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DOCKET NO. 52099

APPLICATION OF THRC UTILITY, LLC AND CSWR-TEXAS UTILITY OPERATING COMPANY, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN NAVARRO COUNTY	§ § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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**ORDER NO. 6
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of THRC Utility, LLC, and CSWR-Texas Utility Operating Company, LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Navarro County. THRC Utility and CSWR-Texas seek approval of the following: (1) the sale and transfer of all facilities and service area held under THRC Utility’s water certificate of convenience and necessity (CCN) number 12379 and sewer CCN number 20728 to CSWR-Texas’ water CCN number 13290 and sewer CCN number 21120, (2) the cancellation of THRC Utility’s water CCN number 12379 and sewer CCN number 20728, and (3) the amendment of CSWR-Texas’ water CCN number 13290 and sewer CCN number 21120 to include the area previously included in THRC Utility’s water CCN number 12379 and sewer CCN number 20728. The administrative law judge (ALJ) approves the sale and transfer and authorizes the transaction between THRC Utility and CSWR-Texas to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. THRC Utility is a Texas limited liability company registered with the Texas secretary of state under file number 803166927.
2. THRC Utility operates, maintains, and controls facilities for providing retail water and sewer service in Navarro County under water CCN number 12379 and sewer CCN number 20728.

3. THRC Utility owns and operates a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) as Pelican Isle Water System, public water system identification number 1750036.
4. THRC Utility owns and operates a sewer system that is permitted by the TCEQ as Pelican Isle wastewater treatment plant, under Texas Pollutant Discharge Elimination System (TPDES) permit number WQ0013528001.
5. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under filing number 0803367893.
6. CSWR-Texas operates, maintains, and controls facilities for providing retail water service in Aransas, Austin, Burleson, Burnet, Denton, Erath, Guadalupe, Hays, Harris, Hidalgo, Hood, Llano, Lubbock, McCulloch, Montague, Parker, Victoria, Wilson, and Wood counties under water CCN number 13290.

Application

7. On May 10 and 11, 2021, the applicants jointly filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Navarro County.
8. In the application, the applicants seek approval for the following transaction: (a) CSWR-Texas will acquire all of THRC Utility's facilities and water service area held under water CCN number 12379 and sewer CCN number 20728, (b) THRC Utility's water CCN number 12379 and sewer CCN number 20728 will be cancelled, and (c) CSWR-Texas' water CCN number 13290 and sewer CCN number 21120 will be amended to add the area previously included in THRC Utility's water CCN number 12379 and sewer CCN number 20728.
9. The requested area includes approximately 83.7 acres and 378 water connections and 378 sewer connections.
10. The requested area is located approximately 7.5 miles west of downtown Eureka and is generally bounded on the north by U.S. Highway 287; on the east by SE County Road 3310; and on the south and west by Richland-Chambers Reservoir.
11. CSWR-Texas filed an amended confidential attachment G to the application on June 23 and 24, and October 1 and 4, 2021.

12. On July 12, 2021, CSWR-Texas filed a first errata to the application.
13. In Order No. 3 filed on August 13, 2021, the ALJ found the application, as supplemented and amended, administratively complete.

Notice

14. On September 21, 2021, CSWR-Texas filed the affidavit of Aaron Silas, regulatory case manager of CSWR-Texas, attesting that notice was provided to all current customers of THRC Utility, neighboring utilities, and affected parties on September 18, 2021.
15. In Order No. 4 filed on October 6, 2021, the ALJ found the notice sufficient.

Evidentiary Record

16. On December 16, 2021, the applicants and Commission Staff filed a joint motion to admit evidence.
17. In Order No. 5 filed on December 21, 2021, the ALJ admitted the following evidence into the record: (a) the application and all attachments filed on May 10, 2021; (b) confidential attachments filed on May 11, 2021; (c) CSWR-Texas' amended attachment G to the application filed on June 23, 2021; (d) CSWR-Texas' confidential amended attachment G to the application filed on June 24, 2021; (e) CSWR-Texas' response to Order No. 2 and first errata to the application filed on July 12, 2021; (f) CSWR-Texas' affidavit of notice filed on September 21, 2021; (g) CSWR-Texas' confidential supplement to affidavit of notice filed on September 22, 2021; (h) CSWR-Texas' first supplement to the application filed on October 1, 2021; (i) CSWR-Texas' supplemental attachment G to the application filed on October 4, 2021; (j) Commission Staff's recommendation on sufficiency of notice filed on October 5, 2021; (k) Commission Staff's recommendation on the transaction filed on November 18, 2021; and (l) Commission Staff's confidential transaction approval recommendation filed on December 8, 2021.

