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APPLICATION OF SP UTILITY	§	PUBLIC UTILITY COMMISSION
COMPANY, INC. AND MUNICIPAL	§	
OPERATIONS, LLC FOR SALE,	§	OF TEXAS
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN HARRIS COUNTY	§	

**JOINT MOTION TO ADMIT EVIDENCE AND PROPOSED ORDER APPROVING
THE SALE AND TRANSFER TO PROCEED**

I. INTRODUCTION

On August 7, 2023, SP Utility Company, Inc. (SP Utility) and Municipal Operations, LLC (Municipal) (collectively, Applicants) filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Harris County. The Applicants filed supplemental information on August 8, 2023, August 25, 2023, December 8, 2023, February 13, 2024, and March 4, 2024.

On April 3, 2024, the administrative law judge (ALJ) filed Order No. 7, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a joint motion to admit evidence and proposed order by April 9, 2024. Therefore, this pleading is timely filed.

II. MOTION TO ADMIT EVIDENCE

The parties request the entry of the following items into the record of this proceeding:

- (a) The application and all attachments filed on August 7, 2023 (Interchange Item No. 1);
- (b) SP Utility's financial documentation filed under confidential seal on August 8, 2023 (Interchange Item No. 2);
- (c) SP Utility's revised maps filed on August 25, 2023 (Interchange Item No. 4);
- (d) SP Utility's additional information filed under confidential seal on December 8, 2023 (Interchange Item No. 11);
- (e) Commission Staff's supplemental recommendation on administrative completeness and notice and a proposed procedural schedule filed on January 5, 2024 (Interchange Item No. 12);

- (f) Affidavit of notice to current customers, neighboring utilities, and affected parties filed on February 13, 2024 (Interchange Item No. 14);
- (g) SP Utility's financial information and affidavits filed under confidential seal on March 4, 2024 (Interchange Item No. 17);
- (h) SP Utility's projections filed under confidential seal on March 6, 2024 (Interchange Item No. 18);
- (i) Commission Staff's recommendation on approval of sale filed on March 19, 2024 (Interchange Item No. 19); and
- (j) financial attachment to recommendation on approval of sale filed under confidential seal on March 19, 2024 (Interchange Item No. 20).

III. JOINT PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

The attached joint proposed order approving the sale and transfer to proceed would grant the transfer to SP Utility all of Municipal's facilities and water service area held under CCN number 11872, the cancellation of CCN number 11872, and the transfer of all of the facilities and water service area to SP Utility's CCN number 12978. The parties request that the Commission approve the joint proposed order.

IV. CONCLUSION

The parties respectfully request that the items listed above be admitted into the record of this proceeding as evidence and that the Commission adopt the proposed order.

Date: April 9, 2024

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on April 9, 2024 in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

/s/ Cheri Hasz
Cheri Hasz

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APPLICATION OF SP UTILITY COMPANY, INC. AND MUNICIPAL OPERATIONS, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN HARRIS COUNTY	§ § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of SP Utility Company, Inc. (SP Utility) and Municipal Operations, LLC (Municipal) (collectively, Applicants) for the sale, transfer, or merger of facilities in Harris County. SP Utility seeks the sale and transfer of all facilities and service area held by Municipal. The administrative law judge (ALJ) grants that the sale is approved and the transaction between SP Utility and Municipal may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Municipal Operations, LLC is owned by Lonnie Wright.
2. Municipal holds CCN number 11872 which obligates it to provide retail water service in its certificated service area in Navarro and Freestone counties.
3. Municipal owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1010218.
4. SP Utility Company, Inc. is a Texas corporation registered with the Texas secretary of state under filing number 800200690.
5. SP Utility holds CCN number 12978, which obligates it to provide retail water service in its certificated service area in Brazoria, Fort Bend, Harris, and Montgomery counties.

Application

6. On August 7, 2023, the applicants filed the application for approval of the sale and transfer of all facilities and service area held by Municipal in Harris County under water CCN number 11872 to SP Utility's water CCN number 12978 and to cancel CCN number 11872.

7. SP Utility supplemented the application on August 8, August 25, and December 8, 2023.
8. The requested area is located approximately 9.6 miles southwest of downtown Humble, Texas, and is generally bounded on the north by the intersection of San Fernando Drive and Old Creek Road, on the east by Lillja Road, on the south by East West Road, and on the west by Old Creek Road.
9. The requested area comprises approximately 14.4 acres and 37 connections.
10. In Order No. 5 filed on January 8, 2024, the ALJ found the application administratively complete.

Notice

11. On February 13, 2024, SP Utility filed an affidavit attesting that notice of the application was provided to current customers, neighboring utilities, and affected parties on January 11, 2024.
12. In Order No. 6 filed on February 21, 2024, the ALJ found the notice sufficient.

Evidentiary Record

13. In Order No. ___ filed on ____, 2024, the ALJ admitted the following evidence into the record of this proceeding:
 - a. The application and all attachments filed on August 7, 2023;
 - b. SP Utility's financial documentation filed under confidential seal on August 8, 2023;
 - c. SP Utility's revised maps, found sufficient, filed on August 25, 2023;
 - d. SP Utility's additional information filed under confidential seal on December 8, 2023;
 - e. Commission Staff's supplemental recommendation on administrative completeness and notice and a proposed procedural schedule filed on January 5, 2024;
 - f. Affidavit of notice to current customers, neighboring utilities, and affected parties filed on February 13, 2024;

- g. SP Utility's financial information and affidavits filed under confidential seal on March 4, 2024;
- h. SP Utility's projections filed under confidential seal on March 6, 2024;
- i. Commission Staff's recommendation on approval of sale filed on March 19, 2024; and
- j. financial attachment to recommendation on approval of sale filed under confidential seal on March 19, 2024.

System Compliance

- 14. The Commission's complaint records, which date back to 2017, show 55 complaints against SP Utility consisting of one open complaint.
- 15. The remaining complaints have been reviewed and closed by the Commission's Customer Protection Division.
- 16. SP Utility does not have any violations listed in the TCEQ database.
- 17. SP Utility does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
- 18. SP Utility has demonstrated a compliance status that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

- 19. There are currently 37 connections in the requested area that are being served by Municipal through public water system number 1010218 and such service has been continuous and adequate.
- 20. The last TCEQ compliance investigation of Municipal's public water system was on July 13, 2023.
- 21. Municipal does not have any violations listed in the TCEQ database.
- 22. The Commission's complaint records, which date back to 2017, show three complaints investigated by the Commission against Municipal.

23. There is no evidence in the record that Municipal has failed to comply with any Commission or TCEQ order.

Need for Additional Service

24. There are 37 existing customer connections in the requested area; therefore, there is a continuing need for service.
25. This is an application to transfer only existing facilities, customers, and service area. There have been no specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

26. Approving the sale and transfer to proceed and granting the CCN amendment will obligate SP Utility to provide continuous and adequate water service to current and future customers in the 14.4-acre requested area.
27. Because this application is to transfer only existing facilities, customers, and service area, there will be no effect on any other retail public utility servicing the proximate area.
28. There will be no effect on landowners as the area is currently certificated.
29. All retail public utilities in the proximate area were provided notice of the application, and no protests or adverse comments were filed.

Ability to Serve: Managerial and Technical

30. SP Utility owns and operates several TCEQ-registered public water systems in Texas.
31. SP Utility employs or contracts with TCEQ-licensed operators who will be responsible for the operation of the public water system being transferred.
32. SP Utility has the technical and managerial capability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

33. Municipal is currently serving customers throughout the requested area, and such service has been continuous and adequate.
34. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities would need to be constructed; at a minimum, an interconnect would need to be installed to connect to a neighboring retail public utility.

35. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

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

Ability to Serve: Financial Ability and Stability

38. Flow Tech Utility (Flow Tech), SP Utility's affiliate, is capable, available, and willing to cover temporary cash shortages and has a debt-to-equity ratio of less than one, satisfying the leverage test.
39. SP Utility's affiliate, Flow Tech, provided a written guarantee to cover temporary cash shortages and demonstrated it has sufficient cash available on hand to cover any projected operations and maintenance shortages during the first five years of operations following approval of the transaction, satisfying the operations test.
40. Capital improvements are not required to provide continuous and adequate service to the requested area.

Financial Assurance

41. There is no need to require SP Utility to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

Environmental Integrity and Effect on the Land

42. Neither the environmental integrity of the requested area nor the land will be affected as no additional construction is needed to provide service to the requested area.

Improvement of Service or Lowering of Cost to Consumers

43. SP Utility will continue to provide water service to Municipal's existing customers in the requested area.
44. Costs to existing customers will not change as a result of the proposed transaction.

45. Reliability and quality of water service is expected to improve under SP Utility'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), SP Utility 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. SP Utility 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 Municipal's facilities and service area to SP Utility 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 Commission approves the transaction between SP Utility and Municipal 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 180-day period and no extension has been granted, this approval is void and the applicants must reapply for approval.

5. 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.
6. 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 _____ day of _____ 2024.

PUBLIC UTILITY COMMISSION OF TEXAS

**ISAAC TA
ADMINISTRATIVE LAW JUDGE**