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DOCKET NO. 53709

APPLICATION OF CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY, LLC	§	
AND GEORGE FULLER, EXECUTOR OF	§	OF TEXAS
THE ESTATE OF VIRGINIA FULLER,	§	
FOR SALE, TRANSFER, OR MERGER	§	
OF FACILITIES IN LUBBOCK COUNTY	§	

COMMISSION STAFF’S RECOMMENDATION ON THE TRANSACTION

I. INTRODUCTION

On June 13, 2022, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and George Fuller (Mr. Fuller), executor of the estate of Virginia Fuller, (collectively, Applicants), filed an application for approval of the sale, transfer, or merger of facilities and certificate of convenience and necessity (CCN) rights in Lubbock County, Texas. Specifically, CSWR-Texas, CCN No. 21120, seeks approval to acquire facilities and to transfer all of the sewer service area from Mr. Fuller under inactive sewer CCN No. 20743 to the J E Franklin Trust under sewer CCN No. 21120. CSWR-Texas filed supplemental information on June 14, 20, and June 27, August 16, September 1, and December 2, 2022.

On November 15, 2022, the administrative law judge (ALJ) filed Order No. 6, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to request a hearing or file a recommendation on the approval of the sale by December 29, 2022. Therefore, this pleading is timely filed.

II. RECOMMENDATION TO ALLOW THE TRANSACTION TO PROCEED

Staff has reviewed the application, as supplemented, and as detailed in the attached memoranda of James Harville, Infrastructure Division, and Ethan Blanchard, Rate Regulation Division, recommends that the proposed transaction satisfied the relevant statutory and regulatory criteria, including those factors identified in Texas Water Code Chapter 13 and 16 Texas Administrative Code Chapter 24. Additionally, based upon its review, Staff recommends that CSWR-Texas has demonstrated that it possesses the financial, technical, and managerial capability to provide continuous and adequate service to the area subject to the proposed transaction. Therefore, Staff recommends the entry of an order permitting the proposed transaction to proceed.

III. CONCLUSION

For the reasons discussed above, Staff respectfully requests that an order be issued allowing the proposed transaction to proceed.

Date: December 29, 2022

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 December 29, 2022 in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Margaux Fox
Margaux Fox

Public Utility Commission of Texas

Memorandum

TO: Margaux Fox, Attorney
Legal Division

FROM: James Harville, Infrastructure Analyst
Infrastructure Division

DATE: December 29, 2022

RE: Docket No. 53709 – *Application of CSWR-Texas Utility Operating Company, LLC and George Fuller, Executor of the Estate of Virginia Fuller, for Sale, Transfer, or Merger of Facilities in Lubbock County*

1. Application

CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and George Fuller, Executor of the Estate of Virginia Fuller (George Fuller) (collectively, Applicants) filed an application for sale, transfer, or merger (STM) of facilities and certificate rights in Lubbock County, Texas, under Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.

Specifically, CSWR-Texas, Certificate of Convenience and Necessity (CCN) No. 21120, seeks approval to acquire facilities and to transfer all of the sewer service area from George Fuller under inactive sewer CCN No. 20743, J E Franklin Trust.

Based on the mapping review by Hank Journeay, Infrastructure Division:

- The requested area includes 44 customer connections and approximately 193 acres of transferred area from CCN No. 20743 to CCN No. 21120.
- The application proposes the subtraction of approximately 193 acres from CCN No. 20743 and the addition of approximately 193 acres to CCN No. 21120.
- The application indicates that the total acreage being requested is approximately 194 acres, however, the mapping review determined the requested area is approximately 193 acres.

2. Notice

CSWR-Texas provided notice consistent with 16 TAC § 24.239(c). The deadline to intervene was November 28, 2022; there were no motions to intervene, protests, or opt-out requests received.

3. Factors Considered

Under TWC §§ 13.241, 13.246, and 13.301 and 16 TAC §§ 24.11(e), 24.227 and 24.239, the Commission must consider certain factors when granting or amending a water or sewer CCN. These factors are addressed below.

3.1. Consideration of the adequacy of service currently provided to the requested area and system compliance (TWC § 13.246(c)(1), 13.301(e)(3)(A); 16 TAC §§ 24.227(a) and (e)(1), 24.239(h)(3)(A), (h)(5)(A), and (h)(5)(I)).

George Fuller has an inactive sewer utility registered as J E Franklin Trust (inactive CCN No. 20743) consisting only of gravity collection lines and does not have an applicable permit, customer number, regulated entity number, or compliance history with the TCEQ. The Commission's complaint records, which date back to 2017, show 0 complaints against George Fuller.

3.2. Consideration of the need for additional service in the requested area (TWC § 13.246(c)(2); 16 TAC §§ 24.227(e)(2) and 24.239(h)(5)(B)).

There are currently 44 existing customers in the requested area, therefore, there is a need for service. No additional service is needed at this time.

3.3. Consideration of the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already servicing the proximate area (TWC § 13.246(c)(3), 16 TAC §§ 24.227(e)(3), 24.239(h)(5)(c)).

CSWR-Texas will be the certificated entity for the requested area and be required to provide continuous and adequate service to the requested area.

3.4. Consideration of the managerial and technical ability of the applicant to provide adequate service (TWC §§ 13.241(a) and (b), 13.246(c)(4); and 13.301(b) and (e)(2); 16 TAC §§ 24.227(a) and (e)(4), and 24.239(f) and (h)(5)(D)).

CSWR-Texas has the ability to provide adequate service in the requested area. CSWR-Texas has purchased several TCEQ approved public water systems and wastewater treatment plants. The Commission's complaint records, which date back to 2017, show 19 complaints against CSWR-Texas.

CSWR-Texas stated its intent to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water systems into compliance with TCEQ regulations and to ensure customers receive safe and reliable service. The needed improvements will begin when the systems are officially transferred to CSWR-Texas. Once the water systems are compliant with TCEQ regulations, the service provided to the requested area will be adequate.

TCEQ rule, 30 TAC § 290.46, Minimum Acceptable Operating Practices for Public Drinking Water Systems, requires the operation of a PWS by trained and licensed personnel. The production, treatment, and distribution facilities at the PWS must be operated at all times under the direct supervision of a water works operator who holds an applicable, valid license issued by the TCEQ executive director. The licensed operator of a PWS may be an employee, contractor, or volunteer. CSWR-Texas plans to use a contract operator for plant operations, which would include one or more appropriately qualified and licensed operator(s). The contract operator(s) would be responsible for day-to-day inspections, checks, sampling, reporting, meter reading, and any necessary system repairs.

TCEQ rule, 30 TAC §30.331(b), Wastewater Operators and Operations Companies, requires the operators of a domestic wastewater treatment facility to have a valid license issued by the TCEQ executive director. CSWR-Texas will have qualified TCEQ licensed operators licensed in wastewater treatment to run the acquired systems.

Based on orders filed in previous CSWR-Texas dockets where the administrative law judge requested Staff take into consideration all prior CSWR-Texas STM dockets in which Staff recommended the transaction should be allowed to proceed, Staff is including the list of dockets reviewed below:

- Docket No. 50251:¹ CSWR-Texas acquired the PWS, Coletto Water, PWS No. 2350036, and associated facilities, approximately 438 acres of service area, and 211 connections in Victoria County from JRM Water, LLC.
- Docket No. 50276:² CSWR-Texas acquired the PWS, North Victoria Utilities, PWS No. 2350049, and associated facilities, approximately 307 acres of service area, and 77 connections in Victoria County from North Victoria Utilities, Inc.
- Docket No. 50311:³ CSWR-Texas acquired the PWS, Copano Heights Water, PWS No. 0040017, and associated facilities, approximately 61 acres of service are, and 110 connections in Aransas County from Copano Heights Water Company.
- Docket No. 51065:⁴ CSWR-Texas acquired the PWS Treetop Estates, PWS No. 1840134, and associated facilities, approximately 93 acres of service area, and 35 connections in Parker County from Treetop Utilities, LLC.
- Docket No. 51118:⁵ CSWR-Texas acquired the public water systems, Shady Oaks Water, PWS No. 2470017; Hickory Hill Water, PWS No. 2470018; Arrowhead Water, PWS No. 2470025; and C Willow Water, PWS No. 2470019, and associated facilities,

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 (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 (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 (Mar. 17, 2021).

