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Document Control Sheet

Sheet Title:	PWS - OLS
Box ID:	17299
Control Sheet ID:	0000-0000-0048-9196
Record Series Name:	WS / Public Water Supply
Record Series:	PWS
Primary ID:	1500019
Secondary ID:	
Doc Type:	Compliance
Security:	Public
Date:	2/16/2019 12:00AM
Title:	Investigation
Tertiary ID	

# Texas Commission on Environmental Quality Investigation Report

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**Customer: Water Works I & II**  
**Customer Number: CN601363393**

**Regulated Entity Name: WATER WORKS 2 ISLAND LODGES**

**Regulated Entity Number: RN101252237**

**Investigation #** 1532968

**Investigator:** CLAUDIA CHAFFIN

**Conducted:** 02/06/2019 -- 02/06/2019

**Program(s):** PUBLIC WATER SYSTEM/SUPPLY

**Investigation Type:** Compliance Investigation

**Additional ID(s):** 1500019

**Incident Numbers**

**Site Classification** P <=50 CONNECTION

**NAIC Code:** 221310

**SIC Code:** 4941

**Location:** N SIDE OF HWY 29 1.5 MI E OF  
INTERSECTION OF HWY 261 & HWY 29

RECEIVED  
FEB 23 2021  
TCEQ  
CENTRAL FILE ROOM

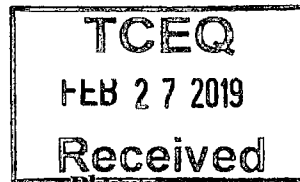
**Address:** ,

**Local Unit:** REGION 11 - AUSTIN

**Activity Type(s):** PWSCCIGWCM - CCI GW PURCHASE  
- COMMUNITY MANDATORY

**Principal(s):**

<b>Role</b>	<b>Name</b>
RESPONDENT	WATER WORKS I & II

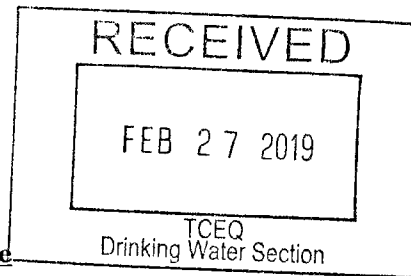


**Contact(s):**

<b>Role</b>	<b>Title</b>	<b>Name</b>	<b>Phone</b>
REGULATED ENTITY MAIL CONTACT	OWNER/OPERATOR	CODY LEWIS	Work (512) 793-6126

**Other Staff Member(s):**

<b>Role</b>	<b>Name</b>
Supervisor	SHAWN STEWART



**Associated Check List**

**Checklist Name**

PWS INVESTIGATION - EQUIPMENT  
MONITORING AND SAMPLING revised 06/2013  
PWS STANDARD FIELD

**Unit Name**

WW 2 ISLAND LODGES  
WW 2 ISLAND LODGES

**Investigation Comments:**

**INTRODUCTION**

On February 6, 2019, Claudia A. Chaffin, Environmental Investigator with the TCEQ Austin Region Office, conducted a Comprehensive Compliance Investigation (CCI) at the Water Works II - Island Lodges water system. The CCI was conducted in order to determine compliance with applicable public water system (PWS) regulations and requirements. The investigation was scheduled with Mr. Cody Lewis, the operator of the system, on January 18, 2019. An exit interview was conducted with Mr. Lewis on the investigation date to discuss the findings of the

**WATER WORKS 2 ISLAND LODGES - BUCHANAN DAM**

**2/6/2019 Inv. # - 1532968**

**Page 2 of 3**

investigation. A general compliance letter with some additional issues was issued following the investigation.

**GENERAL FACILITY AND PROCESS INFORMATION**

Water Works II - Island Lodges (PWS ID No. 1500019) is a community water system. The system serves potable water to an area as defined in Certificate of Convenience and Necessity No. 11674, which includes approximately 54 retail service connections with an estimated population of 162 people. The PWS is located off FM 261 near the shores of Lake Buchanan in Llano County, Texas. Mr. Lewis holds a C-surface water license (WS0006610) and serves as both the operator and Responsible Official for the PWS.

The system utilizes purchased water from the Lower Colorado River Authority (LCRA) Upper Highland Lakes water system (PWS ID No. 1500037) as its source. The water is purchased already treated and is considered to be potable water. The purchased water enters two 10,000-gallon ground storages at Plant 1, with disinfection facilities provided if additional disinfectant injection is needed. Three service pumps rated at 38 gallons per minute (GPM) each, pump to a 2,000-gallon pressure tank and to the distribution system.

Plant 1 also provides water to Plant 2 which consists of one 1,500-gallon fiberglass ground storage tank, two service pumps (1 @ 50 GPM-Tank & 1 @ 35 GPM), and two 119-gallon pressure tanks. Plant 2 supports the entire distribution system along with Plant No. 1 but can also be used to separately supply four connections on a separate pressure plane if needed.

**BACKGROUND INFORMATION**

Prior to conducting the CCI, a file review was conducted to determine if there were any historical compliance issues at the facility. The last CCI was conducted at the facility on April 26, 2016. One violation was noted for failure to have records of the systems ground and pressure tank inspections for review. The violation was resolved on July 18, 2016.

**ADDITIONAL INFORMATION**

Water samples were collected during the CCI in order to test for distribution water pressure and chlorination requirements. Samples were taken at 522 Island Lodges Drive, a home near the end of the distribution line in the system. At that time, the system had a water pressure of 39 pounds per square inch (PSI) and a total chlorine residual of 1.04 milligrams per liter (mg/L). Since TCEQ rules require a water pressure of at least 35 PSI and a total chlorine residual of between 0.5 and 4.0 mg/L, the system was compliant with these two requirements at that time. Some of the records reviewed during the investigation included monthly bacteriological sample results, Monitoring Plan, storage and pressure tank inspections, Drought Contingency Plan, monthly operating reports, dead-end main flushing, a system distribution map, chlorine residual monitoring, and Disinfection Level Quarterly Operating Reports.

Between the months of February 2018 and January 2019 the system had an average daily demand of 10,000 gallons. The daily maximum was not determined since water usage is only measured on a weekly basis.

Two additional issues were noted. The distribution chlorine residuals had no reference to the site address where it was taken, there was no information to tell if the sites were rotated. The manual disinfectant analyzer was being verified with standards, however only the date of the verification was being written down not the results the analyzer was reading.

**No Violations Associated to this Investigation**

**Additional Issues**

**Description**      Item #1

**Additional Comments**

The distribution chlorine residuals had no reference to the site address where it was taken, there was no information to tell if the sites were rotated.

**Description**      Item #2

2/6/2019 Inv. # - 1532968

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**Additional Comments**

The manual disinfectant analyzer was being verified with standards, however only the date of the verification was being written down not the results the analyzer was reading.

Signed Claudia A. Chaffin  
Environmental Investigator

Date 2/15/19

Signed [Signature]  
Supervisor

Date 2/13/19

**Attachments: (in order of final report submittal)**

- Enforcement Action Request (EAR)
- Letter to Facility (specify type): general
- Investigation Report
- Sample Analysis Results
- Manifests
- Notice of Registration

- Maps, Plans, Sketches
- Photographs
- Correspondence from the facility
- Other (specify):  
PWS data, exit  
interview, DWW  
summary

Jon Niermann, *Chairman*  
Emily Lindley, *Commissioner*  
Toby Baker, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

February 16, 2019

Mr. C. B. Lewis, Owner  
Water Works II-Island Lodges  
P.O. Box 142  
Buchanan Dam, TX 78609-0142

Re: Comprehensive Compliance Investigation at:  
Water Woks II- Island Lodges Water System, Buchanan Dam, (Llano County), Texas  
TCEQ PWS ID No.1500019, RN101252237

Dear Mr. Lewis:

On February 6, 2019, Claudia A. Chaffin of the Texas Commission on Environmental Quality (TCEQ) Austin Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water supply. No violations are being alleged as a result of the investigation, however, please see the enclosed Additional Issues.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Ms. Claudia A. Chaffin in the Austin Region Office at (512)339-2929.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Stewart".

Shawn Stewart  
Water Section Manager  
Austin Region Office

SS/cac

Enclosure: Additional Issues

# Summary of Investigation Findings

<b>WATER WORKS 2 ISLAND LODGES</b>	<b>Investigation #</b> <b>1532968</b>
<b>, LLANO COUNTY,</b>	<b>Investigation Date: 02/06/2019</b>
<b>Additional ID(s): 1500019</b>	

No Violations Associated to this Investigation

## ADDITIONAL ISSUES

Description	Additional Comments
Item #1	The distribution chlorine residuals had no reference to the site address where it was taken, there was no information to tell if the sites were rotated.
Item #2	The manual disinfectant analyzer was being verified with standards, however only the date of the verification was being written down not the results the analyzer was reading.

## TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested

Regulated Entity/Site Name	Water Works II - Island Lodges			TCEQ Add. ID No. RN No. (optional)	PWS1500019
Investigation Type	CCI	Contact Made In-House (Y/N)	Y	Purpose of Investigation	comprehensive compliance
Regulated Entity Contact	CB Lewis		Telephone No.	512-793-6126	Date Contacted 2/6/19
Title	owner/operator		Fax No.		Date Faxed

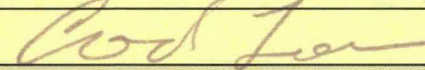
**NOTICE:** The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and *does not represent final TCEQ findings related to violations*. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

Issue		For Records Request: identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues: include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type <sup>1</sup>	Rule Citation (if known)	Description of Issue
1			Additional Issue - Distribution chlorine records need to indicate addresses to assure rotation is being done
2			Additional Issue - Gel standards check need to contain information on results of the check (results) not just dates

<sup>1</sup>Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request)

Did the TCEQ document the regulated entity named above operating without proper authorization?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Document Acknowledgment.** Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.

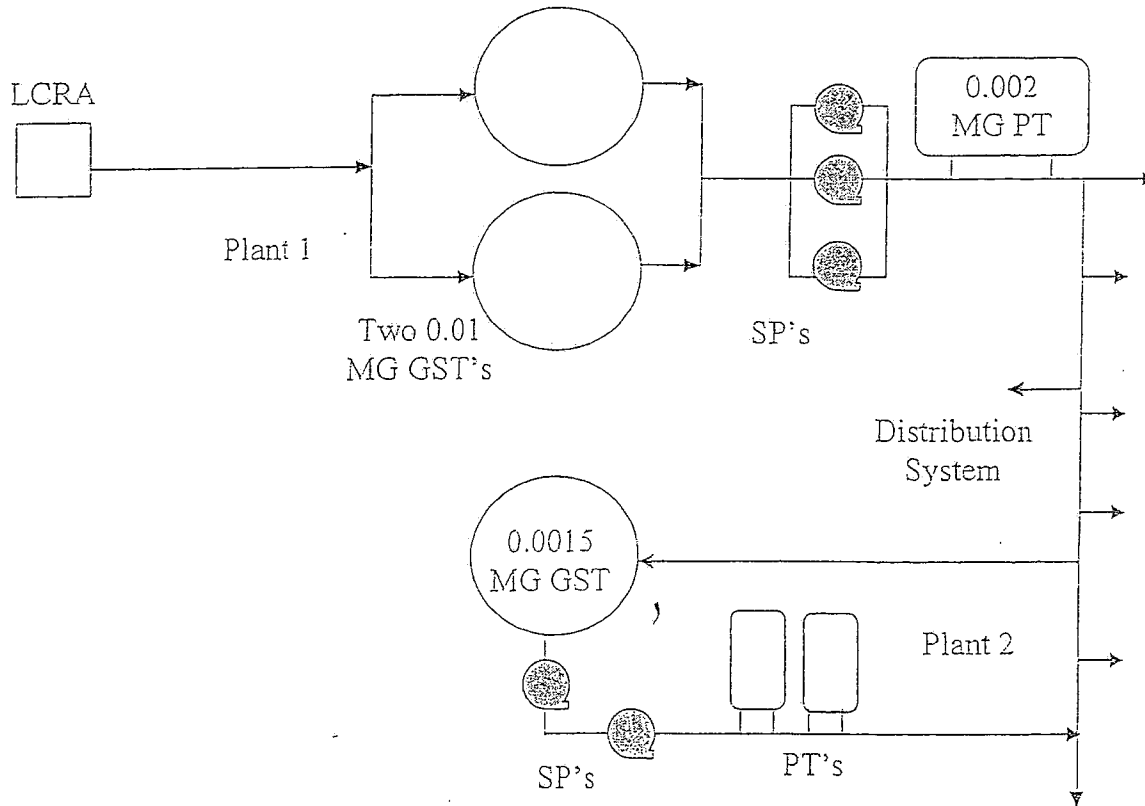
Claudia A. Chaffin / Claudia A Chaffin	2-6-19		2-6-19
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.

### PWS – SYSTEM FLOW DIAGRAM

Name of System: Water Works II- /Island Lodges	PWS ID# 1500019
Survey Date: 2/6/2019	Surveyed By: Claudia Chaffin
Description of Supply, Source, Treatment, and Chemical Used	



*Handwritten signature*



**PUBLIC WATER SYSTEM DATA**

<b>Name of System:</b>	Water Works II - Island Lodges		
<b>CCN Number:</b>	11674	<b>PWS ID:</b>	1500019
<b>Classification:</b>	Not Applicable	<b>Type:</b>	Community
<b>Region Number:</b>	11		
<b>Interconnect with Other PWS:</b>	Yes	<b>Name of PWS I/C:</b>	LCRA, Upper Highland
<b>Type I/C:</b>			
<b>Retail Service Connections:</b>	54	<b>Retail Meters:</b>	54
<b>Retail Population:</b>	156		
<b>Wholesale Master Meters:</b>		<b>Wholesale Service Connections:</b>	
<b>Wholesale Population:</b>			
<b>Total Well Capacity:</b>	GPM	MGD	
<b>Raw Capacity:</b>	GPM	MGD	
<b>Total Elevated Storage:</b>	MG	<b>Total Storage Capacity:</b>	0.0215 MG
<b>Pressure Tank Capacity:</b>	0.00224		
<b>Maximum Daily Usage:</b>	MGD	<b>Date:</b>	09/09/9999
<b>Average Daily Usage:</b>	0.0100 MGD	<b>Time Period:</b>	02/01/2017 to 01/31/2019
<b>Wholesale Contract:</b>	Yes	<b>Maximum Purchase Rate :</b>	0.0777
<b>No. of Samples Required:</b>	1	<b>No. of Samples Submitted:</b>	1
<b>No. of Raw Samples Required:</b>	0	<b>No. of Raw Samples Submitted:</b>	0
<b>Non-Comm Dates of Operation:</b>	09/09/9999 to 09/09/9999		

**WATER STORAGE TANKS**

Type	Capacity	Material	Location
GR	0.01 MG	CC	Plant No. 1, Island Lodges Dr
GR	0.01 MG	CC	Plant No. 1, Island Lodges Dr
GR	0.0015 MG	FG	Plant No. 2, subdivision entrance
HD	0.002 MG	ST	Plant No. 1, Island Lodges Dr
HD	119 gal	ST	Plant No. 2, subdivision entrance
HD	119 gal	ST	Plant No. 2, subdivision entrance

**WATER SOURCES**

EP No.	Source Code	Owner's Des	Location	Status	Pump Type	Tst. GPM	Est. GPM	Tst/Est. GPM Date
1	P1500019A	LCRA, Upper Highland Lakes	subdivision entrance, Hwy 29	0				02/25/2014

