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DOCKET NO. 53317

APPLICATION OF CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY,	§	
LLC AND JUSRYN COMPANY, INC.	§	OF TEXAS
DBA SHADY GROVE SEWER	§	
SYSTEM FOR SALE, TRANSFER, OR	§	
MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN HOOD	§	
COUNTY	§	

ORDER NO. 6
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of CSWR-Texas Utility Operating Company, LLC and Jusryn Company, Inc. dba Shady Grove Sewer System for the sale, transfer, or merger of facilities in Hood County. CSWR Texas seeks the sale and transfer of all facilities and service area held under Shady Grove's sewer certificate of convenience and necessity (CCN) number 20767 to CSWR Texas, the cancellation of Shady Gove's sewer CCN number 20767, and the amendment of CSWR Texas's sewer CCN number 21120 to include the area previously included in Shady Grove's sewer CCN number 20767. The administrative law judge (ALJ) approves the transaction between CSWR Texas and Shady Grove and the transaction may be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. CSWR Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
2. CSWR Texas operates, maintains, and controls facilities for providing sewer service in Bexar, Hidalgo, Hood, and Parker counties under CCN number 21120.
3. Jusryn Company is a Texas corporation registered with the Texas secretary of state under file number 69144900.

4. Shady Grove operates, maintains, and controls facilities for providing sewer service in Hood County under CCN number 20767.

Application

5. On March 9, 2022, the applicants filed the application at issue in this proceeding.
6. CSWR Texas supplemented the application on March 28 and 31, April 19, May 9, June 14 and June 20, 2022.
7. In the application, the applicants seek approval of the following transaction: (a) CSWR Texas will acquire all of Shady Grove's sewer service area and sewer facilities held under CCN number 20767; (b) Shady Grove's sewer CCN number 20767 will be cancelled; and (c) CSWR Texas's sewer CCN number 21120 will be amended to include the area previously included in Shady Grove's sewer CCN number 20767.
8. The requested water area comprises approximately 17 acres and 10 customer connections.
9. The requested sewer area is located approximately 2.8 miles east of downtown Granbury and is generally bounded on the north by Betty Court; on the east by Cleveland Road; on the south by Acton Highway; and on the west by Davis Road.
10. In Order No. 2 filed on April 14, 2022, the ALJ found the application administratively complete.

Notice

11. On May 4, 2022, CSWR Texas filed the affidavit of Aaron Silas, regulatory case manager of CSWR Texas, attesting that notice was provided to all current customers of Shady Grove, neighboring utilities, and affected parties on April 26, 2022.
12. In Order No. 3 filed on May 25, 2022, the ALJ found the notice sufficient.

Evidentiary Record

13. In Order No. 5 filed on August 8, 2022, the ALJ admitted the following evidence into the record: (a) the application, including confidential attachments, filed on March 9, 2022; (b) CSWR Texas's first supplement to the application, including confidential attachments, filed on March 28, 2022; (c) CSWR Texas's second supplement to the application filed on March 31, 2022; (d) CSWR Texas's third supplement to the application, including confidential attachments, filed on April 19, 2022; (e) CSWR Texas's proof of notice

including affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on May 4, 2022; (f) CSWR Texas's fourth supplement to the application, including confidential attachments, filed on May 9, 2022; (g) Commission Staff's recommendation on sufficiency of notice filed on May 23, 2022; (h) CSWR Texas's fifth supplement to the application filed on June 14, 2022; (i) CSWR Texas's sixth supplement to the application filed on June 20, 2022; (j) CSWR Texas's response to Commission Staff's first request for information, filed on July 7, 2022; and (k) Commission Staff's recommendation on approval of the transaction, including confidential attachments, filed on July 22, 2022.

Cumulative Recommendation

14. On July 22, 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 51003,⁵ 51026,⁶ 51031,⁷ 51036,⁸ 51047,⁹ 51065,¹⁰ 51089,¹¹ 51118,¹² 51126,¹³ 51130,¹⁴ 51146,¹⁵ 51222,¹⁶ 51544,¹⁷ 51642,¹⁸ 51917,¹⁹ 51928,²⁰ 51940,²¹ 51981,²² 52089,²³ 52099,²⁴ 52410,²⁵ 52661,²⁶ 52700,²⁷ 52702,²⁸ 52803,²⁹ 52879,³⁰ and 52880,³¹ and 53326.³²

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 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).*

⁶ *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).*

⁷ *Application of Council Creek Village, Inc. da 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).*

⁸ *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).*

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 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).*

¹¹ *Application of Donald E. Wilson dba Quiet Village II dba 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).*

¹² *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).*

¹³ *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).*

¹⁴ *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).*

¹⁵ *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).*

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

¹⁷ *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).*

¹⁸ *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, Notice of Approval (Mar. 15, 2022).*

