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APPLICATION OF JAMES L. NELSON §
D/B/A WATERCO AND CSWR-TEXAS §
UTILITY OPERATING COMPANY, LLC §
FOR SALE, TRANSFER, OR MERGER §
OF FACILITIES AND CERTIFICATE §
RIGHTS IN MONTAGUE COUNTY §

PUBLIC UTILITY COMMISSION
OF TEXAS

**JOINT MOTION TO ADMIT EVIDENCE
AND PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED**

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UTILITY OPERATING COMPANY, LLC §
FOR SALE, TRANSFER, OR MERGER § OF TEXAS
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**JOINT MOTION TO ADMIT EVIDENCE
AND PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED**

COME NOW James L. Nelson d/b/a Waterco (“Waterco”) and CSWR-Texas Utility Operating Company, LLC (“CSWR Texas”), together with the Staff of the Public Utility Commission of Texas (“Commission Staff”) (collectively, “the Parties”), and file this Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Transfer to Proceed. In support thereof, the Parties show the following:

I. BACKGROUND

On December 18, 2020, Waterco and CSWR Texas (collectively, the “Applicants”) filed an application with the Public Utility Commission of Texas (“Commission”) for approval of the sale, transfer, or merger of facilities and certificate rights in Montague County (“Application”). The Applicants seek to transfer all facilities owned by Waterco to CSWR Texas and to amend CSWR Texas’s CCN number 13290 with the uncertificated area where Waterco’s existing customers are located. The requested sale and transfer includes approximately 25 acres and 16 connections.

Pursuant to Order No. 6, the Parties timely file this Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Transfer to Proceed.

II. JOINT MOTION TO ADMIT EVIDENCE

The Parties move to admit the following items into the record evidence of this proceeding:

1. the application, including confidential attachments, filed on December 18 and 22, 2020 (Interchange Item Nos. 1 through 8);

2. CSWR Texas's errata to the application filed on January 5, 2021 (Interchange Item No. 12);
3. CSWR Texas's second errata to the application filed on January 19, 2021 (Interchange Item No. 13);
4. the first supplement to the application filed on February 19, 2021 (Interchange Item No. 17);
5. CSWR Texas's amended Highly Sensitive Attachment G filed on May 5 and 6, 2021 (Interchange Item Nos. 23 and 24);
6. CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on April 13 and 14, 2021 (Interchange Item Nos. 20 and 21);
7. the publisher's affidavit of *Bowie News, Inc.* filed on May 3, 2021 (Interchange Item No. 22);
8. Commission Staff's Recommendation on Sufficiency of Notice, filed on May 18, 2021 (Interchange Item No. 25); and
9. Commission Staff's Recommendation on the Transaction, including confidential attachments, filed on June 22, 2021 (Interchange Item Nos. 31 and 32).

III. STAFF RECOMMENDATION FOR ADMINISTRATIVE PROCESS

As demonstrated in its recommendation in this proceeding, Commission Staff has performed a cumulative review to assess CSWR Texas's technical and managerial capability to provide service to the requested areas and customers affected in all prior CSWR Texas's STM dockets in which Commission Staff has recommended the transaction to proceed, and it has determined that CSWR Texas has demonstrated its ability to provide continuous and adequate service to each of the requested areas, both individually and as a whole. In addition, Commission Staff determined that CSWR Texas has the financial ability to pay for facilities necessary to provide service in each of the requested areas, both individually and as a whole.

IV. PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

The Parties move for adoption of the attached Proposed Order Approving the Sale and Transfer to Proceed.

V. CONCLUSION

The Parties respectfully request that the Commission grant the Motion to Admit Evidence and adopt the attached Proposed Order Approving the Sale and Transfer for Proceed.

Respectfully submitted,

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

L. Russell Mitten
General Counsel
Central States Water Resources, Inc.
1650 Des Peres Rd., Suite 303
St. Louis, Missouri 63131
(314) 380-8595
(314) 763-4743 (fax)



Evan D. Johnson
State Bar No. 24065498
C. Glenn Adkins
State Bar No. 24103097
Coffin Renner LLP
1011 W. 31st Street
Austin, Texas 78705
(512) 879-0900
(512) 879-0912 (fax)
evan.johnson@crtxlaw.com
glenn.adkins@crtxlaw.com

**PUBLIC UTILITY COMMISSION OF
TEXAS LEGAL DIVISION**

Rachelle Nicolette Robles
Division Director

Eleanor D'Ambrosio
Managing Attorney

/s/ John Harrison

John Harrison
State Bar No. 24097806
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7277
(512) 936-7268 (fax)
John.Harrison@puc.texas.gov

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of July 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

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APPLICATION OF JAMES L. NELSON	§	
D/B/A WATERCO AND CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY, LLC	§	
FOR SALE, TRANSFER, OR MERGER	§	OF TEXAS
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RIGHTS IN MONTAGUE COUNTY	§	

PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of James L. Nelson d/b/a Waterco and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities in Montague County. Waterco and CSWR Texas seek the transfer of all water facilities owned by Waterco and the amendment of CSWR Texas’s certificate of convenience and necessity (CCN) number 13290 to include the uncertificated area currently served by Waterco. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Waterco and CSWR Texas may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. James L. Nelson is an individual doing business as Waterco.
2. Waterco controls facilities for providing water service to a currently uncertificated area in Montague County.
3. Waterco owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Waterco, public water system number 1690028.
4. CSWR Texas is a domestic limited liability company registered with the Texas secretary of state under file number 0803367893.

5. CSWR Texas is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Aransas, Austin, Burleson, Burnet, Harris, Hood, Parker, Victoria, and Wilson counties under CCN number 13290.

Application

6. On December 18, 2020, Waterco and CSWR Texas filed the application at issue in this proceeding.
7. Waterco and CSWR Texas filed errata to the application on January 5 and 19, 2021.
8. Waterco and CSWR Texas supplemented the application on February 19, 2021..
9. Waterco and CSWR Texas filed an amended Highly Sensitive Attachment G to the application on May 6, 2021.
10. In the application, Waterco and CSWR Texas seek approval of the following transaction: (a) CSWR Texas will acquire all of Waterco's facilities; and (b) CSWR Texas's water CCN number 13290 will be amended to include the uncertificated area where the customers currently served by Waterco are located.
11. The requested area comprises approximately 25 acres and 16 current customers.
12. The requested area is located approximately 5 miles northeast of downtown Nocona, Texas, and is generally bounded on the north and on the east by Lake Nocona; on the south by Keck Road; and on the west by FM 1106.
13. In Order No. 3 filed on March 3, 2021, the ALJ deemed the application administratively complete.

Notice

14. On April 13, 2021, CSWR Texas filed the affidavit of Josiah Cox, president and manager of CSWR Texas, attesting that notice was provided to all current customers of Waterco, neighboring utilities, and affected parties on March 24, 2021.
15. On May 3, 2021, CSWR Texas filed the publisher's affidavit attesting to the publication of notice in the *Bowie News, Inc.*, a newspaper of general circulation in Montague County, on April 14 and 21, 2021.

16. In Order No. 4 filed on May 19, 2021, the ALJ deemed the notice sufficient.

Evidentiary Record

17. On July 12, 2021, the parties filed a joint motion to admit evidence.

18. In Order No. __ filed on _____, the ALJ admitted the following evidence into the record: (a) the application, including confidential attachments, filed on December 18 and 22, 2020; (b) CSWR Texas's errata to the application filed on January 5, 2021; (c) CSWR Texas's second errata to the application filed on January 19, 2021; (d) the first supplement to the application filed on February 19, 2021; (e) CSWR Texas's amended Highly Sensitive Attachment G filed on May 5 and 6, 2021; (f) CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on April 13 and 14, 2021; (g) the publisher's affidavit of Bowie News, Inc. filed on May 3, 2021; (h) Commission Staff's recommendation on sufficiency of notice, filed on May 18, 2021; and (i) Commission Staff's recommendation on the transaction, including confidential attachments, filed on June 22, 2021.

Cumulative Recommendation

19. On June 22, 2021, Commission Staff filed its recommendation regarding 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. 50251,¹ 50276,² 50311,³ 50989,⁴ 51026,⁵ 51065,⁶ 51031,⁷ 51047,⁸ 51130,⁹ 51146,¹⁰ 51089,¹¹ 51003,¹² 51036,¹³ and 51222.¹⁴

¹ *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).*

² *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).*

³ *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).*

⁴ *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, Notice of Approval (Apr. 23, 2021).*

⁵ *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, Notice of Approval (Apr. 23, 2021).*

⁶ *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, Corrected Notice of Approval (Mar. 10, 2021).*

⁷ *Application of Council Creek Village, Inc. d/b/a Council Creek Village d/b/a South Council Creek 2 CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51031, Notice of Approval (Apr. 14, 2021).*

⁸ *Application of Jones-Owen Company d/b/a 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 Burnet County, Docket No. 51047, Notice of Approval (Apr. 19, 2021).*

⁹ *Application of Laguna Vista Limited and Laguna Tres, Inc. CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hood County, Notice of Approval (Apr. 20, 2021).*

¹⁰ *Application of Abraxas Corporation and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Notice of Approval (Apr. 23, 2021).*

¹¹ *Application of Donald E. Wilson d/b/a Quiet Village II d/b/a QV Utility CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hidalgo County, Docket No. 51089, (pending).*

¹² *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, Docket No. 51003 (pending).*

¹³ *Application of Kathie Lou Daniels d/b/a Woodlands West and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bureson County, Docket No. 51036 (pending).*

¹⁴ *Application of the Estate of Patetreen Petty McCoy d/b/a Big Wood Springs Water Company and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Wood County, Docket No. 51222 (pending).*

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. Waterco’s public water system number 1690028 is not currently in compliance with the drinking water rules of the TCEQ.
21. 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 and to ensure customers receive safe and reliable service within a reasonable time upon consummation of the transaction.
22. CSWR Texas has agreed to work with the TCEQ to address any outstanding compliance issues upon consummation of the transaction.
23. 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)

24. There are currently 16 connections in the requested area that are being served by Waterco’s public water system number 1690028 and such service has been continuous.
25. Waterco has several violations listed in the TCEQ database, which means the service currently provided to the requested area is inadequate. CSWR Texas stated that it intends 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)

26. There is a continuing need for service because Waterco is currently serving 16 connections in the requested area.
27. There have been no specific requests for additional service within the requested area.
28. Waterco’s existing customers in the requested service area have a need for improved service.

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)

29. Existing and future customers will be better served through CSWR Texas's ownership and operation of water system number 1690028 due to improvements in the utility service, operations, maintenance, and customer service.
30. 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 requested area.
31. There will be no effect on landowners in the requested area because they are currently being served by the Waterco system.
32. CSWR Texas will adopt Waterco'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(h)(2), (h)(5)(D)

33. Waterco's public water system number 1690028 is currently providing service to 16 connections in the requested area, but the current wells are unapproved, and the pumping capacity is unknown. CSWR Texas has agreed to work with the TCEQ to resolve this capacity issue once the transfer is complete.
34. CSWR Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
35. 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.
36. CSWR Texas has the technical and managerial capability to provide adequate and continuous service to the 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)

37. 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.
38. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages and demonstrated that 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.
39. CSWR Texas demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

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

40. 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)

41. The requested area is currently being served by Waterco. 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)

42. The requested area will continue to be served with existing infrastructure.
43. 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 public water system.

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

44. Water service to the requested area will improve because CSWR Texas intends to address and resolve regulatory compliance issues and improve the safety and reliability of service.

45. The rates charged to customers in the requested area will not change as a result of the proposed transaction because CSWR Texas will adopt Waterco's currently tariffed rates upon consummation of the transaction.

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

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

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. CSWR Texas and Waterco 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 requested area as required by TWC § 13.301(b).
3. CSWR Texas and Waterco have demonstrated that the sale of Waterco's facilities from Waterco to CSWR Texas will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public. TWC § 13.301(d), (e).

III. Ordering Paragraphs

In accordance with the preceding findings of fact and conclusions of law, the Commission enters the following orders.

1. The sale is approved and the transaction between Waterco 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, the applicants must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
3. The applicants 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 the applicants will have to reapply for approval.
5. 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.
6. 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 _____ day of _____ 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

**GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE**