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APPLICATION OF ROSEHILL	§	PUBLIC UTILITY COMMISSION
UTILITIES, INC. AND UTILITIES	§	
INVESTMENT CO., INC. FOR SALE,	§	OF TEXAS
TRANSFER OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN WALLER COUNTY	§	
	§	

ORDER NO. 8
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Rosehill Utilities, Inc. and Utilities Investment Company, Inc. for approval of the sale, transfer, or merger of facilities and certificate rights in Waller County. The applicants seek approval of the sale and transfer of all facilities and service areas held under Rosehill Utilities' water certificate of convenience and necessity (CCN) number 12663 and sewer CCN number 20886 to Utilities Investment, the cancellation of Rosehill Utilities' CCN numbers 12663 and 20886, and the amendment of Utilities Investment's CCN numbers 12671 and 20765 to include the areas previously included in Rosehill Utilities' CCN numbers 12663 and 20886. The administrative law judge (ALJ) approves the transaction between Rosehill Utilities and Utilities Investment and the transaction may be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Rosehill Utilities is a Texas corporation registered with the Texas secretary of state under file number 0156726700.
2. Rosehill Utilities operates, maintains and controls facilities for providing retail water service in Waller County under CCN number 12663.
3. Rosehill Utilities owns and operates three public water systems registered with the Texas Commission on Environmental Quality (TCEQ): (1) public water system identification number 2370084, registered as Cedar Creek Ranch Subdivision, (2) public water system identification number 2370068, registered as Pine Grove Estates Water System, and (3)

public water system identification number 2370074, registered as Hammond Mound Water System.

4. Rosehill Utilities operates, maintains and controls facilities for providing retail sewer service in Waller County under CCN number 20886.
5. Rosehill Utilities owns and operates a TCEQ permitted wastewater system, under wastewater discharge permit number WQ0013984001, registered as Hammond Mound Utilities.
6. Utilities Investment is a Texas corporation registered with the Texas secretary of state under filing number 0142230500.
7. Utilities Investment operates, maintains, and controls facilities for providing retail water service under CCN number 12671 and retail sewer service under CCN number 20765.
8. Utilities Investment owns and operates several public water systems registered with the TCEQ and wastewater systems permitted by the TCEQ.

Application

9. On September 28, 2022, the applicants filed the application at issue in this proceeding.
10. In this application, Rosehill Utilities and Utilities Investment seek approval of the following transaction: (a) Utilities Investment will acquire all of Rosehill Utilities' facilities, customers, and certificated service areas under CCN number 12663 and sewer CCN number 20886; (b) Rosehill Utilities' CCN numbers 12663 and 20886 will be cancelled; and (c) Utilities Investment's CCN numbers 12671 and 20765 will be amended to include the areas previously included in Rosehill Utilities' CCN numbers 12663 and 20886.
11. On October 3, 4, and 19, and December 9, 2022, and January 4 and February 10, 2023, the applicants filed supplements to the application.
12. The total requested water area is comprised of three areas that include approximately 434 total acres and 169 total customers connections.
13. The total requested sewer area includes approximately 162 acres and 55 customer connections.

14. The requested areas are more specifically described as:
- a. The Cedar Creek Ranch Subdivision, which includes approximately 95 acres with 32 water customer connections, is located approximately 1.3 miles southwest of downtown Waller, Texas, and is generally bounded on the north by Farm-to-Market Road 362; on the east by Penick Street; on the south by the intersection of Farm-to-Market Road 362 and Haley Road; and on the west by Farm-to-Market Road 362;
 - b. The Pine Grove Estates and Willow Brook MHP Subdivisions which includes approximately 177 acres and 82 water customer connections, are located approximately 1.9 miles south of downtown Waller, Texas, and is generally bounded on the north by a line parallel to and approximately 600 feet north of Grove Park Road; on the east by Mathis Road; on the south by a line parallel to and approximately 355 feet south of Betka Road; and on the west by Farm-to-Market Road 362;
 - c. The Quixote Commercial and Casa De Campo MHP Subdivisions, which includes approximately 162 acres with 55 water and sewer customer connections, are located approximately 3.8 miles northeast of downtown Pattison, Texas, and are generally bounded on the north by a line 0.5 miles north of and parallel to Wilson Road; on the east by Farm-to-Market Road 362; on the south by Wilson Road; and on the west by Wilson Road.
15. In Order No. 2 filed on October 28, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

16. On November 8, 2022, the applicants filed the affidavit of D. Ray Young, president for Rosehill Utilities, attesting that notice was provided to all neighboring utilities, customers, and affected parties on October 31, 2022.
17. In Order No. 3 filed on December 9, 2022, the ALJ found the notice sufficient.