⁴ *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 (Mar. 9, 2021).

⁵ *Application of Shady Oaks Water Supply Company, LLC and CSWR-Texas Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Wilson County*, Docket No. 51118 (Mar. 18, 2021).

approximately 1,828 acres of service area, and 560 connections in Wilson County from Shady Oaks Water Supply Company, LLC.

- Docket No. 51026:⁶ CSWR-Texas acquired the PWS, Tall Pines, PWS No. 1010220, and associated facilities, approximately 42 acres of service are, and 73 connections in Harris County from Tall Pines Utility, Inc.
- Docket No. 51031:⁷ CSWR-Texas acquired the public water systems, Council Creek Village, PWS No. 0270014; South Council Creek 1, PWS No. 0270079; and South Council Creek 2, PWS No. 0270080, and associated facilities, approximately 275 acres of service area, and 176 connections in Burnet County from Council Creek Village, Inc. dba Council Creek Village dba South Council Creek 2.
- Docket No. 51047:⁸ CSWR-Texas acquired the PWS, South Silver Creek I II & III, PWS No. 0270041, and associated facilities, approximately 169 acres of service area, and 103 connections in Burnet County from Jones-Owen dba South Silver Creek I II & III.
- Docket No. 50989:⁹ CSWR-Texas acquired the public water systems Hillside Estates Water System, PWS No. 0080049; Meadowview Estates, PWS No. 0080051; Settlers Meadows Water System, PWS No. 0080055; Settlers Estates Sec II, PWS No. 0080056; Settlers Crossing Water System, PWS No. 0080058; Meadowview Estates II, PWS No. 0080059; and Settlers Crossing Water System 2, PWS No. 0080060, and associated facilities, approximately 638 acres of service area, and 316 connections in Austin County from Ranch Country of Texas Water Systems, Inc.
- Docket No. 51130:¹⁰ CSWR-Texas acquired the PWS, Laguna Tres Subdivision, PWS No. 1110019, and associated facilities from Laguna Tres, CSWR Also acquired the PWS Laguna Vista Subdivision, PWS No. 1110095 and associated facilities and unpermitted wastewater facilities from Laguna Vista. The total certificated area amended to CSWR-Texas' CCN was 362 acres of water service area, with 446 water connections and 6 acres of sewer service area with 5 connections in Hood County from Laguna Tres, Inc. and Laguna Vista Limited.

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 (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 (Apr. 14, 2021).*

⁸ *Application of Jones-Owen Company dba South Silver Creek I, II, and III and CSWR-Texas Utility Operating Utility Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51047 (Apr. 19, 2021).*

⁹ *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 (Apr. 23, 2021).*

¹⁰ *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 (Apr. 20, 2021).*

- Docket No. 51146:¹¹ CSWR-Texas acquired the PWS, Abraxas Utilities, PWS No. 1840034, Wastewater Discharge Permit No. WQ 00150-10001, and associated facilities, approximately 721 acres of service area, and 437 connections in Parker County from Abraxas Corporation.
- Docket No. 51036:¹² CSWR-Texas acquired the PWS, Woodlands West, PWS No. 0260043 and associated facilities, approximately 61 acres and 18 connections in Burleson County from Kathie Lou Daniels dba Woodlands West.
- Docket No. 51003:¹³ CSWR-Texas acquired the PWS, Oak Hills Ranch Water, PWS No. 0940085 and associated facilities, approximately 1,857 acres and 196 connections in Guadalupe and Wilson Counties from Oak Hills Ranch Estates Water Company.
- Docket No. 51089:¹⁴ CSWR-Texas acquired the PWS, Quiet Village II, PWS No. 1080221, associated facilities, and wastewater collection lines, this includes approximately 18.5 acres and 165 connections in Hidalgo County from Donald E. Wilson dba Quiet Village II dba QV.
- Docket No. 51928:¹⁵ CSWR-Texas acquired the PWS, Thousand Oaks Subdivision, PWS No. 0720054 and associated facilities, this includes approximately 96 acres and 15 connections in Erath County from Betty J. Dragoo.
- Docket No. 51981:¹⁶ CSWR-Texas acquired the public water systems, Live Oak Hills Subdivision, PWS No. 1540012, Flag Creek Ranch, PWS No. 1500112, and associated facilities for each including approximately 425 acres and 68 connections in Llano and McCulloch Counties from Live Oak Hills and Flag Creek Ranch Water Systems.
- Docket No. 51544:¹⁷ CSWR-Texas acquired the public water systems, Franklin Water Systems 1, PWS No. 1520224 and Franklin Water Systems 3, PWS No. 1520080 and associated facilities for each including approximately 186 acres and 219 connections in Lubbock County from Franklin Water Service Co. LLC.

