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DOCKET NO. 53483

APPLICATION OF CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY,	§	
LLC AND NORTH ORANGE WATER	§	OF TEXAS
& SEWER, LLC FOR SALE,	§	
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN ORANGE COUNTY	§	

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

This Order addresses the application of CSWR-Texas Utility Operating Company, LLC and North Orange Water & Sewer, LLC for the sale, transfer, or merger of facilities in Orange County. The applicants seek the sale and transfer of all facilities and service areas held under North Orange’s water certificates of convenience and necessity (CCN) numbers 11511 and 11642 and sewer CCN numbers 20564 and 20548 to CSWR-Texas; the cancellation of North Orange’s CCN numbers 11511, 11642, 20564, and 20548; and the amendment of CSWR-Texas’s water CCN number 13290 and sewer CCN number 21120 to include the area previously included in North Orange’s CCN numbers 11511, 11642, 20564, and 20548. The administrative law judge (ALJ) approves the transaction between CSWR-Texas and North Orange and the transaction may be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. North Orange is a Texas limited liability company registered with the Texas secretary of state under file number 704601622.
2. North Orange operates, maintains, and controls facilities for providing water and sewer service to customers in Orange County under water CCN numbers 11511 and 11642 and sewer CCN numbers 20564 and 20548.
3. North Orange owns and operates two public water systems registered with the Texas Commission on Environmental Quality (TCEQ) as Longford Place Water System, public

- water system number 1810015, and Country Squire Water & Sewer, public water system number 1810060.
4. North Orange owns and operates two wastewater treatment plants registered with the TCEQ as Longford Place Wastewater Treatment Plant, under Texas Pollutant Discharge Elimination System permit number WQ0011155001, and Country Squire Wastewater Treatment Plant, under Texas Pollutant Discharge Elimination System permit number WQ0011589001.
 5. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
 6. 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, Kerr, Llano, Lubbock, McCulloch, Montague, Navarro, Parker, Victoria, Wilson, and Wood counties under CCN number 13290.
 7. CSWR-Texas operates, maintains, and controls facilities for providing sewer service in Bexar, Hidalgo, Hood, Navarro, and Parker counties under CCN number 21120.

Application

8. On April 12, 2022, the applicants filed the application at issue in this proceeding.
9. CSWR-Texas supplemented the application on April 27, May 9, and June 14 and 20, 2022.
10. In the application, the applicants seek approval of the following transaction: (a) CSWR-Texas will acquire all of North Orange's water and sewer facilities and service areas under CCN numbers 11511, 11642, 20564, and 20548; (b) North Orange's CCN numbers 11511, 11642, 20564, and 20548 will be cancelled; and (c) CSWR-Texas's water CCN number 13290 and sewer CCN number 21120 will be amended to include the areas previously included in North Orange's CCN numbers 11511, 11642, 20564, and 20548.
11. The requested areas include approximately 299 acres and 346 customer connections.
12. The Country Squire Subdivision requested area is located approximately six miles north of downtown Orange and is generally bounded on the north by a line approximately 167 feet north of and parallel to Buckingham Drive; on the east by Sabine River & Northern

Railroad; on the south by the intersection of State Highway 87 and Little Cypress Road; and on the west by Little Cypress Bayou.

13. The Longford Place Subdivision requested area is located approximately 4.8 miles north of downtown Orange and is generally bounded on the north by approximately 167 feet north of Finwick Road; on the east by Sweetgum Road; on the south by Dawnwood Drive; and on the west by State Highway 87.
14. In Order No. 2 filed on May 19, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

15. On June 13, 2022, CSWR-Texas filed the affidavit of Russell Mitten, general counsel for CSWR-Texas, attesting that notice was provided to all current customers of North Orange, neighboring utilities, and affected parties on May 31, 2022.
16. In Order No. 3 filed on June 24, 2022, the ALJ found the notice sufficient.
17. On July 19, 2022, CSWR-Texas filed the supplemental affidavit of Aaron Silas, Regulatory Case Manager of CSWR-Texas, attesting that additional notice was provided to all current customers of North Orange, neighboring utilities, and affected parties on July 7, 2022.
18. On July 19, 2022, CSWR-Texas filed a publisher's affidavit attesting to the publication of notice in the *Orange Leader*, a newspaper of general circulation in Orange County, on July 9 and 16, 2022.

Evidentiary Record

19. In Order No. 4 filed on September 23, 2022, the ALJ admitted the following evidence into the record: (a) the application and all attachments filed on April 12, 2022; (b) CSWR-Texas' supplements to the application, including all attachments, filed on April 27, May 9, and June 14 and 20, 2022; (c) Commission Staff's recommendation on administrative completeness, notice, and proposed procedural schedule filed on May 12, 2022; (d) CSWR-Texas' proof of notice and affidavit of notice to current customers, neighboring utilities, and affected parties, including attachment, filed on June 13, 2022; (e) Commission Staff's recommendation on sufficiency of notice filed on June 22, 2022; (f) CSWR-Texas' supplemental proof of notice and attachment filed on July 19, 2022; and

(g) Commission Staff's recommendation on the transaction and confidential attachment filed on August 30, 2022.

Cumulative Recommendation

20. On August 30, 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 52880,³¹ 53238,³² 53259,³³ 53317,³⁴ 53326,³⁵ 53429,³⁶ 53430,³⁷ 53456,³⁸ and 53607.³⁹

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 (Aug. 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. 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).*

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 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).*

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 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).*

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 County, Docket No. 52410, Notice of Approval (June 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).*

Purchaser's Compliance History

21. CSWR-Texas has not been under an enforcement action by the Commission, TCEQ, Texas Health and Human 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.
22. CSWR-Texas does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.

²⁷ *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).*

²⁸ *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).*

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 Simply Aquatics, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Montgomery, Sabine, and San Augustine Counties, Docket No. 53238 (pending).*

³³ *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).*

³⁴ *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).*

³⁵ *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).*

³⁶ *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).*

³⁷ *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).*

³⁸ *Application of CSWR-Texas Utility Operating Company LLC, LLC and Lake Limestone Coves Water System, Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Limestone and Robertson Counties, Docket No. 53456 (pending).*

³⁹ *Application of Chaparral Water System and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Gillespie County, Docket No. 53607 (pending).*

23. CSWR-Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

24. There are currently 346 customer connections in the 299-acre requested areas that are being served by North Orange through public water system numbers 1810015 and 1810060 and Texas Pollutant Discharge Elimination System permit numbers WQ0011155001 and WQ0011589001 and such service has been adequate.
25. North Orange's public water system numbers 1810015 and 1810060 and Texas Pollutant Discharge Elimination System permit numbers WQ0011155001 and WQ0011589001 all have violations in the TCEQ database.
26. The Commission's complaint records, which date back to 2017, show six complaints against North Orange. All the complaints have been closed by the Commission's Customer Protection Division.
27. There is no evidence in the record that North Orange has failed to comply with any Commission or TCEQ order.

Need for Additional Service

28. There is a continuing need for service because North Orange currently serves 346 customer connections in the requested areas.
29. This is an application to transfer only existing facilities, customers, and service area. There have been no specific requests for additional service within the requested areas.

Effect of Approving the Transaction and Granting the Amendment

30. Approving the sale and transfer to proceed and granting the CCN amendment will obligate CSWR-Texas to provide continuous and adequate water service to current and future customers in the requested areas.
31. There will be no effect on landowners because the requested areas are currently certificated.
32. 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.

Ability to Serve: Managerial and Technical

33. CSWR-Texas owns and operates several public water systems and wastewater systems registered with the TCEQ.
34. The Commission's complaint records, which date back to 2017, show 12 complaints against CSWR-Texas.
35. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
36. No additional construction is necessary for CSWR-Texas to provide service to the requested areas.
37. CSWR-Texas has access to an adequate supply of water and is capable of providing drinking water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the Texas Water Code (TWC), and the TCEQ's rules.
38. CSWR-Texas has the technical and managerial capability to provide adequate and continuous service to the requested areas.

Regionalization or Consolidation

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

Feasibility of Obtaining Service from an Adjacent Retail Public Utility

40. North Orange is currently serving customers and has sufficient capacity.
41. 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.
42. It is not feasible to obtain service from an adjacent retail public utility.

Ability to Serve: Financial Ability

43. 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.

44. 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.
45. CSWR-Texas demonstrated the financial and managerial capability and stability to provide continuous and adequate service to the requested areas.

Financial Assurance

46. 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

47. The requested areas will continue to be served with existing infrastructure.
48. 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

49. Water and wastewater service to the requested areas is expected to improve because CSWR-Texas intends to address and resolve regulatory compliance issues and improve the safety and reliability of service.
50. 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 tariff for the North Orange'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 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 areas as required by TWC § 13.241(a), 13.251, and 13.301(b) and 16 TAC § 24.239(e).

3. The applicants have demonstrated that the sale of North Orange's facilities and service area 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 transaction between CSWR-Texas and North Orange in this proceeding is approved and 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 consummated 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, or an extension is not 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 water CCN numbers 11511 and 11642 and sewer CCN numbers 20564 and 20548 and held by North Orange until the final order or notice of approval is issued in this matter, 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 completed.
7. 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 4th day of October 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' and 'M'.

**KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE**