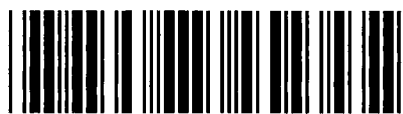




Control Number: 51481



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November 2, 2020

Ms. Ana Maria Trevino
PUC Filing Clerk
Public Utility Commission
1701 N. Congress Ave., 8th Floor
Austin, TX 78701

RE: PUC Docket No. _____; *Application of CSWR-Texas Utility Operating Company, LLC for Temporary Rates for a Nonfunctioning Utility*

Dear Ms. Trevino:

On September 24, 2020, the Public Utility Commission of Texas ("Commission") appointed CSWR-Texas Utility Operating Company, LLC ("CSWR Texas" or the "Company") as Temporary Manager for Castlecomb, a water system and on-site sewage facility that provides retail water and wastewater service to the Castlecomb and Kensington subdivisions located in Kerr County, Texas. As the Temporary Manager for Castlecomb, CSWR Texas is providing notice that it will immediately begin charging temporary rates to customers of this system pursuant to Texas Water Code §§ 13.046(a) and 13.4132 and 16 Tex. Admin. Code § 24.363. Pursuant to Texas Water Code § 13.046(b), the Company requests that the Commission determine the temporary rates are reasonable. A notice of the temporary rates was provided to customers on October 26, 2020. Attachment A to this letter is a copy of that notice.

Importantly, there is presently no known owner of this system. Prior to CSWR Texas' appointment as temporary manager, it was managed by a homeowners' association, the members of which are customers of the system. Funds to operate Castlecomb were derived from a \$125.00 monthly donation from each customer for both water and sewer service. There are currently 27 customers taking service on this system, which results in monthly revenues of approximately \$3,375. Based on its initial review of the system and conversations with the current customers and operators, CSWR Texas understands that the total cost to operate the system is approximately equal to the revenues collected each month.¹ In addition, the Company has determined that this system requires approximately \$41,000 in immediate capital improvements and repairs in order to comply with Commission and Texas Commission on Environmental Quality requirements. Accordingly, current rates do not provide sufficient revenues to fund continuing operations. However, in order to mitigate the rate impacts on customers, CSWR Texas will continue to charge the same monthly base rate currently charged to customers, except that the rate will be split evenly

¹ The notice letter to customers (Attachment A) states the monthly costs of operating the system are \$1,500. This amount is the basic fixed fee for the operator's services reflected in the contract with the operator (Attachment B) and does not include other additional fees charged by the operator for services that fall outside the scope of basic services. Based on conversations with the operator and the homeowner's association, the Company understands that actual monthly costs approximate the revenues collected each month under existing rates.


between water and wastewater service. In addition, the Company will charge \$7.50 per water connection per month and \$7.50 per sewer connection per month for its compensation as temporary manager, as approved by the Commission in Docket No. 50851. Also, because this system does not have any miscellaneous fees currently in place, CSWR Texas will begin charging the miscellaneous fees described in Attachment A to this letter.

CSWR Texas understands that the former owners and current customers and operators of the system have not kept reliable records of their expenses. The Company has attached to this letter a confidential copy of the operating agreement currently in place with the operators of the system (Attachment B) as evidence of the current operations and costs. CSWR Texas will continue to evaluate its actual monthly costs and will provide additional information to support the proposed temporary rates as it becomes available. However, based on CSWR Texas' experience operating water and wastewater utilities, the proposed temporary rates are reasonable and, despite the fact that they are likely well below the actual costs to repair and operate this system, the rates are sufficient to allow CSWR Texas to provide continuous and reliable water and wastewater service until fully compensatory rates are established.

CSWR Texas requests that the temporary rates remain in effect for as long as the rates produce adequate revenue for CSWR Texas to provide continuous and adequate retail water and utility service. CSWR Texas reserves its right to increase the temporary rates due to unforeseen capital expenses, operational expenses, and compliance costs.

Thank you for your time and attention to this matter. If you have any questions, please feel free to contact me.

Respectfully,



Evan D. Johnson

State Bar No. 24065498

C. Glenn Adkins

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ATTORNEYS FOR CSWR, LLC

Dear Customer,

On September 24, 2020, the Public Utility Commission of Texas ("Commission") appointed CSWR-Texas Utility Operating Company, LLC ("CSWR Texas") as Temporary Manager for Castlecomb water and sewer utilities ("Castlecomb"), a water system and on-site sewage facility that provides retail utility service to the Castlecomb and Kensington subdivisions located in Kerr County, Texas. Pursuant to the Commission's order, CSWR Texas has the authority and the duty to perform acts necessary to assure continuous and adequate retail water and sewer service.

As the Temporary Manager for Castlecomb, CSWR Texas is providing notice that we will be immediately charging a temporary rate under Texas Water Code § 13.4132 and 16 Tex. Admin. Code § 24.363. The cost to operate the water and wastewater systems is currently \$1,500 per month + various operator fees resulting in a combined flat rate of \$125.00 per month per customer for water and wastewater service. Effective September 25, 2020, CSWR Texas will continue to charge the same monthly base rate currently charged to customers, except that the rate will be split evenly between water and wastewater service as shown below. This compensation is necessary to provide continuous and adequate service. This compensation does not reflect approximately \$41,000 expenses expected to be incurred by CSWR Texas since becoming temporary manager, which are necessary to make services available and bring the system into compliance. In addition, the Commission has authorized CSWR Texas to charge Temporary Manager's compensation of \$7.50 per water connection per month and \$7.50 per sewer connection per month.

Previous Monthly Bill	New Monthly Bill
Rate for water and sewer service: \$125.00 (flat rate)	Rate per connection per month for water: \$62.50 (flat rate)
Total: \$125.00	Rate per connection per month for sewer: \$62.50 (flat rate)
	Temporary Manager's fee per connection per month for water: \$7.50
	Temporary Manager's fee per connection per month for sewer: \$7.50
	Total: \$140.00

In addition to monthly charges, as part of the temporary rate, CSWR Texas will implement the following miscellaneous fees:

- (1) New Tap Fee: actual cost of materials and labor to install a standard residential 5/8" or 3/4" Meter.
- (2) Turn-On/Turn-Off Requested by the Customer: \$27.50, 8 am to 5 pm Monday through Friday, when scheduled at least 24 hours in advance; \$164.00, before 8 am and after 5 pm and on Saturday & Sunday, or when scheduled with less than 24 hours' notice.
- (3) Reconnection Fee Associated with Non-Payment: \$25.00.
- (4) On-site Collection Charge: \$25.00.
- (5) Meter Test Fee: \$120.00.
- (6) Late Charge: 10% of the bill.
- (7) Returned Check Charge: \$25.00.

This temporary rate increase will allow CSWR Texas to recover the reasonable costs necessary to provide continuous and adequate retail water and sewer service in compliance with the Public Utility Commission of Texas and the Texas Commission on Environmental Quality. This temporary rate is subject to increase due to unforeseen capital expenses, operational expenses, and compliance costs.

If you have any questions, please contact us at 1-866-301-7725

Sincerely,



Josiah Cox, President
CSWR-Texas Utility Operating Company, LLC

**Attachment B is Confidential and
will be provided pursuant to the
Protective Order**