



## Filing Receipt

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**DOCKET NO. 51981**

<b>APPLICATION OF LIVE OAK HILLS AND FLAG CREEK RANCH WATER SYSTEMS AND CSWR-TEXAS UTILITY OPERATING COMPANY, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN LLANO AND MCCULLOCH COUNTIES</b>	<b>§ § § § § § § §</b>	<b>PUBLIC UTILITY COMMISSION  OF TEXAS</b>
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**ORDER NO. 5  
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Live Oak Hills and Flag Creek Ranch Water Systems and CSWR-Texas Utility Operating Company, LLC (collectively, applicants) for the sale, transfer, or merger of facilities in Llano and McCulloch counties. The applicants seek the sale and transfer of all facilities and service area held under Live Oak and Flag Creek’s certificate of convenience and necessity (CCN) number 12463 to CSWR-Texas, the cancellation of Live Oak and Flag Creek’s CCN number 12463, and the amendment of CSWR-Texas’s CCN number 13290 to include the area previously included in Live Oak and Flag Creek’s CCN number 12463. The administrative law judge (ALJ) grants that the sale is approved and the transaction between the applicants may proceed and be consummated.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Live Oak and Flag Creek is a sole proprietorship that operates, maintains, and controls facilities for providing water service in McCulloch and Llano counties under CCN number 12463.
2. Live Oak and Flag Creek owns and operates two public water systems registered with the Texas Commission on Environmental Quality (TCEQ) under the following identification numbers: Flag Creek Ranch Water System, number 1500112; and Live Oak Hills Water System, number 1540012.

3. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
4. 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**

5. On April 1 and 5, 2021, the applicants filed the application at issue in this proceeding.
6. CSWR-Texas supplemented the application on May 5 and 6 and June 23 and 24, 2021.
7. In the application, the applicants seek approval of the following transaction: (a) CSWR-Texas will acquire all of Live Oak and Flag Creek's water facilities and water service area under CCN number 12463; (b) Live Oak and Flag Creek's CCN number 12463 will be cancelled; and (c) CSWR-Texas's CCN number 13290 will be amended to include the area previously included in Live Oak and Flag Creek's CCN number 12463.
8. The requested area served by Flag Creek comprises approximately 242 acres and includes 43 current customers and is located approximately 2 miles southwest of downtown Llano, Texas, and is generally bounded on the north by West Ranch Road 152; on the east by Ranch Road 2323; on the south by Ranch Road 2323; and on the west by County Road 116.
9. The requested area served by Live Oak is comprised of approximately 183 acres and includes 31 current customers and is located approximately 6 miles south-southeast of downtown Brady, Texas, and is generally bounded on the north by Private Road 652; on the east by United States Route 377; on the south by Private Road 670; and on the west by Private Road 650.
10. The total requested area is comprised of approximately 425 acres and 74 current customers.
11. In Order No. 2 filed on May 6, 2021, the ALJ found the application administratively complete.

**Notice**

12. On June 7, 2021, CSWR-Texas filed the affidavit of Josiah Cox, president of CSWR-Texas, attesting that notice was provided to all current customers of Live Oak and Flag Creek, neighboring utilities, and affected parties on June 4, 2021.
13. In Order No. 3 filed on June 18, 2021, the ALJ found the notice sufficient.

**Evidentiary Record**

14. On August 31, 2021, the parties filed a joint motion to admit evidence.
15. In Order No. 4 filed on September 15, 2021, the ALJ admitted the following evidence into the record of this proceeding: (a) the application, including confidential attachments, filed on April 1 and 5, 2021; (b) CSWR-Texas's first supplement to the application filed on May 5, 2021; (c) Highly Sensitive Attachment G filed on May 5 and May 6, 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; (f) CSWR-Texas's second amended Attachment G to the application filed on June 23 and 24, 2021; and (g) Commission Staff's recommendation on the transaction, including confidential attachments filed on August 3, 2021.

**Cumulative Recommendation**

16. On August 3, 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,<sup>1</sup> 50276,<sup>2</sup> 50311,<sup>3</sup> 50989,<sup>4</sup> 51026,<sup>5</sup> 51065,<sup>6</sup> 51118,<sup>7</sup> 51031,<sup>8</sup> 51047,<sup>9</sup> 51130,<sup>10</sup> 51146,<sup>11</sup> 51089,<sup>12</sup> 51003,<sup>13</sup> 51036,<sup>14</sup> 51222,<sup>15</sup> 51642,<sup>16</sup> 51126,<sup>17</sup> 51544,<sup>18</sup> 51928,<sup>19</sup> 51940,<sup>20</sup> and 51917.<sup>21</sup>

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<sup>1</sup> *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).*

<sup>2</sup> *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).*

<sup>3</sup> *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).*

<sup>4</sup> *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).*

<sup>5</sup> *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).*

<sup>6</sup> *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).*

<sup>7</sup> *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).*

<sup>8</sup> *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).*

<sup>9</sup> *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).*

<sup>10</sup> *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).*

<sup>11</sup> *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).*

<sup>12</sup> *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).*

<sup>13</sup> *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, Notice of Approval (Sep. 9, 2021).*

**System Compliance**

17. Flag Creek's public water system number 1500112 is currently in compliance with the rules of the TCEQ.
18. Live Oak's public water system number 1540012 currently has unresolved violations listed in the TCEQ database.
19. CSWR-Texas does not have any violations listed in the TCEQ database.
20. 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.
21. CSWR-Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

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<sup>14</sup> *Application of Kathie Lou Daniels dba 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, Notice of Approval (Aug. 23, 2021).*

<sup>15</sup> *Application of the Estate of Patetreen Petty McCoy dba 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).*

<sup>16</sup> *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).*

<sup>17</sup> *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).*

<sup>18</sup> *Application of Franklin Water Service Co. LLC and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer, Or Merger of Facilities and Certificate Rights in Lubbock County, Docket No. 51544 (pending).*

<sup>19</sup> *Application of Betty J. Drago and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer, Or Merger of Facilities and Associated Acreage in Erath County, Docket No. 51928 (pending).*

<sup>20</sup> *Application of Walnut Bend Water Supply and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer or Merger of Facilities and Certificate Rights in Angelina County, Docket No. 51940 (pending).*

<sup>21</sup> *Application of Rocket Water Company, Inc. and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer, or Merger of Facilities and Certificate Rights in Hays County, Docket No. 51917 (pending).*

**Adequacy of Existing Service**

22. There are currently 74 connections in the requested area that is being served by Live Oak and Flag Creek through public water system numbers 1500112 and 1540012, and such service has been continuous.
23. The Live Oak public water system has several violations listed in the TCEQ database.
24. CSWR-Texas intends to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water system into compliance with TCEQ regulations and to ensure customers receive safe and reliable service.

**Need for Additional Service**

25. There is a continuing need for service because the Live Oak and Flag Creek public water systems are currently serving 74 connections in the requested area.
26. There have been no specific requests for additional service within the requested area.

**Effect of Approving the Transaction and Granting the Amendment**

27. 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.
28. 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.
29. There will be no effect on landowners in the requested area because they are currently certificated.
30. CSWR-Texas will adopt Live Oak and Flag Creek's current rates upon the consummation of the transaction.

**Ability to Serve: Managerial and Technical**

31. CSWR-Texas owns and operates 17 public water systems registered with the TCEQ under and does not have any active violations listed in the TCEQ database.
32. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system being transferred.

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 to cover temporary cash shortages, 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.
37. CSWR-Texas demonstrated the financial and managerial ability 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.

**Feasibility of Obtaining Service from Adjacent Retail Public Utility**

39. The requested area is currently being served by Live Oak and Flag Creek, and there will be no changes to land uses or existing CCN boundaries. 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 another utility.

**Environmental Integrity and Effect on the Land**

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 systems.



**Improvement of Service or Lowering Cost to Consumers**

41. Water service to the requested areas 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 Live Oak and Flag Creek public water systems upon consummation of the transaction.

**Regionalization or Consolidation**

43. 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. The applicants 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 adequate and continuous service to the requested area as required by TWC § 13.301(b).
3. The applicants have demonstrated that the sale of Live Oak and Flag Creek'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 Live Oak 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. The applicants are advised that the requested areas and associated facilities will remain under water CCN number 12463 and held by Live Oak and Flag Creek 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, 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 16 day of September 2021.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**KATIE MOORE MARX  
ADMINISTRATIVE LAW JUDGE**