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DOCKET NO. 53607

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

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

This Order addresses the application of Chaparral Water System and CSWR-Texas Utility Operating Company, LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Gillespie County. The applicants seek approval of the sale and transfer of all facilities and service area held under Chaparral Water’s certificate of convenience and necessity (CCN) number 10959 to CSWR-Texas, the cancellation of Chaparral Water’s CCN number 10959, and the amendment of CSWR-Texas’s CCN number 13290 to include the facilities and service area previously included in Chaparral Water’s CCN number 10959. The administrative law judge (ALJ) approves the transaction between Chaparral Water 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. Chaparral Water was a Texas corporation registered with the Texas secretary of state under file number 51709800.
2. Chaparral Water owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 0860010.
3. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
4. CSWR-Texas is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Angelina, Aransas, Austin, Burleson, Burnet, Camp, Ellis,

Erath, Guadalupe, Harris, Hays, Hidalgo, Hood, Kerr, Llano, Lubbock, McCulloch, Montague, Navarro, Parker, Victoria, Wilson, and Wood counties under CCN number 13290.

Application

5. On May 13, 2022, CSWR-Texas and Chaparral Water filed the application at issue in this proceeding.
6. The applicants supplemented the application on June 14 and 20, 2022.
7. In the application, as supplemented, the applicants seek approval of the following transaction: (a) CSWR-Texas will acquire all of Chaparral Water's water service area and facilities held under CCN number 10959; (b) Chaparral Water's CCN number 10959 will be cancelled; and (c) CSWR-Texas's CCN number 13290 will be amended to include the facilities and service area previously included in Chaparral Water's CCN number 10959.
8. The requested area includes approximately 91 acres and 51 customer connections.
9. The requested area is located approximately 7.9 miles southeast of downtown Fredericksburg, Texas, and is generally bounded on the north by US Highway 290; on the east by Woodland Drive; on the south by a line approximately 125 feet south of and parallel to Chaparral Drive; and on the west by Barrett Road.
10. In Order No. 2 filed on June 14, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

11. On June 30, 2022, CSWR-Texas filed the amended affidavit of Aaron Silas, regulatory case manager of CSWR-Texas, attesting that notice was provided to all current customers, neighboring utilities, and affected parties on June 27, 2022.
12. In Order No. 3 filed on July 26, 2022, the ALJ found notice sufficient.

Evidentiary Record

13. In Order No. 4 filed on September 28, 2022, the ALJ admitted the following evidence into the record: (a) the application and all attachments, including confidential attachments, filed on May 13, 2022; (b) CSWR-Texas's supplemental attachment B to the application filed on June 14, 2022; (c) CSWR-Texas's supplemental attachment G-1 to the application filed

on June 20, 2022; (d) Commission Staff's recommendation on administrative completeness filed on June 13, 2022; (e) CSWR-Texas's amended affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on June 30, 2022; (f) Commission Staff's recommendation on sufficiency of notice filed on July 25, 2022; and (g) Commission Staff's recommendation on approval of the transaction filed on August 26, 2022.

Cumulative Recommendation

14. On August 26, 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 area included in this docket and in Docket Nos. 50251,¹ 50276,² 50311,³ 50989,⁴ 51003,⁵ 51026,⁶ 51031,⁷

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).*

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

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 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).*

52702,²⁸ 52803,²⁹ 52879,³⁰ 52880,³¹ 53259,³² 53317,³³ 53326,³⁴ 53429,³⁵ 53430,³⁶ 53238,³⁷
and 53456.³⁸

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 Co., Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bexar County, 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).*

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 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).*

³³ *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).*

³⁴ *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).*

³⁵ *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).*

³⁶ *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).*

³⁷ *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).*

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

CSWR-Texas's Compliance History

15. CSWR-Texas has not been under 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.
16. CSWR-Texas does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
17. CSWR-Texas demonstrated a compliance history that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

18. There are currently 51 connections in the requested area that are being served by Chaparral Water through public water system number 0860010, and such service has been continuous.
19. Chaparral Water has active violations listed in the TCEQ database.
20. CSWR-Texas plans to make upgrades, renovation and repairs to the public water system to address the violations and return the system to compliance.
21. The Commission's complaint records, which date back to 2017, show one complaint against Chaparral Water, which has been closed.
22. There is no evidence in the record that Chaparral Water has failed to comply with any Commission or TCEQ order.

Need for Additional Service

23. There are currently 51 customer connections in the requested area that are receiving service from Chaparral Water and have an ongoing need for service.
24. This is an application to transfer only existing facilities, customers, and service area.
25. There is no evidence of specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

26. 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 area.

27. 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.
28. There will be no effect on landowners in the requested area because the requested area is currently certificated.

Ability to Serve: Managerial and Technical

29. CSWR-Texas owns and operates several public water systems registered with TCEQ and does not have any active violations listed in the TCEQ database.
30. The Commission's complaint records, which date back to 2017, show 12 complaints against CSWR-Texas.
31. CSWR-Texas employs or contracts with TCEQ-licensed operators who will operate the public water system.
32. No additional construction is necessary for CSWR-Texas to provide service to the requested area.
33. After completion of the planned upgrades, renovation and repairs to the water system, CSWR-Texas will have access to an adequate supply of water and will be 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.
34. CSWR-Texas has the technical and managerial capability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

35. Chaparral Water is currently providing service to customers and such service has been continuous and adequate.
36. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. At a minimum, an interconnection would need to be installed in order to connect to an adjacent retail public utility.
37. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

38. The construction of a physically separate system is not necessary for CSWR-Texas to serve the requested area. Therefore, consideration of regionalization or consolidation is not required.

Ability to Serve: Financial Ability

39. 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 that is less than one, satisfying the leverage test.
40. 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.
41. CSWR-Texas demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

42. 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

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 Customers

45. Reliability and quality of water is expected to improve under CSWR-Texas's management.
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 water systems 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(a) through (c).
2. After consideration of the factors in TWC § 13.246(c), CSWR-Texas demonstrated that it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
3. CSWR-Texas demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. The applicants demonstrated that the sale and transfer of CCN number 10959 and its associated facilities and service area to CSWR-Texas will serve the public interest and is necessary for the continued service, accommodation, convenience, or safety of the public under TWC §§ 13.246(b) and 13.301(d) and (e).

III. Ordering Paragraphs

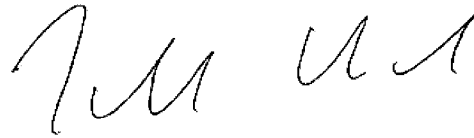
In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The transaction between CSWR-Texas and Chaparral Water 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 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 will have to reapply for approval.
5. The applicants are advised that CCN number 10959, and the associated facilities and service area, will continue to be held by Chaparral Water 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 3rd day of October 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, appearing to read 'J. Huhn', is written above a horizontal line.

JEFFREY J. HUHN
ADMINISTRATIVE LAW JUDGE