



Control Number: 51843



Item Number: 17

Addendum StartPage: 0

**Peter M. Lake**  
Chairman  
**Will McAdams**  
Commissioner



**Greg Abbott**  
Governor

**Thomas J. Gleeson**  
Executive Director

## *Public Utility Commission of Texas*

TO: Stephen Journeay  
Commission Counsel

All Parties of Record

FROM: Isaac Ta *I. T.*  
Administrative Law Judge

RE: **Docket No. 51843** – *Application of CSWR-Texas Utility Operating Company, LLC  
for Temporary Rates for a Nonfunctioning Utility*

DATE: May 26, 2021

**Because of the COVID-19 state of disaster, the Commission has moved to a work at home environment and is working to maintain operations as normally as possible. However, all known challenges have not yet been overcome and the dates provided in this notice are subject to change**

Enclosed is the Proposed Order in the above-referenced case. By copy of this memo, the parties to this proceeding are being served with the Proposed Order.

Please place this docket on an open meeting agenda for the Commissioners' consideration. Please notify me and the parties of the open meeting date. The parties must file corrections or exceptions to the Proposed Order by June 10, 2021.

**If a party proposes a correction or exception, the party must fully explain the correction or exception and must provide a citation to the record to support the correction or exception.**

If there are no corrections or exceptions, no response is necessary.

/ta  
q \cadm\doCKET management\water\rates\51xxx\51843 pomemo docx



Printed on recycled paper

An Equal Opportunity Employer

1701 N. Congress Avenue PO Box 13326 Austin, TX 78711 512/936-7000 Fax: 512/936-7003 web site: [www.puc.texas.gov](http://www.puc.texas.gov)

17

**DOCKET NO. 51843**

<b>APPLICATION OF CSWR-TEXAS</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>UTILITY OPERATING COMPANY,</b>	<b>§</b>	
<b>LLC FOR TEMPORARY RATES FOR</b>	<b>§</b>	<b>OF TEXAS</b>
<b>A NONFUNCTIONING UTILITY</b>	<b>§</b>	

**PROPOSED ORDER**

This Order addresses the application of CSWR-Texas Utility Operating Company, LLC for temporary rates for services provided for Farrar Water Supply Corporation, a nonfunctioning utility. The Commission approves the temporary rates proposed in the application, as modified by this Order and to the extent provided in this Order. The temporary rates approved by this Order are subject to reconciliation, and the Commission may revise the temporary rates following its reconciliation review.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicant and Utility**

1. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under filing number 803367893.
2. Farrar Water owns and operates for compensation in Limestone County, Texas equipment and facilities for the transmission, storage, distribution, sale, or provision of potable water to the public.
3. Farrar Water owns a public water system number registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 1470007.
4. Farrar Water provides retail water utility service to 22 connections in Limestone County, Texas.
5. Farrar Water does not possess a water certificate of convenience and necessity for its service area because it was revoked.
6. Farrar Water does not have a water tariff on file with the Commission.

7. On February 3, 2021, CSWR-Texas was appointed as temporary manager for Farrar Water Supply in Docket No. 51551.<sup>1</sup> The Commission set CSWR-Texas's compensation for its role as temporary manager at \$15 per water connection per month.

#### **Application**

8. On February 26 and March 2, 2021, CSWR-Texas filed an application, with confidential attachments, for temporary rates under Texas Water Code (TWC) § 13.046 and 16 Texas Administrative Code (TAC) § 24.363.
9. In Order No. 2 filed on April 8, 2021, the administrative law judge (ALJ) found the application administratively complete.
10. On April 21 and 22 and May 3, 2021, CSWR-Texas supplemented the application.
11. On May 7, 2021, Commission Staff filed its recommendation on final disposition.

#### **Notice**

12. On or about March 7, 2021, CSWR-Texas provided notice of the temporary rate increase to all customers of Farrar Water.
13. In Order No. 2 filed on April 8, 2021, the administrative law judge (ALJ) found the notice sufficient.

