



## Filing Receipt

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**DOCKET NO. 53660**

<b>APPLICATION OF CLEARWATER</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>INVESTMENTS LLC AND KNOB HILL</b>	<b>§</b>	
<b>WATER SYSTEM FOR SALE,</b>	<b>§</b>	
<b>TRANSFER, OR MERGER OF</b>	<b>§</b>	<b>OF TEXAS</b>
<b>FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN DENTON COUNTY</b>	<b>§</b>	

**AGREED MOTION TO ADMIT EVIDENCE  
AND PROPOSED ORDER APPROVING SALE AND ALLOWING  
TRANSACTION TO PROCEED**

On May 26, 2022, Clearwater Investments, LLC (Clearwater) and Knob Hill Water System (Knob Hill) (collectively, Applicants) filed an application for the sale and transfer of facilities and certificate rights in Denton County, Texas under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239. Specifically, Clearwater seeks approval to acquire facilities and to transfer all the water service area from Knob Hill under water CCN No. 11414. The requested water service area includes 76 customer connections and approximately 78 acres. The Applicants filed supplemental information on June 15, 2022.

On August 12, 2022, the administrative law judge (ALJ) filed Order No. 3, requiring Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a joint motion to admit evidence and proposed order approving the sale allowing the transaction to proceed by November 15, 2022. Therefore, this pleading is timely filed.

**II. JOINT MOTION TO ADMIT EVIDENCE**

The Parties move to admit the following items into the record as evidence of this proceeding:

1. The Application of Clearwater Investments, LLC and Knob Hill Water System for Sale, Transfer, or Merger of Facilities and Certificate Rights in Denton County and its attachments, filed on May 26, 2022 (Interchange Item No. 1);
2. The Applicants' Supplemental Information, filed on June 15, 2022 (Interchange Item No. 3);

3. Commission Staff's Recommendation on Administrative Completeness and Notice, and Proposed Procedural Schedule, filed on June 27, 2022 (Interchange Item No. 4);
4. The Applicants' Proof of Notice and Maps Sent to Affected Parties, Current Customers, and Neighboring Utilities, filed on August 8, 2022 (Interchange Item No. 6);
5. Commission Staff's Recommendation on Sufficiency of Notice, filed on August 11, 2022 (Interchange Item No. 7); and
6. Commission Staff's Recommendation on Approval of Sale, filed on October 3, 2022 (Interchange Item No. 10).

### **III. JOINT PROPOSED ORDER**

The Parties move for adoption of the attached Proposed Order Approving the Sale and Allowing the Transaction to Proceed, which will allow the sale and transfer of the certificated service area from Knob Hill CCN No. 11414 to Clearwater CCN No. 11414 to proceed and be consummated.

### **IV. CONCLUSION**

The Parties respectfully request that the items listed above be admitted into the record of the proceeding as evidence and the Commission adopt the attached Proposed Order.

Date: November 15, 2022

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

Keith Rogas  
Division Director

Sneha Patel  
Managing Attorney

/s/ Forrest Smith  
Forrest Smith  
State Bar No. 24093643  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326  
(512) 936-7388  
(512) 936-7268 (facsimile)  
Forrest.Smith@puc.texas.gov

**CERTIFICATE OF SERVICE**

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on November 15, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Forrest Smith  
Forrest Smith

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<b>WATER SYSTEM FOR SALE,</b>	<b>§</b>	
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<b>FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN DENTON COUNTY</b>	<b>§</b>	

**AGREED PROPOSED ORDER APPROVING SALE AND ALLOWING  
TRANSACTION TO PROCEED**

This Order addresses the May 26, 2022 application of Clearwater Investments, LLC (Clearwater) and Knob Hill Water System (Knob Hill) (collectively, Applicants) for approval of the sale, transfer, or merger of facilities and certificate rights in Denton County, Texas. Specifically, Clearwater seeks approval to acquire facilities and to transfer all the water service area from Knob Hill under water CCN No. 11414.

**I. Findings of Fact**

The Commission makes the following findings of fact:

**Applicants**

1. Clearwater is a Texas limited liability company registered with the Texas secretary of state under file number 803563376.
2. Knob Hill is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Denton County, Texas under water CCN No. 11414.
3. Knob Hill owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under Public Water System (PWS) Identification No. 0610068.

**Application**

4. On May 26, 2022, the Applicants jointly filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Denton County, Texas.

5. In the application, the Applicants seek approval to acquire facilities and to transfer all of the water service area held under water CCN No. 11414 to Clearwater under water CCN No. 11414.
6. The total requested area includes approximately 78 acres and 76 connections.
7. The requested area is located approximately 1.3 miles northwest of downtown Little Elm, Texas and is generally bounded on the north by Lake Lewisville; on the east by Lake Lewisville; on the south by Carter Drive; and on the west by Wild Valley Drive.
8. On June 15, 2022, the Applicants filed a supplement to the application.
9. In Order No. 2 filed on June 27, 2022, the ALJ deemed the application, as supplemented, administratively complete.

#### **Notice**

10. On August 8, 2022, the Applicants filed the affidavit of Mark Vargus, attesting that notice was provided to all neighboring utilities and affected parties on August 4, 2022.
11. In Order No. 3 filed on August 12, 2022, the ALJ deemed the notice sufficient.

#### **Evidentiary Record**

12. On November 15, 2022, the Applicants and Commission Staff filed a joint motion to admit evidence.
13. In Order No. \_\_\_ filed on November \_\_, 2022, the ALJ admitted the following evidence into the record:
  - a. The Application of Clearwater Investments, LLC and Knob Hill Water System for Sale, Transfer, or Merger of Facilities and Certificate Rights in Denton County and its attachments filed on May 26, 2022;
  - b. The Applicants' Supplemental Information, filed on June 15, 2022;
  - c. Commission Staff's Recommendation on Administrative Completeness and Notice, and Proposed Procedural Schedule, filed on August 11, 2022;
  - d. The Applicants' Proof of Notice and Maps Sent to Affected Parties, Current Customers, and Neighboring Utilities, filed on August 8, 2022;

- e. Commission Staff's Recommendation on Sufficiency of Notice filed on August 11, 2022; and
- f. Commission Staff's Recommendation on Approval of Sale filed on October 3, 2022.

**System Compliance**

- 14. Knob Hill has violations listed in the TCEQ database.
- 15. The Commission's complaint records, which date back to 2017, show 1 complaint against Knob Hill.
- 16. Clearwater has demonstrated a compliance status that is adequate for the approval of the sale to proceed.

**Adequacy of Existing Service**

- 17. Knob Hill has a TCEQ approved PWS registered under PWS Identification No. 0610068.
- 18. The last TCEQ compliance investigation of Knob Hill was on December 18, 2019. Violations were listed and noted as a result of that investigation.

**Need for Additional Service**

- 19. There are currently 76 existing customer connections in the requested area, which are currently served by Knob Hill, and there is a need for those customers to continue receiving water service.
- 20. No additional service has been requested or is needed at this time.

### **Effect of Approving the Transaction**

21. Approving the proposed transaction will result in Clearwater being the sole certificated entity for the requested area and will obligate Clearwater to provide continuous and adequate water service to existing and future customers in the requested area.
22. There will be no effect on any retail public utility servicing the proximate area. All retail public utilities within a two-mile radius of the requested area were provided notice of the transaction proposed in this application. No adjacent retail public utility filed a protest, adverse comment, or motion to intervene.
23. There will be no adverse effect on any landowner in the requested area or retail public utility providing service in the proximate area.

### **Ability to Serve: Managerial and Technical**

24. Clearwater has the ability to provide adequate service in the requested area.
25. Clearwater employs TCEQ-licensed operators who will be responsible for the operation of its water system.
26. Clearwater 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 TWC, and the TCEQ's rules.
27. No additional construction is necessary for Clearwater to serve the requested area.
28. Clearwater has the managerial and technical ability to provide continuous and adequate service to the requested area.

### **Ability to Serve: Financial Ability and Stability**

29. Clearwater has a debt-to-equity ratio of less than one, satisfying the leverage test.
30. Clearwater has sufficient cash and net operating income available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the transaction, satisfying the operations test.
31. Clearwater has demonstrated the financial ability and financial stability to provide continuous and adequate service to the requested area.



### **Financial Assurance**

32. There is no need to require Clearwater to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

### **Regionalization or Consolidation**

33. The construction of a physically separate water system is not necessary for Clearwater to serve the requested area; therefore, concerns about regionalization or consolidation do not apply.

### **Feasibility of Obtaining Service from an Adjacent Retail Public Utility**

34. Knob Hill is currently serving customers in the requested area with existing facilities that have sufficient capacity.
35. 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 interconnect would need to be installed in order to connect a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

### **Environmental Integrity and Effect on the Land**

36. The environmental integrity of the land will not be affected as no additional construction is needed to provide service to the requested area.

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

37. Clearwater will continue to provide water service to the existing customers in the area.
38. There will be no change in the quality or cost of service to customers as a result 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.

2. After consideration of the factors in TWC § 13.246(c), Clearwater has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate water service to the requested area as required by TWC § 13.301(b).
3. The Applicants have demonstrated that the sale and the transfer of the water service area held under CCN No. 11414 from Knob Hill to Clearwater under CCN No. 11414 will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public as required by TWC § 13.301(d) and (e).

### **III. Ordering Paragraphs**

In accordance with the preceding findings of fact and conclusions of law, the Commission issues the following orders:

1. The sale and transfer proposed in the application are approved and the transaction between Clearwater and Knob Hill may proceed and be consummated.
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 to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not consummated within this 180-day period, or an extension is not granted, the approval is void and the Applicants will have to reapply for approval.
5. The Applicants are advised that the corresponding service area will remain under CCN No. 11414 and be held by Knob Hill 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 procedural schedule for continued processing of this docket.

Signed at Austin, Texas the \_\_\_\_\_ day of November \_\_, 2022.

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**GREGORY R. SIEMANKOWSKI**  
**ADMINISTRATIVE LAW JUDGE**