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DOCKET NO. 51928

APPLICATION OF BETTY DRAGOO §
AND CSWR-TEXAS UTILITY § PUBLIC UTILITY COMMISSION
OPERATING COMPANY, LLC FOR §
SALE, TRANSFER, OR MERGER OF § OF TEXAS
FACILITIES AND ASSOCIATED §
ACREAGE IN ERATH COUNTY §

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

TABLE OF CONTENTS

I. BACKGROUND 2
II. JOINT MOTION TO ADMIT EVIDENCE 3
III. STAFF RECOMMENDATION FOR ADMINISTRATIVE PROCESS 3
IV. PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO
PROCEED 4
V. CONCLUSION..... 4

ATTACHMENT: Proposed Order Approving the Sale and Transfer to Proceed

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

COME NOW Betty J. Drago ("Dragoo") 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 March 24, 2021, Drago 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 in Erath County ("Application"). The Applicants seek the transfer of all water facilities owned by Drago and the amendment of CSWR Texas's certificate of convenience and necessity (CCN) number 13290 to include 96 previously uncertificated acres under CSWR Texas's CCN No. 13290. The requested sale and transfer includes approximately 96 acres and 15 connections.

Pursuant to Order No. 3, the Parties were required to file a joint motion to admit evidence and proposed order approving the sale and transfer to proceed on or before August 18, 2021. Therefore, this pleading is timely filed.

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 March 24, 2021 (Interchange Item Nos. 1, 2, 3, 4, and 5);
2. CSWR Texas's amended Highly Sensitive Attachment G, filed on May 5 and 6, 2021 (Interchange Item Nos. 9 and 10);
3. CSWR Texas's amended Highly Sensitive Attachment G, filed on June 23 and 24, 2021 (Interchange Item Nos. 16 and 17);
4. CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on June 7 and 8, 2021; (Interchange Item Nos. 12 and 13);
5. Commission Staff's recommendation on sufficiency of notice, filed on June 16, 2021 (Interchange Item No. 14); and
6. Commission Staff's recommendation on the transaction, filed on July 21, 2021 (Interchange Item Nos. 18 and 19).

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 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

Therefore, for the reasons described above, the Parties move for the adoption of the attached Proposed Order Approving the Sale and Transfer to Proceed.

V. CONCLUSION

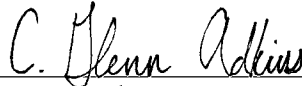
The Parties respectfully request that the Commission grant the Motion to Admit Evidence and adopt the attached Proposed Order Approving the Sale and Transfer to Proceed.

DATE: August 18, 2021

Respectfully submitted,

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

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CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of August 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.



Glenn Adkins

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PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Betty J. Dragoo and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities currently owned by Dragoo and used to serve the Thousand Oaks Subdivision in Erath County. Dragoo and CSWR Texas seek the transfer of all facilities, and the amendment of CSWR Texas’s CCN number 13290 to include 96 acres of uncertificated area. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Dragoo and CSWR Texas may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. Betty J. Dragoo is an individual.
2. Dragoo is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Erath County.
3. Dragoo owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Dragoo Water Supply, public water system number 0720054.
4. CSWR Texas is a Texas 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 March 24, 2021, Dragoo and CSWR Texas filed the application at issue in this proceeding.
7. On May 5 and 6, 2021, CSWR Texas filed an amended Highly Sensitive Attachment G to the application.
8. On June 23 and 24, 2021 CSWR Texas filed an updated and amended Highly Sensitive Attachment G to the application.
9. In the application, Dragoo and CSWR Texas seek approval of the following transaction: (a) CSWR Texas will acquire all of Dragoo's facilities used to serve the Thousand Oaks subdivision in Erath County; and (b) CSWR Texas's water CCN number 13290 will be amended to include 96 acres of previously uncertificated water service area
10. The requested area comprises approximately 96 acres and 15 current connections.
11. The requested area is located approximately 5 miles southwest of downtown Stephenville, Texas; and is generally bounded on the north by County Road 279 and Parish Road 1184; on the east and south by Fort Worth and Western Railroad; and on the west by County Road 279.
12. In Order No. 2 filed on April 23, 2021, the ALJ deemed the application administratively complete.

