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DOCKET NO. 53709

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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

PUBLIC UTILITY COMMISSION OF TEXAS

JOINT MOTION TO ADMIT EVIDENCE

COMES NOW George Fuller, executor of the estate of Virginia Fuller, CSWR-Texas Utility Operating Company, LLC (CSWR Texas), and Staff (Staff) of the Public Utility Commission of Texas (Commission) (collectively, the Parties), and file this Joint Motion to Admit Evidence and Proposed Order for approval of the sale, transfer, or merger of facilities in Lubbock County.

On January 26, 2023, the administrative law judge (ALJ) filed Order No. 8, directing the Parties to file a request for hearing or a joint motion to admit evidence and proposed order approving the sale and allowing the transaction to proceed by February 20, 2023. Therefore, this pleading is timely filed.

I. MOTION TO ADMIT EVIDENCE

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

- CSWR Texas's application and all attachments filed on June 13, 2022 (Interchange Item Nos. 1-5);
- B. CSWR Texas's first supplement to the application filed on June 14, 2022 (Interchange Item No. 6);
- C. CSWR Texas's second supplement to the application filed on June 20, 2022 (Interchange Item No. 8);
- D. CSWR Texas's first errata to the application filed on June 27, 2022 (Interchange Item No. 9);

- E. CSWR Texas's supplemental highly sensitive attachment G to the application filed on August 16, 2022 (Interchange Item No. 16);
- F. CSWR Texas's fourth supplement to the application filed on September 1, 2022 (Interchange Item No. 19);
- G. Commission Staff's supplemental recommendation on administrative completeness filed on October 3, 2022 (Interchange Item No. 20);
- H. CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on November 1 and 2, 2022 (Interchange Item Nos. 22 and 23);
- Commission Staff's recommendation on sufficiency of notice filed on November 14, 2022 (Interchange Item No. 24);
- J. CSWR Texas's supplemental highly sensitive attachment G to the application filed on December 2, 2022 (Interchange Item No. 27);
- K. Commission Staff's recommendation on approval of the transaction, including confidential attachments, filed on December 29, 2022 (Interchange Item Nos. 28 and 29);
- L. CSWR Texas's response to Commission Staff's recommendation on approval of the transaction filed on January 9, 2023 (Interchange Item No. 30);
- M. CSWR Texas's response to Order No. 7 filed on January 27, 2023 (Interchange Item No. 35); and
- N. Commission Staff's response to Order No. 8 filed on February 10, 2023 (Interchange Item No. 37)

II. PROPOSED ORDER APPROVING THE SALE AND ALLOWING THE TRANSACTION TO PROCEED

The Parties respectfully request the approval of the attached Joint Proposed Order Approving the sale and Allowing the Transaction 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 Order proposed by the Parties be adopted.

Respectfully submitted,

ATTORNEYS FOR CSWR-TEXAS UTILITY OPERATING COMPANY, LLC

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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 February 16, 2023 in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

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

PUBLIC UTILITY COMMISSION

OF TEXAS

JOINT PROPOSED ORDER APPROVING THE SALE AND ALLOWING THE TRANSACTION TO PROCEED

This Order addresses the application of George Fuller, executor of the estate of Virginia Fuller, and CSWR-Texas Utility Operating Company, LLC for approval of the sale, transfer, or merger of facilities in Lubbock County. CSWR Texas, holder of Sewer CCN No. 21120, seeks approval to acquire all facilities and service area held by the J E Franklin Trust under inactive sewer CCN No. 20743, and the amendment of CSWR Texas's sewer CCN No. 21120 to include the area previously included in J E Franklin Trust sewer CCN No. 20743.

I. Findings of Fact

The Commission makes the following findings of fact:

<u>Applicants</u>

- George Fuller, the executor of the estate of Virginia Fuller, is authorized to sell the facilities and service area held by the J E Franklin Trust under inactive sewer CCN No. 20743.
- 2. J E Franklin Trust operates, maintains, and controls facilities for providing sewer service in Lubbock County under inactive sewer CCN No. 20743.
- 3. The J E Franklin Trust does not have an applicable permit, customer number, regulated entity number, or compliance history with the TCEQ.
- 4. CSWR Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
- CSWR Texas operates, maintains, and controls facilities for providing retail sewer service in Aransas, Bexar, Calhoun, Hidalgo, Hood, Jackson, Navarro, Orange, Parker, and Polk counties under CCN No. 21120.

