval filed on June 2, 2023; and
 - f. the executed agreement for a licensed operator attached to the second supplemental motion to admit evidence filed on June 16, 2023.

Sale

22. In Order No. 8 filed on February 8, 2023, the ALJ approved the sale and transaction to proceed and required the applicants to file proof that the transaction had been completed and that customer deposits, if any, had been addressed.
23. On March 10, 2023, Stonetown filed proof that the sale had closed, effective March 10, 2023, and confirmed that there were no customer deposits to be addressed.
24. In Order No. 9 filed on March 28, 2023, the ALJ found the closing documents sufficient.

Purchaser's Compliance History

25. Stonetown does not have any unaddressed violations in the TCEQ database.
26. 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.

27. Stonetown does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
28. Stonetown demonstrated a compliance status that is adequate for approval of the transaction.

Adequacy of Existing Service

29. There are currently 137 connections in the requested area that are being through public water system number 1012090 and sewer system TPDES permit number WQ0012650001 and such service has been continuous and adequate.
30. Trinity's public water system and sewer system do not have any unaddressed violations in the TCEQ's database.
31. The Commission's complaint records, which date back to 2017, show no complaints against Trinity.
32. There is no evidence in the record that Trinity has failed to comply with any Commission or TCEQ order.

Need for Additional Service

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

Effect of Approving the Transaction

36. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and did none filed a protest or motion to intervene.
37. 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.
38. Trinity is the only utility affected by this transfer.
39. There will be no adverse effect on landowners in the requested area because the requested area is already certificated.

40. Transferring the facilities and service areas 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

41. 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.
42. 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

43. Trinity is currently serving customers throughout the requested area, and such service has been continuous and adequate.
44. 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 connect to a neighboring retail public utility.
45. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

46. It will not be necessary for Stonetown to construct a physically separate public water system or sewer system to serve the requested area.
47. 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

48. No construction or capital improvements are required for Stonetown to provide service to the requested area.
49. 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.

50. Stonetown's affiliate, Stonetown MRE Texas, LLC 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. Therefore, Stonetown satisfies the operations test.
51. Stonetown demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

52. 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

53. The requested area will continue to be served with existing infrastructure and no additional construction is needed to provide service to the requested area.
54. 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

55. Stonetown will continue to provide water and sewer service to existing and future customers in the requested area.
56. Reliability and quality of water and sewer service is expected to improve under Stonetown's management.
57. 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.

Maps, Tariffs, and Certificates

58. On April 28, 2023, Commission Staff emailed Stonetown and Trinity the final proposed maps, tariffs, and certificates related to this docket.
59. On May 5, 2023, Stonetown and Trinity filed their consents to the proposed final maps, tariffs, and certificates.
60. On June 2, 2023, the parties filed the proposed final maps, certificates, and tariffs as attachments to the joint supplemental motion to admit evidence and proposed notice of approval.

Informal Disposition

61. More than 15 days have passed since the completion of notice provided in this docket.
62. No person filed a protest or motion to intervene.
63. Stonetown, Trinity, and Commission Staff are the only parties to this proceeding.
64. No party requested a hearing and no hearing is needed.
65. Commission Staff recommended approval of the application.
66. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has authority over this proceeding under Texas Water Code (TWC) §§ 13.241, 13.242, 13.244, 13.246, 13.251, and 13.301.
2. Trinity and Stonetown are retail public utilities as defined by TWC § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(31).
3. Trinity and Stonetown provided notice of the application that complies with TWC §§ 13.246 and 13.301(a)(2), and 16 TAC § 24.239(b).
4. Trinity and Stonetown's application meets the requirements of TWC § 13.244 and 16 TAC § 24.233.
5. The Commission processed this application as required by the TWC, the Administrative Procedure Act,¹ and Commission rules.
6. Trinity and Stonetown have complied with the requirements of 16 TAC § 24.239(k) and (l) with respect to customer deposits.
7. Trinity and Stonetown completed the sale and transfer within the time required by 16 TAC § 24.239(m).

¹ Tex. Gov't Code §§ 2001.001–.903.

8. 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.
9. 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).
10. Regionalization and consolidation concerns under TWC § 13.241(d) do not apply in this proceeding because construction of a physically separate water or sewer system is not required.
11. It is not necessary for Stonetown to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
12. Stonetown and Trinity demonstrated that the sale and transfer of Trinity's water and sewer facilities and service areas within CCN numbers 13240 and 21089 to Stonetown, the cancellation of Trinity's CCN numbers 13240 and 21089, and the issuance of new CCN numbers 13306 and 21134 to Stonetown will serve the public interest and is necessary for the service, accommodation, convenience, or safety of the public under TWC §§ 13.246(b) and 13.301(d).
13. Under TWC § 13.257(r) and (s), Stonetown must record a certified copy of the certificates and the maps approved by this Notice of Approval, along with a boundary description of the service area, in the real property records of Harris County within 31 days of receiving this Notice of Approval and submit to the Commission evidence of the recording.
14. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

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 sale and the transfer of all Trinity's facilities, customers, and service areas under CCN numbers 13240 and 21089 to Stonetown, as shown on the attached maps.

2. The Commission issues CCN numbers 13306 and 21134 to Stonetown, which include the facilities and service areas previously included in Trinity's CCN numbers 13240 and 21089, as shown on the attached maps.
3. The Commission cancels Trinity's CCN numbers 13240 and 21089.
4. The Commission approves the maps and tariffs attached to this Notice of Approval.
5. The Commission issues the certificates attached to this Notice of Approval.
6. Stonetown must provide service to every customer or qualified applicant for service within the approved area under CCN number 13306 that requests water service and meets the terms of Stonetown's water service policies, and such service must be continuous and adequate.
7. Stonetown must provide service to every customer or qualified applicant for service within the approved area under CCN number 21134 that requests sewer service and meets the terms of Stonetown sewer service policies, and such service must be continuous and adequate.
8. Stonetown must comply with the recording requirements in TWC § 13.257(r) and (s) for the area in Harris County affected by the application and file in this docket proof of the recording no later than 45 days after receipt of the Notice of Approval.
9. Within ten days of the date this Notice of Approval is filed, Commission Staff must provide the Commission with a clean copy of Stonetown's water and sewer tariffs to be stamped *Approved* and retained by Central Records.
10. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the 28th day of July 2023.

PUBLIC UTILITY COMMISSION OF TEXAS



**ISAAC TA
ADMINISTRATIVE LAW JUDGE**