#### **Evidentiary Record**

14. On May 17, 2021, the parties filed a joint motion to admit evidence.
15. In Order No. 3 filed on May 24, 2021, the ALJ admitted the following evidence into the record of this proceeding: (a) the application and all attachments filed on February 26 and March 2, 2021; (b) CSWR-Texas's response to Order No. 1 filed on March 25, 2021; (c) CSWR-Texas's response to Commission Staff's request for documentation and confidential response filed on April 21 and 22, 2021; (d) CSWR-Texas's supplemental response to Commission Staff's request for documentation filed on May 3, 2021; and (e) Commission Staff's recommendation on final disposition and all attachments filed on May 7, 2021.

---

<sup>1</sup> *Petition for an Order Appointing a Temporary Manager to the Farrar Water Supply Corporation*, Docket No. 51551, Order Appointing a Temporary Manager (Feb. 3, 2021).

**Reasonableness of Temporary Rates**

16. The application requests approval of an annual operating expense of \$14,734, which does not include revenues generated by the temporary manager's fee of \$15 per connection per month.
17. The application requests a monthly flat rate for water service of \$48.69 per month per connection for all meter sizes, with no gallons included, and a gallonage charge of \$2.58 per 1,000 gallons. The application also requests a temporary manger's fee of \$15 per month per connection for water service, which was approved in Docket No. 51551. In addition to monthly charges, the application also included several miscellaneous fees and charges including new tap fees, customer reconnection or disconnection request fees, a reconnection fee associated with non-payment, an on-site collection charge, meter test fee, a late charge, and a returned check charge.
18. The application also requests to recover \$3,091.29, to be collected via a surcharge over a period of six months, which is needed to reimburse Donna Jones, a customer of the system, for water system expenses she covered with personal funds.
19. The temporary rates became effective February 3, 2021, consistent with CSWR-Texas's notice.
20. Commission Staff recommended an annual operating expense of \$14,734, which does not include revenues generated by the temporary manager's fee of \$15 per connection per month.
21. Commission Staff recommended a minimum monthly rate of \$48.69 per connection for all meter sizes, with 2,000 gallons included, and a gallonage charge of \$1.80 per 1,000 gallons. The gallonage charge was calculated using an updated connection count of 22 connections.
22. Commission Staff also recommended a surcharge in the amount of \$23.42 per connection per month, to be collected for a period of six months, to recover \$3,091.29 needed to reimburse Donna Jones for water system expenses she covered with personal funds.
23. The temporary rates and surcharge recommended by Commission Staff are reasonable for CSWR-Texas to provide continuous and adequate water service for the customers of Farrar Water.

24. The temporary rates and temporary manager's fee will remain in effect until the Commission orders otherwise.
25. The temporary rates will remain in effect even in the event that a new temporary manager or receiver is appointed.

**Requirement for Monthly Documentation**

26. In its recommendation on final disposition, Commission Staff recommended that CSWR-Texas provide monthly documentation, by the last day of the month following the operational month in question, until the temporary manager's term is completed. Commission Staff recommended that the documentation include:
  - (a) a summary of monthly revenues and expenses with a detailed list of actual costs for operating the system, such as repairs, chlorine, billing, operator costs, electricity, laboratory fees, and sampling costs;
  - (b) a summary of monthly operations, maintenance, administrative, and general expenses with a detailed list of actual expenses;
  - (c) copies of invoices and receipts to support the actual cost of service; and
  - (d) the actual number of connections served at the beginning and end of the month.

**Tariff**

27. On May 7, 2021, Commission Staff filed the proposed tariff as an attachment to its recommendation on final disposition.

**II. Conclusions of Law**

The Commission makes the following conclusions of law.

1. The Commission has authority over this proceeding under TWC §§ 13.041 and 13.046.
2. Farrar Water is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(31) and a water utility as defined in TWC and § 13.002(23) and 16 TAC § 24.3(39).
3. Public notice of the application was provided as required by TWC § 13.046 and 16 TAC § 24.363(b).

4. The application was processed in accordance with the requirements of the Administrative Procedure Act,<sup>2</sup> the TWC, and Commission rules.
5. The temporary rates and surcharge approved in this case are, as required under 16 TAC § 24.363(a), calculated to enable CSWR-Texas to recover the reasonable costs incurred in making service available to the customers in Farrar Water's service area and bringing public water system number 1470007 into compliance with Commission and TCEQ rules.
6. The temporary rates and surcharge approved in this case are reasonable and consistent with TWC § 13.046.
7. Under TWC § 13.046(c), CSWR-Texas is hereby given a reasonable time to bring the nonfunctioning system into compliance with Commission rules, including the requirement of obtaining a certificate of convenience and necessity.
8. The Commission may prescribe forms of books, accounts, records, and memoranda to be kept by water and sewer utilities, including the books, accounts, records, and memoranda of the rendition of and capacity for service as well as the receipts and expenditures of money, and any other forms, records and memoranda the Commission determines are necessary, in accordance with TWC § 13.131.

#### **IV. Ordering Paragraphs**

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

1. The Commission approves the temporary rates proposed in the application, as modified by this Order and to the extent provided in this Order. The temporary rates approved by this Order are subject to reconciliation, and the Commission may revise the temporary rates following its reconciliation review.
2. The Commission approves the proposed tariff filed by Commission Staff on May 7, 2021.
3. CSWR-Texas must provide notice of the \$23.42 per connection per month surcharge approved in this Order at least one billing cycle prior to the billing cycle in which it begins collecting the surcharge.

---

<sup>2</sup> Tex. Gov't Code §§ 2001.001–.903.

4. For the reconciliation review, revenues received through the temporary rates will be compared to the actual expenses incurred by the utility. The temporary manager must file invoices, cancelled checks, or other documentation to support all actual expenses. The temporary manager must categorize all actual expenses into two categories: (a) operating expenses; or (b) repair, replacement, or improvement expenses.
5. Beginning 30 days from the date of this Order, CSWR-Texas must file quarterly reports that address, in detail, all needed repairs identified in the application and any additional repairs, replacements, and improvements for the utility that cost more than \$2,000. For each of these items, the report must describe the need for the repair, replacement, or improvement; identify the estimated cost and actual cost (once completed); and identify the completion date or estimated completion date. The quarterly reports must be filed in Docket No. \_\_\_\_\_, *Compliance Filing for Docket No. 51843 (Application of CSWR-Texas Utility Operating Company for Temporary Rates for a Nonfunctioning Utility)*.
6. Within 30 days of completing all needed repairs identified in the application and any additional repairs, replacements, and improvements identified in the quarterly reports, the temporary manager must file a final report verifying such completion. The final report must be filed in Docket No. \_\_\_\_\_, *Compliance Filing for Docket No. 51843 (Application of CSWR-Texas Utility Operating Company for Temporary Rates for a Nonfunctioning Utility)*.
7. The reconciliation of the temporary rates will begin following the filing of the final report, upon the request of Commission Staff, or as directed by the Commission.
8. For as long as CSWR-Texas is the temporary manager of Farrar Water, it must provide the following monthly documentation, by the last day of the month following the month in question: (a) a summary of monthly operations, including revenues and expenses, with a detailed list of actual expenses incurred, including manager's fees, repairs, chlorine, billing, operator costs, electricity, laboratory fees, and sampling costs; (b) copies of invoices and receipts to support the actual cost of service; (c) the number of actual customers at the beginning and end of the month; and (d) a signed statement that a copy of the same information has been provided to the TCEQ. The filings must be made in Docket



No. \_\_\_\_\_, *Compliance Filing for Docket No. 51843 (Application of CSWR-Texas Utility Operating Company for Temporary Rates for a Nonfunctioning Utility)*.

9. If the required monthly reports demonstrate a collection of excess funds as a result of the temporary rate, CSWR-Texas must use excess funds for systems improvements and repairs.
10. If any overages were collected from customers for the months the requested rate was billed, CSWR-Texas must issue no refunds to the customers. Instead, the excess funds should be used to pay for system improvements and repairs and the liability reduced by the amount incurred repairs and maintenance.
11. CSWR-Texas may file for an additional or revised temporary rate for the nonfunctioning utility at a later date.
12. Within ten days of the date of this Order, Commission Staff must provide a clean copy of the tariff approved by this Order to central records to be marked *Approved* and filed in the Commission's tariff books.
13. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted herein.

**Signed at Austin, Texas the \_\_\_\_\_ day of \_\_\_\_\_ 2021.**

**PUBLIC UTILITY COMMISSION OF TEXAS**

---

**PETER M. LAKE, CHAIRMAN**

---

**WILL MCADAMS, COMMISSIONER**