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DOCKET NO. 55328

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	§	

NOTICE OF APPROVAL

This Notice of Approval addresses the application of SP Utility Company, Inc. and Municipal Operations, LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Harris County. The Commission approves the following: (a) the sale and transfer to SP Utility of all facilities and service area held by Municipal under certificate of convenience and necessity (CCN) number 11872; (b) the cancellation of Municipal's CCN number 11872; and (c) the amendment of SP Utility's CCN number 12978 to include the facilities and area previously held by Municipal under CCN number 11872.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. SP Utility is a Texas corporation registered with the Texas secretary of state under filing number 800200690.
2. SP Utility operates, maintains, and controls facilities for providing potable water service for compensation in its certificated service areas in multiple counties, including Harris County, under CCN number 12978.
3. SP Utility owns and operates several public water systems registered with the Texas Commission on Environmental Quality (TCEQ).
4. Municipal was a Texas limited liability company registered with the Texas secretary of state under file number 802348599.
5. On February 21, 2025, the Texas secretary of state forfeited Municipal's existence as a legal entity in Texas.

6. Municipal operates, maintains, and controls facilities for providing potable water service for compensation in its certificated service area in Harris County under CCN number 11872.
7. Municipal owns and operates a public water system registered with the TCEQ as SWEA Gardens Estates under public water system identification number TX1010218.

Application

8. On August 7, 2023, the applicants filed the application at issue in this proceeding.
9. SP Utility supplemented the application on August 8, August 25, and December 8, 2023, and March 4 and 6 and May 1, 2024.
10. In the application, as supplemented, the applicants seek approval of the following:
 - a. the sale and transfer to SP Utility of all facilities and service area held under Municipal's CCN number 11872;
 - b. the cancellation of Municipal's CCN number 11872; and
 - c. the amendment of SP Utility's CCN number 12978 to include all facilities and certificated service area previously held under Municipal's CCN number 11872.
11. The requested area is located 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.
12. The requested area includes 14.4 acres and 37 customer connections.
13. In Order No. 5 filed on January 8, 2024, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.

Notice

14. On February 13, 2024, SP Utility filed the following:
 - a. the affidavit of Harrison Williams, president of SP Utility, attesting that notice of the application, including maps, was sent via first class mail to current customers, neighboring utilities, and affected parties on January 11, 2024; and

- b. the affidavit of Mr. Williams, attesting that there are no landowners owning tracts of land over 25 acres wholly or partly inside the requested area.
15. In Order No. 6 filed on February 21, 2024, the ALJ found the notice sufficient.

Evidentiary Record

16. In Order No. 10 filed on June 4, 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;
 - j. financial attachment to recommendation on approval of sale filed under confidential seal on March 19, 2024;
 - k. SP Utility's requested information filed on May 1, 2024; and
 - l. Commission Staff's recommendation on the sufficiency of the supplemental information filed on May 13, 2024.

17. In Order No. 20 filed on March 27, 2025, the ALJ admitted the following evidence into the record of this proceeding:
- a. Commission Staff's recommendation and response to Order No. 14 filed on October 25, 2024;
 - b. closing agreement filed on November 22, 2024;
 - c. amended closing documentation filed on December 20, 2024;
 - d. Commission Staff's recommendation on the sufficiency of the closing documents filed December 23, 2024;
 - e. SP Utility's executed consent form filed February 10, 2025;
 - f. Municipal's executed consent form filed March 5, 2025; and
 - g. the final map and certificate attached to the joint supplemental motion to admit evidence and proposed notice of approval filed on March 10, 2025.

Sale

18. In Order No. 12 filed on June 4, 2024, the ALJ approved the sale and transaction to proceed and required SP Utility and Municipal to file proof that the transaction had closed and customer deposits, if any, had been addressed.
19. On November 22 and December 20, 2024, SP Utility and Municipal filed proof that the transaction had closed and confirmed that there were no outstanding customer deposits that needed to be addressed.
20. In Order No. 18 filed on December 30, 2024, the ALJ found the closing documentation sufficient.

Purchaser's Compliance History

21. The Commission's complaint records, which date back to five years, show 55 total complaints against SP Utility, with one open complaint that is being addressed.
22. The remaining complaints have been reviewed and closed by the Commission's Customer Protection Division.
23. SP Utility has eight violations listed in the TCEQ database.

24. SP Utility does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
25. SP Utility demonstrated a compliance status that is adequate for approval of this transaction.

Adequacy of Existing Service

26. There are currently 37 existing customer connections in the requested area being served by Municipal.
27. The last TCEQ compliance investigation of Municipal's public water system was on July 13, 2023.
28. Municipal does not have any violations listed in the TCEQ database.
29. The Commission's complaint records, which date back to five years, show three complaints investigated by the Commission against Municipal. All complaints have been reviewed and closed by the Commission's Consumer Protection Division.
30. There is no evidence in the record that Municipal has failed to comply with any Commission or TCEQ order.
31. No capital improvements are necessary for SP Utility to provide continuous and adequate service to the requested area.

Need for Additional Service

32. There are currently 37 existing customer connections in the requested area that are receiving service from Municipal and have an ongoing need for service.
33. This application is to transfer only existing facilities, customers, and service areas.
34. There is no evidence in the record indicating a need for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

35. SP Utility will be the sole certificated entity for the requested area and be required to provide continuous and adequate water service to current and future customers in the requested area.

36. There will be no effect on landowners in the requested area because the requested area is currently certificated and serviced by Municipal.
37. All retail public utilities in the proximate area were provided notice of the application, and none filed protests or adverse comments, or sought to intervene in this proceeding.
38. There will be no effect on any retail public utility servicing the proximate area.

Ability to Serve: Managerial and Technical

39. SP Utility owns and operates multiple TCEQ-registered public water systems in Texas.
40. SP Utility employs or contracts with TCEQ-licensed operators who will be responsible for the operation of the public water system being transferred.
41. 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

42. Municipal is currently serving customers in the requested area and has sufficient capacity.
43. 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.
44. It is not economically feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

45. It will not be necessary for SP Utility to construct a physically separate water system to serve the requested area.
46. 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

47. Flow-Tech Utility, LLC, 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.

48. Flow-Tech provided a written guarantee of coverage of temporary cash shortages and demonstrated that it has sufficient cash available to cover any projected operations and maintenance shortages in the first year five years of operations after completion of the transaction, satisfying the operations test.
49. No capital improvements are necessary for SP Utility to provide continuous and adequate service to the requested area.
50. SP Utility demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

51. 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

52. The requested area will continue to be served with existing infrastructure.
53. The environmental integrity of the land will not be impacted as no construction is needed to provide service to the requested area.

Improvement of Service or Lowering of Cost to Consumers

54. SP Utility will continue to provide water service to Municipal's existing customers in the requested area.
55. The current rates charged to existing customers will not change as a result of the proposed transaction because SP Utility will adopt the rates currently in effect in the tariff for the acquired water system upon final approval of the application.
56. Reliability and quality of water service is expected to improve under SP Utility's management.

Map and Certificate

57. On February 10, 2025, Commission Staff emailed the proposed final map and certificate to SP Utility and Municipal.
58. On February 10, 2025, SP Utility filed its consent form concurring with the proposed final map and certificate.

59. On March 5, 2025, Municipal filed its consent form concurring with the proposed final map and certificate.
60. On March 10, 2025, the final map and certificate were filed 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. SP Utility, Municipal, 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. The 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) §§ 13.041, 13.241, 13.242, 13.244, 13.246, 13.251, and 13.301.
2. SP Utility and Municipal are retail public utilities as defined by TWC § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(31).
3. Notice of the application was provided in substantial compliance with TWC §§ 13.246 and 13.301(a)(2) and 16 TAC §§ 24.235 and 24.239.
4. The application meets the requirements of TWC § 13.244 and 16 TAC §§ 24.227 and 24.233.
5. The Commission processed this application as required by the TWC, Administrative Procedure Act,¹ and Commission rules.
6. SP Utility and Municipal complied with the requirements of 16 TAC § 24.239(k) and (l) with respect to customer deposits.

¹ Tex. Gov't Code §§ 2001.001–.903.

7. SP Utility and Municipal completed the sale within the time required by 16 TAC § 24.239(m).
8. 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.
9. 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).
10. 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.
11. It is not necessary for SP Utility to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
12. SP Utility and Municipal demonstrated that the sale and transfer of Municipal's facilities and service area under CCN number 11872 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).
13. Under TWC § 13.257(r) and (s), SP Utility must record a certified copy of its approved map and certificate, along with a boundary description of its 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

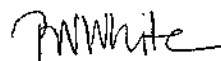
In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The Commission approves the sale and transfer of facilities, customers, and service area held under Municipal's CCN number 11872 to SP Utility, to the extent provided in this Notice of Approval and as shown on the attached map.

2. The Commission cancels Municipal's CCN number 11872.
3. The Commission amends SP Utility's CCN number 12978 to include the facilities, customers, and service area previously included in Municipal's CCN number 11872, as described in this Notice of Approval and shown on the attached map.
4. The Commission approves the map attached to this Notice of Approval.
5. The Commission issues the certificate attached to this Notice of Approval.
6. SP Utility must provide service to every customer or applicant for service within the approved area under CCN number 12978 that requests service and meets the terms of SP Utility's water service policies, and such service must be continuous and adequate.
7. SP Utility must comply with the recording requirements in TWC § 13.257(r) and (s) for the area in Harris County affected by the application and must submit to the Commission evidence of the recording no later than 45 days after the date of this Notice of Approval.
8. Within ten days of the date of this Notice of Approval, Commission Staff must provide the Commission with a clean copy of SP Utility's most current comprehensive tariff, including the tariff pages approved by this Notice of Approval, to be stamped *Approved* and retained by Central Records.
9. The Commission denies all other motions and any other requests for general or specific relief that are not expressly granted.

Signed at Austin, Texas on the 27th day of March 2025.

PUBLIC UTILITY COMMISSION OF TEXAS



REBECCA NASH WHITE
ADMINISTRATIVE LAW JUDGE



Public Utility Commission of Texas

By These Presents Be It Known To All That

SP Utility Company, Inc.

having obtained certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, SP Utility Company, Inc. is entitled to this

Certificate of Convenience and Necessity No. 12978


to provide continuous and adequate water utility service to that service area or those service areas in Brazoria, Fort Bend, Harris and Montgomery counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 55328 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of SP Utility Company, Inc. to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

PUCT Docket No. 55328
SP Utility Company, Inc.
Portion of Water CCN No. 12978
Transfer all of Municipal Operations, LLC, CCN No. 11872 in Harris County



ft 0 125 250

Water CCN

 12978 - SP Utility Company Inc

Mapping Section
Infrastructure Division

Date: January 31, 2025
Project: 55328.aprx

