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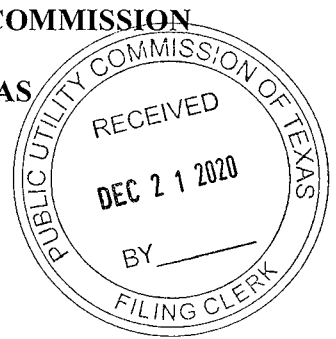
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DOCKET NO. 51118

**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 §**

**PUBLIC UTILITY COMMISSION
OF TEXAS**



**ORDER NO. 8
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Shady Oaks Water Supply Company, LLC and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities and certificate rights in Wilson County. Shady Oaks and CSWR-Texas seek the transfer of all facilities and service areas held under Shady Oaks' water certificate of convenience and necessity (CCN) number 12090 to CSWR-Texas, the cancellation of Shady Oaks' water CCN number 12090, and the amendment of CSWR-Texas's water CCN number 13290 to include the areas previously included in Shady Oaks' water CCN number 12090. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Shady Oaks and CSWR-Texas may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Shady Oaks is a Texas limited liability company registered with the Texas secretary of state under file number 800526506.
2. Shady Oaks is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Wilson County under CCN number 12090.
3. Shady Oaks owns and operates four public water systems registered with the Texas Commission on Environmental Quality (TCEQ) under the following identification numbers: Shady Oaks Water, number 2470017; Hickory Hill Water, number 2470018; Arrowhead Water, number 2470025; and C-Willow Water, number 2470019.

4. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 0803367893.

Application

5. On July 24, 2020, Shady Oaks and CSWR-Texas filed the application at issue in this proceeding.
6. Shady Oaks and CSWR-Texas filed supplements to the application, confidentially under seal, on July 29 and September 10, 17, and 21, 2020.
7. In the application, Shady Oaks and CSWR-Texas seek approval of the following transaction: (a) CSWR-Texas will acquire all of Shady Oaks' facilities and water service areas under water CCN number 12090; (b) Shady Oaks' water CCN number 12090 will be cancelled; and (c) CSWR-Texas's water CCN number 13290 will be amended to include the areas previously included in Shady Oaks' water CCN number 12090.
8. The requested areas comprise approximately 1,828 acres and 560 current connections.
9. The requested area served by the Arrowhead Water public water system includes approximately 504 acres and 34 current connections, is located approximately five miles south of downtown Elmendorf, Texas, and is generally bounded on the north by Farm-to-Market Road 1303; on the east by County Road 168; on the south by Farm-to-Market Road 2579; and on the west by Farm-to-Market Road 2579.
10. The requested area served by the Shady Oaks Water public water system includes approximately 457 acres and 117 current connections, is located approximately eight miles north of downtown Floresville, Texas, and is generally bounded on the north by Kicaster Creek; on the east by County Road 320; on the south by County Road 320; and on the west by Roemer Lane.
11. The requested area served by the C-Willow Water public water system includes approximately 633 acres and 237 current connections, is located approximately four miles south of downtown La Vernia, Texas, and is generally bounded on the north by Ranch Country Road; on the east by U.S. 87; on the south by County Road 307; and on the west by County Road 319.

12. The requested area served by the Hickory Hill Water public water system includes approximately 234 acres and 97 current connections, is located approximately four miles east of downtown La Vernia, Texas, and is generally bounded on the north by Lake Valley Drive; on the east by Lake Valley Drive; on the south by Kothmann Road; and on the west by Farm-to-Market Road 539.
13. In Order No. 4 filed on September 3, 2020, the ALJ found the application administratively complete.

Notice

14. On September 16, 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 Shady Oaks, neighboring utilities, and affected parties on September 10, 2020.
15. In Order No. 6 filed on October 2, 2020, the ALJ found the notice sufficient.

Evidentiary Record

16. On December 2, 2020, the parties filed a joint motion to admit evidence.
17. In Order No. 7 filed on December 11, 2020, the ALJ admitted the following evidence into the record: (a) the application and confidential attachments filed on July 24 and 29, 2020; (b) CSWR-Texas's response to Commission Staff's first request for information and confidential attachments filed on September 8 and 21, 2020; (c) CSWR-Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on September 16 and 17, 2020; (d) Commission Staff's recommendation on sufficiency of notice filed on October 1, 2020; and (e) Commission Staff's recommendation on the transaction, including confidential attachments, filed on November 12 and 13, 2020.

Cumulative Recommendation

18. In Order No. 2 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 the systems being transferred as a whole rather than on an individual basis.

19. On November 12, 2020, Commission Staff filed its recommendation on the transaction in this docket and Docket Nos. 50989,¹ 51026,² and 51065³ recommending that CSWR-Texas has the financial, managerial, and technical capability to provide continuous and adequate service to all areas included in Docket Nos. 50251,⁴ 50276,⁵ 50311,⁶ 50989, 51026, and 51065 and that CSWR-Texas has the financial capability to serve the requested areas addressed in this docket and in Docket Nos. 50251, 50276, 50311, 50989, 51026, and 51065.

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)

20. Shady Oaks' public water system numbers 2470017, 2470018, 2470025, and 2470019 are currently in compliance with the drinking water rules of the TCEQ.
21. CSWR-Texas has 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)

22. There are currently 560 connections in the 1,828-acre requested areas that are being served by Shady Oaks through public water systems numbers 2470017, 2470018, 2470025, and 2470019, and such service has been continuous and adequate.

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

23. There is a continuing need for service because Shady Oaks is currently serving 560 existing connections in the 1,828-acre requested areas.

¹ Application of Ranch Country of 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).

² 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).

³ 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 (pending)

⁴ 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 (pending)

⁵ 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 (pending).

⁶ 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 (pending).

24. There have been no specific requests for additional service within the 1,828-acre requested areas.

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

25. Approving the sale and transfer to proceed and granting the CCN amendment will obligate CSWR-Texas to provide service to current and future customers in the 1,828-acre requested areas.
26. Because this application is to transfer only existing facilities, customers, and service areas, there will be no effect on any other retail public utility serving the proximate areas.
27. There will be no effect on landowners as the areas are currently certificated.
28. CSWR-Texas will adopt Shady Oaks' 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)

29. Shady Oaks' public water system numbers 2470017, 2470018, 2470025, and 2470019 are currently providing service to 560 connections in the 1,828-acre requested areas with adequate capacity to meet the demands in the requested areas.
30. CSWR-Texas employs TCEQ-licensed water operators who will operate the public water systems.
31. 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.
32. CSWR-Texas has the technical and managerial capability to provide adequate and continuous service to the 1,828-acre requested areas.

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)

33. 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.

34. 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 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.
35. CSWR-Texas demonstrated the financial ability and stability to provide continuous and adequate service to the 1,828-acre requested areas.

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

36. 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)

37. The requested areas are currently being served by Shady Oaks and there will be no changes to land uses or existing CCN boundaries. 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)

38. The 1,828-acre requested areas will continue to be served with existing infrastructure.
39. There will be minimal effects on environmental integrity and on the land as a result of CSWR-Texas's planned upgrades, renovations, and repairs to the 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)

40. CSWR-Texas will continue to provide water service to the existing customers in the requested areas and the rates charged 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 a physically separate water system to continue serving the requested areas; therefore, concerns of regionalization or consolidation do not apply.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Shady Oaks 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 has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested areas as required by TWC § 13.301(b).
3. Shady Oaks and CSWR-Texas demonstrated that the sale of Shady Oaks' water facilities and the transfer of the water service areas held under CCN number 12090 from Shady Oaks 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

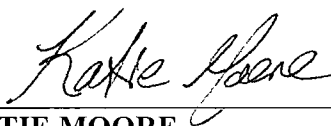
In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The sale is approved and the transaction between Shady Oaks 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, Shady Oaks and CSWR-Texas must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
3. Shady Oaks and CSWR-Texas 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 Shady Oaks and CSWR-Texas will have to reapply for approval.
5. Shady Oaks and CSWR-Texas are advised that the 1, 828-acre requested areas and associated facilities will remain under CCN number 12090 and be held by Shady Oaks 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 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 21 day of December 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



KATIE MOORE
ADMINISTRATIVE LAW JUDGE