



## **Filing Receipt**

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**DOCKET NO. 53718**

<b>APPLICATION OF RANCH COUNTRY OF TEXAS, INC. AND CSWR-TEXAS UTILITY OPERATING COMPANY, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN AUSTIN COUNTY</b>	<b>§ § § § § § §</b>	<b>PUBLIC UTILITY COMMISSION  OF TEXAS</b>
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**ORDER NO. 15  
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Ranch Country of Texas, Inc. and CSWR-Texas Utility Operating Company, LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Austin County. The applicants seek approval of the following: (1) the sale and transfer to CSWR-Texas of the facilities and service area held under Ranch Country's certificate of convenience and necessity (CCN) number 12916; (2) the cancellation of Ranch Country's CCN number 12916; and (3) the amendment of CSWR-Texas's CCN number 13290 to include the facilities and service area previously included in Ranch Country's CCN number 12916. The administrative law judge (ALJ) approves the transaction between Ranch Country and CSWR-Texas and the transaction may be completed as proposed.

**I. Finding of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Ranch Country is a Texas corporation registered with the Texas secretary of state under filing number 139815000.
2. Ranch Country holds CCN number 12916 which obligates it to provide retail water service in its certificated service area in Austin County.
3. Ranch Country owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Lakeside Estates Water System under identification number TX0080053.

4. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 0803367893.
5. CSWR-Texas holds CCN number 13290 which obligates it to provide retail water service in its certificated service areas in Angelina, Aransas, Austin, Burleson, Burnet, Calhoun, Camp, Denton, Ellis, Erath, Gillespie, Guadalupe, Harris, Hays, Hidalgo, Hood, Jackson, Kerr, Limestone, Llano, Lubbock, McCulloch, Montague, Montgomery, Navarro, Orange, Parker, Polk, Robertson, Sabine, San Augustine, Victoria, Wilson, and Wood counties.
6. CSWR-Texas owns multiple public water systems registered with the TCEQ.

**Application**

7. On June 14 and 15, 2022, the applicants filed the application.
8. The applicants filed supplemental information on June 20, August 4, 16, and 22, September 27, December 2, 2022, and April 19, May 8, and 26, and July 10, 2023.
9. In the application, as supplemented, the applicants seek approval of the following:
  - a. the sale and transfer to CSWR-Texas of the facilities and service area held under Ranch Country's CCN number 12916;
  - b. the cancellation of Ranch Country's CCN number 12916; and
  - c. the amendment of CSWR-Texas's CCN number 13290 to include the facilities and service area previously included in Ranch Country's CCN number 13290.
10. The requested area includes approximately 37 acres and 26 customer connections.
11. The requested area is located approximately four miles northwest of downtown Sealy, Texas, and is generally bounded on the north by Brockstein Road; on the east by Farm-to-Market Road 1094; on the south by Farm-to-Market Road 2187; and on the west by Hillboldt Road.
12. In Order No. 11 filed on June 13, 2023, the ALJ found the application, as supplemented, administratively complete.

**Notice**

13. On July 10, 2023, CSWR-Texas filed the affidavit of Aaron Silas, director of regulatory operations at CSWR-Texas, attesting that notice was provided to all current customers of Ranch Country, neighboring utilities, and affected parties on July 3, 2023.
14. On July 10, 2023, CSWR-Texas filed a publisher's affidavit attesting to the publication of notice in the *Sealy News*, a newspaper of general circulation in Austin County, on June 29 and July 6, 2023.
15. On July 10, 2023, CSWR-Texas filed the affidavit of David Woodsmall, associate general counsel at CSWR-Texas, attesting that there are no landowners owning tracts of land over 25 acres wholly or partly inside the requested area.
16. In Order No. 12 filed on July 25, 2023, the ALJ found revised notice sufficient.

**Evidentiary Record**

17. In Order No. 14 filed on October 10, 2023, the ALJ admitted the following evidence into the record of this proceeding:
  - a. The application and all attachments filed on June 14, 2022;
  - b. Confidential attachment N to the application filed on June 15, 2022;
  - c. CSWR-Texas's first supplement to the application filed on June 20, 2022;
  - d. CSWR-Texas's second supplement to the application filed on August 4, 2022;
  - e. CSWR-Texas's third supplement to the application filed on August 16, 2022;
  - f. CSWR-Texas's fourth supplement to the application filed on August 22, 2022;
  - g. CSWR-Texas's fifth supplement to the application filed on September 27, 2022;
  - h. CSWR-Texas's sixth supplement to the application filed on December 2, 2022;
  - i. CSWR-Texas's response to Order No. 8 and revised application, including confidential attachments, filed on April 19, 2023;
  - j. CSWR-Texas's seventh supplement to the application filed May 8, 2023;
  - k. CSWR-Texas's eighth supplement to the application filed May 26, 2023;

- l. Commission Staff's supplemental recommendation on administrative completeness and notice and proposed procedural schedule filed on June 12, 2023;
- m. CSWR-Texas's supplemental proof of notice filed on July 10, 2023;
- n. Commission Staff's recommendation on supplemental sufficiency of reissued notice filed on July 24, 2023; and
- o. Commission Staff's recommendation on approval of the sale, including confidential revised attachment EB-1, filed on September 1, 2023.

**Purchaser's Compliance History**

18. 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.
19. The Commission's complaint records, which date back to 2017, show 12 complaints against CSWR-Texas.
20. CSWR-Texas does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
21. CSWR-Texas demonstrated a compliance status that is adequate for approval of the sale to proceed.

**Adequacy of Existing Service**

22. There are currently 26 connections in the requested area that are being served by Ranch Country through public water system number TX0080053 and such service has been continuous and adequate.
23. The last TCEQ compliance investigation of Ranch Country's public water system was on July 3, 2019.
24. Ranch Country does not have any unresolved violations listed in the TCEQ database.
25. The Commission's complaint records, which go back to 2017, show no complaints against Ranch Country.

26. Capital improvements are necessary for CSWR-Texas to provide continuous and adequate service to the requested area.
27. There is no evidence in the record that Ranch Country has failed to comply with any Commission or TCEQ order.

**Need for Additional Service**

28. There are 26 existing customer customers in the requested area that are receiving service from Ranch Country and have an ongoing need for service.
29. This is an application to transfer only existing facilities, customers, and service area.
30. There have been no specific requests for additional service within the 37-acre requested area.

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

31. CSWR-Texas will be the sole certificated water utility for the requested area.
32. CSWR-Texas will be required to provide continuous and adequate water service to current and future customers in the requested area.
33. Landowners in the requested area will be able to obtain water service from CSWR-Texas.
34. All retail public utilities in the proximate area of the requested area were provided notice of the application and no protests or adverse comments were filed.
35. There will be no effect on any retail public utility providing service in the proximate area.

**Ability to Serve: Managerial and Technical**

36. CSWR-Texas owns and operates numerous TCEQ-registered public water systems in Texas.
37. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system.
38. CSWR-Texas has the technical and managerial capability to provide continuous and adequate service to the requested area.

**Feasibility of Obtaining Service from Adjacent Retail Public Utility**

39. Ranch Country is currently serving customers and such service has been continuous.
40. 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 a neighboring retail public utility.
41. It is not feasible to obtain service from an adjacent retail public utility.

**Regionalization or Consolidation**

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

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

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. Therefore, CSWR-Texas satisfies 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. Therefore, CSWR-Texas satisfies the operations test.
46. The cost of CSWR-Texas's proposed capital improvements for the water system being transferred exceeds \$100,000.
47. CSWR-Texas submitted documents demonstrating funds are available for the purchase of Ranch Country's water system and for the construction of the capital improvements necessary for CSWR-Texas to provide continuous and adequate service to existing customers.

48. CSWR-Texas demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.
49. CSWR-Texas has filed a partial capital improvements plan that includes an itemized budget, the total cost of necessary capital improvements, and an estimated timeline for repairs.

#### **Financial Assurance**

50. 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**

51. The effect on environmental integrity and the land will be temporary as capital improvements are made to enable CSWR-Texas to provide continuous and adequate service to the requested area.

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

52. CSWR-Texas will continue to provide water service to Ranch Country's existing customers in the requested area.
53. Reliability and quality of water service is expected to improve under CSWR-Texas's management.
54. The rates charged to customers in the requested area will not change as a result of the proposed transaction because CSWR-Texas will adopt current rates 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).<sup>1</sup>

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



2. After evaluation 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 all of Ranch Country's facilities and service area to CSWR-Texas will serve the public interest and is necessary for the continued service, accommodation, convenience, or safety of the public under 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 Ranch Country and CSWR-Texas 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 must reapply for approval.
5. This Order does not transfer CCN number 12916 and the associated service area from Ranch Country. Ranch Country must provide continuous and adequate service in its certificated service area until a final order or notice of approval issued by the Commission transfers the requested water service area.
6. Before the Commission can grant final approval to this transaction, CSWR-Texas must file a capital improvements plan that complies with the requirements of TWC § 13.244(d)(3)

and 16 TAC § 24.233(a)(6), which must include a budget and an estimated timeline for construction of all facilities necessary to provide full service to the requested area, keyed to a map showing where such facilities will be located to provide service.

7. 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.
8. 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 on the 18th day of October 2023.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**CHRISTINA DENMARK**  
**ADMINISTRATIVE LAW JUDGE**