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DOCKET NO. 53660

APPLICATION OF CLEARWATER	§	PUBLIC UTILITY COMMISSION
OPERATING SERVICES LLC AND	§	
KNOB HILL WATER SYSTEM FOR	§	OF TEXAS
SALE, TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN DENTON COUNTY	§	

**JOINT MOTION TO ADMIT EVIDENCE AND AMENDED PROPOSED ORDER
APPROVING THE SALE AND ALLOWING TRANSFER TO PROCEED**

On May 26, 2022, Clearwater Operating Services, 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 under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239.

On November 10, 2023, the administrative law judge (ALJ) filed Order No. 17, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) and the Applicants (collectively, Parties) to file a joint motion to admit evidence and proposed order approving the sale and allowing the transaction to proceed by November 27, 2023. Therefore, this pleading is timely filed.

I. JOINT MOTION TO ADMIT EVIDENCE

The Parties respectfully request that the following document be admitted into evidence in this proceeding:

1. Acquiring Entity Affidavit, filed on January 22, 2023 (AIS Item No. 63).

**II. JOINT PROPOSED ORDER APPROVING THE SALE AND ALLOWING
TRANSFER TO PROCEED**

The Parties move for the adoption of the attached Amended Proposed Order Approving the Sale and Allowing the Transfer to Proceed.

III. CONCLUSION

The Parties respectfully request that the items listed above be admitted into the record of this proceeding as evidence and that the attached Proposed Order Approving the Sale and Allowing the Transfer to Proceed be adopted.

Date: January 26, 2024

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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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 January 26, 2024 in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

/s/ David Berlin
David Berlin

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**AMENDED PROPOSED ORDER APPROVING THE SALE AND ALLOWING
TRANSFER TO PROCEED**

This Order addresses the application of Clearwater Operating Services 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. Specifically, Clearwater seeks approval to acquire facilities, to transfer and to obtain all of the water service area and Certificate of Convenience and Necessity (CCN) number from Knob Hill under water CCN No. 11414. The administrative law judge (ALJ) approves the transaction between Clearwater and Knob Hill and the transaction may be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Clearwater is a Texas corporation registered with the Texas Secretary of State under charter number 803563376.
2. Knob Hill is an investor-owned utility that operates, maintains, and controls facilities that provide water service under CCN number 11414 in Denton County.
3. Knob Hill has a Texas Commission on Environmental Quality (TCEQ) approved public water system (PWS) registered as Knob Hill Water System, PWS ID No. 0610068.

Application

4. On January 27, 2023, and January 22, 2024, the Applicants supplemented the application at issue in this proceeding.
5. In the application, Clearwater seeks approval to acquire facilities, to transfer and to obtain all of the water service area and CCN number from Knob Hill under water CCN No. 11414.

6. The application indicates that the total acreage being requested is approximately 78 acres.
7. The requested area includes 76 customer connections.
8. The requested area is 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.
9. In Order No. 10 filed on February 16, 2023, the ALJ found the application, as supplemented, administratively complete.

Notice

10. On February 26, 2023, Clearwater filed an affidavit of notice dated February 23, 2023, and signed by Mr. Mark Vargus, Managing Member of Clearwater, that notice was provided on February 23, 2023, to its current customers, landowners, neighboring utilities, and affected parties.
11. On July 14, 2023, Clearwater filed an affidavit of notice signed by Karen Long DeSmit, Owner of Knob Hill, attesting that there are no owners of tracts of land that are at least twenty-five acres that are wholly or partially included in the area proposed to be certified.
12. On August 4, 2023, Clearwater filed the same affidavit it filed on February 26, 2023, but with the correct maps sent out with February 23, 2023, notice.
13. In Order No. 15, filed on September 8, 2023, the ALJ found the notice, as supplemented, sufficient.

Evidentiary Record

14. In Order No. 18 filed on [____], the ALJ admitted the following evidence into the record of this proceeding:
 - a. Clearwater Operating Services and Knob Hill Water STM Submission, filed on January 27, 2023;
 - b. Staff's Supplemental Recommendation on Administrative Completeness and Notice and Proposed Procedural Schedule, filed on February 15, 2023;
 - c. STM Customer Filing Notice, filed on February 26, 2023;
 - d. Staff's Recommendation on Sufficiency of Notice and Proposed Procedural Schedule, filed on March 27, 2023;

- e. Map, filed on June 13, 2023;
- f. Affidavit, filed on July 14, 2023;
- g. Re submission of customer notice. Correct map sent to customers; but not filed correctly, filed on August 4, 2023;
- h. Staff's Supplemental Recommendation on the Sufficiency of the Notice, Request for a Good Cause Exception, and Proposed Procedural Schedule, filed on September 6, 2023;
- i. Staff's Recommendation on the Approval of the Sale, filed on October 6, 2023; and
- j. Acquiring Entity Affidavit, filed on January 22, 2023.

