



Control Number: 51544



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May 18, 2021

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PUBLIC UTILITY COMMISSION

The Honorable Katie Moore Marx
The Honorable Isaac Ta
Administrative Law Judges
Public Utility Commission of Texas
Central Records
1701 N. Congress Avenue
Austin, Texas 78701

Re: Docket No. 51126; *Application of Shawn M. Horvath DBA Aero Valley Water Service and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Denton County*

Docket No. 51544; *Application of Franklin Water Service Co. LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Lubbock County*


Dear Judges Marx and Ta:

CSWR-Texas Utility Operating Company, LLC (“CSWR Texas” or the “Company”) herein submits updated financial information provided in Docket No. 51917 on May 10, 2021.

Attached as Exhibit A are the responses of CSWR Texas to Staff’s First Request for Information in Docket No. 51917. Pursuant to discussions with Commission Staff, the attached responses are being provided to clarify and update financial information previously provided in the above-reference dockets.

Please contact me at (512) 879-0972 if you have any questions.

Best regards,


Evan D. Johnson
Attorney for CSWR Texas

EDJ:era

cc. All Parties of Record

DOCKET NO. 51917


APPLICATION OF ROCKET WATER	§	PUBLIC UTILITY COMMISSION
COMPANY, INC. AND CSWR-TEXAS	§	
UTILITY OPERATING COMPANY, LLC	§	
FOR SALE, TRANSFER OR MERGER	§	OF TEXAS
OF FACILITIES AND CERTIFICATE	§	
RIGHTS IN HAYS COUNTY	§	

**CSWR-TEXAS UTILITY OPERATING COMPANY, LLC’S
RESPONSE TO STAFF’S FIRST REQUEST FOR INFORMATION**

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

Respectfully submitted,

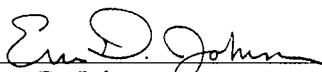
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**ATTORNEYS FOR CSWR-TEXAS
UTILITY OPERATING COMPANY, LLC**

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of May 2021, a true and correct copy of the foregoing document was served on all parties of record via electronic mail in accordance with the Order Suspending Rules issued in Project No. 50664.



Evan D. Johnson

DOCKET NO. 51917
CSWR-Texas Utility Operating Company, LLC's
RESPONSES TO STAFF'S 1st RFI

STAFF 1-1:

Please provide the following:

- a) **A current bank statement reflecting the cash account balance of CSWR, LLC and Subsidiaries (CSWR).**
- b) **An updated purchase price and estimated capital improvements schedule that contains planned improvement amounts that equal the supporting invoices provided with each application as appropriate.**
- c) **An updated purchase price and estimated capital improvements schedule with totals for the purchase price, planned improvements and then any other adjustments that reconcile to the updated combined system projected financial statements requested in item 1-1(d) below.**
- d) **Updated combined systems projected financials that include explanations for the paid in capital amounts included on the projected balance sheet as well as loan proceed amounts, other amount, and fixed asset purchase amount on the projected sources and uses of cash statement.**
- e) **Proof of funding sources for any amounts included on the combined systems projected financials.**

Response:

- a) Please see the supplemental filings made on May 5, 2021.
- b) Please see the supplemental filings made on May 5, 2021 for an updated purchase price and estimated capital improvements schedule that utilizes the Company's most up-to-date estimates. As CSWR Texas gets further along in due diligence processes, the estimated capital improvement values are subject to change.
- c) Please see the supplemental filings made on May 5, 2021 for an updated purchase price and estimated capital improvements schedule that utilizes the Company's most up-to-date estimates.
- d) Please see the updated combined systems projected financials. CSWR Texas anticipates receiving an initial cash infusion from our investors to be utilized for system acquisition, necessary capital improvements, and working capital until the time that the Company will be Cash Flow Positive. This will be used to make the initial purchase, to facilitate capital investment and get the systems up and running under CSWR Texas ownership. This initial investment will then be paid back over time through issuance of long-term debt, which will help CSWR to achieve its target capital structure.

Specific to the other sources of cash on the cash-flow statement, this represents additional equity infusions from investors to balance against the capital improvements that are anticipated to be made in the first year of ownership, and which are shown in the uses of cash as a fixed asset

PUC DOCKET NO. 51917
CSWR-Texas Utility Operating Company, LLC's
RESPONSES TO STAFF'S 1st RFI

purchase. The fixed asset purchases are additional investment made after acquisition and are necessary to bring the systems up to standard and improve the overall level of service. The other uses of cash represents the pay back to investors as the utility issues long-term debt. As long-term debt principal is issued, some of these debt proceeds will be flowed back to investors to repay the up-front equity investment, thereby allowing CSWR to achieve its target debt/equity mix relative to meeting a more appropriate overall capital structure.

e) CSWR Texas will consist of 100% equity in an amount equal to the acquisition purchase price, capitalized costs related to the purchase, and estimates of amounts required for working capital and short-term capital improvements, which will increase with each subsequent acquisition. The Combined Model found in the application is the Company's attempt to project a path towards a 50/50 debt-to-equity ratio, but the Company will continue to evaluate its financing strategy and the timing of any debt funding once it has acquired the pending systems. As such, there is no proof regarding the potential debt funding sources. However, please see the Company's response to RFI 1(a) for the proof of funds necessary to acquire, improve, and operate the various systems currently before the Commission.

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