



Control Number: 54617



Item Number: 152

**PUC DOCKET NO. 54617  
SOAH DOCKET NO. 473-24-13127.WS**

**APPLICATION OF TEXAS WATER UTILITIES, LP AND SOUTHERN HORIZONS DEVELOPMENT, INC. FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN LIBERTY AND MONTGOMERY COUNTIES** §  
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**PUBLIC UTILITY COMMISSION**

**OF TEXAS  
PUBLIC UTILITY  
COMMISSION OF TEXAS**

**JAN 23 2025**

*11:05 AM*

**ORDER**

This Order addresses the application of Texas Water Utilities, LP and Southern Horizons Development, Inc. (together, the applicants) for approval of the sale, transfer, or merger of facilities and certificate rights in Liberty and Montgomery Counties. The applicants seek approval of the following: (a) the sale and transfer of all of Southern Horizons’ public water systems, the Southern Crossing Water System Phase 2 and the Southern Oaks Water System Phase 2 (collectively, the Systems), and 527 acres of service area held by Southern Horizons under certificate of convenience and necessity (CCN) number 12863 to Texas Water; (b) the decertification of 98.7 acres of remaining service area under Southern Horizons’ CCN number 12863; (c) the cancellation of Southern Horizons’ CCN number 12863; and (d) the amendment of Texas Water’s CCN number 12983 to include the Systems and 527 acres of service area previously held by Southern Horizons under CCN number 12863 and the addition of 102.5 acres of currently uncertificated area.

The proceeding was referred to the State Office of Administrative Hearings (SOAH) for a hearing on the merits, and the SOAH administrative law judge (ALJ) filed a proposal for decision on October 22, 2024. The proposal for decision recommended that the Commission approve the transaction between Texas Water and Southern Horizons but deny Texas Water’s requested rates. The Commission adopts the proposal for decision, including findings of fact and conclusions of law, to the extent provided in this Order.

The Commission approves the proposed transaction and denies Texas Water’s requested rates but modifies some of the proposal for decision’s reasoning to clarify why the Commission denies the requested rates. The proposal for decision discusses the increase in cost and the lack of

probable improvement of service in recommending denial of Texas Water's proposed initial rates. Consideration of the public-interest factors, such as probable improvement of service or lowering of cost to customers, is not simply a check-the-box exercise, but a nuanced public-interest determination that is fact specific. Here, there may arguably be long-term improvement in service. However, in light of the significant cost increases for the customers under the requested rates, approval of the requested rates is not justified. The Commission finds that Texas Water failed to carry its burden of proof to show that its requested rates are in the public interest in light of the substantial, immediate rate increase that the Systems' customers would experience if Texas Water's requested rates were approved. Therefore, the Commission finds that Southern Horizons' existing rates should remain in effect as initial rates and approves Southern Horizons' existing rates as the initial rates.

Accordingly, the Commission makes the following modifications to the proposal for decision based on the record evidence. The Commission modifies finding of fact 76 to clarify that the reliability of the Systems is not expected to immediately or tangibly improve once the Systems are transferred to Texas Water. The Commission modifies finding of fact 78 to reflect that there will likely be a probable improvement of service over time. The Commission modifies finding of fact 79 to reflect that Texas Water's requested rates would represent a substantial and immediate rate increase from the Systems' existing rates. The Commission adds finding of fact 77A to find that as a large class A utility, Texas Water will have greater access to capital compared to Southern Horizons and adds finding of fact 79A to find that Texas Water failed to show that its requested rates are in the public interest.

In addition, the Commission modifies conclusion of law 27 to clarify that the extension of the filed-rate doctrine under *Entex*<sup>1</sup> is not applicable to this proceeding. The Commission also makes non-substantive changes for such matters as capitalization, spelling, grammar, punctuation, style, correction of numbering, and readability.

Moreover, the Commission makes some clarifications regarding reasoning in the proposal for decision even though they do not require changes to the order itself. The proposal for decision states that a "relevant fact" in finding that the requested rates are not in the public interest is that

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<sup>1</sup> *Entex v. Railroad Comm'n of Tex.*, 18 S.W.3d 858 (Tex. App. —Austin 2000, pet. denied).

“the [r]equested [r]ates are not tailored to the [s]ystems or based on the cost of service needed to service the [s]ystems’ customers . . . .”<sup>2</sup> However, by design, initial rates under Texas Water Code (TWC) § 13.3011(a) are never tailored to individual acquired systems and customers. Rather, they originate in prior rate proceedings and are based on systems and customers other than those being acquired. Therefore, the Commission is not relying on this fact to find that the requested rates are not in the public interest. In addition, the Commission clarifies that all references in the proposal for decision to 16 Texas Administrative Code (TAC) § 24.240 are disregarded and that the Commission makes its determination regarding initial rates in this proceeding based on its interpretation of TWC §§ 13.301 and 13.3011.

### I. Findings of Fact

The Commission adopts the following findings of fact.

#### Applicant

1. Texas Water Utilities, L. P. is a Texas limited partnership registered with the Texas secretary of state under filing number 800034797.
2. Texas Water holds CCN number 12983, which obligates it to provide retail water service in its certificated service areas in multiple counties, including Liberty and Montgomery Counties.
3. Southern Horizons Development, Inc. is a Texas corporation registered with the Texas secretary of state under filing number 144217300.
4. Southern Horizons holds CCN number 12863, which obligates it to provide retail water service in its certificated service areas in Montgomery and Liberty Counties.
5. Southern Horizons owns and operates two public water systems registered with the Texas Commission on Environmental Quality (TCEQ) as Southern Crossing Water System Phase 2 (identification number 1460158) and Southern Oaks Water System Phase 2 (identification number 1460150) (collectively, the Systems).

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<sup>2</sup> Proposal for Decision at 52 (Oct. 22, 2024).

**Application**

6. On February 2, 2023, Texas Water and Southern Horizons filed an application with the Commission for approval of the sale, transfer, or merger of facilities and CCN rights in Liberty and Montgomery Counties.
7. The applicants supplemented the application on February 16, March 15, and June 23, 2023.
8. The application, as supplemented, seeks approval of the following transaction: (a) the sale and transfer of all of Southern Horizons' public water systems, the Southern Crossing Water System Phase 2 and the Southern Oaks Water System Phase 2, and 527 acres of service area held by Southern Horizons under CCN number 12863 to Texas Water; (b) the decertification of 98.7 acres of remaining service area under Southern Horizons' CCN number 12863; (c) the cancellation of Southern Horizons' CCN number 12863; and (d) the amendment of Texas Water's CCN number 12983 to include the Systems and 527 acres of service area previously held by Southern Horizons under CCN number 12863, and the addition of 102.5 acres of currently uncertificated area.
9. The requested area to be included in Texas Water's CCN number 12983 includes approximately 728.2 acres and 461 current customers, which is composed of the 527 acres to be transferred from Southern Horizons' CCN number 12863 and the 102.5 acres of currently uncertificated area.
10. The requested area is located approximately 2.4 miles northeast of downtown Splendora, Texas, and is generally bounded on the north by County Road 377; on the east 0.1 miles from County Road 3737; on the south by County Road 3737; and on the west by U.S. Highway 59.
11. Additionally, the application, as supplemented, seeks an order confirming the ratemaking rate base for the Systems and authorization for Texas Water to charge initial rates to the Systems' customers equal to Texas Water's most-recently approved water rates, as established in Docket No. 50944<sup>3</sup> (the requested rates).

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<sup>3</sup> *Application of Monarch Utilities I L.P. for Authority to Change Rates*, Docket No. 50944, Order (Feb. 23, 2022).

12. In Commission Order No. 4 filed on April 5, 2023, the Commission ALJ found the application, as supplemented, administratively complete.

**Notice**

13. On April 26, 2023, Texas Water filed the affidavit of Brian Bahr, Director of Rates and Regulatory Affairs, attesting that notice was provided to all current customers, neighboring utilities, and affected parties on April 20, 2023.
14. On April 27, 2023, Texas Water filed a confidential list of the customers to whom notice was provided.
15. On May 9, 2023, Texas Water filed a publisher's affidavit attesting to the publication of notice in the *Houston Business Journal*, a newspaper of general circulation in Liberty and Montgomery Counties, on April 21 and 28, 2023.
16. On June 7, 2023, Texas Water filed the affidavit of Mr. Bahr attesting that there are no tracts of land greater than 25 acres located wholly or partially within the requested area.
17. The mailed and published notices included language that “[t]he proposed transaction may change the current customers’ rates and services to the current approved rates and services of Texas Water Utilities, LP, which are higher than the current rate for a 5/8-inch meter for Southern Horizons Development, Inc.”
18. In Commission Order No. 9 filed on June 22, 2023, the Commission ALJ found the notice sufficient.

**Effective Date of Proposed STM Transaction**

19. The application was filed on February 2, 2023, and notice was completed on April 28, 2023.
20. The applicants agreed to an effective date for the proposed transaction that was no earlier than the 121st day after notice was completed.
21. The 120th day after April 28, 2023, was August 28, 2023; therefore, the application was filed at least 120 days before the effective date for the proposed transaction.

**Interventions**

22. In Commission Order No. 3 filed on March 27, 2023, the Commission ALJ granted the motion to intervene filed by the Office of Public Utility Counsel (OPUC).
23. In Commission Order No. 6 filed on May 16, 2023, the Commission ALJ granted the motion to intervene filed by Colin Jones, Cecil Fairfax, Jeffrey Beny, and Anna Miller.
24. In Commission Order No. 8 filed on May 30, 2023, the Commission ALJ granted the motion to intervene filed by Gerald Stover.
25. At the hearing on the merits on July 23, 2024, the SOAH ALJ denied the intervention of Adriana Carillo Pillow and struck Colin Jones and Jeffrey Beny as parties.
26. Constance Stover was admitted as a party in the proposal for decision, filed on October 22, 2024.

**Referral to SOAH**

27. On March 5, 2024, the Commission referred this proceeding to SOAH.
28. On March 7, 2024, the Commission filed a preliminary order ruling on four threshold legal issues and setting forth the issues to be addressed in this proceeding.
29. On July 23, 2024, ALJ Meaghan Bailey convened the hearing on the merits.
30. The applicants, OPUC, Commission Staff, Ms. Fairfax, Ms. Miller, and Ms. Stover appeared at the hearing either personally or through legal counsel.
31. All parties submitted post-hearing briefing, and the record closed upon receipt of the reply briefs on August 23, 2024. The record was reopened on September 25, 2024, for the limited purpose of admitting the applicants' unopposed errata to the direct testimonies of its witnesses Mr. Bahr and Steve Sullivan.

**Testimony and Position Statements**

32. On April 18, 2024, Texas Water filed the redacted direct testimony of Mr. Bahr, including attachments, and his confidential direct testimony, including attachments.
33. On April 18, 2024, Southern Horizons filed the direct testimony and attachments of Mr. Sullivan.

34. On May 5, 8, and 9, 2024, Ms. Fairfax, Ms. Stover, and Ms. Miller filed their direct testimonies, respectively.
35. On May 9, 2024, OPUC filed a statement of position.
36. On May 30, 2024, Staff filed the direct testimony and attachments of Fred Bednarski III, including confidential attachment FB-3, and the direct testimony and attachments of James Harville.
37. On June 20, 2024, Texas Water filed the redacted rebuttal testimony of Mr. Bahr, including attachments, and his confidential rebuttal testimony, including attachments.
38. The testimonies referenced above were admitted at the hearing.
39. On July 18, 2024, OPUC filed a supplemental statement of position.
40. On August 9, 2024, Texas Water filed errata to the direct testimonies of Messrs. Bahr and Sullivan. In SOAH Order No. 8 filed on September 25, 2024, the SOAH ALJ admitted the errata.

#### **Texas Water Compliance History**

41. Texas Water has been subject to enforcement actions by the TCEQ in the past five years for non-compliance with rules, orders, or statutes. Texas Water has resolved, or is in the process of resolving, the compliance issues related to the open TCEQ enforcement actions listed in the application.
42. Texas Water has either resolved or is in the process of resolving the outstanding violations related to its TCEQ enforcement actions.
43. Texas Water does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
44. Texas Water has demonstrated a compliance history that is adequate for approval of the proposed transaction.

#### **Adequacy of Existing Service**

45. There are 461 customers in the requested area that are currently being served by Southern Horizons through the Systems.



46. The Systems are currently providing continuous and adequate service to the requested area.
47. The last TCEQ compliance investigation of Southern Horizons' Southern Oaks Water System Phase 2 was on May 27, 2022. That system does not have any unresolved violations listed in the TCEQ database.
48. The last TCEQ compliance investigation of Southern Horizons' Southern Crossing Water System Phase 2 was on March 6, 2023. That system does not have any unresolved violations listed in the TCEQ database.
49. The Commission's complaint records, which date back five years, show four complaints against Southern Horizons, all of which have been closed.
50. There is no evidence that Southern Horizons has failed to comply with any Commission or TCEQ order.

**Need for Additional Service**

51. The 461 existing water customers in the requested area have an ongoing need for service.
52. The applicants seek to transfer only existing facilities and customers.
53. Southern Horizons has not provided service in the 98.7 acres currently held under its CCN number 12863 and which the applicants seek to decertify because that area does not align with the property boundaries of the area served by Southern Horizons' Systems.
54. There is no evidence of a need for additional service in the requested area.
55. The decertification of the 98.7 acres held under Southern Horizons' CCN number 12863 and the addition of the 102.5 acres of uncertificated area to Texas Water's CCN number 12983 will result in the alignment of the boundaries of Texas Water's service area post-transaction with the property boundaries of the area currently served by Southern Horizons such that all customers transferred from Southern Horizons will be located within Texas Water's CCN number 12983.

**Effect of Approving the Transaction and Granting the CCN Amendment**

56. Texas Water will be the sole certificated water utility for the requested area.

57. Texas Water will be required to provide continuous and adequate water service to current and future customers in the requested area.
58. Landowners in the requested area will be able to obtain water service from Texas Water.
59. The applicants are the only utilities affected by the proposed transaction.
60. All retail public utilities in the proximate area were provided notice of the application, and no protests or adverse comments were filed by any adjacent retail public utility.
61. There will be no adverse effect on any landowners in the requested area because Southern Horizons is not providing service in the to-be-decertified 98.7 acres, and the identified uncertified 102.5 acres align with the property boundaries of the area where Southern Horizons is currently providing service.

**Ability to Serve: Managerial and Technical Capability**

62. Texas Water owns and operates numerous TCEQ-registered public water systems.
63. Texas Water employs or contracts with TCEQ-licensed operators who will be responsible for the operation of the Systems being transferred from Southern Horizons.
64. Texas Water 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 Texas Water Code, and the TCEQ's rules.
65. Texas Water has the technical and managerial capability to provide continuous and adequate service to the requested area.

**Ability to Serve: Financial Ability and Stability**

66. Texas Water's affiliate, Southwest Water Company, is capable, available, and willing to cover any temporary cash shortages and has a debt-service coverage ratio that is greater than 1.25. Therefore, Texas Water satisfies the leverage test.
67. Texas Water projects no operating and maintenance shortages in the first five years after completion of the proposed transaction. Therefore, Texas Water satisfies the operations test.

68. Texas Water submitted documentation indicating it possesses the funds necessary for the purchase of Southern Horizons' Systems and for the construction of its proposed capital improvements.
69. Texas Water demonstrated the financial capability and stability to provide continuous and adequate water service to the Systems.

**Financial Assurance**

70. There is no need to require Texas Water to provide a bond or other financial assurance to ensure continuous and adequate service.

**Feasibility of Obtaining Service from an Adjacent Retail Public Utility**

71. Southern Horizons is currently serving customers throughout the requested area, except for the to-be-decertified 98.7-acre portion, and such service has been continuous and adequate.
72. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities would need to be constructed, including, at a minimum, an interconnect to connect to a neighboring retail public utility.
73. It is not feasible to obtain service from an adjacent retail public utility.

**Environmental Integrity**

74. The proposed transaction will not adversely affect the environmental integrity of the land.
75. The effect on the land should be minimal as the requested area will continue to be served with existing facilities.