Clearwater's Compliance History

- 15. Clearwater does not have a history of continuing mismanagement or misuse of revenues as it is a new utility service provider.

Adequacy of Existing Service

- 16. There are currently 76 existing customers in the requested area that are receiving service from Knob Hill and have an ongoing need for service.
- 17. The last TCEQ compliance investigation of the Knob Hill system was on January 15, 2020.
- 18. Knob Hill has violations listed in the TCEQ database that have since been returned to compliance.
- 19. The Commission's complaint records, which date back 5 years, show 1 complaint against Knob Hill.
- 20. All the complaints have been reviewed and closed by the Commission's Customer Protection Division.
- 21. There is no evidence Knob Hill has failed to comply with any Commission or TCEQ order.

Need for Additional Service

- 22. There is a continuing need for service because Knob Hill currently serves 76 customer connections in the requested area.
- 23. This application is to transfer existing facilities, customers, and all of the water service area and to transfer the CCN number from Knob Hill under water CCN No. 11414.

24. There is no evidence of specific requests for additional service within the requested area.

Effect of Approving the Transaction

25. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and none filed a protest or motion to intervene.
26. There is no evidence that approval of the transaction will have any adverse effect on any other retail public utility providing service in the proximate area.
27. Knob Hill is the only utility affected by this transfer.
28. There will be no adverse effect on landowners in the requested area because the requested area is already certificated.
29. Approving the sale and transfer to proceed will obligate Clearwater to provide continuous and adequate water service to current and future customers in the requested area.

Ability to Serve: Managerial and Technical

30. Clearwater will employ or contract with a TCEQ-licensed operator who will be responsible for the operation of the public water system being transferred.
31. Clearwater has the managerial and technical capability to provide continuous and adequate service to the requested area.
32. Clearwater is not proposing to make improvements to the Knob Hill's water system.

Ability to Serve: Financial Ability and Stability

33. Clearwater's financial statements ending on December 31, 2020 contain five years of projections and three years of historical data.
34. Based on the financial statements, Clearwater has a debt-to-equity ratio of less than one, satisfying the leverage test.
35. Clearwater's financial statements show that there are no projected shortages to cover, satisfying the operations test.

Financial Assurance

36. 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.

Feasibility of Obtaining: Service from Adjacent Retail Public Utility

37. Knob Hill is currently serving customers and such service has been continuous.

38. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

39. It will not be necessary for Clearwater to construct a physically separate water system to serve the requested area.

40. Because the requested area will not require construction of a physically separate water system, consideration of regionalization or consolidation with an adjacent retail public utility is not required.

Environmental Integrity and Effect on the Land

41. 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 Cost to Consumers

42. The customers' rates will not change from the current rates.

43. Reliability and quality of water services is expected to improve under Clearwater's management.

Informal Disposition

44. More than 15 days have passed since the completion of notice provided in this docket.

45. No person filed a protest or motion to intervene.

46. Knob Hill, Clearwater, and Commission Staff are the only parties to this proceeding.

47. No party requested a hearing, and no hearing is needed.

48. Commission Staff recommended approval of the sale.

49. This decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with TWC §§ 13.246 and 13.301(a)(2), and 16 Texas Administrative Code (TAC) § 24.239(e).
2. After consideration of the factors in TWC § 13.246(c), Clearwater 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. Clearwater demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service in the requested area, as required by TWC § 13.241(a) and 13.301(b).
4. The Applicants demonstrated that the sale and transfer of all of Knob Hill's facilities and water service area under CCN number 11414 to Clearwater, will serve the public interest and is necessary for the continued service, accommodation, convenience, or safety of the public, as required by 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 the Applicants 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 the facilities and service area subject to the transaction will remain under water CCN number 11414 and will be held by Knob Hill 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 __ day of November 2023.

PUBLIC UTILITY COMMISSION OF TEXAS

SUSAN E. GOODSON
ADMINISTRATIVE LAW JUDGE