**SERVICE PUMPS**

Pump Number	Output	Location
-------------	--------	----------

1	38 GPM	Plant No. 1
2	38 GPM	Plant No. 1
3	38 GPM	Plant No. 1
4	50 GPM	Plant No. 2
5	35 GPM	Plant No. 2

**SYSTEM CAPACITIES**

**Pressure Plane Number:** 1      **Name:** Island Lodges

System Capacities		Required		Provided
Well Production	0.6	GPM Conn X 54	Conn = 32.40	GPM 54
Elevated Pressure Storage	20	Gal/Conn X 54	Conn = 0.00108	MG 0.00224
Ground/Total Storage	200	Gal/Conn X 54	Conn = 0.0108	MG 0.0215
Service Pump Capacity	2	GPM/Conn X 54	Conn = 108	GPM 161
Service Pump Peaking Factor		MDD/1440 X	**	GPM
Tested PSI: 39    Tested CL2: 1.04    Total    Location: 522 Island Lodges Dr				

<b>Texas Commission on Environmental Quality</b>	<b>Office of Water</b>	<b>Public Drinking Water Section</b>
<b>County Map of TX</b>	<b>Water System Search</b>	<b>Office of Compliance and Enforcement</b>

12/07/2018  
11:12:32

Texas Commission on Environmental Quality  
DWW Water System Summary Sheet

PWS ID	PWS Name	Central Registry RN
TX1500019	WATER WORKS 2 ISLAND LODGES	RN101252237

Organization/Customer *	Central Registry CN
LEWIS, ANITA	CN602295651
LEWIS, CODY, BRENT	CN601357585

\*Regulatory mail will be addressed to this organization/person

All Water System Contacts			
Type	Contact	Communication	
AC - Administrative Contact - OWNER	LEWIS, CODY, BRENT PO BOX 142 BUCHANAN DAM, TX 78609-0142	<b>Phone Type</b>	<b>Value</b>
		BUS - Business	325-379-1329
		MOB - Mobile	512-793-6126
AC - Administrative Contact - OWNER	LEWIS, ANITA PO BOX 142 BUCHANAN DAM, TX 78609-0142	<b>Electronic Type</b>	<b>Value</b>
		<b>Phone Type</b>	<b>Value</b>
		BUS - Business	325-379-1329
OW - Owner - OWNER	LEWIS, CODY, BRENT PO BOX 142 BUCHANAN DAM, TX 78609-0142	<b>Phone Type</b>	<b>Value</b>
		BUS - Business	325-379-1329
		MOB - Mobile	512-793-6126
OW - Owner - OWNER	LEWIS, ANITA PO BOX 142 BUCHANAN DAM, TX 78609-0142	<b>Electronic Type</b>	<b>Value</b>
		<b>Phone Type</b>	<b>Value</b>
		BUS - Business	325-379-1329

Operator Grade	Number
SURFACE WATER TREATMENT OPERATOR Grade C	1

**Water Operator Licenses**

<b>License Holder:</b>	LEWIS, CODY BRENT	
<b>CURRENT</b>	Class: C - SURFACE WATER TREATMENT OPERATOR	WS0006610

<b>Owner Type</b>	Owner Type Options: COUNTY, DISTRICT, FEDERAL GOVERNMENT, INVESTOR OWNED, MUNICIPALITY, NATIVE AMERICAN, PRIVATE, STATE GOVERNMENT, WATER SUPPLY CORPORATION
<b>Investor Owned</b>	

<b>System Type</b>	System Type Options: COMMUNITY, TRANSIENT/NON-COMMUNITY, NON-PUBLIC, NON-TRANSIENT/NON-COMMUNITY
<b>C - Community</b>	

Population Type	Population Served	# of Connect	# I/C w/other PWS
Residential	<del>156</del> 162	<del>52</del> 54	0

Total Product (MGD)	Average Daily Consump. (MGD)	Max Daily Demand (MGD)	Total Storage (MG)	Elev. Storage (MG)	Service Pump Cap. (MGD)	Max. Purchase Cap. (MGD/GPM)	Pressure Tank Cap. (MG)
0.0770 MGD	<del>0.01</del> 0.9030 MGD	0.0110 MGD Occurred on 09/09/9999	.021 MG		.231 MGD		0.002 MG

Activity Status	Inactivation Date
A - ACTIVE	

Last Survey Date	Surveyor	Survey Type	Region	County
04/26/2016	CLAUDIA, A CHAFFIN	Sanitary Survey	AUSTIN	LLANO
02/25/2014	CLAUDIA, A CHAFFIN	Sanitary Survey	AUSTIN	LLANO
12/16/2010	CHAD, W AHLGREN	Sanitary Survey	AUSTIN	LLANO

*2/16/2019 Claudia A. Chaffin* ↓ ↓ ↓

(Treatment Plant)							
Entry Point	EP Name/Source Summation (Activity Status)	Plant Name (Activity Status)	Plant Num	Chemical Mon Type	Chem Sample Point	Distribution Mon Type	Dist Sample Point
EP001			TP20510		NO		NO

TRT-TAP / Purchased Surface Water(A)	PLANT 1 - HWY 29 / ISLAND LODGES DR (A)					
--	---	--	--	--	--	--

Train: Unnamed				
(Treatments)				
Disinfection Zone	Treatment Sequence	Objective	Process	Treatment
null	null	D	423	HYPOCHLORINATION, PRE

(Active Sources)						
Source Number	Source Name (Activity Status)	Operational Status	Source Type	Depth	Tested GPM	Rated GPM
P1500019A	TREATED SW FROM LCRA UPPER HIGHLAND LAKE (A)	P	P	N/A	N/A	N/A
Drill Date		Source Summary				
None Available						
GPS Latitude (decimal)	GPS Longitude (decimal)	GPS Elevation	GPS Date	Seller		
30.739553	-98.431228	0	12/07/2016	TX1500037		

(Inactive/Offline Sources)			
SourceNumber	Name	Status	Depth

Code Explanations
Monitoring Type Codes: (GW) GROUNDWATER , (GUP) GROUNDWATER UNDER THE INFLUENCE - PURCHASED , (SWP) SURFACE WATER - PURCHASED , (GU) GROUNDWATER UNDER THE INFLUENCE OF SURFACE WATER , (N) NO SOURCES , (SW) SURFACE WATER
Activity Status Codes: (A) ACTIVE , (D) DELETED/DISSOLVED , (I) INACTIVE , (P) PROPOSED ,
Operational Status Codes: (E) EMERGENCY , (I) INTERIM/PEAK (O) OTHER , (P) PERMANENT , (S) SEASONAL
Source Types: (G) GROUND WATER , (S) SURFACE WATER , (U) GROUND WATER UNDER THE INFLUENCE

- End of Report -

At the time of your query this data was the most current information available from our database, which is in real time. Every effort was made to retrieve it according to your query. Thank-you for using DWW.

**Attachment J is Confidential and  
will be provided pursuant to the  
Protective Order**

# Attachment K



**6.D. Regulatory Assessment Fees with TCEQ**

CSWR Texas is committed to ensuring that the amount of any outstanding Regulatory Assessment Fees owed by the seller, if any, will be paid upon completion of the proposed acquisition.

**6.E. Annual Report filings with Commission**

CSWR Texas is committed to ensuring that the most recent available Annual Report for the seller will be filed with the Commission, to the extent it has not already been filed, upon completion of the proposed acquisition.

### **11.B. Plant in Service Records**

CSWR Texas understands that the seller has not tracked depreciation. Other plant in service records are show in Attachment K-1.

#### **14. Calculation of Rate Base.**

CSWR Texas has not been able to identify any plant records or annual report filings from which to determine the original cost of plant, accumulated depreciation, or financial information requested in this question. CSWR understands that the seller has not tracked depreciation.

Pursuant to 16 Tex. Admin. Code § 24.41(d) and (e), CSWR Texas intends to request that rate base be set to allow it to earn a return on the difference between the purchase price paid for the utility assets and the original cost less accumulated depreciation or, otherwise, based on the net book value of the assets using another reasonable valuation method. Whether or not there is a difference between the purchase price paid and the original cost less accumulated depreciation and contributions in aid on construction is still under review. Currently, the best records for determining net book value of assets is the current owner's accounting records. However, it is CSWR Texas experience that these records often do not completely account for the entire asset value of the system being transferred due to lack of sophistication or accuracy in recording system improvements, additions or repairs/replacements that extended the usable life of assets. It is CSWR Texas experience that an independent third-party original cost study provides the most accurate valuation of distressed utility assets like those at issue here.

In proceedings in other states, where plant records for an acquired system were inadequate, CSWR, LLC has relied on real estate appraisals to establish rate base or calculate an appropriate acquisition adjustment. These appraisals allow adjustments to rate base based on the value of existing undepreciated land and land rights owned by the selling utility. This method has resulted in fair, reasonable rate base valuations and reasonable opportunities to earn a return sufficient to raise the necessary capital to support these systems. It also provides an efficient, cost-effective alternative to the fair market value approach when the acquisition involves a smaller system, and it is particularly necessary where the acquiring entity would be ineligible to participate in the fair market value process. The Company has not determined the appropriate amount of such adjustment but may seek an acquisition adjustment for the difference between net book and the purchase price or between net book and the value of the system as determined by an appraisal or trending study or other study in its next rate case involving this system as provided for under 16 Tex. Admin. Code § 24.41.

In addition, the Company may request to accrue AFUDC and defer depreciation for post-acquisition improvements in the same way provided for under 16 Tex. Admin. Code § 24.238.

**16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:**

A letter from the TCEQ detailing the results of its most recent compliance evaluation identified several past alleged violations and additional issues that needs to be addressed. See Attachment I to this Application.

A preliminary engineering report was commissioned by CSWR Texas to assess the current state of the system and determine whether any immediate improvements are necessary and the cost of those improvements. See Attachment J. If it is authorized to acquire the system, CSWR Texas intends to invest the capital required to make any upgrades, renovations, and repairs necessary to comply with TCEQ regulations and ensure customers receive safe and reliable service.

CSWR Texas plans to use a contract operator for plant operations, which would include one or more appropriately qualified and licensed operators. The contract operator would be responsible for day-to-day inspections, checks, sampling, reporting, and meter reading. The contract operator also would be responsible for necessary system repairs (as well as extraordinary issues that arise from time to time) to ensure proper facility operations. All contractor activities would be tracked inside CSWR Texas' computerized maintenance system. A computerized plant monitoring system will integrate repair and system operations data onto a single water information management platform that includes all systems operated by CSWR Texas' affiliates.

CSWR Texas will also use contractors for billing and to provide emergency answering services for customer calls. The billing contractor will be responsible for computing, printing, and sending monthly bills to customers and for collecting payments. The billing contractor's staff will also field and process customer bill inquiries, make bill adjustments, deal with customer requests for payment plans, and interact with Commission Staff regarding billing issues. Billing contractor employees will also be trained to route customer service complaints and inquiries to the service contractor.

In addition, CSWR Texas will implement operational changes to improve and enhance customer service. Customers will have access to a 24-hour phone line to report any utility service issues. Those calls would then be transferred into the computerized maintenance management system and converted into work orders, which creates a historical record of all reported service issues. The work order will also ensure contracted customer service personnel can commence work required to address customer service issues quickly and efficiently. Second, CSWR Texas will ensure customers served by the system have access to customer service representatives during normal business hours to talk about any customer concerns. Additionally, CSWR Texas will establish a utility-specific webpage and dedicated email address to keep customers informed about their utility service. Mirroring the relevant utility homepage information, CSWR Texas will also implement a dedicated social media page to offer another avenue of communication with customers about utility matters. The social media account will be manned by customer

service representatives who can quickly answer customer questions. Finally, CSWR Texas will offer online bill paying options to customers including e-checks, debit card, and credit cards. Accordingly, and in order to mitigate increases to the cost of service, CSWR Texas may request authority from the Commission for a waiver from the provisions of 16 Texas Admin. Code § 24.153(d), which requires establishing a local office for maintaining business records or for purposes of accepting applications for service and payments to prevent disconnection of service or to restore service after disconnection for nonpayment, nonuse or other reasons identified in Commission rules.

**17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but not be limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.**

CSWR Texas currently owns and operates numerous systems in Texas and in each of the dockets in which the Company was granted the authority to operate these systems, the Commission has determined the Company has adequate experience and qualifications in order to provide continuous and adequate service.

In addition, CSWR Texas is part of a group of affiliated companies owned by CSWR, LLC. In addition to its ownership interest, CSWR, LLC and another affiliate, Central States Water Resources, Inc. ("Central States"), provide operational and managerial oversight and support for all operating utility affiliates within the group and also provide access to financial resources necessary to acquire water and wastewater systems and upgrade those systems as required. CSWR Texas' affiliates have purchased and currently are operating 292 public drinking water and wastewater systems in Missouri, Arkansas, Kentucky, and Louisiana through which they provide safe and reliable utility service to approximately 131,000 customers.

Since March 2015, affiliates in Missouri, Arkansas, and Kentucky have designed, permitted and completed construction—with the approval of state drinking water and wastewater regulatory authorities—of approximately \$20.5 million of upgrades and improvements to drinking water systems. Those upgrades and improvements include construction of ground water storage tanks and drinking water pressurization pump assemblies, drilling water wells, erecting or rehabilitating well houses, closing failed wells, blasting/coating water storage tanks, replacing meter pits with new meters, replacing or repairing numerous water distribution lines, installing numerous isolation valve systems, installing multiple flush hydrants, repairing hundreds of leaking lines, and constructing or rehabilitating various other improvements to existing drinking water systems.

For wastewater systems, CSWR Texas-affiliated companies have designed, permitted, and completed construction of approximately \$68.8 million of system improvements. Those improvements include wastewater line repairs to remedy infiltration and inflow problems, construction of sewer main extensions, construction and repairs of multiple lift stations, closures of environmentally-distressed wastewater treatment plants, conversion of failing wastewater treatment plants into sludge storage/flow equalization and treatment basins, conversion of failed mechanical systems to I-Fast systems, and construction of various other improvements to existing wastewater treatment facilities.

Through CSWR, LLC and Central States, CSWR Texas has access to experienced technical and managerial expertise and experience not usually available to water systems of this system's size. And CSWR, LLC's business model makes these assets available to its affiliates at a lower cost than otherwise would be available because of the economies of scale the affiliated structure is able to achieve for its member utility operating companies.

The affiliated group of which CSWR Texas is a member has been able to secure an ongoing commitment from Sciens Capital Management, a Wall Street private equity firm, to provide capital necessary to purchase small, oftentimes distressed, systems and then make investments necessary to bring those systems into compliance with applicable health, safety, and environmental protection laws and regulations. Similar commitments were made with respect to equity investments necessary to acquire and improve utility assets affiliated companies currently own and operate in Missouri, Arkansas, Kentucky, and Louisiana. As evidenced by acquisitions and improvements made in each of those states, regulators can rely on such investment commitments. Although Investment is provided primarily in the form of equity, an affiliate has also committed to make debt capital available at reasonable rates if CSWR Texas is unable to obtain debt financing from non-affiliated commercial sources.

Again, the Public Utility Commission of Texas has already determined that the affiliated group has financial, technical, and managerial ability necessary to provide service to the public. In addition, the Missouri Public Service Commission and the Missouri Department of Natural Resources have recognized the solid track record CSWR, LLC and its affiliates have established for acquiring, rehabilitating, maintaining, and operating troubled water and wastewater systems in that state. Also, in a recent order authorizing the group's Kentucky affiliate to acquire several troubled wastewater systems, the Kentucky Public Service Commission expressly found the group has the financial, technical, and managerial ability necessary to provide reasonable service to the public.

**20. How will the proposed transaction serve the public interest?**

CSWR, LLC has demonstrated an ability to consolidate small water and wastewater utility systems and make necessary investments in those systems to ensure that safe, reliable service is provided to customers. This system is currently in a distressed state and would benefit from the transition to a stable, long-term management team willing to make necessary investments to improve the system. As explained in this application:

- CSWR Texas has access to much needed capital that it will use to make reasonable, prudent, and timely investments to bring the system back into compliance with all applicable rules and regulations;
- Through its affiliates, CSWR Texas has access to experienced technical and managerial expertise and experience not usually available to systems of this size and at a lower cost than otherwise would be available because of the economies of scale the affiliated structure is able to achieve;
- CSWR Texas will implement new management and customer service systems and practices that will greatly improve the level of service to customers;
- CSWR Texas will seek to consolidate and regionalize this system with other systems it acquires in order to pool financial, managerial, and technical resources that achieve economies of scale or efficiencies of service;
- CSWR Texas will operate the systems to ensure they are in compliance with all environmental regulations; and
- the purchase price reflects the lowest agreeable negotiated price between the parties.

In summary, CSWR Texas and its affiliates have the financial, technical, and managerial ability to acquire, own, and operate the system in a manner that fully complies with applicable health, safety, and environmental protection laws and regulations and provides reliable, safe, and adequate service to customers. CSWR Texas is prepared to invest capital required to remedy all outstanding and future issues in the systems. It also will implement management and customer service systems and practices that will greatly improve the level of service to customers. Accordingly, the system will become a part of a financially stable and technically sound utility, and customers will receive higher quality and more reliable service. Also, by adopting current rates and tariffs, CSWR Texas will ensure the proposed acquisition has no negative impact on the system's customers. In addition, because CSWR Texas will operate as a public utility, customers will be assured the system's future operations will be scrutinized by the Commission and its staff so that its cost of service and rates are fair and reasonable.



**26. C. Amount of water supply purchased:**

Cassie Water Company: none

Deer Springs: none

Water Works I: 100% of water is purchased. The gallonage varies depending on usage.

Water Works II: 100 % of water is purchased. The gallonage varies depending on usage.

**30. The closest city or town and general boundaries:**

Cassie Water Company: (67 Customers)

The requested area is located approximately 11 miles West of Burnet, TX and is generally bordered north by S Chaparral; on the east by FM 690; on the south by Lake Buchanan; and on the west by Lake Buchanan. The total requested area includes approximately 58 acres.

Water Works I: (28 Customers)

The requested area is located approximately 0 miles within Buchanan Dam, TX and is generally bordered north by Lake Buchanan; on the east by Independence Rd; on the south by TX 261; and on the west by TX 261. The total requested area includes approximately 29 acres.

Water Works II: (56 Customers)

The requested area is located approximately 0 miles within Buchanan Dam, TX and is generally bordered north by Lake Buchanan; on the east by Forest Dr; on the south by E State Highway 29; and on the west by Granite Rd. The total requested area includes approximately 109 acres.

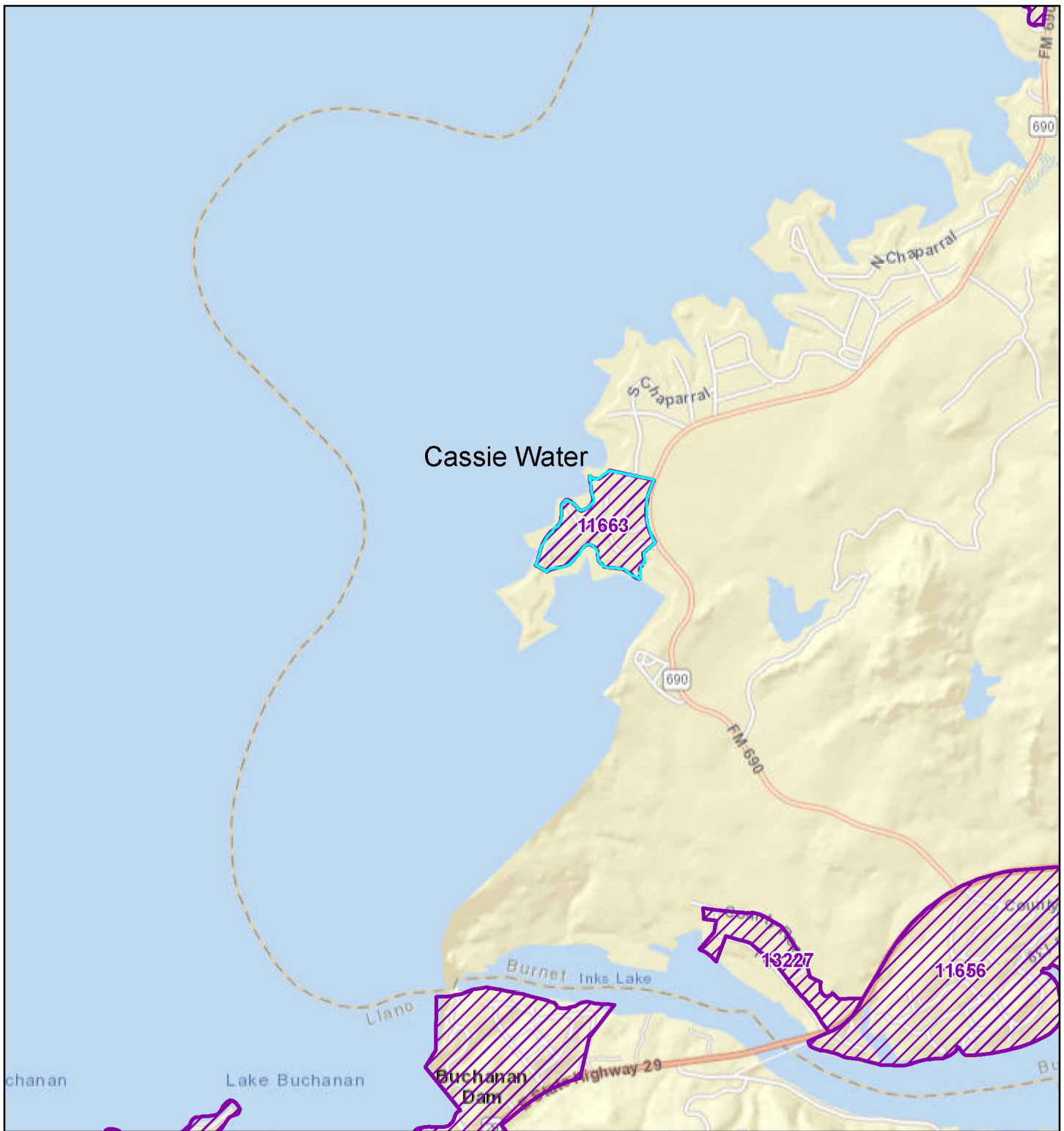
Deer Springs Water: (109 Customers)

The requested area is located approximately 5 miles West of Burnet, TX and is generally bordered north by W State Highway 29; on the east by Deer Ln Loop; on the south by Deer Springs Dr; and on the west by Deer Springs Dr. The total requested area includes approximately 229 acres.

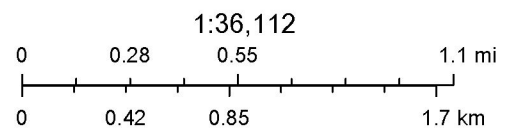
**Attachment K-1 is Confidential and  
will be provided pursuant to the  
Protective Order**

# Attachment L

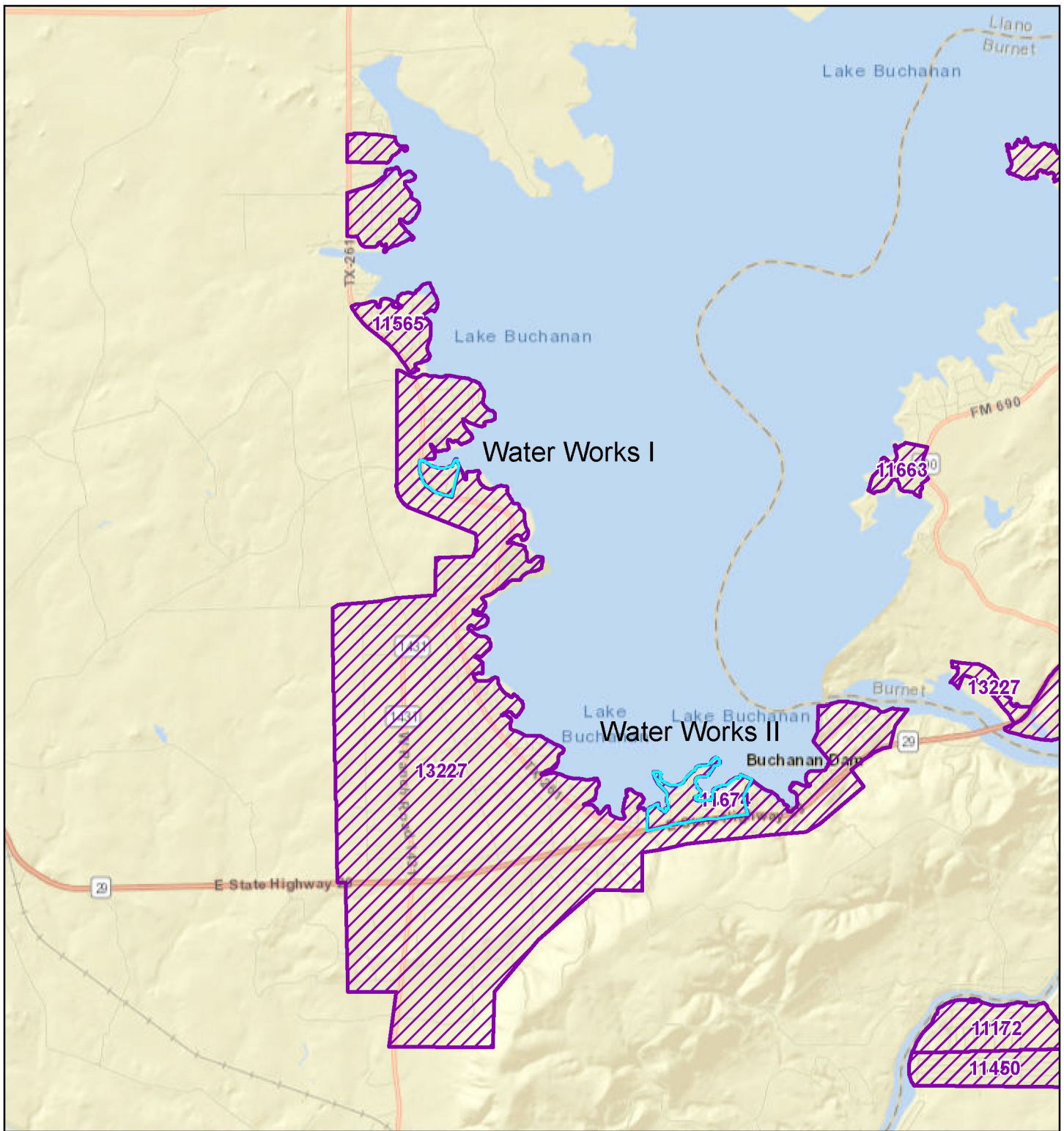
# Requested Area - CCN 11674 Cassie Water



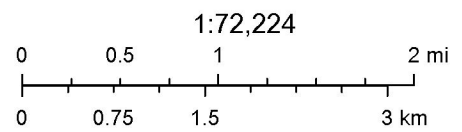
December 1, 2021



# Requested Area CCN - 11674 Water Works I & II

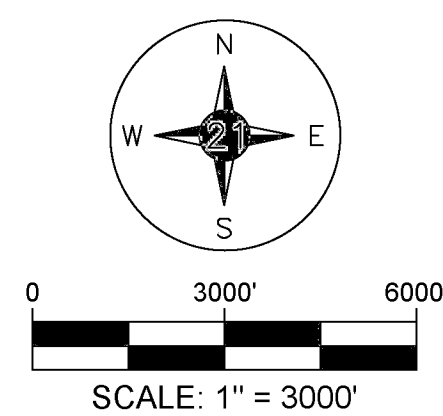


December 1, 2021



# DEER SPRINGS CCN AMENDMENT – WATER SERVICE AREA

OVERALL LOCATION – BURNET COUNTY



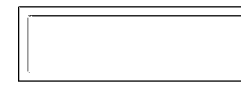
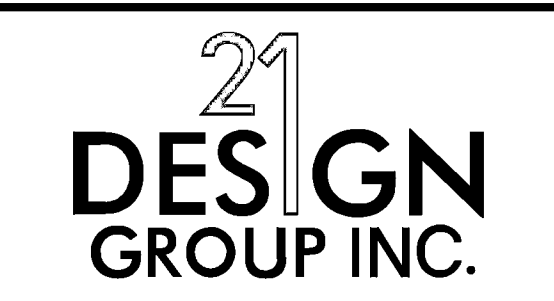
 Requested Area to Add to CSWR's Water CCN

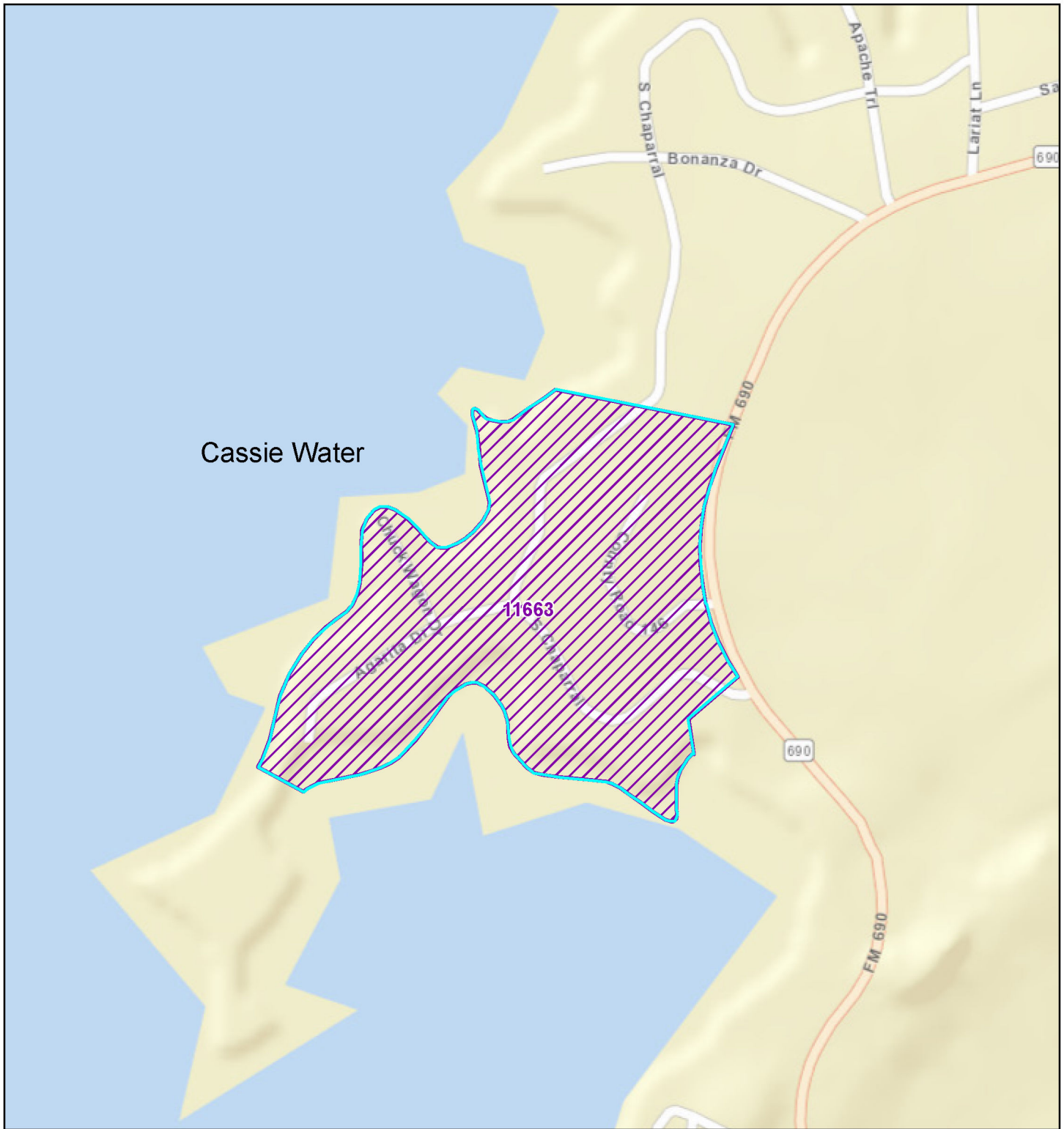
EXHIBIT 1
DATE: 12/1/21
DRAWN BY: KAR
SCALE: 1" = 3000'
SHEET NAME: OVERALL LOCATION MAP DEER SPRINGS



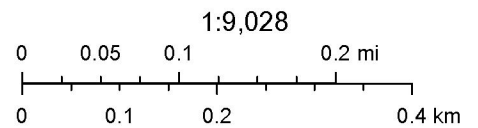
1351 Jefferson, Suite 301  
Washington, MO 63090  
mail@21designgroup.net  
P: 636-432-5029

# Attachment M

# Requested Area - CCN 11674 Cassie Water

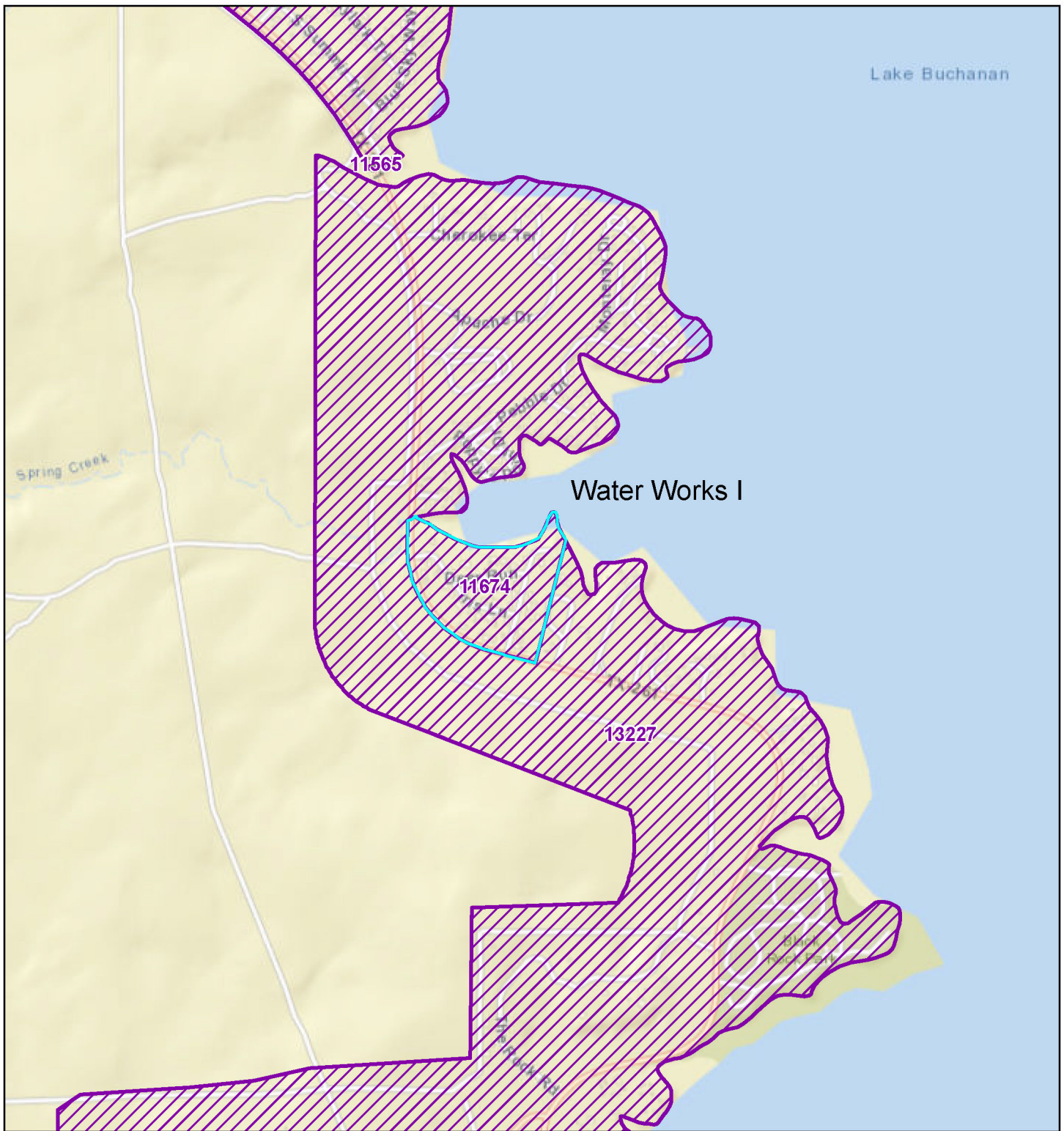


December 1, 2021

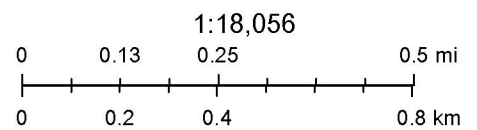




# Requested Area - CCN 11674 Water Works I

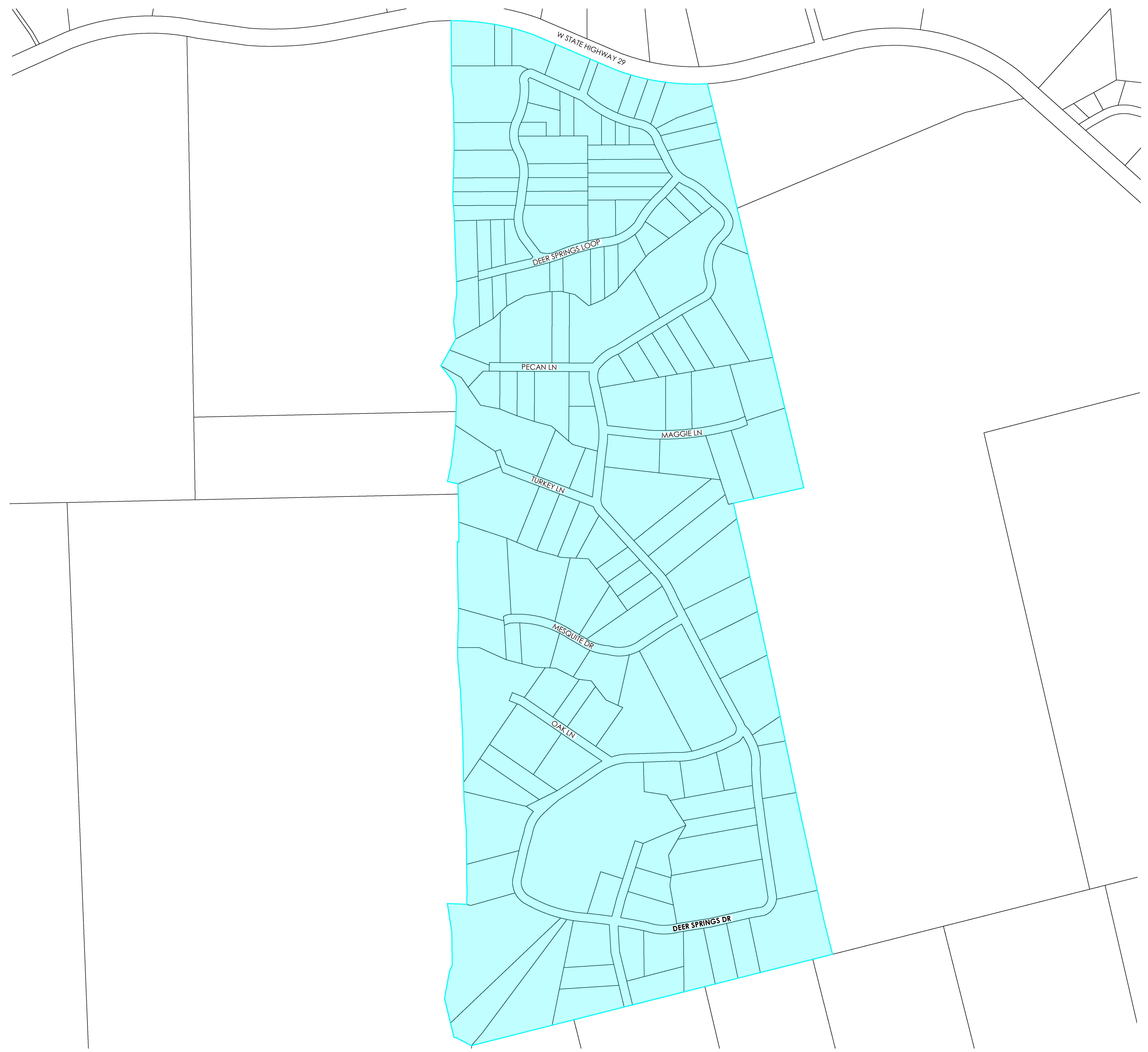
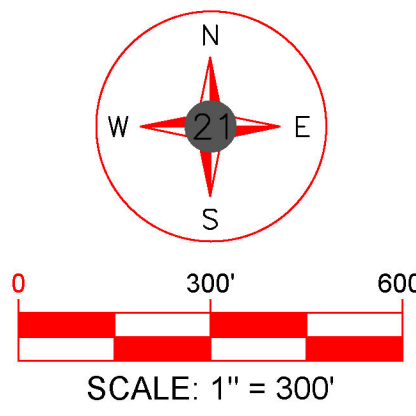


December 1, 2021





# DEER SPRINGS CCN AMENDMENT – WATER SERVICE AREA




 Requested Area to Add to CSWR's Water CCN

EXHIBIT A	
DATE:	12/1/21
DRAWN BY:	KAR
SCALE:	1" = 300'
SHEET NAME:	DETAIL MAP
DEER SPRINGS	



1351 Jefferson, Suite 301  
Washington, MO 63090  
mail@21designgroup.net  
P: 636-432-5029

**Attachment N is not  
applicable to this docket**

# Attachment O

### **Statement of Confidentiality**

Pursuant to the Commission's standard protective order, CSWR-Texas Utility Operating Company, LLC ("CSWR Texas") is designating certain materials filed as part of its application as Protected Materials. The undersigned counsel for CSWR Texas has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation or Highly Sensitive Protected Material designation given below.

Confidential Attachment A contains the executed Purchase Agreement between CSWR Texas or its affiliates and the selling utility. The terms and pricing information of the Purchase Agreement are not publicly available, are commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR Texas because any other entity that seeks to acquire water or wastewater utilities in Texas or elsewhere could use the information to its competitive advantage to the detriment of CSWR Texas. Accordingly, the information contained in Confidential Attachment A is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material designation.

Confidential Attachment D is a list of customer deposits that contains customer-specific information including names, addresses, phone numbers, and account payment histories. This information is specifically protected by Tex. Util. Code § 182.052 and is expressly protected under Paragraph 6 of the Commission's standard protective order. Accordingly, the information contained in Confidential Attachment D is exempt from public disclosure under Tex. Gov't Code § 552.101 and Tex. Util. Code § 182.052 and merits the Protect Materials designation.

Confidential Attachment F contains the consolidated financial statements of CSWR, LLC and subsidiaries, including an independent auditor's report. This information is not publicly available, is commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR Texas and its subsidiaries. Any other entity that seeks to acquire water utilities in Texas and elsewhere could use the financial information to its competitive advantage, to the detriment of CSWR, LLC and its subsidiaries. Accordingly, the information contained in Attachment F is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material information.

Highly Sensitive Attachment G contains projected financial information for the acquired system, including information from which the purchase price could be ascertained; consolidated

financial statements for CSWR Texas's parent company, CSWR, LLC, and its subsidiaries; combined financial projections for other systems that CSWR Texas is in the process of acquiring; and information regarding CSWR, LLC's financial positions. This information is not publicly available, is commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR, LLC and its subsidiaries, including CSWR Texas. Any other entity that seeks to acquire water utilities in Texas and elsewhere could use the financial information to its competitive advantage, to the detriment of CSWR, LLC and its subsidiaries. Accordingly, the information contained in Highly Sensitive Attachment G is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material information.

Confidential Attachment I-1 contains correspondence between the TCEQ and the Company that reveals the identity of potential acquisitions by CSWR Texas that are not otherwise publicly available. This information is not publicly available, is commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR Texas and its affiliates. Accordingly, the information contained in Confidential Attachment I-1 is exempt from public disclosure under Tex. Gov't Code §§ 552.101 and 552.104.

Confidential Attachment J is an engineering report that is the proprietary information of a third-party engineering firm. Public disclosure of the information would cause substantial competitive harm to the engineering firm by allowing other engineering companies to copy the firm's methods and analyses. Public disclosure could also negatively impact the engineering firm's willingness to perform services for CSWR Texas in the future. Accordingly, the information contained in Confidential Attachment J is exempt from public disclosure under Tex. Gov't Code §§ 552.101 and 552.104.

Confidential Attachment K-1 contains purchase price information taken from the Purchase Agreement, which is attached to the application as Attachment A. The pricing information contained in Confidential Attachment K-1 is not publicly available, is commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR Texas and its affiliates. Any other entity that seeks to acquire water utilities in Texas and elsewhere could use the information to its competitive advantage to the detriment of CSWR Texas. Accordingly, the information contained in Confidential Attachment K-1 is exempt from public

disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material designation.

Confidential Attachment Q is a confidential Water Supply Agreement for the acquired system. The terms and pricing information of the Water Supply Agreement are not publicly available, are commercially sensitive, and public disclosure of the information would cause substantial competitive harm. If the proposed purchase of the utility assets is approved, CSWR Texas will likely have to negotiate water supply agreements in the future to maintain service through those assets. Potential water suppliers could use the information in the existing Water Supply Agreement to their advantage in negotiations to the detriment of CSWR Texas and the end-use customers of the system. Accordingly, the information contained in Confidential Attachment Q is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material designation.

  
\_\_\_\_\_  
Wendy K.L. Harvel

**ATTORNEY FOR CSWR-TEXAS  
UTILITY OPERATING COMPANY,  
LLC**



# Attachment P

<u>TCEO PWS Identification Number</u>	<u>Name of PWS</u>	<u>Date of Last TCEQ Compliance Investigation</u>	<u>Subdivisions Served</u>
<b>0270006</b>	Deer Springs Water	09/26/2019	Deer Springs
<b>0270047</b>	Cassie Water System	03/19/2019	Cassie
<b>1500018</b>	Water Works 1	01/09/2019	Floyd Acres
<b>1500019</b>	Water Works 2	02/06/2019	Island Lodges

**Attachment Q is Confidential and  
will be provided pursuant to the  
Protective Order**

**Attachment R is not  
applicable to this docket.**