**Probable Improvement of Service or Lowering of Cost to Consumers**

76. The reliability and quality of water service for the Systems are not expected to immediately or tangibly improve once the Systems are transferred to Texas Water as no capital improvements or construction are needed for the Systems to meet minimum regulatory standards or to continue providing continuous and adequate service.
77. Texas Water intends to make capital improvements in the future for the long-term health of the Systems once the transfer has been completed and it can do a more in-depth investigation of the Systems. The specific improvements are subject to change, and the timeframe for initiating any improvements is unknown.

- 77A. As a large class A utility, Texas Water will have greater access to capital compared to Southern Horizons.
78. The STM transaction will likely result in a probable improvement of service over time.
79. The requested rates would represent a substantial, immediate rate increase from Southern Horizons' existing rates.
- 79A. On balance, in light of the long-term nature of any improvements of service compared to the immediate substantial rate increase if the requested rates were approved, Texas Water failed to carry its burden of proof to show that its requested rates were in the public interest.

**Regionalization or Consolidation**

80. The construction of a physically separate water system is not necessary for Texas Water to serve the requested area.
81. Because the requested CCN amendment will not require the construction of a physically separate water system, consideration of regionalization or consolidation with another retail public utility is not required.

**Voluntary Valuation of Acquired Utility**

82. On September 6, 2022, prior to filing the application, the applicants filed in Project No. 49859<sup>4</sup> a notice of intent to use the Commission's fair-market-value process to determine the ratemaking rate base of the Systems to be acquired by Texas Water.
83. The application included copies of the three appraisal reports required by the fair-market-value process and evidence of the purchase price agreed upon by the applicants.
84. The appraisal reports submitted with the application were filed under confidential seal.
85. The average of the three appraisals yields the fair market value for Southern Horizons and is listed in the direct testimony of Staff's witness Mr. Bednarski at confidential attachment FB-3.

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<sup>4</sup> *Notice of Intent to Determine Fair Market Value*, Project No. 49859, Monarch Utilities I L.P.'s Notice of Intent to Determine Fair Market Value for Southern Horizons Development, Inc. (Sept. 6, 2022).

86. The purchase price for Southern Horizons was filed under confidential seal.
87. No party contested the applicants' use of the fair-market-value process to determine the ratemaking rate base of the Systems or the applicants' resulting proposed rate base.
88. The ratemaking rate base for Southern Horizons is the purchase price and is listed in the direct testimony of Mr. Bednarski at confidential attachment FB-3.
89. The application included the amount of fees paid to the three utility valuation experts and the known transaction and closing costs that will be reviewed for inclusion in Texas Water's rate base in a future base-rate case.
90. No additional conditions for the acquisition based on the fair-market-value process are needed.
91. Because the applicants used the fair-market-value process, it is not necessary to address whether the Systems were partially or wholly constructed with customer contributions in aid of construction derived from specific surcharges approved by the Commission.

**Customer Deposits**

92. Southern Horizons currently holds deposits for 398 customer accounts.
93. The amount of each deposit is \$50, in accordance with the tariff for Southern Horizons' CCN number 12863.
94. Southern Horizons has the funds necessary to refund all 398 deposits with interest.
95. Southern Horizons will issue final bills after the closing of the proposed transaction; if a customer's final bill is paid in full by the due date, Southern Horizons will refund the deposit with interest, and if the final bill is not paid in full by the due date, Southern Horizons will apply the deposit to the final bill and refund any remaining portion with interest.

**Transaction: Public Interest**

96. The applicants' proposed transaction, including any necessary CCN amendments, as described in finding of fact 8 will serve the public interest.

**Initial Rates: Public Interest**

97. At the time the application was filed the requested rates were approved by the Commission in Docket No. 50944 and were being implemented for a majority of Texas Water's water systems.
98. As part of the agreement in Docket No. 50944, Texas Water agreed to implement phased-in rates for 16 of its water systems. Upon reaching the final phase, those systems will be charged Texas Water's full approved rate.
99. Approving the requested rates to be charged by Texas Water as initial rates for the Systems' customers would not serve the public interest.
100. It would serve the public interest to maintain Southern Horizons' existing rates for the Systems until Texas Water requests and receives Commission approval for a rate change for the Systems.

**II. Conclusions of Law**

The Commission adopts the following conclusions of law.

1. The Commission has authority over this proceeding under TWC §§ 13.041, .241, .244, .246, .301, .3011, and .305.
2. The applicants are retail public utilities as defined by TWC § 13.002(19) and 16 TAC § 24.3(31).
3. The application was filed and notice was provided at least 120 days before the effective date of the proposed transaction, as required by TWC § 13.301(a) and 16 TAC § 24.239(b).
4. As part of the application, Texas Water requested approval to charge its requested rates as initial rates under TWC § 13.3011. The requested rates complied with the conditions in TWC § 13.3011(a)(1)–(2).
5. Notice of the application was provided in compliance with TWC §§ 13.246 and .301(a)(2) and 16 TAC §§ 24.235 and .239(e).
6. The application meets the content requirements of TWC § 13.244 and 16 TAC § 24.233.

7. The Commission processed the application as required by the TWC, Administrative Procedure Act,<sup>5</sup> and Commission rules.
8. Under TWC § 13.301(e)(5) and 16 TAC § 24.239(h)(5), the Commission may hold a hearing to determine whether a proposed transaction will serve the public interest if there are concerns the transaction may not serve the public interest.
9. If the Commission holds a public interest hearing under TWC § 13.301(e)(5) and 16 TAC § 24.239(h)(5), the Commission must consider the factors set forth in TWC § 13.246(c)(1)–(9) and 16 TAC § 24.239(h)(5)(A)–(I).
10. After consideration of the factors in TWC § 13.246(c)(1)–(9) and 16 TAC § 24.239(h)(5)(A)–(I), Texas Water demonstrated it is capable of rendering continuous and adequate water service to every customer within the requested area, as required by TWC § 13.251.
11. After consideration of the factors in TWC § 13.246(c)(1)–(9) and 16 TAC § 24.239(h)(5)(A)–(I), Texas Water demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC §§ 13.241(a) and .301(b).
12. It is not necessary for Texas Water to provide a bond or other financial assurance under TWC §§ 13.246(d) and .301(c).
13. Regionalization and consolidation concerns under TWC § 13.241(d) do not apply in this proceeding because construction of a physically separate water system is not required.
14. The applicants filed their notice of intent to use the Commission's fair-market-value process in compliance with TWC § 13.305(c)(1) and 16 TAC § 24.238(d).
15. The Commission's Executive Director selected three utility valuation experts to perform appraisals of Southern Horizons in compliance with TWC § 13.305(c)(2) and 16 TAC § 24.238(e).

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<sup>5</sup> Administrative Procedure Act, Tex. Gov't Code §§ 2001.001–.903.

16. The application included copies of the three appraisal reports completed by the Commission's utility valuation experts as required by TWC § 13.305(h)(1).
17. The application included the purchase price agreed to by the applicants as required by TWC § 13.305(h)(2).
18. The application included the ratemaking rate base determined under TWC § 13.305(g) and 16 TAC § 24.238(f)(6), as required by TWC § 13.305(h)(3).
19. The application included the known transaction and closing costs incurred by Texas Water to be requested for review and recovery in Texas Water's rate base in a future rate case as permitted by TWC § 13.305(e) and 16 TAC § 24.238(k).
20. The calculation of the fair market value for Southern Horizons complies with TWC § 13.305(f) and 16 TAC § 24.238(b)(3).
21. The calculation of the ratemaking rate base for Southern Horizons complies with TWC § 13.305(g) and 16 TAC § 24.238(b)(4).
22. The disclosure requirement in TWC § 13.301(j) and 16 TAC § 24.239(q) does not apply because the original sources of funding for the Systems is not relevant to determine the value of the Systems' assets under TWC § 13.305(k).
23. The applicants demonstrated that the sale of Southern Horizons' Systems and the transfer of a portion of the service area held under Southern Horizons' CCN number 12863 to Texas Water 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)–(e) and (g).
24. The applicants demonstrated that the decertification of 98.7 acres currently held by Southern Horizons under CCN number 12863 and the amendment of Texas Water's CCN number 12983 to include 102.5 acres of currently uncertificated area 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)–(e) and (g).
25. The applicants demonstrated that the cancellation of Southern Horizons' CCN number 12863 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)–(e) and (g).
26. Southern Horizons has the funds necessary to address customer deposits as required by 16 TAC § 24.239(k) and (l).
  27. The extension of the filed rate doctrine under *Entex*<sup>6</sup> is not applicable to this proceeding.
  28. Texas Water did not demonstrate that approval of its requested rates as initial rates under TWC § 13.3011(a) would serve the public interest, as required by TWC § 13.301(d)–(e) and (g).
  29. Maintaining Southern Horizons' existing rates as the initial rates to be charged by Texas Water to the Systems' customers will serve the public interest, as required by TWC § 13.301(d)–(e) and (g).

