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Addendum StartPage: 0

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

PUBLIC UTILITY COMMISSION  
FILING CLERK  
OF TEXAS

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

This Order addresses the application of Richard Billings dba Oak Hills Ranch Estates Water Company and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities and certificate rights in Guadalupe and Wilson County. Oak Hills Ranch and CSWR-Texas seek the transfer of all facilities and service areas held under Oak Hills Ranch’s water certificate of convenience and necessity (CCN) number 12051 to CSWR-Texas, the cancellation of Oak Hills Ranch’s water CCN number 12051, the amendment of CSWR-Texas’s water CCN number 13290 to include the area previously included in Oak Hills Ranch’s water CCN number 12051 and add previously uncertificated water service area, and the decertification of a portion of the certificated area transferred from Oak Hills Ranch. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Oak Hills Ranch and CSWR-Texas may proceed and be consummated.<sup>1</sup>

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Richard Billings is an individual doing business as Oak Hills Ranch.
2. Oak Hills Ranch operates, maintains, and controls facilities for providing retail water service under CCN number 12051 in Guadalupe and Wilson counties.

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<sup>1</sup> This Order only addresses the proposed sale and transfer of facilities and certificate rights from Oak Hills Ranch to CSWR-Texas. At this time, the Commission takes no action on CSWR-Texas’s request to add uncertificated area and to decertify a portion of the certificated area being transferred.

3. Oak Hills Ranch owns and operates one public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 0940085.
4. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
5. CSWR-Texas is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Aransas, Parker, Victoria, and Wilson counties under CCN number 13290.

**Application**

6. On July 1, 2020, Oak Hills Ranch and CSWR-Texas filed the application at issue in this proceeding.
7. Oak Hills Ranch and CSWR-Texas filed supplements to the application on July 10 and 14 and August 24, 2020.
8. In the application, Oak Hills Ranch and CSWR-Texas seek approval of the following transaction: (a) CSWR-Texas will acquire all of Oak Hills Ranch's facilities and water service area under water CCN number 12051; (b) Oak Hills Ranch's water CCN number 12051 will be cancelled; (c) a portion of the certificated area transferred from Oak Hills Ranch will be decertified; and (d) CSWR-Texas's water CCN number 13290 will be amended to include the area previously included in Oak Hills Ranch's water CCN number 12051 and add previously uncertificated water service area.
9. The total requested area comprises approximately 1,857 acres and 196 current connections, including approximately 991 acres to be transferred from Oak Hills Ranch and 866 acres of newly certificated area (transferred requested area). After removing the 88-acre area to be decertified from the transferred requested area, the total requested area certificated to CSWR-Texas will be approximately 1,769 acres (final requested area).
10. The transferred requested area is located approximately eight miles east of downtown La Vernia, Texas and is generally bounded on the north by a line approximately 1.5 miles north of and parallel to the Guadalupe County and Wilson County line; on the east by South State Highway 123; on the south by Longhorn Road; and on the west by a line approximately two miles west of and parallel to State Highway 123.

11. In Order No. 7 filed on November 6, 2020, the ALJ found the application administratively complete.

**Notice**

12. On December 18, 2020, CSWR-Texas filed the affidavit of Josiah Cox, president and manager of CSWR-Texas, attesting that notice was provided to all current customers of Oak Hills Ranch, neighboring utilities, and affected parties on December 3, 2020.
13. On December 18, 2020, CSWR-Texas filed publishers' affidavits attesting to the publication of notice as follows: (a) in the *Seguin Gazette*, a newspaper of general circulation in Guadalupe County on December 6 and 13, 2020; and (b) in the *Wilson County News*, a newspaper of general circulation in Wilson County, on December 2 and 9, 2020.
14. In Order No. 8 filed on January 4, 2021, the ALJ found the notice sufficient.

**Intervention**

15. On December 21, 2020, Kenneth Aplon filed a motion to intervene.
16. In Order No. 9 filed on January 4, 2021, the ALJ granted Mr. Aplon's intervention.
17. CSWR-Texas states that it has attempted to contact Mr. Aplon multiple times via telephone and has left multiple voicemails; however, to date, Mr. Aplon has not responded to CSWR-Texas.
18. Mr. Aplon has not filed anything in this proceeding since his December 21, 2020 motion to intervene.