¹⁹ *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, Notice of Approval (Mar. 8, 2022).*

²⁰ *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).*

²¹ *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, Notice of Approval (Mar. 15, 2022).*

²² *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).*

²³ *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, Notice of Approval (Mar. 25, 2022).*

²⁴ *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, Corrected Notice of Approval (Jul. 28, 2022).*

²⁵ *Application of CSWR-Texas Utility Operating Company, LLC and Leon Springs Utility Company, Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bexar, Docket No. 52410, Notice of Approval (Jun. 3, 2022).*

²⁶ *Application of Tri-County Point Property Owners Association and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Calhoun and Jackson Counties, Docket No. 52661 (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).*

Purchaser's Compliance History

1. CSWR Texas has not be under an enforcement action by the Commission, TCEQ, Texas Health and Humas Services, the Office of the Texas Attorney General, or the United States Environmental Protection Agency in the past five years for non-compliance with rules, orders, or state statutes.
2. CSWR Texas does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
3. CSWR Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

4. Shady Grove currently provides retail sewer service to 10 customer connections in the requested area and such service has been continuous and adequate.
5. There is no evidence that Shady Grove has failed to comply with any Commission or TCEQ order.

Need for Additional Service

6. There is a continuing need for service because Shady Grove is currently serving 10 sewer connections in the requested area.

Effect of Approving the Transaction and Granting the Amendment

7. Approving the sale and transfer to proceed and granting the CCN amendment will obligate CSWR Texas to provide continuous and adequate sewer service to current and future customers in the requested sewer area.

²⁸ *Application of CSWR-Texas Utility Operating Company, LLC and Fremont Water Company for Saale, Transfer, or Merger of Facilities and Certificate Rights in Kerr County, Docket No. 52702 (Aug. 5, 2022).*

²⁹ *Application of Copano Cove Water Company, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate rights in Aransas County, Docket No. 52803 (pending).*

³⁰ *Application of Carroll Water Company, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Ellis County, Docket No. 52879 (pending).*

³¹ *Application of Texas Landing Utilities and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Polk and Montgomery Counties, Docket No. 52880 (pending).*

³² *Application of CSWR-Texas Utility Operating Company, LLC and Aransas Bay Utilities Co., LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Aransas County, Docket No. 53326 (pending).*

8. Because this application is to transfer only existing facilities, customers, and service areas, there will be no effect on any other retail public utility servicing the proximate area.
9. There will be no effect on landowners as the area is currently certificated.

Ability to Serve: Managerial and Technical

10. CSWR Texas owns and operates numerous sewer systems. The Commission's complaint records, which date back to 2017, show 12 complaints against CSWR Texas.
11. CSWR Texas intends to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the purchased sewer system into compliance with TCEQ regulations and to ensure customers receive safe and reliable service. The needed improvements will begin when the sewer system is officially transferred to CSWR Texas.
12. CSWR Texas employs or contracts with TCEQ-licensed sewer operators who will operate the sewer system.
13. CSWR Texas has the technical and managerial capability to provide continuous and adequate service to the requested areas.

Regionalization or Consolidation

14. The construction of a physically separate system is not necessary for CSWR Texas to serve the requested area. Therefore, concerns of regionalization or consolidation do not apply.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

15. Shady Grove is currently providing sewer service to customers and has sufficient capacity. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

Ability to Serve: Financial Ability

16. 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.
17. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages and demonstrated that it has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the transaction and possesses the cash and leverage ability to pay for capital improvements and necessary equity investments, satisfying the operations test.

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

Financial Assurance

19. 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

20. The requested area will continue to be served with existing infrastructure.
21. 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 sewer system.

Improvement of Service or Lowering Cost to Consumers

22. Sewer service to the requested area is expected to improve because CSWR Texas intends to address and resolve any regulatory compliance issues and improve the safety and reliability of service.
23. The rates charged to customers in the requested areas will not change as a result of the proposed transaction because CSWR Texas will adopt the currently in effect tariffs for Shady Grove's sewer system upon consummation of the transaction.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The applicants provided notice of the application that complies with Texas Water Code (TWC) §§ 13.246 and 13.301(a)(1) and 16 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), CSWR Texas has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area as required by TWC § 13.301(b) and 16 TAC § 24.239(e).
3. It is not necessary for CSWR Texas to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).

4. The applicants have demonstrated that the sale of Shady Grove's facilities to CSWR Texas will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public under 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 the applicants may be completed as proposed.
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 completed and customer deposits, if any, have been addressed.
3. The applicants have 180 days from the date of this Order to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not completed within this 180-day period and no extension has been granted, this approval is void and the applicants must reapply for approval.
5. The applicants are advised that the requested areas and associated facilities will remain under sewer CCN number 20767 and held by Shady Grove 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 25th day of August 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, reading "Katie Moore Marx". The signature is written in a cursive, flowing style.

KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE