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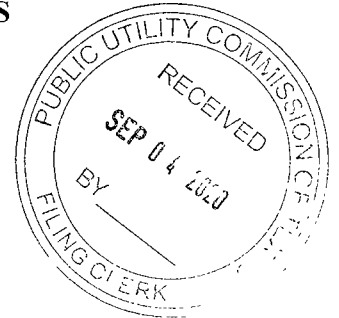


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**DOCKET NO. 50311**

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



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

This Order addresses the application of Danny C. Cox, Sr. dba Copano Heights Water Company and CSWR-Texas Utility Operating Company, LLC for a sale, transfer, or merger of certificate rights in Aransas County. The applicants seek the cancellation of Copano Heights's water certificate of convenience and necessity (CCN) number 11960 and the transfer of all facilities and service areas held under water CCN number 11960 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 that transaction between Copano Heights and CSWR-Texas may proceed and be consummated.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Copano Heights is a sole proprietorship.
2. Copano Heights is an investor owned utility that operates, maintains, and controls facilities that provide water service in Aransas County under water CCN number 11960.
3. Copano Heights owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 0040017.
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 11960 to CSWR-Texas and assignment of new CCN number 13290 to CSWR-Texas.<sup>1</sup>

#### Application

6. On December 4, 2019, Copano Heights and CSWR-Texas filed an application for the approval of the sale of public water system number 0040017 and transfer of the service area held under CCN number 11960 from Copano Heights to CSWR-Texas to be held under a newly issued CCN.
7. On March 3 and April 9, 2020, the applicants supplemented the application.
8. The requested service area to be transferred comprises approximately 61 acres and 82 current customers. The 61-acre requested area consists of the Copano Heights subdivision in Aransas county, is located less than one mile west of downtown Rockport, Texas, and is generally bounded on the north by Coral Drive, on the east by a trail between Catalina and Bermuda Drive, on the south by Bermuda Drive, and on the west by Farm-to-Market Road 1781.
9. In Order No. 3, filed on February 11, 2020, the ALJ deemed the application administratively complete.

#### Notice

10. On March 3, 2020, CSWR-Texas filed the affidavit of Josiah Cox, president 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. 4 filed on March 16, 2020, the ALJ deemed the notice sufficient.

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<sup>1</sup> CSWR-Texas has submitted multiple applications for the sale, transfer, or merger for various retail water utilities. In Docket Nos. 50251, 50276, 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 December 4, 2019; (b) applicants' affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on March 3, 2020; (c) Commission Staff's recommendation on sufficiency of notice filed on March 6, 2020; (d) applicants' first supplement to the application and confidential attachments filed on March 3, 2020; (e) applicants' second supplement to the application and confidential attachments filed on April 9 and 14, 2020, respectively; (f) CSWR-Texas's responses to Commission Staff's first request for information and confidential attachments filed on April 13 and 15, 2020, respectively; (g) CSWR-Texas's response to Commission 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 and 26, 2020, respectively; (i) CSWR-Texas's first supplemental response to Commission Staff's request for information number 3-2 and confidential attachment filed on June 26 and 29, 2020, respectively; (j) Commission Staff's amended recommendation on the transaction filed on July 15, 2020; and (k) 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. Copano Heights's public water system number 0040017 is currently in compliance with the drinking water rules of the TCEQ.
15. CSWR-Texas demonstrated a compliance history adequate for approval of the proposed sale and transfer.

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

16. The 61-acre requested area subject to the transaction is served by TCEQ public water system number 0040017 and has adequate capacity.
17. Copano Heights purchases all of the water it supplies to its customers from the City of Rockport. The purchase water agreement will be transferred to CSWR-Texas.

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

18. There is a continuing need for service because Copano Heights is currently serving 82 customers in the 61-acre requested area.
19. The application is to transfer only the existing facilities, customers, and service area. There have been no specific requests for additional service within the 61-acre requested area.

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

20. 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 61-acre requested area.
21. There is one utility, city, or political subdivision providing water service within two miles of the requested area.
22. Copano Heights and CSWR-Texas are the only utilities affected by this sale and transfer.
23. There will be no effect on any other retail public utility servicing the proximate area because the transaction does not include an uncertified area.
24. There will be no effect on landowners because the area is already certificated.
25. CSWR-Texas will adopt Copano Heights's current rates upon the consummation of the transaction.

**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(e), (h)(5)(D)**

26. Public water system number 0040017 through which Copano Heights is currently providing service to 82 customers in the 61-acre requested area has adequate capacity to meet the demands in the 61-acre requested area.
27. CSWR-Texas employs TCEQ-licensed water operators who will operate the public water system.
28. 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.

29. CSWR-Texas has the managerial and technical capability to provide adequate and continuous service to the 61-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)**

30. CSWR-Texas has a debt-to-equity ratio of less than one, satisfying the leverage test.
31. 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.
32. 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)**

33. 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)**

34. Water utilities within a two-mile radius were properly noticed and no protests or opt-out requests were received.
35. Following the transfer, water service to the 61-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)**

36. The 61-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 61-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)**

37. CSWR-Texas will continue to provide, at a minimum, the same level of water service to the existing customers in the requested area.
38. 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)**

39. No additional construction is needed to continue serving the existing 82 customers in the 61-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. Notice was provided in compliance 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. Copano Heights and CSWR-Texas demonstrated that the sale of Copano Heights's water facilities and the transfer of the water service area held under CCN number 11960 from Copano Heights 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 Copano Heights 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 61-acre requested area will remain under water CCN number 11960 and held by Copano Heights 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**



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**KATIE MOORE**  
**ADMINISTRATIVE LAW JUDGE**