Notice

13. On June 7 and 8, 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 Dragoo, neighboring utilities, and affected parties May 7, 2021.
14. CSWR Texas also included in its proof of notice a publisher's affidavit attesting that notice was published in the Stephenville Empire Tribune, a newspaper of general circulation in Erath county, on May 15 and May 22, 2021.

15. In Order No. 3 filed on June 18, 2021, the ALJ deemed the notice sufficient.

Evidentiary Record

16. On August 18, 2021, the parties filed a joint motion to admit evidence.

17. In Order No. ___ filed on _____, 2021, the ALJ admitted the following evidence into the record: (a) the application, including confidential attachments, filed on March 24; (b) CSWR Texas's amended Highly Sensitive Attachment G filed on May 5 and 6, 2021; (c) CSWR Texas's amended Highly Sensitive Attachment G filed on June 23 and 24, 2021 (d) CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on June 7 and 8, 2021; (e) Commission Staff's recommendation on sufficiency of notice, filed on June 16, 2021; and (f) Commission Staff's recommendation on the transaction, including confidential attachments, filed on July, 21 2021.

Cumulative Recommendation

18. On July 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

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).

51118,⁷ 51026,⁸ 51031,⁹ 51047,¹⁰ 51130,¹¹ 51146,¹² 51089,¹³ 51003,¹⁴ 51036,¹⁵ 51222,¹⁶ and 51642,¹⁷.

System Compliance

19. Dragoos public water system number 0720054 is not currently in compliance with the drinking water rules of the TCEQ.
20. CSWR Texas stated that it intends to invest the capital required to make the upgrades, renovations, and repairs necessary to ensure customers receive safe and reliable service.

⁷ *Application of Shady Oaks Water Supply Company, LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Wilson County, Docket No. 51118, Notice of Approval (Mar. 18, 2021).*

⁸ *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 (April 23, 2021).*

⁹ *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).*

¹⁰ *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).*

¹¹ *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).*

¹² *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).*

¹³ *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).*

¹⁴ *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).*

¹⁵ *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 Burleson County, Docket No. 51036 (pending).*

¹⁶ *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).*

¹⁷ *Application of James L. Nelson dba WaterCo and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Montague County, Docket No. 51642 (pending).*

21. CSWR Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

22. There are currently 15 connections in the requested area that are being served by Dragoo's public water system number 0720054, and such service has been continuous and adequate.
23. CSWR Texas stated that it 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

24. There is a continuing need for service because Dragoo is currently serving 15 connections in the requested area.
25. There is no evidence of specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

26. 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.
27. Because this application is to transfer only existing facilities, customers, and the associated uncertificated area, there will be no effect on any other retail public utility serving the proximate area.
28. All retail public utilities in the proximate area were provided notice of the transaction proposed in this application and did not request to intervene.
29. There are no landowners of 25 acres or more in the requested area.
30. There will be no effect on landowners in the requested area.
31. CSWR Texas will adopt Dragoo's current rates upon the consummation of the transaction.

Ability to Serve: Managerial and Technical

32. Dragoo's public water system number 0720054 is currently providing service to 15 connections in the requested area and has adequate capacity to meet the demands in the requested area.

33. CSWR Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
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 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 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.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

40. Dragoo is currently serving customers in the requested area with existing facilities and has sufficient capacity.
41. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. Therefore, it is not feasible to obtain service from adjacent retail public utility.

Environmental Integrity and Effect on the Land

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 of Cost to Consumers

44. CSWR Texas will continue to provide water service to existing customers in the area.
45. CSWR Texas plans to make the necessary investments to improve the system.
46. The rates charged to customers in the requested area will not change as a result of the proposed transaction because CSWR Texas will adopt the currently in effect tariff for the Dragoo water system upon consummation of the transaction.

Regionalization or Consolidation

47. 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 Dragoo 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 Dragoo have demonstrated that the sale of Dragoo's facilities from Dragoo 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 the preceding findings of fact and conclusions of law, the Commission issues the following orders.

1. The sale is approved and the transaction between Dragoo 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, Dragoo and CSWR Texas 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 period, or an extension has not been granted, this approval is void and Dragoo and CSWR Texas must reapply for approval.
5. Dragoo and CSWR Texas are advised that the facilities will be held by Dragoo until the sale and transfer transaction is complete, in accordance with Commission rules.
6. In an effort to finalize this case as soon as possible, Dragoo and CSWR Texas must continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
7. 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

ADMINISTRATIVE LAW JUDGE