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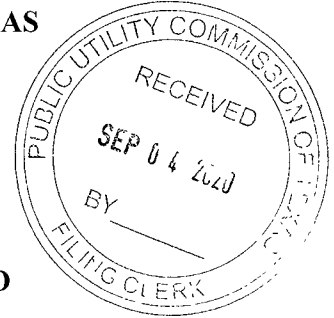
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DOCKET NO. 50276

APPLICATION OF NORTH VICTORIA UTILITIES, INC. AND CSWR-TEXAS UTILITY OPERATING COMPANY, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN VICTORIA COUNTY

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**PUBLIC UTILITY COMMISSION
OF TEXAS**



**ORDER NO. 11
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of North Victoria Utilities, Inc. and CSWR-Texas Utility Operating Company, LLC for a sale, transfer, or merger of certificate rights in Victoria County. The applicants seek the cancellation of North Victoria's water certificate of convenience and necessity (CCN) number 11817 and the transfer of all facilities and service area held under water CCN number 11817 to CSWR-Texas under new water CCN number 13290. This Order addresses only the requested sale and transfer. The administrative law judge (ALJ) grants that the sale is approved and the transaction between North Victoria and CSWR-Texas may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. North Victoria is a for-profit corporation registered with the Texas secretary of state under file number 104920400.
2. North Victoria is a retail public utility that provides water service in Victoria County under water CCN number 11817.
3. North Victoria owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 2350049.
4. CSWR-Texas is a domestic limited liability company registered with the Texas secretary of state under file number 803367893.

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5. CSWR-Texas is proposing to become a retail public utility that provides water service in Texas pursuant to the transfer of the facilities and service areas under CCN number 11817 to CSWR-Texas and assignment of new CCN number 13290 to CSWR-Texas.¹

Application

6. On November 22, 2019, North Victoria and CSWR-Texas filed an application for the approval of the sale of public water system number 2350049 and transfer of the service area held under CCN number 11817 from North Victoria to CSWR-Texas to be held under a newly issued CCN number.
7. On March 2 and 5, 2020, the applicants supplemented the application.
8. The requested area to be transferred comprises approximately 307 acres and 77 current customers. The 307-acre requested area consists of the North Victoria subdivision in Victoria county, is located approximately two miles northwest of downtown Victoria, Texas, and is generally bounded on the north by Adcock Ranch Drive, on the east by Longview Drive, on the south by Levi Sloan Drive, and on the west by Levi Sloan Drive.
9. In Order No. 2 filed on January 6, 2020, the ALJ deemed the application administratively complete.

Notice

10. On January 22, 2020, CSWR-Texas filed the affidavit of Josiah Cox, president of CSWR-Texas, attesting that notice was provided to all current customers of North Victoria, neighboring utilities, and affected parties on January 15, 2020.
11. In Order No. 3 filed on February 11, 2020, the ALJ deemed the notice sufficient.

¹ CSWR-Texas has submitted multiple applications for the sale, transfer, or merger for various retail water utilities. In Docket Nos. 50251, 50311, and this docket, Commission Staff has recommended that CSWR-Texas be assigned new CCN number 13290. *Application of JRM Water LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Victoria County*, Docket No. 50251, Commission Staff's Recommendation on the Transaction at 7 (July 10, 2020); *Application of North Victoria Utilities, Inc and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Victoria County*, Docket No. 50276, Commission Staff's Recommendation on the Transaction at 7 (July 8, 2020); *Application of Copano Heights Water Company and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Aransas County*, Docket No. 50311, Commission Staff's Recommendation on the Transaction at 7 (July 8, 2020).

Evidentiary Record

12. On July 22, 2020, Commission Staff and applicants filed a joint motion to admit evidence.
13. In Order No. 10 filed on September 4, 2020, the ALJ admitted the following evidence into the record of this proceeding: (a) the application and confidential attachments filed on November 22, 2019; (b) Commission Staff's amended recommendation on administrative completeness and proposed notice filed on January 6, 2020; (c) CSWR-Texas' affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on January 22, 2020; (d) Commission Staff's recommendation on sufficiency of notice filed on February 3, 2020; (e) CSWR-Texas' first supplement to the application, including confidential attachments, filed on March 2, 2020; (f) CSWR-Texas' second supplement to the application, including confidential attachments, filed on March 5, 2020; (g) CSWR-Texas' redacted and unredacted responses to Commission Staff's first request for information filed on April 13 and 15, 2020; (h) CSWR-Texas' response to Commission Staff's second request for information filed on May 1, 2020; (i) CSWR-Texas' response to Commission Staff's third request for information filed on June 24, 2020; (j) CSWR-Texas' first supplemental response to Commission Staff's third request for information number 3-2 filed on June 26, 2020; (k) CSWR-Texas's confidential responses to Commission Staff's third request for information numbers 3-1 and 3-2 filed on June 29, 2020; (l) Commission Staff's recommendation on the transaction filed on July 8, 2020; and (m) Commission Staff's response to Order No. 9, filed on September 3, 2020.

System Compliance—Texas Water Code (TWC) § 13.301(e)(3)(A); 16 Texas Administrative Code (TAC) §§ 24.227(a), 24.239(h)(3)(A), (h)(5)(I)

14. North Victoria's public water system number 2350049 is not currently in compliance with the drinking water rules of the TCEQ.
15. CSWR-Texas intends to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water system into compliance with TCEQ regulations within a reasonable time upon consummation of the transaction.

16. CSWR-Texas provided a copy of its correspondence with the TCEQ indicating that it has agreed to work with the TCEQ to address any outstanding compliance issues upon consummation of the transaction.

Adequacy of Existing Service—TWC § 13.246(c)(1); 16 TAC §§ 24.227(e)(1), 24.239(h)(5)(A)

17. The 307-acre requested area subject to the transaction is served by TCEQ public water system number 2350049.
18. Existing and future customers will be better served through CSWR-Texas' ownership and operation of public water system number 2350049 due to improvements in the utility service, operations and maintenance, and customer service.

Need for Additional Service—TWC § 13.246(c)(2); 16 TAC §§ 24.227(e)(2), 24.239(h)(5)(B)

19. There is a continuing need for service because North Victoria is currently serving 77 existing customers in the 307-acre requested area.
20. The application is to transfer only the existing facilities, customers, and service area. There have been no specific requests for additional service within the 307-acre requested area.
21. North Victoria's existing customers in the 307-acre requested service area have a need for improved service.

Effect of Approving the Transaction—TWC § 13.246(c)(3); 16 TAC §§ 24.227(e)(3), 24.239(h)(5)(C)

22. Approving the sale, transfer, or merger to proceed and granting the CCN amendment will obligate CSWR-Texas to provide service to current and future customers in the 307-acre requested area.
23. There is one utility, city, or political subdivision providing water service within two miles of the requested areas.
24. North Victoria and CSWR-Texas are the only utilities affected by this sale and transfer.
25. There will be no effect on any other retail public utility servicing the proximate area because this transaction does not include any uncertified area.
26. There will be no effect on landowners because the area is already certificated.

27. CSWR-Texas will adopt North Victoria's current rates upon the consummation of the transaction.

Ability to Serve: Managerial and Technical—TWC §§ 13.241(a), (b), 13.246(c)(4), 13.301(b), (e)(2); 16 TAC §§ 24.227(a), (e)(4), 24.239(h)(2), (h)(5)(D)

28. Public water system number 2350049 through which North Victoria is currently providing service to 77 customers in the 307-acre requested area has adequate capacity to meet the demands in the 307-acre requested area.
29. CSWR-Texas employs TCEQ-licensed water operators who will operate the public water system.
30. CSWR-Texas 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 TWC, and the TCEQ's rules.
31. CSWR-Texas has the managerial and technical capability to provide adequate and continuous service to the 307-acre requested area.

Ability to Serve: Financial Ability and Stability—TWC §§ 13.241(a), 13.246(c)(6), 13.301(b); 16 TAC §§ 24.11(e), 24.227(a), (e)(6), 24.239(e), (h)(5)(F)

32. CSWR-Texas has a debt-to-equity ratio of less than one, satisfying the leverage test.
33. CSWR-Texas demonstrated that it has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the transaction, satisfying the operations test.
34. CSWR-Texas demonstrated the financial ability and stability to provide continuous and adequate water service to the area being transferred.

Financial Assurance—TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(f), 24.239(f)

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

Feasibility of Obtaining Service from an Adjacent Retail Public Utility—TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5), 24.239(h)(5)(E)

36. Water utilities within a two-mile radius were properly noticed and no protests or opt-out requests were received.

37. Following the transfer, water service to the 307-acre requested area will be provided by CSWR-Texas using existing infrastructure; therefore, it is not feasible to obtain service from an adjacent retail public utility.

Environmental Integrity and Effect on the Land—TWC § 13.246(c)(7), (c)(9); 16 TAC §§ 24.227(e)(7), (e)(9), 24.239(h)(5)(G)

38. The 307-acre requested area will be served with existing infrastructure, with planned upgrades, renovations, and repairs, and the transfer should have minimal effect on the environmental integrity of the 307-acre requested area.

Improvement in Service or Lowering Cost to Consumer—TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 24.239(h)(5)(H)

39. Water service to the 307-acre requested area will improve because CSWR-Texas intends to: (1) address and resolve regulatory compliance issues.; and (2) improve the safety and reliability of the water service.
40. Costs to existing customers will not change as a result of the proposed transaction.

Regionalization or Consolidation—TWC § 13.241(d); 16 TAC § 24.227(b)

41. CSWR-Texas will not need to construct and physically separate water system to continue serving the existing 77 customers in the 307-acre requested area; therefore, concerns of regionalization or consolidation do not apply.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The applicants provided notice of the application that complies with TWC §§ 13.246 and 13.301(a)(2) and 16 TAC § 24.239.
2. After consideration of the factors in TWC § 13.246(c), CSWR-Texas demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC § 13.301(b).
3. North Victoria and CSWR-Texas demonstrated that the sale of North Victoria's water facilities and the transfer of the water service area held under CCN number 11817 from North Victoria to CSWR-Texas will serve the public interest and is necessary for the

service, accommodation, convenience, and safety of the public as required by TWC §§ 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 sale is approved and the transaction between North Victoria and CSWR-Texas may proceed and be consummated.
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 consummated and customer deposits, if any, have been addressed.
3. The applicants have 180 days to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not consummated within this 180-day period, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.
5. The applicants are advised that the 307-acre requested area will remain under water CCN number 11817 and be held by North Victoria until the sale and transfer transaction is complete, in accordance with Commission rules.
6. 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 consummated.
7. Within 15 days following the filing of the applicants' proof that the transaction has been consummated and customers deposits, if any, have been addressed, Commission Staff must file a recommendation regarding the sufficiency of the documents and propose a procedural schedule for continued processing of this docket.

Signed at Austin, Texas the 4 day of September 2020.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, appearing to read "Katie Moore". The signature is written in a cursive, flowing style.

KATIE MOORE
ADMINISTRATIVE LAW JUDGE