



Control Number: 48455



Item Number: 1

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PUC DOCKET NO. **48455**

RECEIVED

REQUEST OF SEGURO WATER CO., §  
LLC AND SAN PEDRO CANYON §  
WATER RESOURCES TO PLACE §  
BLUE CEREUS, LLC UNDER §  
TEMPORARY MANAGEMENT OR §  
SUPERVISION §  
§

BEFORE THE 2018 JUN 11 PM 12:52  
PUBLIC UTILITY COMMISSION  
FILING CLERK

PUBLIC UTILITY COMMISSION  
OF TEXAS

**REQUEST OF SEGURO WATER COMPANY, LLC AND**  
**SAN PEDRO CANYON WATER RESOURCES TO PLACE BLUE CEREUS, LLC**  
**UNDER TEMPORARY MANAGEMENT OR SUPERVISION**  
**AND FOR OTHER APPROPRIATE RELIEF**

Seguro Water Company, LLC (Seguro) and San Pedro Canyon Water Resources (San Pedro) respectfully file this request to place Blue Cereus, LLC (Blue Cereus) under temporary management or supervision and for other appropriate relief.

**I. BACKGROUND**

Blue Cereus is a retail water utility providing service in the La Caleta Estates and San Pedro Village subdivisions in Val Verde County, Texas. Seguro and San Pedro provide wholesale water supply to Blue Cereus for those subdivisions under two Agreements to Sell and Purchase Water (Agreements) entered into in 2009. For several years, Seguro and San Pedro have been engaged in extended, unsuccessful discussions with Blue Cereus to address Blue Cereus' substantial and longstanding delinquency in payment for the water supply furnished by Seguro and San Pedro.

On June 1, 2018, Seguro and San Pedro gave Blue Cereus Notice of Default and Termination under each of the Agreements due to Blue Cereus' payment delinquency. The notice letter notified Blue Cereus that, absent satisfactory arrangements for payment of the delinquent amounts, the Agreements will terminate on August 30, 2018, ninety (90) days after the date of the letter. The letter advised Blue Cereus to make arrangements for an alternative water supply or to cure the defaults prior to termination of the Agreements, and notified Blue Cereus that Seguro and San Pedro intended to promptly pursue their rights and remedies under the Agreements and applicable law, including seeking intervention by this Commission. A copy of the Notice of Default and Termination letter is attached as Attachment A. Blue Cereus has not responded to the letter.

**II. REQUEST TO PLACE BLUE CEREUS  
UNDER TEMPORARY MANAGEMENT OR SUPERVISION  
AND FOR OTHER APPROPRIATE RELIEF**

Due to Blue Cereus' failure to pay for its wholesale water supply and the resulting impending termination of its water supply contracts, there is an imminent risk that Blue Cereus will be unable to provide continuous and adequate service to its customers in the La Caleta Estates and San Pedro Village subdivisions. Blue Cereus' longstanding failure to pay for its wholesale water supply constitutes abandonment as defined in Texas Water Code (TWC) §13.412, and Seguro and San Pedro respectfully request that the Commission: (1) authorize a temporary manager to operate Blue Cereus; and (2) ask the Attorney General to bring suit for the appointment of a receiver to collect the assets and carry on the business of Blue Cereus, pursuant to Texas Water Code (TWC) §§ 13.412 and 13.4132.

In the event the Commission chooses not to immediately authorize a temporary manager and initiate a suit for receivership, Seguro and San Pedro request that the Commission place Blue Cereus under supervision pursuant to TWC §13.4131 and, during such supervision, require that Blue Cereus abide by the following conditions and requirements:

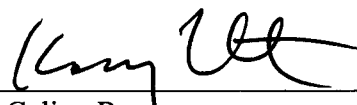
1. Within 30 days, provide Commission Staff, Seguro and San Pedro a report showing Blue Cereus' receipts and disbursements by month for the previous twenty-four months, and update the report on a monthly basis for the current month;
2. Within 30 days, provide Commission Staff, Seguro and San Pedro copies of the annual report submitted to the Commission or the Texas Commission on Environmental Quality for each of the last ten years, as required by 16 TAC §24.73;
3. Deposit all funds and receipts into an account at a financial institution approved by the Commission and use those funds only for reasonable and necessary expenses of Blue Cereus, including payment for wholesale water supply as set forth below;
4. Make timely payment each month for current water supply invoices from Seguro and San Pedro, plus payment each month to retire a portion of the delinquent balances reflected on Attachment A;
5. Within 30 days, provide Commission Staff, Seguro and San Pedro copies of all Blue Cereus' bank statements for the previous twenty-four months, and continue to provide updated bank statement(s) for the current month on a monthly basis;

6. Within 30 days, provide Commission Staff, Seguro and San Pedro an accounting of all salaries and benefits paid, and all capital distributions from Blue Cereus to its owners, since January 1, 2009;
7. Blue Cereus shall not increase salaries or benefits, make capital distributions to owners, or liquidate assets without prior Commission approval;
8. Within 30 days, provide Commission Staff, Seguro and San Pedro a list of Blue Cereus' account receivable and payable for each of the preceding twenty-four months;
9. Provide Commission Staff, Seguro and San Pedro a report on a monthly basis including the account status and any delinquent payments made by Blue Cereus' customers and collection status.

### **III. CONCLUSION**

In light of Blue Cereus' longstanding and ongoing failure to pay for its wholesale water supply, Commission intervention is necessary to ensure that Blue Cereus continues to provide continuous and adequate service to its customers. Seguro and San Pedro respectfully request that the Commission authorize a temporary manager to operate Blue Cereus and ask the Attorney General to initiate a receivership proceeding. In the alternative, Seguro and San Pedro request that the Commission place Blue Cereus under supervision with the conditions and requirements identified above.

Respectfully submitted,



Celina Romero  
State Bar No. 17223900

Kerry McGrath  
State Bar No. 13652200

**DUGGINS WREN MANN & ROMERO, LLP**

P.O. Box 1149

Austin, Texas 78767

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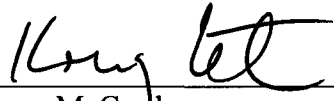
cromero@dwmrlaw.com

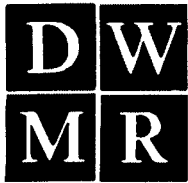
kmcgrath@dwmrlaw.com

**ATTORNEYS FOR SEGURO WATER  
COMPANY, LLC AND SAN PEDRO  
CANYON WATER RESOURCES**

**CERTIFICATE OF SERVICE**

I certify that a true and correct copy of this document was served by electronic mail, facsimile, hand-delivery, overnight delivery, or First Class U.S. Mail on Jimmy Alan Hall, registered agent for Blue Cereus, LLC, on June 11, 2018.

  
Kerry McGrath



DUGGINS  
WREN  
MANN &  
ROMERO, LLP

ATTACHMENT A

One American Center  
600 Congress  
Suite 1900  
Austin, TX 78701

P.O. Box 1149  
Austin, TX 78767

p: 512.744.9300  
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June 1, 2018

**VIA REGULAR MAIL AND**  
**CERTIFIED MAIL RETURN RECEIPT REQUESTED**

Mr. Jimmy Alan Hall  
Blue Cereus, LLC  
401 Green Acres Drive, Suite 100  
Wimberley, Texas 78676

**RE: Notice of Default and Notice of Termination; Agreement to Sell and Purchase Water between Seguro Water Co., LLC and Blue Cereus, LLC, and Agreement to Sell and Purchase Water between San Pedro Canyon Water Resources and Blue Cereus, LLC**

Dear Mr. Hall,

This firm has been retained to represent Seguro Water Co., LLC ("Seguro") and San Pedro Canyon Water Resources ("San Pedro") in connection with delinquent payments owed by Blue Cereus, LLC ("Blue Cereus") for wholesale water supplied to Blue Cereus by Seguro and San Pedro under the Agreement to Sell and Purchase Water Between Seguro Water Co., LLC and Blue Cereus, LLC ("Seguro Agreement") and the Agreement to Sell and Purchase Water Between San Pedro Canyon Water Resources and Blue Cereus, LLC ("San Pedro Agreement"), respectively. As of the date of this letter, the amount past due and owing from Blue Cereus to Seguro is \$103,862.97, as shown on Attachment A, and the amount past due and owing from Blue Cereus to San Pedro is \$39,419.54, as shown on Attachment B. Blue Cereus' failure to timely pay these amounts due and owing constitutes a default and breach of each of the Agreements.

Pursuant to Section 2.02 of each of the Seguro Agreement and the San Pedro Agreement, Seguro and San Pedro hereby give notice that, absent satisfactory arrangements by Blue Cereus for payment of delinquent amounts, the Seguro Agreement and the San Pedro Agreement will terminate on August 30, 2018, ninety (90) days after the date of this letter. Blue Cereus should make arrangements for an alternative water supply or cure the defaults prior to termination of the Seguro and San Pedro Agreements.

If reasonable arrangements are not made within ten days to address Blue Cereus' past due balances, Seguro and San Pedro also intend to promptly pursue their rights and remedies under the Agreements and applicable law, including without limitation requesting that the Public Utility Commission of Texas appoint a temporary manager and seek appointment of a receiver for Blue Cereus.



June 1, 2018  
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Please contact me if you would like to discuss these issues.

Very truly yours,

Kerry McGrath

cc: Public Utility Commission of Texas, Water Utilities Division  
Carol Winkley

Seguro Water Company, LLC  
Balance Due

ATTACHMENT A

				Payments Received (Posted through the 10th of the month)	Interest/ Late Payment Fee	Balance Due
Year	Month (of water used)		Monthly total Invoice			
2014	January					\$0.00
2014	February	\$239.82	\$3,639.82	\$2,250.00	\$0.00	\$1,389.82
2014	March	\$661.34	\$4,061.34	\$2,850.00	\$0.00	\$2,601.16
2014	April	\$710.01	\$4,110.01	\$2,800.00	\$0.00	\$3,911.16
2014	May	\$991.14	\$4,391.14	\$2,000.00	\$12.74	\$6,315.05
2014	June	\$1,064.87	\$4,464.87	\$3,150.00	\$21.10	\$7,651.01
2014	July	\$959.65	\$4,359.65	\$2,450.00	\$34.67	\$9,595.34
2014	August	\$1,228.85	\$4,628.85	\$2,250.00	\$48.97	\$12,023.16
2014	September	\$977.68	\$4,377.68	\$3,000.00	\$60.15	\$13,460.99
2014	October	\$705.06	\$4,105.06	\$2,850.00	\$70.74	\$14,786.79
2014	November	\$672.55	\$4,072.55	\$2,500.00	\$81.91	\$16,441.25
2014	December	\$682.98	\$4,082.98	\$2,000.00	\$96.28	\$18,620.51
2015	January	\$439.81	\$3,839.81	\$1,150.00	\$116.47	\$21,426.79
2015	February	\$473.89	\$3,873.89	\$1,800.00	\$130.85	\$23,631.53
2015	March	\$437.40	\$3,837.40	\$1,800.00	\$145.54	\$25,814.47
2015	April	\$736.32	\$4,136.32	\$2,500.00	\$155.43	\$27,606.23
2015	May	\$519.60	\$3,919.60	\$2,000.00	\$170.71	\$29,696.54
2015	June	\$583.40	\$3,983.40	\$400.00	\$195.31	\$33,475.24
2015	July	\$465.68	\$3,865.68	\$1,665.00	\$212.07	\$35,887.99
2015	August	\$671.93	\$4,071.93	\$2,400.00	\$223.25	\$37,783.18
2015	September	\$671.93	\$4,071.93	\$2,400.00	\$235.89	\$39,690.99
2015	October	\$1,075.61	\$4,475.61	\$2,700.00	\$246.61	\$41,713.21



Seguro Water Company, LLC  
Balance Due

Year	Month (of water used)		Monthly total Invoice	Payments Received (Posted through the 10th of the month)	Interest/ Late Payment Fee	Balance Due
2015	November	\$788.05	\$4,188.05	\$2,350.00	\$262.42	\$43,813.69
2015	December	\$585.24	\$3,985.24	\$2,450.00	\$275.76	\$45,624.69
2016	January	\$471.05	\$3,871.05	\$1,500.00	\$294.16	\$48,289.90
2016	February	\$453.71	\$3,853.71	\$1,350.00	\$312.93	\$51,106.54
2016	March	\$595.38	\$3,995.38	\$5,050.00	\$307.04	\$50,358.97
2016	April	\$471.25	\$3,871.25	\$2,500.00	\$319.06	\$52,049.28
2016	May	\$551.15	\$3,951.15	\$2,100.00	\$333.00	\$54,233.42
2016	June	\$695.05	\$4,095.05	\$1,850.00	\$349.22	\$56,827.69
2016	July	\$766.34	\$4,166.34	\$3,100.00	\$358.18	\$58,252.22
2016	August	\$1,002.19	\$4,402.19	\$2,950.00	\$368.68	\$60,073.09
2016	September	\$734.38	\$4,134.38	\$2,500.00	\$383.82	\$62,091.28
2016	October	\$453.49	\$3,853.49	\$2,800.00	\$395.28	\$63,540.05
2016	November	\$464.17	\$3,864.17	\$2,750.00	\$405.27	\$65,059.48
2016	December	\$787.28	\$4,187.28	\$2,000.00	\$420.40	\$67,667.16
2017	January	\$406.24	\$3,806.24		\$451.11	\$71,924.51
2017	February	\$491.32	\$3,891.32		\$479.50	\$76,295.34
2017	March	\$579.84	\$3,979.84		\$508.64	\$80,783.81
2017	April	\$701.65	\$4,101.65		\$538.56	\$85,424.01
2017	May	\$603.79	\$4,003.79		\$569.49	\$89,997.30
2017	June	\$710.65	\$4,110.65		\$599.98	\$94,707.93
2017	July	\$734.61	\$4,134.61		\$631.39	\$99,473.93
2017	August	\$850.81	\$4,250.81		\$663.16	\$104,387.90
2017	September	\$677.01	\$4,077.01	\$22,000.00	\$549.25	\$87,014.17
2017	October	\$1,050.26	\$4,450.26	\$2,000.00	\$566.76	\$90,031.19

**Seguro Water Company, LLC  
Balance Due**

Year	Month (of water used)	Water Used (in thousands of gallons)	Monthly total Invoice	Payments Received (Posted through the 10th of the month)	Interest/ Late Payment Fee	Balance Due
2017	November	\$1,022.91	\$4,422.91	\$1,500.00	\$550.27	\$93,504.37
2017	December	\$895.66	\$4,295.66	\$4,450.00	null	\$93,350.03
2018	January	\$1,114.59	\$4,514.59	\$2,200.00	\$607.67	\$96,272.29
2018	February	\$769.05	\$4,169.05	\$3,400.00	\$619.15	\$97,660.49
2018	March	\$1,101.07	\$4,501.07	\$1,850.00	\$638.74	\$100,950.30
2018	April	\$1,356.33	\$4,756.33	\$2,500.00	\$656.34	\$103,862.97

San Pedro Water Resources, JV  
Balance Due

ATTACHMENT B

	Month (of water used)	Monthly total Invoice	Payments Received (Posted through the 15th of the month)	Interest/ Late Payment Fee	Balance Due
					0
2014	January	\$1,652.95	\$1,250.00		\$402.95
2014	February	\$1,705.31	\$475.00	null	\$1,633.26
2014	March	\$1,851.68	\$1,100.00	\$3.56	\$2,388.50
2014	April	\$2,105.52	\$1,250.00	\$7.59	\$3,251.61
2014	May	\$2,087.39	\$1,175.00	\$13.84	\$4,177.84
2014	June	\$1,896.62	\$1,000.00	\$21.19	\$5,095.65
2014	July	\$2,978.80	\$1,000.00	\$27.30	\$7,101.75
2014	August	\$2,227.82	\$1,000.00	\$40.68	\$8,370.25
2014	September	\$2,133.55	\$1,250.00	\$47.47	\$9,301.27
2014	October	\$1,880.52	\$1,250.00	\$53.68	\$9,985.46
2014	November	\$1,749.53	\$1,250.00	\$58.24	\$10,543.23
2014	December	\$1,651.67	\$1,250.00	\$61.95	\$11,006.85
2015	January	\$1,598.16	\$1,250.00	\$65.05	\$11,420.06
2015	February	\$1,589.69	\$1,250.00	\$67.80	\$11,827.54
2015	March	\$1,535.54	\$1,350.00	\$69.85	\$12,082.93
2015	April	\$1,764.23	\$1,000.00	\$73.89	\$12,921.05
2015	May	\$1,710.13	\$1,000.00	\$79.47	\$13,710.66
2015	June	\$1,740.21	\$650.00	\$87.07	\$14,887.93
2015	July	\$1,943.96	\$1,260.00	\$90.85	\$15,662.75
2015	August	\$2,183.77	\$1,200.00	\$96.42	\$16,742.93
2015	September	\$2,394.45	\$1,250.00	\$103.29	\$17,990.66

**San Pedro Water Resources, JV  
Balance Due**

	Month (of water used)	Monthly total Invoice	Payments Received (Posted through the 15th of the month)	Interest/ Late Payment Fee	Balance Due
	2015 October	\$2,166.22	\$1,250.00	\$111.60	\$19,018.49
	2015 November	\$1,660.14	\$1,250.00	\$118.46	\$19,547.09
	2015 December	\$1,544.35	\$1,000.00	\$123.65	\$20,215.08
	2016 January	\$1,784.27	\$1,000.00	\$128.10	\$21,127.45
	2016 February	\$1,517.93	\$1,000.00	\$134.18	\$21,779.57
	2016 March	\$1,689.94	\$1,000.00	\$138.53	\$22,608.03
	2016 April	\$1,565.97	\$1,650.00	\$139.72	\$22,663.72
	2016 May	\$1,676.72	\$1,450.00	\$141.42	\$23,031.87
	2016 June	\$1,819.91	\$1,400.00	\$144.21	\$23,595.99
	2016 July	\$2,347.48	\$1,000.00	\$150.64	\$25,094.11
	2016 August	\$2,292.65	\$1,700.00	\$155.96	\$25,842.72
	2016 September	\$1,720.59	\$1,350.00	\$163.28	\$26,376.59
	2016 October	\$1,642.34	\$1,000.00	\$169.18	\$27,188.10
	2016 November	\$1,499.60	\$1,300.00	\$172.59	\$27,560.30
	2016 December	\$1,565.12	\$1,150.00	\$176.07	\$28,151.49
	2017 January	\$1,679.75	\$1,300.00	\$179.01	\$28,710.24
	2017 February	\$1,679.75	\$1,250.00	\$183.07	\$29,323.06
	2017 March	\$1,679.75	\$1,100.00	\$188.15	\$30,090.96
	2017 April	\$1,679.75	\$1,250.00	\$192.27	\$30,712.99
	2017 May	\$1,679.75	\$1,250.00	\$196.42	\$31,339.15
	2017 June	\$1,679.75	\$1,250.00	\$200.59	\$31,969.50
	2017 July	\$1,679.75	\$1,300.00	\$204.46	\$32,553.71
	2017 August	\$1,679.75	\$1,050.00	\$210.02	\$33,393.48

San Pedro Water Resources, JV  
Balance Due

	Month (of water used)	Monthly total Invoice	Payments Received (Posted through the 15th of the month)	Interest/ Late Payment Fee	Balance Due
2017	September	\$1,679.75	\$450.00	\$219.62	\$34,842.85
2017	October	\$1,679.75	\$500.00	\$228.95	\$36,251.55
2017	November	\$1,679.75	\$2,000.00	null	\$35,931.30
2017	December	\$1,679.75	\$1,250.00	\$231.21	\$36,592.26
2018	January	\$1,610.43	\$1,500.00	\$233.95	\$36,936.64
2018	February	\$1,613.13	\$1,200.00	\$238.24	\$37,588.02
2018	March	\$1,188.42	\$1,000.00	\$243.92	\$38,020.36
2018	April	\$2,152.38	\$1,000.00	\$246.80	\$39,419.54