### III. Ordering Paragraphs

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

1. The Commission adopts the proposal for decision, including findings of facts and conclusions of law, to the extent provided in this Order.
2. The Commission approves the:
  - a. sale and transfer of Southern Horizons' public water systems, the Southern Crossing Water System Phase 2 and the Southern Oaks Water System Phase 2 (the Systems), and 527 acres of service area held under Southern Horizons' CCN number 12863 to Texas Water;
  - b. decertification of the remaining 98.7 acres held under Southern Horizons' CCN number 12863;
  - c. cancellation of Southern Horizons' CCN number 12863; and
  - d. amendment of Texas Water's CCN number 12983 to include:

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<sup>6</sup> *Entex v. Railroad Comm'n of Tex.*, 18 S.W.3d 858 (Tex. App. —Austin 2000, pet. denied).

- i. the Systems and 527 acres of service area previously held by Southern Horizons' CCN; and
  - ii. an additional 102.5 acres of currently uncertificated area.
3. The transaction between the applicants in this proceeding is approved and may be completed.
4. Southern Horizons' existing rates will remain in effect to be charged by Texas Water as initial rates for the Systems' customers.
5. After the closing of the transaction, Southern Horizons will issue final bills to the Systems' customers. If a customer's final bill is paid in full by the due date, Southern Horizons will refund the customer's deposit with interest, and if the final bill is not paid in full by the due date, Southern Horizons will apply the deposit to the final bill and refund any remaining portion with interest.
6. 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.
7. The applicants have 180 days from the date of this Order to complete the transaction.
8. 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 must reapply for approval.
9. Upon completion of the transaction, Texas Water must provide service to every customer or qualified applicant for service within the approved area under CCN number 12983 that requests water service and meets the terms of Texas Water's water service policies, and such service must be continuous and adequate.
10. Texas Water must comply with the recording requirements in TWC § 13.257(r) and (s) for the area in Montgomery and Liberty Counties affected by the application and must submit to the Commission evidence of the recording no later than 45 days after completion of the transaction.

11. The Commission determines the ratemaking rate base for Southern Horizons to be the fair market value stated in confidential Commission Staff exhibit 1B.
12. Texas Water must file a tariff consistent with this Order within 30 days after the effective date of the transaction in *Compliance Tariff for Final Order in Docket No. 54617 (Application of Texas Water Utilities, LP and Southern Horizons Development, Inc. for Sale, Transfer, or Merger of Facilities and Certificate of Rights in Liberty and Montgomery Counties)*, Docket No. 57557.
13. Copies of all tariff-related filings must be served on all parties of record.
14. No later than 10 days after the date the tariff is filed, Staff must file its comments recommending approval, modification, or rejection of the individual sheets of the tariff proposal, unless the presiding officer in Docket No. 57557 files an order stating otherwise. Responses to Staff's recommendation must be filed no later than 15 days after the filing of the tariff, unless the presiding officer in Docket No. 57557 files an order stating otherwise. The presiding officer in Docket No. 57557 must approve, modify, or reject each proposed tariff sheet. If any proposed tariff sheets are modified or rejected, Texas Water must file proposed revisions to those tariff sheets in accordance with any applicable order by the presiding officer.
15. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed at Austin, Texas the 23<sup>rd</sup> day of January 2025.

**PUBLIC UTILITY COMMISSION OF TEXAS**

  
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**THOMAS J. GLEESON, CHAIRMAN**

  
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**KATHLEEN JACKSON, COMMISSIONER**

*[Recused from docket]*

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**COURTNEY K. HJALTMAN, COMMISSIONER**