¹¹ *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 (Apr. 23, 2021).*

¹² *Application of Kathie Lou Daniels dba Woodlands West and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities in Burleson County, Docket No. 51036 (Aug. 23, 2021).*

¹³ *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 (Sep. 9, 2021).*

¹⁴ *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 (Nov. 18, 2021).*

¹⁵ *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 (Jan. 21, 2022).*

¹⁶ *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 (Jan. 28, 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 (Feb. 15, 2022).*

- Docket No. 51222:¹⁸ CSWR-Texas acquired the PWS, Big Wood Springs Water System, PWS No. 2500019 and associated facilities, this includes approximately 643 acres and 76 connections in Wood County.
- Docket No. 51917:¹⁹ CSWR-Texas acquired the PWS, The Woodlands Water System, PWS ID number 1050139 and associated facilities, this includes approximately 1,004 acres and 69 connections in Hays County from Rocket Water Company, Inc.
- Docket No. 51642:²⁰ CSWR-Texas has acquired a PWS registered with the TCEQ as Waterco, PWS No. 1690028, associated facilities, approximately 25 acres of service area, and 13 connections in Montague County from James L. Nelson dba Waterco.
- Docket No. 51940:²¹ CSWR-Texas has acquired a PWS registered with the TCEQ as Walnut Bend Water Supply, PWS ID No. 0030037, associated facilities, approximately 48 acres of service area, and 19 connections in Angelina County from Walnut Bend Water Supply aka Walnut Bend Water System.
- Docket No. 52089:²² CSWR-Texas acquired the PWS registered as Woodland Harbor, PWS ID No. 0320014, and associated facilities, approximately 217 acres of service area, and 163 connections in Camp County from Alpha Utility of Camp County, LLC.
- Docket No. 52410:²³ CSWR-Texas has acquired the TCEQ approved WWTP registered as Bridgewood Wastewater Treatment Facility, Wastewater Discharge Permit No. WQ14376-001, and associated facilities, approximately 1,419 acres of service area, and 1,209 connections in Bexar County from Leon Springs Utility Co, Inc.
- Docket No. 52099:²⁴ CSWR-Texas has acquired the TCEQ approved PWS registered as Pelican Isle Water System, PWS ID No. 1750036, WWTP registered as Pelican Isle WWTP, Wastewater Discharge Permit No. WQ0013528001, and associated facilities, approximately 83.7 acres of service area, and 378 connections in Navarro County from THRC Utility, LLC.

¹⁸ *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 (Feb. 16, 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 (Mar. 8, 2022).*

²⁰ *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 (Mar. 17, 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 (Mar. 17, 2022).*

²² *Application of Alpha Utility of Camp County, LLC and CSWR-Texas Operating Utility Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Camp County, Docket No. 52089 (Mar. 25, 2022).*

²³ *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 (Jun. 3, 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 (Jul. 13, 2022)*

- Docket No. 52702:²⁵ CSWR-Texas has acquired the TCEQ approved PWS registered as Fremont Water, PWS ID No. 1330153, and associated facilities, approximately 139 acres of service area and 58 connections in Kerr County from Fremont Water Company.
- Docket No. 52879:²⁶ CSWR-Texas has acquired the TCEQ approved public water systems registered as Emerald Forest, PWS ID: 0700058, Grande Casa, PWS ID: 0700063, Lakeview Ranchettes, PWS ID: 0700057, Red Oak Community Water Service PWS ID: 0700056, and Spanish Grant Subdivision PWS ID: 0700064, and associated facilities, approximately 1,676 acres of service area, and 584 connections in Ellis County from Carroll Water Company, Inc.
- Docket No. 51126:²⁷ CSWR-Texas has acquired the TCEQ PWS registered with the TCEQ as Aero Valley Water Service, PWS No. 0610243, and associated facilities, approximately 46.5 acres of service area which includes 14 acres of dual certification with Town of Northlake's CCN No. 12915, and 42 connections in Denton County from Aero Valley Water Service.
- Docket No. 52880:²⁸ CSWR-Texas has acquired the TCEQ approved public water systems registered as Texas Landing Utilities Deerwood, PWS ID No. 1700798, Texas Landing Utilities Goode City, PWS ID No. 1700744, Texas Landing Utilities, PWS ID No. 1870151 and a WWTP registered as Texas Landing Utilities, Wastewater Discharge Permit No. WQ-13147-001, and associated facilities, approximately 844 acres of water service area, 310 water customer connections, approximately 93 acres of sewer service area, and 119 sewer customer connections in Polk and Montgomery counties from Texas Landing Utilities.
- Docket No. 52661:²⁹ CSWR-Texas has acquired the Tri County Point Water System 2, PWS ID No. 1200027, Tri County Point Water System 3, PWS ID No. 1200028, and Tri County Point Water System 4, PWS ID No. 1200029, Tri-County Point Property Owners Association WWTP, Wastewater Discharge Permit No. WQ0015399001, and associated facilities, approximately 702 acres of water service area, 476 water connection, approximately 1,841 acres of sewer service area, and 447 sewer connections in Calhoun and Jackson counties from Tri-County Point Property Owners Association.

²⁵ *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 (Aug. 5, 2022)*

²⁶ *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 (Approved Jun. 10, 2022)*

²⁷ *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 (Approved Oct. 26, 2022).*

²⁸ *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 (Approved Nov. 3, 2022).*

²⁹ *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 (Approved Dec. 12, 2022)*

- Docket No. 53326:³⁰ CSWR-Texas has acquired the public water system Aransas Bay Utilities, PWS ID: 0040018, wastewater treatment system Aransas Bay Utilities, Wastewater Discharge Permit No. WQ00495-6000, and associated facilities, approximately 282 acres of water service area, 409 water connection, approximately 35 acres of sewer service area, and 35 sewer connections in Aransas County from Aransas Bay Utilities Co., LLC.
- Docket No. 52700:³¹ RJR Water Company, Inc. (RJR Water) has a TCEQ PWS registered under PWS ID No. 1840077. The last TCEQ compliance investigation of the RJR Water system was on September 9, 2021. All violations or concerns noted as a result of that investigation have been resolved. For this docket, CSWR-Texas is seeking to transfer approximately 346 acres and 136 connections in Parker and Palo Pinto Counties.
- Docket No. 52803:³² Copano Cove Water Company, Inc. (Copano Cove) has a TCEQ PWS registered as Copano Cove Subdivision under PWS ID No. 0040003 and Copano Ridge Subdivision under PWS ID: 0040029. The last TCEQ compliance investigation of the Copano Cove Water system was on August 31, 2021. There are several violations listed in the TCEQ database for the Copano Cove Water public water system. The last TCEQ compliance investigation of the Copano Ridge Subdivision was on June 23, 2020. There no violations listed in the TCEQ database for the Copano Ridge Subdivision. CSWR-Texas will address the violations and deficiencies to ensure that, after closing the sale, the full operation of this public water system can continue in accordance with Commission and TCEQ rules. For this docket, CSWR-Texas is seeking to transfer approximately 1,267 acres and 713 connections in Aransas County.
- Docket No. 53317:³³ Jusryn Company, Inc. dba Shady Grove Sewer System (Shady Grove) has a wastewater treatment facility registered with Hood County. For this docket, CSWR-Texas is seeking to transfer approximately 17 acres and 10 connections in Hood County.
- Docket No. 53259:³⁴ Cody and Anita Lewis dba Cassie Water Company (Cassie Water) has a PWS registered as Cassie Water System, PWS ID No. 0270047. The last TCEQ compliance investigation of the Cassie Water system was on March 19, 2019. Cassie Water has multiple violations listed in the TCEQ database. Cassie Water has multiple violations listed in the TCEQ database. For this docket, CSWR-Texas is seeking to transfer approximately 58 acres and 67 connections in Burnet County.

