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DOCKET NO. 51940

APPLICATION OF WALNUT BEND	§	PUBLIC UTILITY COMMISSION
WATER SUPPLY AND CSWR-TEXAS	§	
UTILITY OPERATING COMPANY,	§	OF TEXAS
LLC FOR SALE, TRANSFER OR	§	
MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN ANGELINA	§	
COUNTY	§	

**ORDER NO. 7
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Walnut Bend Water Supply aka Walnut Bend Water System and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities and certificate rights in Angelina County. Walnut Bend and CSWR Texas seek the transfer of all facilities and service area held under Walnut Bend’s certificate of convenience and necessity (CCN) number 12115 to CSWR Texas, the cancellation of Walnut Bend’s CCN number 12115, and the amendment of CSWR Texas’s CCN number 13290 to include the 48 acres previously included in Walnut Bend’s CCN number 12115. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Walnut Bend and CSWR Texas may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. David M. Holt is an individual doing business as Walnut Bend.
2. Walnut Bend is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Angelina County under water CCN number 12115.
3. Walnut Bend owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Walnut Bend Water Supply, public water system number 0030037.
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 25, 2021, Walnut Bend and CSWR Texas filed the application at issue in this proceeding.
7. CSWR Texas filed an amended Highly Sensitive Attachment G to the application on May 5 and 6, 2021.
8. CSWR Texas filed an updated and amended Highly Sensitive Attachment G to the application on June 23 and 24, 2021.
9. In the application, Walnut Bend and CSWR Texas seek approval of the following transaction: (a) CSWR Texas will acquire all of Walnut Bend's facilities and water service area under CCN number 12115; (b) Walnut Bend's CCN number 12115 will be cancelled; and (c) CSWR Texas's water CCN number 13290 will be amended to include 48 acres previously included in Walnut Bend's CCN number 12115.
10. The requested area comprises approximately 48 acres and 19 current connections.
11. The requested area is located approximately 7.25 miles north of downtown Zavalla, Texas; and is generally bounded on the north and east by Sam Rayburn Reservoir; on the south by Phillips Road; and on the west by North Cochran Road.
12. In Order No. 2 filed on April 28, 2021, the ALJ deemed the application administratively complete.

Notice

13. On May 14, 2021, CSWR Texas filed the confidential portion of the affidavit of Josiah Cox, president and manager of CSWR Texas, attesting that notice was provided to all current customers of Walnut Bend, neighboring utilities, and affected parties May 7, 2021.
14. On June 6, 2021, CSWR Texas filed the non-confidential portion of the affidavit of Josiah Cox, president and manager of CSWR Texas, attesting that notice was provided to all current customers of Walnut Bend, neighboring utilities, and affected parties May 7, 2021.

15. In Order No. 5 filed on July 13, 2021, the ALJ deemed the notice sufficient.

Evidentiary Record

16. On August 12, 2021, the parties filed a joint motion to admit evidence.

17. In Order No. 6 filed on August 20, 2021, the ALJ admitted the following evidence into the record: (a) the application, including confidential attachments, filed on March 25 and 26, 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 May 14 and June 6, 2021; (e) Commission Staff's recommendation on sufficiency of notice, filed on July 12, 2021; and (f) Commission Staff's recommendation on the transaction, including confidential attachments, filed on July 22, 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.

System Compliance

19. Walnut Bend's public water system number 0030037 is 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.

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 19 connections in the requested area that are being served by Walnut Bend's public water system number 0030037, 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 Walnut Bend is currently serving 19 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 service areas, there will be no effect on any other retail public utility serving the proximate area.
28. There will be no effect on landowners in the requested area because the area is currently certificated.
29. CSWR Texas will adopt Walnut Bend's current rates upon the consummation of the transaction.

Ability to Serve: Managerial and Technical

30. Walnut Bend's public water system number 0030037 is currently providing service to 19 connections in the requested area and has adequate capacity to meet the demands in the requested area.
31. CSWR Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
32. 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.
33. 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

34. 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.

35. 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.
36. CSWR Texas demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

37. 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

38. Obtaining service from an adjacent retail public utility would likely increase costs to customers because Walnut Bend is currently serving customers and has sufficient capacity and an adjacent utility would need to construct additional facilities.
39. It is not feasible to obtain service from adjacent retail public utility.

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 of Cost to Consumers

42. CSWR Texas will continue to provide water service to existing customers in the area.
43. CSWR Texas plans to make the necessary investments to improve the system.
44. 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 Walnut Bend water system upon consummation of the transaction.

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. Notice of the application was provided in compliance 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 to provide adequate and continuous service to the requested area as required by TWC § 13.301(b) and 16 TAC § 24.239.
3. The applicants have demonstrated that transferring Walnut Bend's facilities and the transfer of the water service area held under CCN number 12115 from Walnut Bend 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 and asset transfers proposed in the application are approved and the transactions between the applicants 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. Walnut Bend and CSWR Texas have 180 days to complete the transaction.

4. Under 16 TAC § 29.239(m), if the transaction is not consummated within this period, or an extension has not been granted, this approval is void and Walnut Bend and CSWR Texas will have to reapply for approval.
5. Walnut Bend and CSWR Texas are advised that the requested area will be held by Walnut Bend until the sale and transfer transaction is completed in accordance with the Commission's rules.
6. 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.
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 20th day of August, 2021.

PUBLIC UTILITY COMMISSION OF TEXAS



GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE