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DOCKET NO. 51928

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

ORDER NO. 5
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the March 24, 2021 application of Betty J. Dragoo and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities and associated acreage in Erath County. Dragoo and CSWR-Texas seek the sale and transfer of all facilities and customers from Dragoo to CSWR-Texas and the amendment of CSWR-Texas’s water CCN number 13290 to add 96 acres of previously 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 operates, maintains, and controls facilities for providing retail water service in Erath County.
3. Dragoo has 15 current connections, is not an exempt utility, and does not hold an exempt utility registration or CCN.
4. Dragoo owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Thousand Oaks Subdivision, identification number 0720054.
5. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.

6. CSWR-Texas is an investor-owned utility that 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

7. On March 24, 2021, Dragoo and CSWR-Texas filed the application at issue in this proceeding.
8. On May 5 and 6, 2021, CSWR-Texas filed an amended highly sensitive attachment G to the application.
9. On June 23 and 24, 2021, CSWR-Texas filed an updated and amended highly sensitive attachment G to the application.
10. 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.
11. The requested area includes approximately 96 uncertificated acres and 15 current connections.
12. The requested area is located approximately five 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.
13. In Order No. 2 filed on April 23, 2021, the ALJ found the application administratively complete.

Notice

14. On June 7, 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 on May 7, 2021.
15. On June 7, 2021, CSWR-Texas filed 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 22, 2021.

16. In Order No. 3 filed on June 18, 2021, the ALJ found the notice sufficient.

Evidentiary Record

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

18. In Order No. 4 filed on September 3, 2021, the ALJ admitted the following into evidence into the record of this proceeding: (a) the application, including confidential attachments, filed on March 24, 2021; (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

19. On July 21, 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

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 (Apr. 23, 2021).*

51003,⁵ 51026,⁶ 51031,⁷ 51036,⁸ 51047,⁹ 51065,¹⁰ 51089,¹¹ 51118,¹² 51126,¹³
51130,¹⁴ 51146,¹⁵ 51222,¹⁶ and 51642.¹⁷

System Compliance

20. Dragoos's public water system number 0720054 is not currently in compliance with the drinking water rules of the TCEQ.

⁵ *Application of Oak Hill Ranch Estates Water Company 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, Notice of Approval (Sep. 9, 2021).*

⁶ *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).*

⁷ *Application of Council Creek Village, Inc. dba Council Creek Village dba South Council Creek 2 and 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 Kathie Lou Daniels dba Woodlands West and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities in Burleson County, Docket No. 51036, Notice of Approval (Aug. 23, 2021).*

⁹ *Application of Jones-Owen Company dba 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).*

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

¹¹ *Application of Donald E. Wilson dba Quiet Village II dba QV Utility and 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 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).*

¹³ *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 to Amend CSWR-Texas Utility Operating Company LLC's Certificate of Convenience and Necessity in Denton County, Docket No. 51126 (pending).*

¹⁴ *Application of Laguna Vista Limited and Laguna Tres, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hood County, Docket No. 51130, Notice of Approval (Apr. 20, 2021).*

¹⁵ *Application of Abraxas Corporation and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Docket No. 51146, Notice of Approval (Apr. 23, 2021).*

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 intends to invest the capital required to make the upgrades, renovations, and repairs necessary to ensure customers receive safe and reliable service and bring the system into compliance with TCEQ regulations.
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 has demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

24. There are currently 15 connections in the requested area that are being served by Dragoo's public water system and such service has been continuous.
25. 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

26. There is a continuing need for service because Dragoo is currently serving 15 connections in the requested area.
27. There have been no specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

28. Existing and future customers will be better served through CSWR-Texas's ownership and operation of public water system number 0720054 due to improvements in the utility service, operations, maintenance, and customer service.
29. 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.
30. All retail public utilities in the proximate area were provided notice of the transaction proposed in this application and no retail public utility filed a protest or motion to intervene. Therefore, there will be no effect on any retail public utility in the proximate area.

Ability to Serve: Managerial and Technical

31. CSWR-Texas owns and operates multiple public water systems registered with the TCEQ and does not have any active violations listed in the TCEQ database.
32. CSWR-Texas employs or contracts with TCEQ-licensed operators who will operate the public water system.
33. 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 Texas Water Code (TWC), and the TCEQ's rules.
34. 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

35. 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.
36. 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.
37. CSWR-Texas has demonstrated the financial capability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

38. 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

39. The requested area will continue to be served with existing infrastructure.
40. 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 in Service or Lowering Cost to Consumer

41. 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.
42. 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.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

43. Dragoo is currently serving customers in the requested area with existing facilities and has sufficient capacity. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities would need to be constructed. At a minimum, an interconnect would need to be installed in order to connect to a neighboring retail public utility. Therefore, it is not feasible to obtain service from adjacent retail public utility.

Regionalization or Consolidation

44. 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. Dragoo and CSWR-Texas provided notice of the application that complies with TWC §§ 13.246 and 13.301(a)(2) and 16 Texas Administrative Code (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 continuous and adequate service to the requested area as required by TWC § 13.301(b).
3. Dragoo and CSWR-Texas demonstrated that the sale and transfer of Dragoo's facilities 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 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. Dragoo and CSWR-Texas 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 Dragoo and CSWR-Texas will have to 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 10 day of September 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink that reads "Katie Moore Marx". The signature is written in a cursive style with a large initial 'K'.

KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE

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