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DOCKET NO. 53709

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

ORDER NO. 10 APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application CSWR-Texas Utility Operating Company and George Fuller, executor of the estate of Virginia Fuller for approval of the sale, transfer, or merger of facilities and certificate rights in Lubbock County. The applicants seek approval of the following: (1) the sale and transfer of the facilities and service area under J E Franklin Trust's inactive certificate of convenience and necessity (CCN) number 20743 to CSWR-Texas; (2) the cancellation of J E Franklin Trust's inactive CCN number 20743; and (3) the amendment of CSWR-Texas' sewer CCN number 21120 to include the area previously included in J E Franklin Trust's inactive sewer CCN number 20743. The administrative law judge (ALJ) approves the transaction between CSWR-Texas and George Fuller and the transaction may be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

<u>Applicants</u>

- 1. J E Franklin Trust held sewer CCN number 20743, which obligated it to provide sewer utility service in its certificated service area in Lubbock County.
- 2. CCN number 20743 is listed as inactive in the Commission's database.
- 3. The J E Franklin Trust does not have a permit, customer number, regulated entity number, or compliance history with the Texas Commission on Environmental Quality (TCEQ).
- 4. Virginia Fuller was the successor to J E Franklin Trust.

- 5. Virginia Fuller was a sole proprietor operating under the assumed name Franklin Water System 1 & 3.
- 6. Virginia Fuller is deceased.
- 7. George Fuller is the executor of the estate of Virginia Fuller.
- 8. George Fuller operates gravity collection lines for providing sewer service in Lubbock County under sewer CCN number 20743.
- 9. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
- 10. CSWR-Texas operates, maintains, and controls facilities for providing retail sewer service in Aransas, Bexar, Calhoun, Hidalgo, Hood, Jackson, Navarro, Parker, and Polk counties under CCN number 21120.

Application

- 11. On June 13, 2022, the applicants filed the application at issue in this proceeding.
- 12. The applicants supplemented the application on June 14, 20, and 27, August 16, September 1, and December 2, 2022.
- 13. In the application, as supplemented, the applicants seek approval of the following transaction: (a) CSWR-Texas will acquire all of the facilities and sewer service area under inactive CCN number 20743; (b) the cancellation of CCN number 20743; and (c) the amendment of CSWR-Texas's CCN number 21120 to include the certificated service area previously included in CCN number 20743.
- 14. The requested area includes approximately 193 acres and 44 customer connections.
- 15. The requested area is located approximately 4.2 miles northeast of downtown Lubbock, Texas and is generally bounded on the north by a line approximately 780 feet north of and parallel to 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.
- 16. In Order No. 5 filed on October 14, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

- 17. 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, neighboring utilities, and affected parties on October 28, 2022.
- 18. In Order No. 6 filed on November 15, 2022, the ALJ found the notice sufficient.

Evidentiary Record

- 19. In Order No. 9 filed on February 22, 2023, the ALJ admitted the following evidence into the record of this proceeding:
 - a) The 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 filed on November 1, 2022;
 - i) CSWR-Texas's confidential exhibit B filed on November 2, 2022;
 - j) Commission Staff's recommendation on sufficiency of notice filed on November 14, 2022;
 - k) CSWR-Texas's supplemental highly sensitive attachment G to the application filed on December 2, 2022;
 - 1) Commission Staff's recommendation on approval of the transaction, including confidential attachments, filed on December 29, 2022;

- m) CSWR-Texas's response to Commission Staff's recommendation on approval of the transaction filed on January 9, 2023;
- n) CSWR-Texas's response to Order No. 7 filed on January 27, 2023; and
- o) Commission Staff's response to Order No. 8 filed on February 10, 2023.

Cumulative Recommendation

20. 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 51065, 4 51118, 5 51026, 6 51031, 7

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).

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, Corrected Notice of Approval (Mar. 10, 2021).

⁵ 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).

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).

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).

51047, $^{8}50989$, $^{9}51130$, $^{10}51146$, $^{11}51036$, $^{12}51003$, $^{13}51089$, $^{14}51928$, $^{15}51981$, $^{16}51544$, 17

⁸ 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).

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, Notice of Approval (Apr. 23, 2021).

¹⁰ 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).

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, Notice of Approval (Apr. 23, 2021).

¹² 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).

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 Notice of Approval (Aug. 9, 2021).

¹⁴ 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).

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, Notice of Approval (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, Notice of Approval (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, Notice of Approval (Feb. 15, 2022).

51222, 18 51917, 19 51642, 20 51940, 21 52089, 22 52410, 23 52099, 24 52702, 25 52879, 26 51126, 27

¹⁸ 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).

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).

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, Notice of Approval (Mar. 15, 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 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).

²³ 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 (June 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, Corrected Notice of Approval (July 28, 2022).

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, Notice of Approval (Aug. 5, 2022).

²⁶ 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).

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, Notice of Approval (Oct. 26, 2022).

 $52880,^{28}52661,^{29}53326,^{30}52700,^{31}52803,^{32}53317,^{33}53259,^{34}53429,^{35}53430,^{36}53456,^{37}53607,^{38}53238,^{39}53483,^{40}53538,^{41}53721,^{42}$ and $53934,^{43}$

- 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, Notice of Approval (Dec. 19, 2022).
- 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).
- 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).
- ³⁷ Application of CSWR-Texas Utility Operating Company LLC, 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).
- 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 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).

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).

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).

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, Notice of Approval (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).

CSWR-Texas's Compliance History

- 21. 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.
- 22. CSWR-Texas does not have a history of continuing mismanagement or misuse or revenues as a utility service provider.
- 23. CSWR-Texas has demonstrated a compliance history that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

- 24. There are currently 44 connections in the requested area that are being served by George Fuller and such service has been continuous.
- 25. CSWR-Texas plans to make upgrades, renovations, and repairs to the facilities.
- 26. The Commission's complaint records, which date back to 2017, show zero complaints against George Fuller.
- 27. There is no evidence in the record that George Fuller has failed to comply with any Commission or TCEQ order.

Need for Additional Service

- 28. There is a continuing need for service because George Fuller currently serves 44 customer connections in the requested area.
- 29. This is an application to transfer only existing facilities, customers, and service area.
- 30. There is no evidence of specific requests for additional service within the requested area.

Effect of Approving the Transaction

- 31. 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.
- 32. 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.

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.

Ability to Serve: Managerial and Technical

- 34. CSWR-Texas owns and operates numerous sewer systems that are permitted with the TCEQ.
- 35. The Commission's complaint records, which date back to 2017, show 19 complaints against CSWR-Texas.
- 36. CSWR-Texas employs or contracts with TCEQ-licensed operators who will operate the sewer system.
- 37. 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

- 38. George Fuller is currently serving customers and such service has been continuous.
- 39. 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.
- 40. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

- 41. It will not be necessary for CSWR-Texas to construct a physically separate sewer system to serve the requested area.
- 42. Because the requested area will not require construction of a physically separate sewer system, consideration of regionalization or consolidation with an adjacent retail public utility is not required.

Ability to Serve: Financial Ability and Stability

43. No additional construction or capital improvements are necessary for CSWR-Texas to provide service to the requested area.

- 44. 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.
- 45. 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.
- 46. CSWR-Texas demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

47. 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

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

Improvement in Service or Lowering Cost to Consumers

- 50. Reliability and quality of sewer service is expected to improve under CSWR-Texas's management.
- 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 rates currently in effect for the sewer system upon approval of the transaction.

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 and 13.301(a)(2), and 16 Texas Administrative Code (TAC) § 24.239(c).

- 2. After consideration of the factors in TWC § 13.246(c), CSWR-Texas 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. CSWR-Texas 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 the facilities and service area under inactive CCN number 20743 to CSWR-Texas 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 sewer CCN number 20743 and will be held by George Fuller 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 23rd day of February 2023.

PUBLIC UTILITY COMMISSION OF TEXAS

ISAAC TA ADMINISTRATIVE LAW JUDGE

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