<u>Application</u>

- 6. On June 13, 2022, CSWR Texas and George Fuller filed the application at issue in this proceeding.
- 7. The applicants supplemented the application on June 14 and 20, August 16, September 1, and December 2, 2022.
- 8. CSWR Texas filed an errata to the application on June 27, 2022.
- 9. In the application, as supplemented, the applicants seek approval of the following transaction: (a) CSWR Texas will acquire all of J E Franklin Trust's sewer service area and facilities held under inactive sewer CCN No. 20743; (b) J E Franklin Trust's sewer CCN No. 20743 will be cancelled; and (c) CSWR Texas's sewer CCN No. 21120 will be amended to include the area previously included in J E Franklin Trust's inactive sewer CCN No. 20743.
- 10. The requested area comprises approximately 193 acres and 44 customer connections.
- 11. The requested area is located approximately 4.2 miles northeast of downtown Lubbock, Texas and is generally bounded on the north by approximately 780 feet north of East Ursuline Street; on the east by Idalou Road; on the south by United States Highway 62; and on the west by North Redwood Avenue.
- 12. In Order No. 5 filed on October 14, 2022, the ALJ deemed the application, as supplemented, administratively complete.

<u>Notice</u>

- On November 1, 2022, CSWR Texas filed the affidavit of Aaron Silas, regulatory case manager for CSWR Texas, attesting that notice was provided to all current customers of J E Franklin Trust, neighboring utilities, and affected parties on October 28, 2022.
- 14. In Order No. 6 filed on November 15, 2022, the ALJ found the notice sufficient.

Evidentiary Record

15. In Order No. ______, filed on ______, 2023, the ALJ admitted the following evidence into the record: (a) CSWR Texas's application and all attachments filed on June 13, 2022;
(b) CSWR Texas's first supplement to the application filed on June 14, 2022; (c) CSWR

Texas's second supplement to the application filed on June 20, 2022; (d) CSWR Texas's first errata to the application filed on June 27, 2022; (e) CSWR Texas's supplemental highly sensitive attachment G to the application filed on August 16, 2022; (f) CSWR Texas's fourth supplement to the application filed on September 1, 2022; (g) Commission Staff's supplemental recommendation on administrative completeness filed on October 3, 2022; (h) CSWR Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on November 1 and 2, 2022; (i) Commission Staff's recommendation on sufficiency of notice filed on November 14, 2022; (j) CSWR Texas's supplemental highly sensitive attachment G to the application filed on December 2, 2022; (k) Commission Staff's recommendation on approval of the transaction, including confidential attachments, filed on December 29, 2022; (*l*) CSWR Texas's response to Order No. 7, filed on January 27, 2023; and (n) Commission Staff's response to Order No. 8, filed on February 10, 2023.

Cumulative Recommendation

16. On December 29, 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 areas included

in this docket and in Docket Nos. 50251,1 50276, 2 50311, 3 50989,4 51003,5 51026,6

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).

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).

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).

51031,⁷ 51036,⁸ 51047,⁹ 51065,¹⁰ 51089,¹¹ 51118,¹² 51126,¹³ 51130,¹⁴ 51146,¹⁵ 51222,¹⁶

⁸ Application of Kathie Lou Daniels d/b/a 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 d/b/a 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 d/b/a Quiet Village II d/b/a 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, Notice of Approval (Oct. 26, 2022).

¹⁴ Application of Laguna Vista Limited and Laguna Tres, Inc. CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hood County, 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, Notice of Approval (Apr. 23, 2021).

¹⁶ Application of the Estate of Patetreen Petty McCoy d/b/a 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).

⁷ Application of Council Creek Village, Inc. d/b/a Council Creek Village d/b/a South Council Creek 2 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).

51544,¹⁷ 51642,¹⁸ 51917,¹⁹ 51928,²⁰ 51940,²¹ 51981,²² 52089,²³ 52099,²⁴ 52410,²⁵

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).

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 Company, Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bexar County, Docket No. 52410, Notice of Approval (Jun. 3, 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).

52661,²⁶ 52700,²⁷ 52702,²⁸ 52803,²⁹ 52879,³⁰ 52880,³¹ 53317,³² 53326,³³ 53259,³⁴ 53429,³⁵ 53430.³⁶

CSWR Texas's Compliance History

- 17. 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.
- 18. CSWR Texas does not have a history of continuing mismanagement or misuse or revenues as a utility service provider.

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, Notice of Approval (Dec. 19, 2022).

³⁰ Application of Walter J. 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, Notice of Approval (Sept. 21, 2022).

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, Notice of Approval (Nov. 3, 2022).

³² 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).

³³ 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, Notice of Approval (Dec. 16, 2022).

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).

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, 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).

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, Notice of Approval (Dec. 12, 2022).

²⁷ 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).

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).

19. CSWR Texas has demonstrated a compliance history that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

- 20. There are currently 44 connections in the requested areas that are being served by J E Franklin Trust and such service has been continuous.
- 21. J E Franklin Trust does not have an applicable permit, customer number, regulated entity number, or compliance history with the TCEQ.
- 22. CSWR Texas plans to make upgrades, renovation and repairs to the system to return the systems to compliance.
- 23. The Commission's complaint records, which date back to 2017, show zero complaints against George Fuller.
- 24. There is no evidence in the record that J E Franklin Trust has failed to comply with any Commission or TCEQ order.

<u>Need for Additional Service</u>

- 25. There are currently 44 customer connections in the requested areas that are receiving service from J E Franklin Trust and have an ongoing need for service.
- 26. This is an application to transfer only existing facilities, customers, and service areas.
- 27. There is no evidence of specific requests for additional service within the requested areas.

Effect of Approving the Transaction and Granting the Amendment

- 28. Approving the sale and transfer to proceed and granting the CCN amendment will obligate CSWR Texas to provide continuous and adequate sewer service to current and future customers in requested areas.
- 29. Because this application is to transfer only existing facilities, customers, and service areas, there will be no effect on any other retail public utility servicing the proximate areas.

Ability to Serve: Managerial and Technical

30. CSWR Texas owns and operates numerous TCEQ approved public water systems and wastewater treatment plants.

- 31. The Commission's complaint records, which date back to 2017, show 19 complaints against CSWR Texas.
- 32. CSWR Texas employs or contracts with TCEQ-licensed operators who will operate the sewer system.
- 33. No additional construction is necessary for CSWR Texas to provide service to the requested areas.
- 34. After completion of the planned upgrades, renovations, and repairs to the sewer system, CSWR Texas will be capable of providing wastewater 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.
- 35. CSWR Texas has the technical and managerial capability to provide adequate and continuous service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

- 36. J E Franklin Trust is currently serving customers and such service has been continuous.
- 37. 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 interconnection would need to be installed in order to connect to an adjacent public utility.
- 38. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

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

Ability to Serve: Financial Ability

- 40. 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 of less than one, satisfying the leverage test.
- 41. 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 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.

42. CSWR Texas demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested areas.

Financial Assurance

43. 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

- 44. The requested areas will continue to be served with existing infrastructure.
- 45. There will be minimal effects on environmental integrity and on the land as a result of CSWR Texas's planned upgrades, renovation and repairs to the sewer system.

Improvement of Service or Lowering Cost to Consumers

- 46. Reliability and quality of sewer service is expected to improve under CSWR-Texas's management.
- 47. The rates charged to customers in the requested areas will not change as a result of the proposed transaction because CSWR Texas will adopt the currently in effect tariff for the sewer system upon consummation of the transaction.

II. Conclusions of Law

The Commission makes the following conclusions of law:

- The applicants provided notice of the application that complies with TWC §§ 13.246 and 13.301(a)(2) and 16 TAC § 24.239.
- 2. After consideration of the factors in TWC § 13.246(c), CSWR Texas demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC § 13.301(b).
- It is not necessary for CSWR Texas to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).

4. The applicants have demonstrated that the sale of J E Franklin Trust's facilities to CSWR Texas will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public under TWC § 13.301(d), (e).

1. Ordering Paragraphs

In accordance with the preceding findings of fact and conclusions of law, the Commission enters the following orders.

- 1. The sale is approved and the transaction between the applicants 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, this approval is void and the applicants will have to reapply for approval.
- 5. The applicants are advised that the requested areas and associated facilities will remain under inactive sewer CCN No. 20743 and held by J E Franklin Trust 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 schedule for continued processing of this docket.

Signed at Austin, Texas the _____ day of _____ 2023.

PUBLIC UTILITY COMMISSION OF TEXAS

ISAAC TA ADMINISTRATIVE LAW JUDGE