Evidentiary Record

18. In Order No. 7 filed on March 17, 2023, the ALJ admitted the following evidence into the record:

- (a) The application and all attachments filed on September 28, 2022;
- (b) The applicants' supplemental information filed on October 3, 4, and 19, 2022;
- (c) Commission Staff's recommendation on administrative completeness and notice and proposed procedural schedule filed on October 28, 2022;
- (d) The applicants' proof of notice filed on November 8, 2022;
- (e) Commission Staff's recommendation on sufficiency of notice filed on December 8, 2022;
- (f) The applicants' response to Commission Staff's first request for information filed on December 9, 2022;
- (g) The applicants' supplemental information filed on January 4, 2023;
- (h) The applicants' response to Commission Staff's second request for information filed on February 10, 2023; and,
- (i) Commission Staff's recommendation on the transaction filed on February 14, 2023.

19. In addition, in Order 7, the ALJ admitted the following evidence into the record of this proceeding *sua sponte*:

- (a) The applicants' response to James Harville's email dated January 4, 2023.

Buyer's Compliance History

- 20. Utilities Investment has 14 violations listed in the TCEQ database.
- 21. Utilities Investment does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
- 22. The Commission's complaint records, which date back to 2017, show 13 complaints against Utilities Investment.
- 23. Utilities Investment demonstrated a compliance history that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

24. There are currently 169 water customer connections and 55 sewer customer connections in the requested areas that are being served by Rosehill Utilities and such service has been continuous and adequate.
25. Rosehill Utilities has no existing violations in the TCEQ database.
26. The Commission's complaint records, which date back to 2017, show no complaints against Rosehill Utilities.

Need for Additional Service

27. There is a continuing need for service in the requested areas because Rosehill Utilities is currently serving 169 water customer connections in the requested water service areas and 55 sewer customer connections in the requested sewer service area.
28. This application is to transfer only existing facilities, customers, and service areas.
29. There is no evidence of specific requests for additional service within the requested areas.

Effect of Approving the Transaction

30. All retail public utilities in the proximate areas were provided notice of the transaction taking place in this application and none filed a protest or motion to intervene.
31. There is no evidence approval of the transaction will have any adverse effect on any other retail public utility providing service in the proximate areas.
32. Rosehill Utilities is the only utility affected by this transfer.
33. There will be no effect on landowners in the requested areas because the requested areas are already certificated.
34. Approving the sale and transfer to proceed and granting the CCN cancellations and amendments will obligate Utilities Investment to provide continuous and adequate water and sewer service to current and future customers in the requested areas.

Ability to Serve: Managerial and Technical

35. Utilities Investment owns and operates a number of TCEQ-registered public water systems and TCEQ-permitted wastewater systems.

36. Utilities Investment employs TCEQ-licensed Class B and C operators who will be responsible for the operation of its water and sewer system.
37. Utilities Investment has the managerial and technical capability to provide continuous and adequate service to the requested areas.

Ability to Serve: Financial Ability and Stability

38. Utilities Investment has a debt-to-equity ratio that is less than one, satisfying the leverage test.
39. Utilities Investment demonstrated that it has sufficient cash and net operating income available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the proposed transaction, satisfying the operations test.
40. No capital improvements are needed to provide continuous and adequate service to existing customers.
41. Utilities Investment demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested areas.

Financial Assurance

42. There is no need to require Utilities Investment to provide a bond or other financial assurance to ensure continuous and adequate service.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

43. Rosehill Utilities is currently serving customers in the requested areas and has sufficient capacity.
44. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed.
45. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

46. It will not be necessary for Utilities Investment to construct a physically separate water system or wastewater system to service the requested areas.

47. Because the requested areas will not require construction of a physically separate water or sewer system, consideration of regionalization or consolidation with an adjacent retail public utility is not required.

Environmental Integrity and Effect on the Land

48. There will be no effect on the environmental integrity or the land because no additional construction is needed to provide service to the requested areas.

Improvement in Service or Lowering Cost to Consumers

49. The rates charged to customers in the requested areas will not change from the current rates charged by Rosehill Utilities.
50. Reliability and quality of water service are expected to improve under Utilities Investment's management.

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), Utilities Investment demonstrated it is capable of rendering continuous and adequate service to every customer within the requested areas, as required by TWC § 13.251.
3. Utilities Investment demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service in the requested areas, as required by TWC §§ 13.241(a) and 13.301(b).
4. The applicants demonstrated that the sale and the transfer of Rosehill Utilities' certificated areas and facilities under water CCN number 12663 and sewer CCN number 20886 to Utilities Investment, the cancellation of Rosehill Utilities' CCN numbers 12663 and 20886, and the amendment of Utilities Investment's CCN numbers 12671 and 20765 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 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 areas subject to the transaction will remain under water CCN number 12663 and sewer CCN number 20886 and be held by Rosehill Utilities 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 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 17th day of March 2023.

PUBLIC UTILITY COMMISSION OF TEXAS



SUSAN E. GOODSON

ADMINISTRATIVE LAW JUDGE