³⁰ *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 (Approved Dec. 16, 2022)*

³¹ *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)*

³² *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)*

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 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)*

- Docket No. 53429:³⁵ Deer Springs Water Company (Deer Springs) has a PWS registered as Deer Springs Water Company, PWS ID No. 0270006. The last TCEQ compliance investigation of the Deer Springs water system was on September 26, 2019. For this docket, CSWR-Texas is seeking to transfer approximately 229 acres and 109 connections in Burnet County.
- Docket No. 53430:³⁶ Water Works I and II (Water Works) has two public water systems registered as Water Works 1, PWS ID No. 1500018 and Water Works 2, PWS ID No. 1500019. The last TCEQ compliance investigation of the Water Works 1 system was on January 9, 2019. Water Works 1 does not have any violations listed in the TCEQ database. The last TCEQ compliance investigation of the Water Works 2 system was on February 6, 2019. Water Works 2 does not have any violations listed in the TCEQ database. For this docket, CSWR-Texas is seeking to transfer approximately 137 acres and 84 connections in Llano County.
- Docket No. 53456:³⁷ Limestone Coves Water System, Inc. (Lake Limestone) has an approved PWS registered as Lake Limestone Coves Water System, PWS ID No. 1980020. The last TCEQ compliance investigation of the Lake Limestone system was on August 11, 2020. Lake Limestone does not have any violations listed in the TCEQ database. For this docket, CSWR-Texas is seeking to transfer approximately 576 acres and 424 connections in Limestone and Robertson counties.
- Docket No. 53607:³⁸ Chaparral Water System has a PWS registered as Chaparral Water System, PWS ID No. 0860010. The last TCEQ compliance investigation of the Chaparral Water System was on September 29, 2021. The Chaparral Water System has violations listed in the TCEQ database. For this docket, CSWR-Texas is seeking to transfer approximately 91 acres and 51 connections in Gillespie County.
- Docket No. 53238:³⁹ Simply Aquatics, Inc. (Simply Aquatics) has several public water systems registered as Vista Verde Water Systems PWS ID No. 1700694, El Pinon Estates Water System PWS ID No. 2030013, La Playa Subdivision Water System PWS ID No. 2030015, and Timberlane Water System PWS ID No. 2020054. Vista Verde Water Systems' last TCEQ compliance investigation of was conducted October 5, 2021 through October 12, 2021. El Pinon Estates Water System's last TCEQ compliance investigation of was conducted January 29, 2021. La Playa Subdivision Water System's last TCEQ compliance investigation of was conducted January 29, 2021. Timberlane Water System's last TCEQ compliance investigation of was conducted October 21, 2020. Some alleged violations were noted as a result of each of the investigations. For this docket, CSWR-Texas is seeking to transfer approximately 523 acres and 254 connections in Montgomery, Sabine, and San Augustine counties.

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 CSWR-Texas Utility Operating Company, 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)*

³⁸ *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)*

³⁹ *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)*

- Docket No. 53483:⁴⁰ North Orange Water & Sewer, LLC (North Orange) has two public water systems registered as Longford Place Water System, PWS ID No. 1810015 and Country Squire Water & Sewer, PWS ID No. 1810060 and two wastewater treatment plants registered as Longford Place with the wastewater discharge permit number, WQ0011155001 and Country Squire Plant with the wastewater discharge permit number, WQ00111589001. The last TCEQ compliance investigations for each system were Longford Place Water System on December 30, 2020, Longford Place WWTP on February 14, 2019, Country Squire Water & Sewer system on August 3, 2021, and Country Squire Plant on January 30, 2019. Each investigation resulted in violations. For this docket, CSWR-Texas is seeking to transfer approximately 299 acres and 346 connections in Orange County
- Docket No. 53538:⁴¹ Amberwood Utility Co (Amberwood) has a PWS registered as Amberwood Subdivision, PWS ID No. 1011920. The last TCEQ compliance investigation of the Amberwood system was on July 18, 2018. No violations were noted as a result of the investigation, however there are violations listed in the TCEQ database from February 2022 for failure to maintain the facilities. For this docket, CSWR-Texas is seeking to transfer approximately 78 acres and 54 connections in Harris County.
- Docket No. 53721:⁴² Patterson Water Supply, LLC (Patterson Water) has several PWS registered as Danieldale Community Water Service, PWS ID No. 0570044, Rocky Point Community, PWS ID No. 0610041, Vacation Village, PWS ID No. 0610052, Crazy Horse Ranch, PWS ID No. 1840024, Cooley Point, PWS ID No. 2200117, Hills of Briar Oaks PWS, PWS ID No. 2490049. Additionally, Patterson Water is transferring sewer service area to CSWR, however there is not a wastewater permit associated with the sewer CCN. For this docket, CSWR-Texas is seeking to transfer approximately 1,853 acres of water service area with approximately 1,011 water connections and approximately 78 acres of sewer service area with approximately 362 sewer connections in Dallas, Denton, Parker, Tarrant, and Wise counties.
- Docket No. 53934:⁴³ Oak Hill Estates Water Company (Oak Hill) has a PWS registered as Oak Hill Estates Water System, PWS ID No. 1013045. The last TCEQ compliance investigation of the Oak Hill system was on July 13, 2017. Oak Hill has one violation listed in the TCEQ database for not having an intruder resistant fence. For this docket, CSWR-Texas is seeking to transfer approximately 84 acres and 135 connections in Harris County.

In each of the above applications, CSWR-Texas has stated that it intends to contract with an operations company.

3.5. *The applicants' demonstration that regionalization or consolidation with another retail public utility is not economically feasible when construction of a physically*

⁴⁰ Application of CSWR-Texas Utility Operating Company, LLC and North Orange Water & Sewer, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Orange County, Docket No. 53483 (pending)

⁴¹ Application of Amberwood Utility Co. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Docket No. 53538 (pending)

⁴² Application of CSWR-Texas Utility Operating Company, LLC and Patterson Water Supply, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Dallas, Denton, Parker, Tarrant, and Wise Counties, Docket No. 53721 (pending)

⁴³ Application of CSWR-Texas Utility Operating Company, LLC and Oak Hill Estates Water Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Docket No. 53934 (pending)

separate water or sewer system is required to provide service to the requested area. (TWC § 13.241(d); 16 TAC § 24.227(b)).

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

3.6 *Consideration of the feasibility of obtaining service from an adjacent retail public utility (TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5) and 24.239(h)(5)(E)).*

J E Franklin Trust's sewer CCN number is currently inactive. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. At the minimum, an interconnect would need to be installed in order to connect to a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

3.7. *Consideration of the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service (TWC §§ 13.246(c)(6) and 13.301(b); 16 TAC §§ 24.227(a) and (e)(6), 24.11(e), and 24.239(f) and (h)(5)(F)).*

The Rate Regulation Division will be addressing this criterion in a separate memo.

3.8. *Requirement of the applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided (TWC § 13.246(d), 13.301(c); 16 TAC §§ 24.227(f), 24.239(f)).*

The Rate Regulation Division will be addressing this criterion in a separate memo.

3.9. *Consideration of the environmental integrity and the effect on the land to be included in the certificated area (TWC § 13.246(c)(7) and (9); and 16 TAC §§ 24.227(e)(7) and (9) and 24.239(h)(5)(G)).*

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

3.10. *Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 24.239(h)(5)(H)).*

The customers' rates will not change from the current rates for J E Franklin Trust. Reliability and quality of sewer service is expected to improve under CSWR-Texas's management.

The Applicants meet all of the applicable statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules. Approving this application is in the public interest and necessary for the service, accommodation, convenience and safety of the public.

4. Recommendation

Based on the above information, I recommend that the Commission find that the transaction will serve the public interest and that the Applicants be allowed to proceed with the proposed

transaction. There are no deposits held by George Fuller for the customers being served by J E Franklin Trust. I further recommend that a public hearing is not necessary.

37Public Utility Commission of Texas

Memorandum

TO: Margaux Fox
Legal Division

FROM: Ethan Blanchard
Rate Regulation Division

DATE: September 26, 2022

RE: Docket No. 53709 – *Application of CSWR-Texas Utility Operating Company, LLC and George Fuller, Executor of the Estate of Virginia Fuller, for Sale, Transfer, or Merger of Facilities and Certificate Rights in Lubbock County*

On June 13, 2022, CSWR-Texas Utility Operating Company (CSWR-TUOC), CCN No. 21120, and George Fuller filed an application for the sale and transfer of facilities and certificate rights in Lubbock County under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239.

An owner or operator of a retail public utility must have the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service areas, as established by 16 Texas Administrative Code (TAC) § 24.11. CSWR-TUOC must demonstrate that it meets one of the five leverage tests under 16 TAC § 24.11(e)(2) as well as the operations test under 16 TAC § 24.11(e)(3).

Leverage Test

CSWR-TUOC filed an affidavit stating that CSWR, LLC is capable, available, and willing to cover any temporary cash shortages and operating expense shortfalls.¹

My analysis is based on financial statements ending December 31, 2021. These financial statements contain an unqualified auditor's opinion from RSM US LLP stating that the financial

¹ Application, *Highly Sensitive 53709 CSWR Attachment G to the Application*, item no. 16, at bates 6 (Aug. 16, 2022).

statements present fairly, in all material respects, the financial position of CSWR, LLC as of December 31, 2021.²

CSWR-TUOC provided the financial statements CSWR, LLC, which demonstrates debt-to-equity ratio of 0.11.³ Because the ratio is less than one, I recommend a finding that CSWR, LLC meets the leverage test specified in 16 TAC § 24.11(e)(2)(A). Therefore, I recommend a finding that—through its affiliate—CSWR-TUOC meets the leverage test as specified in 16 TAC § 24.11(e)(2)(E).

Operations Test

An owner or operator must demonstrate sufficient available cash to cover projected cash shortages for operations and maintenance expense during the first five years of operations; or an affiliated interest may provide a written guaranty of coverage of temporary cash shortages if the affiliated interest also satisfies the leverage test, as required by 16 TAC § 24.11(e)(3).

The affidavit provided by CSWR, LLC demonstrates a written guarantee of coverage of temporary cash shortages from an affiliated interest. Additionally, CSWR-TUOC projects no operating shortages.⁴ Therefore, I recommend a finding that CSWR-TUOC meets the operations test specified in 16 TAC § 24.11(e)(3).

Planned Capital Improvements and Purchase Price

An applicant proposing service to a new CCN area must provide documentation of adequate funding for the purchase of an existing system plus any improvements necessary to provide continuous and adequate service to the existing customers per 16 TAC § 24.11(e)(5)(A).

The applicant has filed documentation demonstrating adequate cash funding of the purchase price and planned system improvements for the Franklin water system alongside all of CSWR-TUOC's other purchased systems and planned system improvements.⁵ Therefore, I recommend a finding that CSWR-TUOC satisfies the requirements of 16 TAC § 24.11(e)(5)(A).

² Application, *Confidential 53709 Attachment F to the Application*, item no. 2, at bates 4 (Jun. 13, 2022).

³ *Id.*, at bates 5. The calculations for which can be found in the confidential Attachment EB-1.

⁴ Application, *Highly Sensitive 53709 CSWR Attachment G to the Application*, item no. 16, at bates 2 (Aug. 16, 2022).

⁵ *Id.*, at 8. The calculations for which can be found in confidential Attachment EB-1.

Recommendation

Because CSWR-TUOC meets the financial tests, I do not recommend that the Commission require additional financial assurance.

Consequently, I recommend a finding that CSWR-TUOC demonstrates the financial and managerial capability needed to provide continuous and adequate service to the area subject to this application. My conclusions are based on information provided by CSWR-TUOC before the date of this memorandum and may not reflect any changes in CSWR-TUOC's status after this review.