Cumulative Recommendation

18. On November 18, 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 51118,⁷ 51031,⁸ 51047,⁹ 51130,¹⁰ 51146,¹¹ 51089,¹² 51003,¹³ 51036,¹⁴ 51222,¹⁵ 51642,¹⁶ 51126,¹⁷ 51544,¹⁸ 51928,¹⁹ 51940,²⁰ 51917,²¹ 50989,²² 51981,²³ and 52089.²⁴

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).*

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 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).*

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 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).*

¹¹ *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).*

¹² *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, Notice of Approval (Nov. 18, 2021).*

¹³ *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 (Sept. 9, 2021).*

¹⁴ *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).*

System Compliance

19. THRC Utility's public water system number 1750036 is currently not in compliance with the rules of the TCEQ.
20. THRC Utility's wastewater treatment plant TPDES permit number WQ0013528001 is currently in compliance with the rules of the TCEQ.
21. The Commission's complaint records, which date back to 2014, show no complaints against THRC Utility.
22. 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 within a reasonable time upon consummation of the transaction.

¹⁵ *Application of David Petty, Executor 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).*

¹⁶ *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).*

¹⁷ *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).*

¹⁸ *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).*

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

²⁰ *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).*

²¹ *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).*

²² *Application of Ranch Country of Texas Water System, 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).*

²³ *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, Docket No. 51981 (pending).*

²⁴ *Application of Alpha Utility of Camp County, LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Camp County, Docket No. 52089 (pending).*

23. CSWR-Texas has agreed to work with the TCEQ to address any outstanding compliance issues upon consummation of the transaction.
24. CSWR-Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

25. There are currently 378 water connections and 378 sewer connections in the requested area that are being served by THRC Utility through public water system identification number 1750036 and wastewater treatment plant TPDES permit number WQ0013528001.
26. THRC Utility has violations listed in the TCEQ database, which means the service currently provided to the requested area is inadequate. CSWR-Texas stated that it 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

27. There is a continuing need for service because THRC Utility is currently providing service to 378 water connections and 378 sewer connections in the requested area.
28. This is an application to transfer only existing facilities, customers, and service area. There have been no specific requests indicating a need for additional service within the 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 as the area is currently certificated. Any landowners in the requested area that do not currently receive service from THRC Utility will need to request service from CSWR-Texas if they require service after the transaction has been completed.

Retail public utilities in the proximate area of the requested area were provided notice of the transaction and none filed protests, adverse comments, or sought to intervene in this proceeding.
Ability to Serve: Managerial and Technical

32. CSWR-Texas owns and operates 31 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.
34. 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 within a reasonable time upon consummation of the transaction.
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 demonstrated the financial and managerial capability 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' planned upgrades, renovations, and repairs to the public water system.

Improvement in Service or Lowering Cost to Consumers

42. Water and sewer 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 the currently in effect tariff for the THRC Utility's water system upon consummation of the transaction.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

44. The requested area is currently being served by THRC Utility, and there will be no changes to land uses or existing CCN boundaries.
45. 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 a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.
46. CSWR-Texas intends to invest the capital required to ensure the system has sufficient capacity and that service provided to the requested area is adequate.

Regionalization or Consolidation

47. CSWR-Texas will not need to construct a physically separate water or sewer 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(c).

2. After consideration of the factors in TWC § 13.246(c) demonstrated that it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
3. CSWR-Texas demonstrated adequate financial, managerial, and technical capability to provide adequate and continuous service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. The applicants have demonstrated that the sale of THRC Utility's water and sewer facilities and the transfer of the water and sewer service area held under CCN numbers 12379 and 20728 from THRC Utility to CSWR-Texas under water and sewer CCN numbers 13290 and 21120 will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public, as required by TWC §§ 13.246(b) and 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 THRC Utility and CSWR-Texas may proceed and be consummated.
2. As soon as possible after the effective date of the transactions, but not later than 30 days after the effective date, the applicants must file proof that the transactions have been consummated and customer deposits, if any, have been addressed.
3. THRC Utility and CSWR-Texas have 180 days to complete the transaction.
4. Under 16 TAC § 29.239(m), if the transactions are not consummated within this period, or an extension has not been granted, this approval is void and THRC Utility and CSWR-Texas will have to reapply for approval.
5. The applicants are advised that the THRC Utility's facilities and corresponding service areas will remain under CCN numbers 12379 and 20728 and be held by THRC Utility 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 transactions were consummated.
7. Within 15 days following the filing of the applicants' proof that the transactions have 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 29th day of December 2021.

PUBLIC UTILITY COMMISSION OF TEXAS



**GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE**