



## Filing Receipt

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**DOCKET NO. 53456**

<b>APPLICATION OF CSWR-TEXAS</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>UTILITY OPERATING COMPANY</b>	<b>§</b>	
<b>LLC AND LAKE LIMESTONE COVES</b>	<b>§</b>	<b>OF TEXAS</b>
<b>WATER SYSTEM, INC. FOR SALE,</b>	<b>§</b>	
<b>TRANSFER, OR MERGER OF</b>	<b>§</b>	
<b>FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN LIMESTONE AND</b>	<b>§</b>	
<b>ROBERTSON COUNTIES</b>	<b>§</b>	

**ORDER NO. 5  
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Lake Limestone Coves Water System, Inc. and CSWR-Texas Utility Operating Company, LLC for the sale, transfer, or merger of facilities in Limestone and Robertson counties. CSWR Texas seeks the sale and transfer of all facilities and service area held under Lake Limestone’s certificate of convenience and necessity (CCN) number 11909 to CSWR Texas, the cancellation of Lake Limestone’s CCN number 11909, and the amendment of CSWR Texas’s CCN number 13290 to include the area previously included in Lake Limestone’s CCN number 11909. The administrative law judge (ALJ) approves the transaction between Lake Limestone and CSWR Texas and the transaction may be completed as proposed.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Lake Limestone is a Texas corporation registered with the Texas secretary of state under file number 105759100.
2. Lake Limestone is an investor-owned utility that operates, maintains, and controls facilities for providing water service to customers in Limestone and Robertson counties under CCN number 11909.

3. Lake Limestone owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Lake Limestone Coves Water System, public water system number identification number 1980020.
4. CSWR Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
5. CSWR Texas is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Angelina, Aransas, Austin, Burleson, Burnet, Camp, Erath, Guadalupe, Harris, Hays, Hidalgo, Hood, Llano, Lubbock, Kerr, McCulloch, Montague, Navarro, Parker, Victoria, Wilson, and Wood counties under CCN number 13290.

#### Application

6. On April 6, 2022, the applicants filed the application at issue in this proceeding.
7. CSWR Texas supplemented the application on April 19, May 9, and June 14 and 20, 2022.
8. In the application, the applicants seek approval of the following transaction: (a) CSWR Texas will acquire all of Lake Limestone's water facilities and water service area under water CCN number 11909; (b) Lake Limestone's water CCN number 11909 will be cancelled; and (c) CSWR Texas's water CCN number 13290 will be amended to include the area previously included in Lake Limestone's water CCN number 11909.
9. The requested area comprises approximately 576 acres and 424 connections.
10. The requested area is located approximately 14 miles southeast of downtown Thornton, Texas, and is generally bounded on the north by Lake Limestone; on the east by Lake Limestone; on the south by Lake Limestone; and on the west by the intersection of County Road 740 and County Road 742.
11. In Order No. 2 filed on May 11, 2022, the ALJ found the application, as supplemented, administratively complete.

#### Notice

12. On May 26, 2022, CSWR Texas filed the affidavit of Aaron Silas, regulatory case manager for CSWR Texas, attesting that notice was provided to all current customers of Lake Limestone, neighboring utilities, and affected parties on May 19, 2022.

13. In Order No. 3 filed on July 1, 2022, the ALJ found the notice sufficient.

**Evidentiary Record**

14. In Order No. 4 filed on August 19, 2022, the ALJ admitted the following evidence into the record: (a) the application, including confidential attachments, filed on April 6, 2022; (b) CSWR Texas's supplements to the application, including confidential attachments, filed on April 19, May 9, and June 14 and 20, 2022; (c) Commission Staff's recommendation on administrative completeness, notice, and proposed procedural schedule filed on May 6, 2022; (d) CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on May 26, 2022; (e) Commission Staff's recommendation on sufficiency of notice, filed on June 29, 2022; and (f) Commission Staff's recommendation on the transaction, including confidential attachments, filed on August 1, 2022.

**Cumulative Recommendation**

15. On August 1, 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,<sup>1</sup> 50276,<sup>2</sup> 50311,<sup>3</sup> 50989,<sup>4</sup> 51003,<sup>5</sup> 51026,<sup>6</sup> 51031,<sup>7</sup> 51036,<sup>8</sup> 51047,<sup>9</sup> 51065,<sup>10</sup> 51089,<sup>11</sup> 51118,<sup>12</sup> 51126,<sup>13</sup> 51130,<sup>14</sup> 51146,<sup>15</sup> 51222,<sup>16</sup> 51544,<sup>17</sup> 51642,<sup>18</sup> 51917,<sup>19</sup> 51928,<sup>20</sup> 51940,<sup>21</sup> 51981,<sup>22</sup> 52089,<sup>23</sup> 52099,<sup>24</sup> 52410,<sup>25</sup> 52661,<sup>26</sup> 52700,<sup>27</sup> 52702,<sup>28</sup> 52803,<sup>29</sup> 52879,<sup>30</sup> 52880,<sup>31</sup> 53259,<sup>32</sup> 53317,<sup>33</sup> 53326,<sup>34</sup> 53429<sup>35</sup> and 53430.<sup>36</sup>

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<sup>1</sup> *Application of JRM Water LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Victoria County, Docket No. 50251, Notice of Approval (Mar. 12, 2021).*

<sup>2</sup> *Application of North Victoria Utilities, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Victoria County, Docket No. 50276, Notice of Approval (Mar. 11, 2021).*

<sup>3</sup> *Application of Copano Heights Water Company and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Aransas County, Docket No. 50311, Notice of Approval (Mar. 17, 2021).*

<sup>4</sup> *Application of Ranch Country of Texas Water Systems, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Austin County, Docket No. 50989, Notice of Approval (Apr. 23, 2021).*

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

<sup>6</sup> *Application of Tall Pines Utility, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Docket No. 51026, Notice of Approval (Apr. 23, 2021).*

<sup>7</sup> *Application of Council Creek Village, Inc. dba Council Creek Village dba South Council Creek 2 and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51031, Notice of Approval (Apr. 14, 2021).*

<sup>8</sup> *Application of Kathie Lou Daniels dba Woodlands West and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burlleson County, Docket No. 51036, Notice of Approval (Aug. 23, 2021).*

<sup>9</sup> *Application of Jones-Owen Company dba South Silver Creek I, II, and III and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51047, Notice of Approval (Apr. 19, 2021).*

<sup>10</sup> *Application of Treetop Utilities, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Docket No. 51065, Corrected Notice of Approval (Mar. 10, 2021).*

<sup>11</sup> *Application of Donald E. Wilson dba Quiet Village II dba QV Utility and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hidalgo County, Docket No. 51089, Notice of Approval (Nov. 18, 2021).*

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<sup>12</sup> *Application of Shady Oaks Water Supply Company, LLC and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Wilson County, Docket No. 51118, Notice of Approval (Mar. 18, 2021).*

<sup>13</sup> *Application of Shawn M. Horvath dba Aero Valley Water Service and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer, Or Merger of Facilities and to Amend CSWR-Texas Utility Operating Company, LLC's Certificate of Convenience and Necessity in Denton County, Docket No. 51126 (pending).*

<sup>14</sup> *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).*

<sup>15</sup> *Application of Abraxas Corporation and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Parker County, Docket No. 51146, Notice of Approval (Apr. 23, 2021).*

<sup>16</sup> *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, Notice of Approval (Feb. 16, 2022).*

<sup>17</sup> *Application of Franklin Water Service Co. LLC and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer, Or Merger of Facilities and Certificate Rights in Lubbock County, Docket No. 51544, Notice of Approval (Feb. 15, 2022).*

<sup>18</sup> *Application of James L. Nelson dba WaterCo and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Montague County, Docket No. 51642, Notice of Approval (Mar. 15, 2022).*

<sup>19</sup> *Application of Rocket Water Company, Inc. and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer, Or Merger of Facilities and Certificate Rights in Hays County, Docket No. 51917, Notice of Approval (Mar. 8, 2022).*

<sup>20</sup> *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).*

<sup>21</sup> *Application of Walnut Bend Water Supply and CSWR-Texas Utility Operating Company, LLC For Sale, Transfer or Merger of Facilities and Certificate Rights in Angelina County, Docket No. 51940, Notice of Approval (Mar. 15, 2022).*

<sup>22</sup> *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).*

<sup>23</sup> *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).*

<sup>24</sup> *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).*

<sup>25</sup> *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 County, Docket No. 52410, Notice of Approval (June 3, 2022).*

<sup>26</sup> *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).*

**Purchaser's Compliance History**

16. 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.
17. CSWR Texas does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
18. CSWR Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

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<sup>27</sup> *Application of RJR Water Company Inc. 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).*

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

<sup>29</sup> *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).*

<sup>30</sup> *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).*

<sup>31</sup> *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).*

<sup>32</sup> *Application of CSWR-Texas Utility Operating Company, LLC and Cody and Anita Lewis dba Cassie Water Company for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 53259 (pending).*

<sup>33</sup> *Application of CSWR-Texas Utility Operating Company, LLC and Jusryn Company, Inc. dba Shady Grove Sewer System for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hood County, Docket No. 53317 (pending).*

<sup>34</sup> *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).*

<sup>35</sup> *Application of CSWR-Texas Utility Operating Company LLC and Deer Springs Water Company for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 53429 (pending).*

<sup>36</sup> *Application of CSWR-Texas Utility Operating Company, LLC and Water Works I and II for Sale, Transfer, or Merger of Facilities and Certificate Rights in Llano County, Docket No. 53430 (pending).*

**Adequacy of Existing Service**

19. There are currently 424 connections in the 576-acre requested area that are being served by Lake Limestone through public water system number 1980020, and such service has been continuous and adequate.
20. There is no evidence that Lake Limestone has failed to comply with any Commission or TCEQ order.

**Need for Additional Service**

21. There is a continuing need for service because Lake Limestone is currently serving 424 connections in the requested area.
22. This is an application to transfer only existing facilities, customers, and service area. There have been no specific requests for additional service within the 576-acre requested area.

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

23. 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 576-acre requested area.
24. 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.
25. There will be no effect on landowners as the area is currently certificated.

**Ability to Serve: Managerial and Technical**

26. CSWR Texas owns and operates 34 public water systems registered with TCEQ and does not have any active violations listed in the TCEQ database.
27. The Commission's complaint records, which date back to 2017, show 12 complaints against CSWR Texas.
28. CSWR Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
29. No additional construction is necessary for CSWR Texas to provide service to the requested areas.



30. CSWR Texas has the technical and managerial capability to provide adequate and continuous service to the requested area.

**Regionalization or Consolidation**

31. 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 an Adjacent Retail Public Utility**

32. Lake Limestone is currently serving customers and has sufficient capacity. 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 to a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

**Ability to Serve: Financial Ability**

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 capability 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.

**Voluntary Valuation of Acquired Utility or Facilities**

37. Prior to filing the application, CSWR Texas and Lake Limestone filed a notice to the Commission in Project No. 49859<sup>37</sup> of their intent to use the Commission's fair market value (FMV) process to determine the ratemaking rate base of Lake Limestone's water system assets to be acquired by CSWR Texas.
38. CSWR Texas included copies of the three appraisal reports required by the FMV process with the application and evidence of the purchase price agreed upon between CSWR Texas and Lake Limestone.
39. The agreed upon purchase price for the transaction is identified in confidential attachment EB-1 to Commission Staff's Recommendation on the Transaction.
40. The average of the three appraisals yields a purchase price of less than the FMV of Lake Limestone's water system; therefore, the ratemaking rate base for Lake Limestone's water system is the agreed upon purchase price for the transaction identified in attachment EB-1 to Commission Staff's Recommendation on the Transaction.
41. The application included CSWR Texas's known and estimated transaction and closing costs.
42. No additional conditions for the acquisition based on the FMV process are needed.

**Environmental Integrity and Effect on the Land**

43. The requested area will continue to be served with existing infrastructure.
44. 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 water system.

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

45. Water service to the requested area is expected to improve because CSWR Texas intends to address and resolve regulatory compliance issues and improve the safety and reliability of service.

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<sup>37</sup> Notice of Intent to Determine Fair Market Value, Docket No. 49859, Item No. 23 (Apr. 8, 2021).

46. 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 Lake Limestone's water 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)(2) 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 Lake Limestone'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).
5. The Commission's executive director selected three utility valuation experts to perform appraisal of Lake Limestone in compliance with TWC § 13.305(c)(2) and 16 TAC § 24.238(e).
6. The application included copies of the three appraisal reports completed by the utility valuation experts as required by TWC § 13.305(h)(1) and 16 TAC § 24.239(d)(1)(A).
7. The application included the purchase price agreed to by CSWR Texas and Lake Limestone as required by TWC § 13.305(h)(2) and 16 TAC § 24.239(d)(1)(B).
8. The calculation of the fair market valuation for Lake Limestone complies with TWC § 13.305(f) and 16 TAC § 24.238(f)-(j).
9. The calculation of the ratemaking rate base for Lake Limestone complies with TWC § 13.305(g) and 16 TAC § 24.238(b)(4).

### III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The transaction between the applicants in this proceeding is approved and may be completed as proposed.
2. The ratemaking rate base for Lake Limestone is determined to be the agreed upon purchase price for the transaction is identified in the highly sensitive attachment EB-1 to Commission Staff's recommendation on the transaction.
3. CSWR Texas may seek to include in its rate base its transaction and closing costs for the acquisition of Lake Limestone water system in a future rate case.
4. 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.
5. The applicants have 180 days from the date of this Order to complete the transaction.
6. Under 16 TAC § 24.239(m), if the transaction is not completed within this 180-day period, or an extension is not granted, this approval is void and the applicants must reapply for approval.
7. The applicants are advised that the requested areas and associated facilities will remain under water CCN number 11909 and held by Lake Limestone until the sale and transfer transaction is complete, in accordance with Commission rules.
8. 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 completed.
9. Within 15 days following the filing of the applicants' proof that the transaction has been completed 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 1st day of September 2022.

**PUBLIC UTILITY COMMISSION OF TEXAS**

A handwritten signature in black ink that reads "Katie Moore Marx". The signature is written in a cursive style with a large initial 'K'.

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**KATIE MOORE MARX**  
**ADMINISTRATIVE LAW JUDGE**

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