



Instructions for an Application for Sale, Transfer, or Merger of a Retail Public Utility

7 copies of the application, including the original, along with one copy of the portable electronic storage medium (such as CD or DVD) containing the GIS data shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

1. General Information

Pursuant to Texas Water Code Section 13.301, this Application must be filed with the Public Utility Commission of Texas (Commission or PUC) and notice must be provided to each customer being transferred and each utility within 2 miles of the proposed transaction at least 120 days prior to the effective date of any sale, acquisition, lease or rental, merger or consolidation of any water or sewer system required by law to possess a certificate of convenience and necessity (CCN).

You must answer each question on the attached forms completely. Do not leave any questions blank.

You may attach additional sheets. Clearly label each attachment with the applicant's name and mailing address and a title such as "Attachment 1, Question 16". If the question in the application does not apply, please mark "N/A" and explain why.

2. Completed Application will include the following:

- A. The application with all questions filled out;
- B. All required attachments, maps and exhibits
- C. The agreement between parties, contingent contract, or other documents supporting the proposed transaction (Do not execute the sale prior to PUC approval);
- D. The proposed tariff for the purchased system. If the utility is subject to the PUC's original rate jurisdiction, the tariff rates must reflect the current rates being charged to customers. Water or sewer supply corporations must file a complete copy of their current tariff. Districts and municipalities need not file a complete tariff, but must file a schedule of rates to be charged after the transfer;

- E. Your proposed notice to customers and neighboring utilities; Use Notice FORM A for a system with a CCN and Notice FORM B for a system without a CCN (see Section 3 for detailed notice requirements);
- F. The latest TCEQ Inspection letter for the system(s) being acquired and any response provided to the TCEQ to address any outstanding deficiencies;
- G. For corporations, the "Certification of Account Status";
- H. Each of the sworn affidavits of the transferor and transferee utility representatives.

3. Notice Requirements

- A. 120 day notice: Notice of the proposed transaction must be given to the public at least 120 days prior to the effective date;
- B. Wait to mail your notice: Do not send your proposed notices or maps, or publish notice, until they have been reviewed by the PUC staff and you have been notified to do so in writing.
- C. Choose Notice Form A or B: Form A should be used if the seller utility has a CCN. Form B should be used in the seller does not have a CCN and the purchaser utility will obtain a new CCN or amend its current CCN as a result of the transaction. Please contact the PUC when in doubt. The PUC may also request publication and additional notice to other parties.

4. Other processing information

- A. Prior to the expiration of the 120 day notification period, the PUC staff will investigate the proposed transaction. Staff may request a hearing based on notice and the criteria in Texas Water Code Section 13.246(c) if:
 - 1. The notification to the PUC or public notice was improper;
 - 2. The person purchasing or acquiring the water system is inexperienced as a utility service provider;
 - 3. The person or an affiliated interest of the person acquiring the system has a history of noncompliance with the requirements of the Texas Commission on Environmental Quality (TCEQ) or of continuing mismanagement or misuse of revenues as a utility service provider;
 - 4. The person purchasing or acquiring the system cannot demonstrate financial ability to provide the necessary capital investment for service;
 - 5. Public interest concerns exist with the transaction.
- B. If the application is incomplete, a letter will be sent regarding the deficiencies and describing what you need to do to correct the deficiencies. After receiving the letter, you will have thirty (30) days to make necessary corrections. If you fail to make the corrections completely, the application will be returned for failure to prosecute.
- C. Unless a public hearing is held, the transaction may be completed as proposed at the end of the 120 day period following proper notice, or any time after you receive notice that a hearing will not be held. If a hearing is requested or proper notice is not provided, the transaction may not be completed without a determination by the PUC that the transaction serves the public interest.
- D. If the application is contested and a hearing is requested, the application will be referred to the State Office of Administrative Hearings (SOAH). During the preliminary hearing, the presiding Administrative Law Judge (ALJ) may give the parties time to negotiate a settlement. If an evidentiary proceeding ensues, the ALJ will take testimony from each party and present a report to the Commission to consider in making a final decision on the application.

5. Completion of sale/acquisition; Filing of Signed Contract

- A. Within 30 days after the effective date of the sale, the parties must file 10 copies (per PUC Proc. R. 22.71) of a signed contract, bill of sale, or other appropriate documents as evidence that the transaction has been finalized. Furthermore, the applicant must file documentation of the transfer of customer deposits or other disposition and a sworn affidavit explaining the disposition of customer deposits. The PUC cannot issue or transfer the CCN without these documents.