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DOCKET NO. 50311

**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 §**

**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

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

COMES NOW Danny C. Cox Sr. d/b/a Copano Heights Water Company (“Copano Heights”) and CSWR-Texas Utility Operating Company, LLC (“CSWR Texas”), together with the Staff of the Public Utility Commission of Texas (“Staff”) (collectively, “the Parties”), and files this Joint Motion to Admit Evidence and Proposed Order Approving Sale and Transfer to Proceed. In support thereof, the Parties show the following:

I. BACKGROUND

On December 4, 2019, Copano Heights and CSWR Texas (collectively, the “Applicants”), filed an application with the Public Utility Commission of Texas (the “Commission”) for approval of the sale, transfer, or merger of facilities and certificate rights in Aransas County (“Application”). The Applicants seek to cancel Copano Height’s certificate of convenience and necessity (CCN) number 11960 and transfer all facilities and the service area held under that number to CSWR Texas under new CCN number 13290.¹ The requested sale and transfer includes approximately 61 acres and 110 connections.

¹ In addition to this proceeding, CSWR Texas has two other pending CCN proceedings (Docket Nos. 50251 and 50276) in which it is seeking approval of the transfer of facilities and service areas from two other public water systems to the Company and assignment of a new CCN number. Commission Staff’s recommendations in all three pending proceedings recommend the cancellation of the seller’s existing CCN number and assignment of new CCN number 13290 to CSWR Texas. Commission Staff’s Amended Recommendation on the Transaction at 6 (Jul. 15, 2020); Docket No. 50251, Commission Staff’s Amended Recommendation on the Transaction at 1 (Jul. 10, 2020); Docket No. 50276, Commission Staff’s Recommendation on the Transaction at 6 (Jul. 8, 2020).

Pursuant to Order No. 7, the Parties timely file this Joint Motion to Admit Evidence and Proposed Order Approving Sale and Transfer to Proceed.

II. JOINT MOTION TO ADMIT EVIDENCE

The Parties move to admit the following items into the record evidence of this proceeding, including all confidential materials contained therein:

1. Application and confidential attachments, filed on December 4, 2019 (AIS Item Nos. 1 through 4).
2. Applicant's Affidavit of Notice to Current Customers, Neighboring Utilities, and Affected Parties, including Confidential Exhibit B, filed on March 3, 2020 (AIS Item No.13 and 14).
3. Staff's Recommendation on Sufficiency of Notice, filed on March 6, 2020 (AIS Item No. 14).
4. Applicant's First Supplement to the Application and confidential attachments, filed on March 3, 2020 (AIS Item No. 15, 16, and 17).
5. Applicant's Second Supplement to the Application and confidential attachments, filed on April 9, 2020 and April 14, 2020 respectively (AIS Item No. 24, 28, 29, and 30).
6. CSWR Texas's responses to Staff's first request for information and confidential attachments, filed on April 13, 2020 and April 15, 2020 respectively (AIS Item No.25, 31, and 32).
7. CSWR Texas's response to Staff's second request for information filed on May 1, 2020 (AIS Item No.36).
8. CSWR Texas's responses to Staff's third request for information and confidential attachments filed on June 22, 2020 and June 26, 2020 respectively (AIS Item No. 43, 44 and 45).
9. CSWR Texas's first supplemental response to Staff's request for information No. 3-2 and confidential attachment filed on June 26, 2020 and June 29, 2020 (AIS Item No.47 and 49); and
10. Commission Staff's Amended Recommendation on the Transaction filed on July 15, 2020 (AIS Item No. 54).

III. PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

The Parties move for adoption of the attached Proposed Order Approving Sale and Transfer to Proceed.

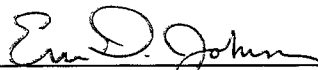
IV. CONCLUSION

The Parties respectfully request that the Commission grant the Motion to Admit Evidence and adopt the attached Proposed Order Approving Sale and Transfer to Proceed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of July 2020, notice of the filing of this document was provided to all parties of record via electronic mail in accordance with the Order Suspending Rules, issued in Project No. 50664.



Evan D. Johnson

DOCKET NO. 50311

APPLICATION OF COPANO HEIGHTS	§	BEFORE THE
WATER COMPANY AND CSWR-	§	
TEXAS UTILITY OPERATING	§	PUBLIC UTILITY COMMISSION
COMPANY, LLC FOR SALE,	§	
TRANSFER, OR MERGER OF	§	OF TEXAS
FACILITIES AND CERTIFICATE	§	
RIGHTS IN ARANSAS COUNTY	§	

JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order Approving Sale and Transfer to Proceed addresses the application of Danny C. Cox, Sr. d/b/a Copano Heights Water Company (“Copano Heights”) and CSWR-Texas Utility Operating Company, LLC (“CSWR Texas”) (collectively, the “Applicants”) for the sale, transfer, or merger of facilities and certificate rights in Aransas County. The Commission approves the cancellation of Copano Heights’s certificate of convenience and necessity (CCN) number 11960 and the transfer of all facilities and service areas held under CCN number 11960 to CSWR Texas under new CCN number 13290. The administrative law judge (ALJ) grants that the transaction proposed in this application may proceed and be consummated.

I. Findings of Fact

Applicants

1. Copano Heights is the dba name of individual Danny C. Cox Sr.
2. Copano Heights is an investor owned utility that provides water service in Texas under CCN No. 11960 in Aransas County.
3. CSWR Texas is a limited liability company registered with the Texas secretary of state under file number 0803367893.
4. CSWR Texas seeks to provide water service in Texas pursuant to the transfer of all facilities and service areas under CCN number 11960 to CSWR Texas and the assignment of new CCN number 13290 to CSWR Texas.

Application

5. On December 4, 2019, Copano Heights and CSWR Texas filed an application with the Public Utility Commission of Texas for the approval of the sale of public water system (PWS) number 0040017 and transfer of the corresponding portion of service area held under CCN number 11960 in Aransas County from Copano Heights to CSWR Texas under a newly issued CCN.
6. Copano Height's CCN 11960 consists of one subdivision in Aransas County.
7. The requested service area subject to the transaction is located less than a mile east of Rockport, Texas and is generally bounded on the north by Coral Drive, on the east by Trail between Catalina and Bermuda Drive, on the south by Bermuda Drive, and on the west by FM 1781.
8. The total area affected by the transfer comprises approximately 61 acres and 82 current customers.
9. In Order No. 3, issued on February 11, 2020, the ALJ deemed the application administratively complete.

Notice

10. On March 3, 2020, Josiah Cox filed an affidavit on behalf of CSWR Texas attesting that notice was provided to all current customers of Copano Heights, neighboring utilities, and affected parties on February 27, 2020.
11. In Order No. 3, issued on February 11, 2020, the ALJ deemed the notice sufficient.

Evidentiary Record

12. On July 22, 2020, the parties jointly moved to admit evidence.
13. In Order No. __ issued on _____, the ALJ admitted the following evidence into the record, including all confidential materials contained therein: (a) Application and confidential attachments, filed on December 4, 2019; (b) Applicant's Affidavit of Notice to Current Customers, Neighboring Utilities, and Affected Parties, including Confidential Exhibit B, filed on March 3, 2020; (c) Staff's Recommendation on Sufficiency of Notice, filed on March 6, 2020; (d) Applicant's First Supplement to the Application and confidential attachment, filed on March 3, 2020; (e) Applicant's Second Supplement to the Application and confidential attachments, filed on April 9, 2020 and April 14, 2020

respectively; (f) CSWR Texas's responses to Staff's first request for information and confidential attachments, filed on April 13, 2020 and April 15, 2020 respectively; (g) CSWR Texas's response to Staff's second request for information filed on May 1, 2020; (h) CSWR Texas's responses to Staff's third request for information and confidential attachments filed on June 22, 2020 and June 26, 2020 respectively; (i) CSWR Texas's first supplemental response to Staff's request for information No. 3-2 and confidential attachment filed on June 26, 2020 and June 29, 2020 respectively; and (j) Commission Staff's Amended Recommendation on the Transaction filed on July 15, 2020.

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

14. Copano Heights's PWS number 0040017 is currently in compliance with the drinking water rules of the Texas Commission on Environmental Quality ("TCEQ").
15. Copano Heights and CSWR Texas have demonstrated a compliance history adequate for approval of the proposed sale and transfer.

Feasibility of Regionalization — TWC § 13.241(d)

16. No additional construction is necessary to serve the requested area, so the economic feasibility of regionalization or consolidation is not considered in this proceeding.

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

17. Copano Height's PWS 0040017 is registered with the TCEQ and purchases 100% of its water from the City of Rockport. The purchase water agreement will be transferred to CSWR Texas.
18. The water system has 110 connections, with tank storage capacity of 82,786 gallons and pump capacity of 400 gallons per minute, which is adequate capacity.

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

19. There are existing customers in the requested areas, which demonstrate a need for service in those areas.
20. Continued water and sewer service in the requested areas will economically benefit the land and region by allowing the areas to develop into residential subdivisions.

21. Copano Heights is currently providing water services to these areas and the quality of retail utility service will not change after the selling process.

Effect of Approving the Transaction and Granting the Amendment — TWC § 13.246(c)(3); 16 TAC §§ 24.227(e)(3), 24.239(j)(5)(D)

22. There is one utility, city, or political subdivision providing water service within two miles of the requested areas.
23. Copano Heights and CSWR Texas are the only utilities affected by this sale and transfer.
24. There will be no effect on any other retail public utility servicing the proximate area because this transaction does not include an uncertificated area.
25. There will be no effect on landowners as the area is currently certificated.

Ability of Applicant to Provide Service — TWC §§ 13.241(b), 13.246(c)(4)

26. The Applicants are capable of providing drinking water that meets the requirements of Chapter 341, Health and Safety Code, and have access to an adequate supply of water.
27. Copano Heights does not have any outstanding violations.
28. By adopting the current rates and tariffs, CSWR Texas will ensure the proposed acquisition will not negatively impact the system's customers.

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

29. CSWR Texas has a sufficient number of licensed water operators and the managerial and technical capability to provide adequate and continuous service to the requested water service area.
30. Copano Heights's PWS number 0040017 has sufficient capacity to serve its current customers in the requested water service area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility — TWC §§ 13.246(c)(5); 16 TAC §§ 24.227(3)(5), 24.239(j)(5)(F)

31. Utilities within a two-mile radius were noticed; no protests or opt-out requests were received.
32. Following the transfer, water service to the requested areas will be provided by CSWR Texas using existing infrastructure; therefore, it is not feasible to obtain service from an adjacent retail public utility.

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), (d)(6), 24.239(g), (j)(5)(G)

33. CSWR Texas meets at least one out of five leverage tests, with a debt to equity ratio of less than one.
34. CSWR Texas provided an affidavit indicating that its parent company, CSWR, LLC, is committed to providing the funds necessary for the purchase of the Copano Height's system and other proposed purchases of water and wastewater systems, capital improvements, and equity investments listed in the application and projected financial statements.
35. In order to satisfy the operations test, CSWR Texas provided a letter from its bank indicating funds exist to cover the purchase price and the additional costs identified in Attachment B to Staff's Amended Recommendation on the Transaction.
36. CSWR Texas meets the operations test.
37. CSWR Texas has demonstrated the financial capability and stability to provide continuous and adequate water service.

Environmental Integrity — TWC § 13.246(c)(7); 16 TAC §§ 24.227(e)(7), 24.239(j)(5)(H)

38. The requested areas 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 requested areas.

Improvement of Service or Lowering Cost to Consumers — TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 24.239(j)(5)(I)

39. CSWR Texas intends to improve the safety and reliability of the water service.
40. Upon consummation of the transaction, customers in the requested areas will be charged the same rates they were charged before the consummation of the transaction.

Effect on Land — TWC § 13.246(c)(9); TWC § 24.227(e)(9)

41. The transfer will improve the utility of the land through the positive impact of continuous and adequate water service.

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

42. CSWR Texas meets the financial tests. There is no need to require CSWR Texas to provide a bond or other financial assurance to ensure continuous and adequate service.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with TWC § 13.246 and 16 TAC § 24.239.
2. After consideration of the factors in TWC § 13.246(c), CSWR Texas has demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area. TWC § 13.301(b).
3. Copano Heights and CSWR Texas have demonstrated that transferring PWS number 0040017 and the corresponding water service area held under CCN number 11960 from Copano Heights to CSWR Texas to be held under CCN number 13290, and the cancellation of Copano Heights's existing CCN number 11960 will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public. TWC § 13.301(d), (e).

III. Ordering Paragraphs

In accordance with the preceding findings of fact and conclusions of law, the Commission enters the following orders.

43. The sale is approved and the transaction between the applicants may proceed and be consummated.
44. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, the applicants shall file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
45. The Applicants have 180 days to complete the transaction.
46. Under 16 Texas Administrative Code § 24.239(o), if the transaction is not consummated within this period, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.

47. The Applicants are advised that PWS 0040017 and the corresponding service area will remain under Certificate of Convenience and Necessity number 11960 and held by Copano Heights until the sale and transfer transaction is complete, in accordance with Commission rules.
48. In an effort to finalize this case as soon as possible, the applicants shall continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
49. Within 15 days following the filing of the applicants' proof that the transaction has been consummated and customer deposits, if any, have been addressed, Commission Staff shall 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 July 2020.

PUBLIC UTILITY COMMISSION OF TEXAS

**STEVEN LEARY
ADMINISTRATIVE LAW JUDGE**