**Evidentiary Record**

19. On March 10, 2021, Oak Hills Ranch, CSWR-Texas, and Commission Staff filed a joint motion to admit evidence.
20. In Order No. 10 filed on March 22, 2021, the ALJ admitted the following evidence into the record: (a) the application and confidential attachments filed on July 1 and July 8, 2020; (b) CSWR-Texas's first and second supplements to the application filed on July 10 and 14 and August 24, 2020; (c) CSWR-Texas's responses to Commission Staff's first request for information and confidential attachments filed on September 8, 10, and 21,

2020; (d) CSWR-Texas's supplemental response to Commission Staff's first request for information and confidential attachments filed on December 7 and 8, 2020; (e) CSWR-Texas's second supplemental response to Commission Staff's first request for information and confidential attachments filed on December 16, 2020; (f) CSWR-Texas's third supplemental response to Commission Staff's first request for information and confidential attachments filed on January 8, and 11, 2021; (g) CSWR-Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on December 16, and 18, 2020; (h) Commission Staff's recommendation on sufficiency of notice filed on December 31, 2020; and (i) Commission Staff's recommendation on the transaction filed on February 11, 2021.

**Cumulative Recommendation**

21. In Order No. 3 filed on August 20, 2020, the ALJ directed Commission Staff to cumulatively consider all CSWR-Texas related dockets involving the sale, transfer, or merger of public water systems. When formulating its recommendation, the ALJ specifically required Commission Staff to consider whether CSWR-Texas had adequate, financial, managerial, and technical capability for providing continuous and adequate service to the systems being transferred as a whole rather than on an individual basis.
22. On February 11, 2021, Commission Staff filed its recommendation on the transaction in this docket recommending that CSWR-Texas has the financial, managerial, and technical capability to provide continuous and adequate service to all areas included in this docket

and in Docket Nos. 50251,<sup>2</sup> 50276,<sup>3</sup> 50311,<sup>4</sup> 50989,<sup>5</sup> 51026,<sup>6</sup> 51065,<sup>7</sup> 51118,<sup>8</sup> 51031,<sup>9</sup> 51047,<sup>10</sup> 51130,<sup>11</sup> 51146,<sup>12</sup> and 51089.<sup>13</sup>

**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)**

23. Oak Hills Ranch's public water system number 0940085 is not currently in compliance with the drinking water rules of the TCEQ.
24. 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

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<sup>2</sup> 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, Notice of Approval (Mar. 12, 2021).

<sup>3</sup> 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, Notice of Approval (Mar. 11, 2021).

<sup>4</sup> 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, Notice of Approval (Mar. 17, 2021).

<sup>5</sup> Application of Ranch Country of Texas Water Systems, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Austin County, Docket No. 50989 (pending).

<sup>6</sup> Application of Tall Pines utility, Inc and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Docket No. 51026 (pending).

<sup>7</sup> Application of Treetop Utilities, Inc and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Docket No. 51065, Notice of Approval (Mar. 10, 2021).

<sup>8</sup> Application of Shady Oaks Water Supply Company, LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Wilson County, Docket No. 51118, Notice of Approval (Mar. 18, 2021).

<sup>9</sup> Application of Council Creek Village, Inc dba Council Creek Village dba South Council Creek 2 and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51031 (pending).

<sup>10</sup> Application of Jones-Owen Company dba South Silver Creek I, II, and III and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Travis County, Docket No. 51047 (pending).

<sup>11</sup> Application of Laguna Vista Limited and Laguna Tres, Inc and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hood County, Docket No. 51130 (pending).

<sup>12</sup> Application of Abraxas Corporation and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Docket No. 51146 (pending).

<sup>13</sup> Application of Donald E Wilson dba Quiet Village II dba Qv Utility and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hidalgo County, Docket No. 51089 (pending).

and to ensure customers receive safe and reliable service within a reasonable time upon consummation of the transaction. CSWR-Texas provided a copy of its correspondence with the TCEQ indicating that it has agreed to work with the TCEQ to address the outstanding compliance issues upon consummation of the transaction.

25. CSWR-Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

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

26. There are currently 196 connections in the final requested area that are being served by Oak Hills Ranch through public water system number 0940085, and such service has been continuous.
27. Public water system number 0940085 has several violations listed in the TCEQ database, which means the service currently provided to the requested area is inadequate. CSWR-Texas stated they intend to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water systems into compliance with TCEQ regulations and to ensure customers receive safe and reliable service.

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

28. There is a continuing need for service because Oak Hills Ranch is currently serving 196 existing customers in the final requested area.
29. There have been no specific requests for additional service within the final requested area.

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

30. Existing and future customers will be better served through CSWR-Texas's ownership and operation of public water system number 0940085 due to improvements in the utility service, operations, maintenance, and customer service.
31. Approving the sale and transfer to proceed and granting the CCN amendments will obligate CSWR-Texas to provide service to current and future customers in the final requested area.

32. All retail water public utilities in the proximate area were provided notice of the application. No retail public utility filed a protest or motion to intervene. There will be no effect on any retail public utility in the proximate area.
33. There will be no effect on landowners in the areas that are currently certificated and landowners in the uncertificated area will benefit because they are currently being served by the Oak Hills Ranch water system.
34. CSWR-Texas will adopt Oak Hills Ranch'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(e), (h)(5)(D)**

35. Oak Hills Ranch's public water system number 0940085 is currently providing service to 196 connections in the final requested area with adequate capacity to meet the demands in the final requested area.
36. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
37. CSWR-Texas has access to an adequate supply of water and, after completing the planned upgrades, renovations, and repairs, will be 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.
38. CSWR-Texas has the technical and managerial capability to provide adequate and continuous service to the final 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)**

39. CSWR, LLC, the immediate parent company of CSWR-Texas, is capable, available, and willing to cover temporary cash shortages, and has a debt-to-equity ratio of less than one, satisfying the leverage test.
40. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages and demonstrated it has sufficient cash available to cover any projected operations and maintenance shortages in the first year five years of operations after completion of the



transaction and possesses the cash and leverage ability to pay for capital improvements and necessary equity investments—satisfying the operations test.

41. CSWR-Texas demonstrated the financial ability and stability to provide continuous and adequate service to the final requested area.

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

42. 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 Adjacent Retail Public Utility—TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5), 24.239(h)(5)(E)**

43. The final requested area is currently being served by Oak Hills Ranch and there will be no changes to land uses. The changes to existing CCN boundaries are to reflect the areas currently being served by Oak Hills Ranch. Therefore, it is not feasible to obtain service from another 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)**

44. The final requested area will continue to be served with existing infrastructure.
45. There will be minimal effects on the environmental integrity and on the land as a result of CSWR-Texas's planned upgrades, renovations, and repairs to the public water system.

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

46. Water service to the final requested area will improve because CSWR-Texas intends to address and resolve regulatory compliance issues and improve the safety and reliability of service.
47. The rates charged to customers in the final requested area will not change as a result of the proposed transaction because CSWR-Texas will adopt Oak Hills Ranch's currently tariffed rates upon the consummation of the transaction.

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

48. CSWR-Texas will not need to construct a physically separate water system to continue serving the final requested area; therefore, concerns of regionalization or consolidation do not apply.

## II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Oak Hills Ranch and CSWR-Texas 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 final requested area as required by TWC § 13.301(b).
3. Oak Hills Ranch and CSWR-Texas demonstrated that the sale and transfer of Oak Hills Ranch's water facilities and service area held under water CCN number 12051 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 Oak Hills Ranch and CSWR-Texas may proceed and be consummated.
2. The docket style is changed to *Application of Oak Hills Ranch Estates Water Company and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Guadalupe and Wilson Counties*, to reflect the current name of the applicants.
3. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, Oak Hills Ranch and CSWR-Texas must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
4. Oak Hills Ranch and CSWR-Texas have 180 days to complete the transaction.
5. 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 Oak Hills Ranch and CSWR-Texas will have to reapply for approval.

6. Oak Hills Ranch and CSWR-Texas are advised that the transferred requested area will remain under water CCN number 12051 and be held by Oak Hills Ranch until the sale and transfer transaction is complete, in accordance with the Commission's rules.
7. In an effort to finalize this case as soon as possible, Oak Hills Ranch must continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
8. 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 must file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

**Signed at Austin, Texas the 25 day of March 2021.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**KATIE MOORE MARX  
ADMINISTRATIVE LAW JUDGE**