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Received - 2022-02-18 11:58:53 AM
Control Number - 52702
ItemNumber - 22

DOCKET NO. 52702

**APPLICATION OF CSWR-TEXAS §
UTILITY OPERATING COMPANY, § PUBLIC UTILITY COMMISSION
LLC AND FREMONT WATER §
COMPANY FOR SALE, TRANSFER, § OF TEXAS
OR MERGER OF FACILITIES AND §
CERTIFICATE RIGHTS IN KERR §
COUNTY §**

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

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ATTACHMENT: Joint Proposed Order Approving Sale and Transfer to Proceed

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LLC AND FREMONT WATER	§	
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JOINT MOTION TO ADMIT EVIDENCE AND JOINT PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

COME NOW Fremont Water Company (“Fremont”) and CSWR-Texas Utility Operating Company, LLC (“CSWR Texas”), together with the Staff (“Staff”) of the Public Utility Commission of Texas (“Commission”) (collectively, “the Parties”), file this Joint Motion to Admit Evidence and Joint Proposed Order Approving Sale and Transfer to Proceed. In support thereof, the Parties show the following:

I. BACKGROUND

On October 13, 2021, Fremont and CSWR Texas (collectively, the “Applicants”) filed an application with the Commission for approval of the sale, transfer, or merger of facilities and certificate rights in Kerr County (“Application”). The Applicants seek the transfer of all water facilities owned by Fremont and the amendment of CSWR Texas’s Certificate of Convenience and Necessity water (“CCN”) No. 13290 to include the addition of 139 acres. The requested sale and transfer includes approximately 139 acres and 58 water connections.

On December 29, 2021, the administrative law judge (“ALJ”) filed Order No. 3, finding the notice provided sufficient and requiring the Parties to file a Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Allowing Transaction to Proceed by February 18, 2022. 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 October 13 and 14, 2021 (Interchange Item Nos. 1 through 6);
2. CSWR Texas’s First Supplement to the Application, filed on October 14, 2021 (Interchange Item No. 7);

3. Staff's Recommendation on Administrative Completeness and Notice and Proposed Procedural Schedule, filed on November 12, 2021 (Interchange Item No. 9);
4. CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on December 2 and 3, 2021 (Interchange Item Nos. 11 and 12);
5. Staff's Recommendation on Sufficiency of Notice, filed on December 22, 2021 (Interchange Item No. 13);
6. CSWR Texas's Supplemental Attachment G to Application, including confidential attachment, filed on January 12 and 13, 2022 (Interchange Item Nos. 15 and 16);
7. CSWR Texas's Supplemental Attachment G to Application, including confidential attachment, filed on January 27, 2022 (Interchange Item Nos. 17 and 18); and
8. Staff's recommendation on approval of sale, including confidential attachment FB-1, filed on February 2, 2022. (Interchange Item Nos. 19 and 20).

III. PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

The Parties move for adoption of the attached Proposed Order Approving the Sale and Transfer to Proceed.

IV. CONCLUSION

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

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 February 2022, 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.

C. Glenn Adkins

Glenn Adkins

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JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Fremont Water Company (Fremont) and CSWR-Texas Utility Operating Company, LLC (CSWR Texas) (collectively, the Applicants) for the sale, transfer, or merger of facilities in Kerr County. Specifically, CSWR Texas seeks the sale and transfer of all facilities and service area held under Fremont’s water Certificate of Convenience and Necessity (CCN) No. 12821 to CSWR Texas, the cancellation of Fremont’s water CCN No. 12821, and the amendment of CSWR Texas’s water CCN No. 13290 to include the area previously included in Fremont’s water CCN No. 12821. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Fremont and CSWR Texas may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. Fremont is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Kerr County under water CCN No. 12821.
2. Fremont owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Fremont Water, public water system No. 1330153.
3. CSWR Texas is a Texas limited liability company registered with the Texas secretary of state under filing number 0803367893.
4. CSWR Texas is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Aransas, Austin, Burlison, Burnet, Denton, Erath, Guadalupe, Hays, Harris, Hidalgo, Hood, Llano, Lubbock, McCulloch, Montague, Parker, Victoria, Wilson, and Wood counties under CCN No. 13290.

Application

5. On October 13, 2021, the Applicants filed the application for approval of the sale and transfer of all facilities and service area held under Fremont's water CCN No. 12821 to CSWR Texas, the cancellation of Fremont's water CCN No. 12821, and the amendment of CSWR Texas's water CCN No. 13290 to include the area previously included in Fremont's water CCN No. 12821.
6. CSWR Texas filed an amended confidential Attachment G to the application on January 12, 13, and 27, 2022.
7. In the application, the Applicants seek approval of the following transaction: (a) CSWR Texas will acquire all of Fremont's water facilities and water service area under water CCN No. 12821; (b) Fremont's water CCN No. 12821 will be cancelled; and (c) CSWR Texas's water CCN No. 13290 will be amended to include the area previously included in Fremont's water CCN No. 12821.
8. The requested area comprises approximately 139 acres and 58 water connections.
9. The requested area is located approximately 5 miles south of downtown Kerrville, Texas and is generally bounded on the north by the intersection of State Highway 173 (Bandera Highway) and Grady Lane; on the east by State Highway 173; on the south by Oak Wood Road East; and on the west by Pinnacle View East Drive and Comanche Trace Golf Course.
10. In Order No. 2 filed on November 16, 2021, the ALJ deemed the application administratively complete.

Notice

11. On December 2, 2021, the Applicants filed the affidavit of Aaron Silas, regulatory case manager of CSWR Texas, attesting that notice was provided to all current customers of Fremont, neighboring utilities, and affected parties on November 30, 2021.
12. On December 3, 2021, the Applicants filed a confidential supplement concerning proof of notice.
13. In Order No. 3 filed on December 29, 2021, the ALJ deemed the notice sufficient.

Evidentiary Record

14. On February 18, 2022, the parties filed a joint motion to admit evidence.
15. In Order No. __ filed on _____, the ALJ admitted the following evidence into the record: (a) the application, including confidential attachments, filed on October 13 and 14, 2021; (b) CSWR Texas's First Supplement to the Application, filed on October 14, 2021; (c) Commission Staff's Recommendation on Administrative Completeness and Notice and Proposed Procedural Schedule, filed on November 12, 2021; (d) CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on December 2 and 3, 2021; (e) Commission Staff's Recommendation on Sufficiency of Notice, filed on December 22, 2021; (f) CSWR Texas's Supplemental Attachment G to Application, including confidential attachment, filed on January 12 and 13, 2022; (g) CSWR Texas's Supplemental Attachment G to Application, including confidential attachment, filed on January 27, 2022; and (h) Commission Staff's recommendation on the transaction, including confidential attachments, filed on February 2, 2022.

Cumulative Recommendation

16. On February 2, 2022, 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 51031,⁸ 51047,⁹ 51130,¹⁰ 51146,¹¹ 51089,¹² 51003,¹³ 51036,¹⁴ 51222,¹⁵ 51642,¹⁶

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. 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).*

⁹ *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).*

¹⁰ *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, 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 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, 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 (Aug. 9, 2021).*

¹⁴ *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, Notice of Approval (Aug. 23, 2021).*

¹⁵ *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, Notice of Approval (Feb. 16, 2022).*

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).*

51126,¹⁷ 51544,¹⁸ 51928,¹⁹ 51940,²⁰ 51917,²¹ 50989,²² 51981,²³ 52089,²⁴ 52099,²⁵
52410,²⁶ 52700.²⁷

System Compliance

17. Fremont's public water system number 1330153 is currently in compliance with the rules of the TCEQ.
18. 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.

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, Notice of Approval (Feb. 15, 2022).*

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, Notice of Approval (Jan. 21, 2022).*

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, Notice of Approval (Jan. 28, 2022).*

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).*

²⁵ *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, Docket No. 52099 (pending).*

²⁶ *Application of RJR Water Company, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bexar County, Docket No. 52410 (pending).*

²⁷ *Application of RJR Water Company and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker and Palo Pinto Counties, Docket No. 52700 (pending).*

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

Adequacy of Existing Service

21. There are currently 58 water connections in the 139-acre requested area that is being served by Fremont through public water system number 1330153.
22. 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

23. There is a continuing need for service because Fremont is currently providing service to 58 water connections in the requested area.
24. 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 139-acre requested area.

Effect of Approving the Transaction and Granting the Amendment

25. 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 139-acre requested area.
26. 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.
27. There will be no effect on landowners as the area is currently certificated.
28. CSWR Texas will adopt Fremont's current rates upon the consummation of the transaction.

Ability to Serve: Managerial and Technical

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

33. 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.
34. 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.
35. CSWR Texas demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

36. 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

37. The requested area is currently being served by Fremont, and there will be no changes to land uses or existing CCN boundaries.

38. 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.
39. 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.

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 Cost to Consumers

42. 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.
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 Fremont's water system upon consummation of the transaction.

Regionalization or Consolidation

44. 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. The Applicants 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. The Applicants have demonstrated that the sale of Fremont'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 the preceding findings of fact and conclusions of law, the Commission enters the following orders.

1. The Commission approves the sale and transfer of all facilities and service area held under Fremont's water Certificate of Convenience and Necessity (CCN) No. 12821 to CSWR Texas, the cancellation of Fremont's water CCN No. 12821, and the amendment of CSWR Texas's water CCN No. 13290 to include the area previously included in Fremont's water CCN No. 12821.
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. 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.
6. 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 _____ 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

**ISAAC TA
ADMINISTRATIVE LAW JUDGE**