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

**ORDER NO. 5
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Rocket Water Company, Inc. and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities and certificate rights in Hays County. Rocket Water and CSWR-Texas seek the sale and transfer of all facilities and service area held by Rocket Water under certificate of convenience and necessity (CCN) number 12776 to CSWR-Texas, the cancellation of Rocket Water’s CCN number 12776, and the amendment of CSWR-Texas’s water CCN number 13290 to include the area previously included in Rocket Water’s CCN number 12776. The administrative law judge grants that the sale is approved and the transaction between Rocket Water and CSWR-Texas may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Rocket Water is a Texas corporation registered with the Texas secretary of state under file number 0135805800.
2. Rocket Water, through its receiver Stan Putnam, Jr., operates, maintains, and controls facilities for providing retail water service in Hays County under CCN number 12776.
3. Rocket Water owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as the Woodlands Water System, public water system identification number 1050139.
4. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 0803367893.

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

Application

6. On September 8, 2003, Mr. Putnam was appointed as receiver for Rocket Water.¹
7. On January 14, 2021, the Travis County District Court issued an order authorizing Mr. Putnam to sell and transfer Rocket Water to Central States Water Resources, Inc., the parent company of CSWR-Texas.²
8. On March 19 and 22, 2021, Rocket Water and CSWR-Texas filed the application at issue in this proceeding.
9. On March 22, 2021, Rocket Water and CSWR-Texas filed a supplement to the application.
10. On May 5 and 6, 2021, CSWR-Texas filed an amended highly sensitive attachment G to the application.
11. On June 23 and 24, 2021, CSWR-Texas filed an updated and amended highly sensitive attachment G to the application.
12. In the application, Rocket Water and CSWR-Texas seek approval of the following transaction: (a) CSWR-Texas will acquire all of Rocket Water's facilities and water service area under CCN number 12776; (b) Rocket Water's CCN number 12776 will be cancelled; and (c) CSWR-Texas's water CCN number 13290 will be amended to include the area previously included in Rocket Water's CCN number 12776.
13. The requested area includes approximately 1,004 acres, 69 connections, is located approximately four miles north of downtown San Marcos, and is generally bounded on the north by the Blanco River near Lime Kiln Road; on the east by Blanco River near Old Stagecoach Road; on the south by the intersection of Lime Kiln Road and Bethke Road; and on the west by Deer Trail Drive.

¹ *State vs. Roger Boyd dba Rocket Water*, No. D-1-GV-03-002530 (261st Dist. Ct., Travis County, Tex. Sep. 8, 2003) (order appointing receiver).

² *Id.* (261st Dist. Ct., Travis County, Tex. Jan. 14, 2021) (order authorizing application for sale and transfer of receivership property).

14. In Order No. 2 filed on April 19, 2021, the administrative law judge (ALJ) found the application administratively complete.

Notice

15. On May 3, 2021, CSWR-Texas filed the affidavit of Josiah Cox, president of CSWR-Texas, attesting that notice was provided to current customers of Rocket Water, neighboring utilities, and affected parties on April 29, 2021.
16. On May 26, 2021, CSWR-Texas supplemented its proof of notice with the affidavit Mr. Cox attesting that notice was provided to additional current customers of Rocket Water on May 26, 2021.
17. In Order No. 3 filed on June 1, 2021, the ALJ found the notice sufficient.

Evidentiary Record

18. On August 23, 2021, the parties filed a joint motion to admit evidence.
19. In Order No. 4 filed on September 10, 2021, the ALJ admitted the following evidence into the record of this proceeding: (a) the application, including confidential attachments, filed on March 19 and 22, 2021; (b) CSWR-Texas's first supplement to the application filed on March 22, 2021; (c) Commission Staff's recommendation on administrative completeness, including attachments, filed on April 19, 2021; (d) CSWR-Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on May 3, 2021; (e) CSWR-Texas's amended highly sensitive attachment G filed on May 5 and 6, 2021; (f) CSWR-Texas's supplemental affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on May 26, 2021; (g) Commission Staff's recommendation on sufficiency of notice, filed on May 27, 2021; (h) CSWR-Texas's amended highly sensitive attachment G filed on June 23 and 24, 2021; (i) Commission Staff's recommendation on the transaction, including confidential attachments, filed on July 26, 2021; and (j) the Travis County district court order authorizing application for sale and transfer of receivership property related to the Woodlands Water System attached to the proposed order approving sale and transfer to proceed filed on August 23, 2021.

System Compliance

20. Rocket Water's public water system number 1050139 is currently in compliance with the drinking water rules of the TCEQ.
21. CSWR-Texas does not have any violations listed in the TCEQ database.
22. CSWR-Texas has not been subject to any unresolved enforcement action by the Commission, the TCEQ, the Texas Department of Health and Human Services, The Office of the Attorney General of Texas, or the United States Environmental Protection Agency in the past five years for non-compliance with rules, orders, or state statutes.
23. CSWR-Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

24. There are currently 69 connections in the requested area that are being served by Rocket Water through its public water system number 1050139, and such service has been continuous.
25. Rocket Water has been in receivership since 2003 stemming from violations cited by the TCEQ. Because the system was under receivership, the receiver has been unable to pay for upgrades needed to provide adequate capacity to the customers of the Woodlands Water System.
26. CSWR-Texas intends to invest the capital required to make the upgrades, renovations, and repairs necessary to ensure customers receive safe and reliable service.

Need for Additional Service

27. There is a continuing need for service because Rocket Water is currently serving 69 connections in the requested area.
28. There have been no specific requests for additional service within the 1,004-acre requested area.

Effect of Approving the Transaction and Granting the Amendment

29. Approving the sale and transfer to proceed and granting the CCN amendment will obligate CSWR-Texas to provide continuous and adequate water service to current and future customers in the requested area.

30. Because this application is to transfer only existing facilities, customers, and service area, there will be no effect on any other retail public utility servicing the proximate area.
31. There will be no effect on landowners in the requested area because the requested area is already certificated.

Ability to Serve: Managerial and Technical

32. CSWR-Texas owns and operates multiple public water systems registered with TCEQ and does not have any active violations listed in the TCEQ database.
33. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system being transferred.
34. 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.
35. 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

36. 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.
37. 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.
38. CSWR-Texas has demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

39. There is no need to require CSWR-Texas to provide a bond or other financial assurance to ensure continuous and adequate service.

Environmental Integrity and Effect on the Land

40. The requested area will continue to be served with existing infrastructure.
41. 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

42. 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.
43. The rates charged to customers in the requested area will not change as a result of the proposed transaction because CSWR-Texas will adopt Rocket Water's current rates upon the consummation of the transaction.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

44. Rocket Water is currently serving customers in the requested area with existing facilities and there will be no changes to land uses or existing CCN boundaries as a result of the transaction. Therefore, it is not feasible to obtain service from another utility.

Regionalization or Consolidation

45. 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 Rocket Water 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 Rocket Water have demonstrated that the sale and transfer of Rocket Water's facilities and service area 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 Rocket Water 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 17th day of September 2021.

PUBLIC UTILITY COMMISSION OF TEXAS



**ISAAC TA
ADMINISTRATIVE LAW JUDGE**