



## **Filing Receipt**

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**DOCKET NO. 53660**

**APPLICATION OF CLEARWATER  
OPERATING SERVICES, LLC AND  
KNOB HILL WATER SYSTEM FOR  
SALE, TRANSFER, OR MERGER OF  
FACILITIES AND CERTIFICATE  
RIGHTS IN DENTON COUNTY**

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**PUBLIC UTILITY COMMISSION  
  
OF TEXAS**

**ORDER NO. 24  
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Clearwater Operating Services, LLC and Knob Hill Water System for the sale, transfer, or merger of facilities and certificate rights in Denton County. The applicants seek approval of the sale and transfer of Knob Hill's certificate of convenience and necessity (CCN) number 11414 and all associated facilities and service area to Clearwater and the amendment of CCN number 11414 to reflect that it is held by Clearwater. The Commission approves the transaction between Clearwater and Knob Hill and the transaction may be completed.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Knob Hill is an investor-owned utility.
2. Knob Hill holds CCN number 11414 which obligates it to provide retail water service in its certificated service area in Denton county.
3. Knob Hill owns a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) under the name Knob Hill Water System, identification number 0610068.
4. Clearwater is a Texas limited liability company registered with the Texas secretary of state under file number 803563376.
5. Clearwater is proposing to become a retail public utility that provides retail water service in Texas, under existing CCN number 11414.

**Application**

6. On May 26, 2022, Clearwater and Knob Hill filed an application in this proceeding.
7. In Order No. 7 issued on December 8, 2022, the administrative law judge (ALJ) rescinded Order Nos. 2 and 3, found the application administratively incomplete and notice deficient, restyled the docket to reflect the correct name of the purchaser, and provided an opportunity for the applicants to cure the deficiencies in the application.
8. On January 27, 2023, Clearwater and Knob Hill filed the amended application, with corrections and updates, that is at issue in this docket.
9. In the amended application, the applicants seek approval of the following:
  - a. the sale and transfer of Knob Hill's CCN number 11414 and all associated facilities and service area to Clearwater; and
  - b. the amendment of CCN number 11414 to reflect that it is held by Clearwater.
10. The total requested area includes approximately 78 acres, with 76 customer connections.
11. 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.
12. The applicants filed a supplement to the amended application on January 22, 2024.
13. In Order No. 10 filed on February 16, 2023, the ALJ deemed the amended application, as supplemented, administratively complete.

**Notice**

14. On February 26, 2023, Clearwater filed the affidavit of Mark Vargus, representative of Knob Hill and managing member of Clearwater, attesting that notice was mailed to all current customers of Knob Hill, neighboring utilities, and affected parties on February 23, 2023.
15. On July 14, 2023, Clearwater filed the affidavit of Karen Long DeSmit, owner of Knob Hill, attesting that there are no landowners of tracts of land that are at least 25 acres that are wholly or partially located within the requested area.

16. On August 4, 2023, Clearwater re-submitted the affidavit of notice filed on February 26, 2023, providing correct maps that were not provided with proof of notice on February 26, 2023, and confirming that correct maps were provided with mailed customer notice on February 23, 2023.
17. In Order No. 15 filed on September 8, 2023, the ALJ found notice sufficient.

**Evidentiary Record**

18. In Order No. 22 filed on March 20, 2024, the ALJ admitted the following evidence into the record:
  - a. the amended application, including all attachments, filed on January 27, 2023;
  - b. Commission Staff's supplemental recommendation on administrative completeness and notice and proposed procedural schedule filed on February 15, 2023;
  - c. Clearwater's proof of notice filed on February 26, 2023;
  - d. Commission Staff's recommendation on the sufficiency of notice and proposed procedural schedule filed on March 27, 2023;
  - e. Clearwater's affidavit of notice to landowners filed on July 14, 2023;
  - f. the applicants' resubmission of proof of notice filed on August 4, 2022;
  - g. Commission Staff's supplemental recommendation on the sufficiency of notice, request for a good cause exception and proposed procedural schedule filed on September 6, 2023;
  - h. Commission Staff's recommendation on the transaction filed on October 6, 2023; and
  - i. Clearwater's acquiring entity affidavit filed on January 14, 2024.

**Buyer's Compliance History**

19. Clearwater does not have a compliance history with the TCEQ, the Commission, or the Texas Department of State Health Services.

20. There is no evidence in the record that Clearwater has a history of continuing mismanagement or misuse of revenues as a utility service provider.
21. Clearwater has demonstrated a compliance history adequate for approval of the sale to proceed.

**Adequacy of Existing Service**

22. Knob Hill has a TCEQ registered public water system registered under identification number 0610068.
23. The last TCEQ compliance investigation of Knob Hills public water system was on January 15, 2020.
24. Knob Hill has violations listed in the TCEQ database that have since been returned to compliance.
25. The Commission's complaint records, which date back five years, show one complaint against Knob Hill.
26. All complaints have been reviewed and closed by the Commission's customer protection division.
27. No capital improvements are necessary for Clearwater to provide continuous and adequate service to the requested area.
28. There is no evidence Knob Hill has failed to comply with any Commission or TCEQ order.

**Need for Additional Service**

29. There is a continuing need for service because Knob Hill is currently providing service to 76 customer connections.
30. There is no evidence of specific requests for additional service within the requested area.

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

31. Clearwater will be the sole certificated water utility for the requested area.
32. Clearwater will be required to provide continuous and adequate water service to current and future customers in the requested area.
33. 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.

34. There will be no effect on landowners as the requested area is currently certificated.
35. Because this is an application to transfer only existing facilities, customers, and service area, there will be no effect on any other retail public utility providing service in the proximate area.

**Ability to Serve: Managerial and Technical**

36. Clearwater employs or contracts with TCEQ-licensed operators who will operate the water system being transferred.
37. No additional construction is necessary for Clearwater to provide service to the requested area.
38. Clearwater has the managerial and technical ability to provide continuous and adequate service to the requested area.

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

39. Clearwater has a debt-to-equity ratio of less than one, satisfying the leverage test.
40. Clearwater's financial projections show that there is no projected cash shortage to cover and there are no capital improvements to be made; therefore, Clearwater satisfies the operations test.
41. Clearwater demonstrated the financial ability and financial stability to provide continuous and adequate service to the requested area.

**Financial Assurance**

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

**Regionalization or Consolidation**

43. 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**

44. 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.

45. It is not feasible to obtain service from another adjacent retail public utility.

**Environmental Integrity and Effect on the Land**

46. There will be no effect on environmental integrity or the land because no additional construction is needed to provide service to the requested area.

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

47. Customers rates will not change from the current rates.
48. Reliability and quality of water service are expected to improve under Clearwater.

**II. Conclusions of Law**

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with Texas Water Code (TWC) §§ 13.246(a) and 13.301(a)(2), and 16 Texas Administrative Code (TAC) § 24.239(c).<sup>1</sup>
2. After consideration of the factors in TWC § 13.246(c), Clearwater demonstrated it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.301(b).
3. Clearwater has 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) and 16 TAC § 24.249(e).
4. The applications demonstrated that the sale and transfer of Knob Hill's CCN number 11414 with associated certificated service area and facilities to Clearwater and amending CCN number 11414 to reflect that it is held by Clearwater will serve the public interest and is necessary for the service, accommodation, convenience, or safety of the public as required by TWC § 13.301(d) and (e).

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<sup>1</sup> After this application was filed, 16 TAC § 24.239 was amended, effective March 29, 2023. Accordingly, all references and citations to 16 TAC § 24.239 in this Order are made to the version in effect at the time the application was filed.

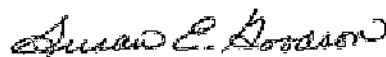
### III. Ordering Paragraphs

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.
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 and no extension has been granted, this approval is void and the applicants must reapply for approval.
5. CCN number 11414, and associated facilities and service area, will continue 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 20th day of March 2024.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**SUSAN E. GOODSON**  
**ADMINISTRATIVE LAW JUDGE**