

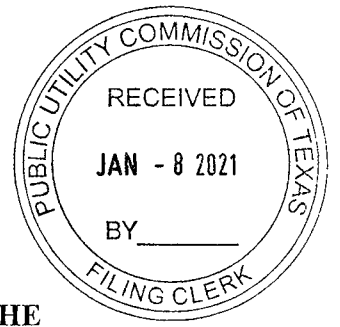


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**DOCKET NO. 51003**

**APPLICATION OF OAK HILL RANCH §  
ESTATES WATER AND CSWR-TEXAS §  
UTILITY OPERATING COMPANY, LLC §  
FOR SALE, TRANSFER, OR MERGER §  
OF FACILITIES AND CERTIFICATE §  
RIGHTS IN GUADALUPE AND WILSON §  
COUNTIES §**

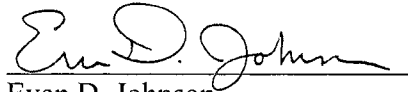
**BEFORE THE  
PUBLIC UTILITY COMMISSION  
OF TEXAS**

**CSWR-TEXAS UTILITY OPERATING COMPANY, LLC'S  
THIRD SUPPLEMENTAL RESPONSE TO STAFF'S FIRST RFI NO. 1-1a AND 1-1b**

Attached hereto and incorporated herein by reference is CSWR-Texas Utility Operating Company, LLC's ("CSWR Texas") written third supplemental response to the aforementioned request for information. The supplemental response is set forth on or attached to a separate page upon which the request has been restated. Such response is also made without waiver of CSWR Texas' right to contest the admissibility of any such matters upon hearing. CSWR Texas hereby stipulates that its response may be treated by all parties exactly as if it were filed under oath.

Respectfully submitted,

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**ATTORNEYS FOR CSWR, LLC**

**CERTIFICATE OF SERVICE**

I hereby certify that on this 8<sup>th</sup> day of January 2021, 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. 51003**  
**CSWR-Texas Utility Operating Company, LLC's**  
**RESPONSES TO STAFF'S 1<sup>st</sup> RFIs**

**STAFF 1-1**

Please provide the following:

- a. the most current bank statement reflecting the cash account balance of CSWR;
- b. the most recent year-to-date interim financial statements of CSWR for 2020; and
- c. an explanation of how CSWR plans on moving to profitability and an estimate as to when CSWR will become profitable.

**Third Supplemental Response:**

A document responsive to this request has been deemed highly sensitive or confidential and is being provided in accordance with the terms of the protective order in this docket.

- a. See Third Supplemental Highly Sensitive Attachment Staff 1-1(a).
- b. See Third Supplemental Confidential Attachment Staff 1-1(b).

**Second Supplemental Response:**

A document responsive to this request has been deemed highly sensitive or confidential and is being provided in accordance with the terms of the protective order in this docket.

- a. See Second Supplemental Highly Sensitive Attachment Staff 1-1(a).

**Supplemental Response:**

A document responsive to this request has been deemed highly sensitive or confidential and is being provided in accordance with the terms of the protective order in this docket.

- a. See Supplemental Highly Sensitive Attachment Staff 1-1(a).

**Response:**

Documents responsive to this request have been deemed highly sensitive or confidential and are being provided in accordance with the terms of the protective order in this docket.

- a. See Highly Sensitive Attachment Staff 1-1(a).
- b. See Confidential Attachment Staff 1-1(b).

**DOCKET NO. 51003**  
**CSWR-Texas Utility Operating Company, LLC's**  
**RESPONSES TO STAFF'S 1<sup>st</sup> RFIs**

**STAFF 1-1 (con't)**

- c. Almost all the water and wastewater systems CSWR's affiliated operating companies acquire are distressed, undercapitalized, mismanaged, out of regulatory compliance, or some combination of those attributes. Another characteristic of those systems is their rates have not increased for many years – in some cases several decades – so at the time of acquisition they are operating at a net loss. Fortunately, in addition to the equity capital required to acquire these systems and make expenditures necessary to remedy their most pressing problems, CSWR's investors have provided working capital sufficient to cover short-term operating losses.

To stem any current or future losses, each affiliated operating company has adopted a business model that calls for rate case filings within a reasonable period—generally 12 months—of closing, or as necessary. Establishing fully compensatory rates will allow each operating affiliate—including CSWR Texas and CSWR—to increase revenue by an amount sufficient to cover its reasonable operating costs and receive a reasonable return on the value of its acquired rate base and any reasonable investments made subsequent to closing. For instance, CSWR Texas expect to move to profitability by filing a rate case at the PUCT within 12 months of closing on this system, or as soon as necessary, and by establishing rates that provide recovery of CSWR Texas' reasonable operating expenses and allow a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service, as determined by the PUCT. How long it will take either the individual affiliates or CSWR to become profitable depends on the pace and volume of future acquisitions and the ability to set reasonable rates, as necessary, once those acquisitions close.

Preparer: Aaron Silas, Business Analyst  
Sponsor: Mike Duncan, Assistant Vice President