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DOCKET NO. 53721

APPLICATION OF CSWR-TEXAS	§	
UTILITY OPERATING COMPANY, LLC	§	
AND PATTERSON WATER SUPPLY,	§	PUBLIC UTILITY COMMISSION
LLC FOR SALE, TRANSFER, OR	§	
MERGER OF FACILITIES AND	§	OF TEXAS
CERTIFICATE RIGHTS IN DALLAS,	§	
DENTON, PARKER, TARRANT, AND	§	
WISE COUNTIES	§	

**JOINT MOTION TO ADMIT EVIDENCE
AND PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED
AND REQUEST FOR EXPEDITED RELIEF**

COME NOW Patterson Water Supply, LLC (“Patterson”) and CSWR-Texas Utility Operating Company, LLC (“CSWR Texas”), together with the Staff of the Public Utility Commission of Texas (“Commission Staff”) (collectively, “the Parties”), and file this Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Transfer to Proceed and Request for Expedited Relief. In support thereof, the Parties show the following:

I. BACKGROUND

On June 15, 2022, Patterson and CSWR Texas (collectively, the “Applicants”) filed an application with the Public Utility Commission of Texas (“Commission”) for approval of the sale, transfer, or merger of facilities and certificate rights in Dallas, Denton, Parker, Tarrant, and Wise Counties (“Application”). The Applicants seek the transfer of all water facilities owned by Patterson and the amendment of CSWR Texas’s certificate of convenience and necessity (“CCN”) number 13290 to include approximately 1,853 acres under CSWR Texas’s CCN No. 13290.

Pursuant to Order No. 4, the Parties timely file this Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Transfer to Proceed.

II. JOINT MOTION TO ADMIT EVIDENCE

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

1. the application, including confidential attachments, filed on June 15, 2022 (Interchange Item Nos. 1 through 10);

2. CSWR Texas's Supplemental Attachment G-1, filed on June 20, 2022 (Interchange Item No. 11);
3. CSWR Texas's Second Supplement to Application, filed on July 29, 2022 (Interchange Item No. 15);
4. CSWR Texas's Third Supplement to Application, filed on August 11, 2022 (Interchange Item No. 16)
5. CSWR Texas's Fourth Supplement to Application, filed on August 15, 2022 (Interchange Item No. 17);
6. CSWR Texas's Fifth Supplement to Application, filed on August 15, 2022 (Interchange Item No. 18);
7. CSWR Texas's Supplemental Attachment G, filed on August 16, 2022 (Interchange Item No. 19);
8. CSWR Texas's Highly Sensitive Attachment G, filed on August 16, 2022 (Interchange Item No. 20);
9. CSWR Texas's Seventh Supplement to Application, filed September 6, 2022 (Interchange Item No. 21);
10. Commission Staff's supplemental recommendation on administrative completeness, including confidential attachment, filed on September 15, 2022 (Interchange Item Nos. 22 and 23);
11. CSWR Texas's proof of notice and affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on October 4, 2022 (Interchange Item Nos. 25 and 26);
12. Commission Staff's recommendation on sufficiency of notice, filed on October 12, 2022 (Interchange Item No. 27); and
13. Commission Staff's recommendation on approval of the sale, including confidential attachments, filed on November 7, 2022 (Interchange Item Nos. 29 and 30).

III. COMMISSION STAFF'S CUMULATIVE RECOMMENDATION

As demonstrated in its recommendation in this proceeding, Commission Staff has performed a cumulative review to assess CSWR Texas's technical and managerial capability to provide service to the requested areas and customers affected in all prior CSWR Texas's STM dockets in which Commission Staff has recommended the transaction to proceed, and it has determined that CSWR Texas has demonstrated its ability to provide continuous and adequate service to each of the requested areas, both individually and as a whole. In addition, Commission Staff determined that CSWR Texas has the financial ability to pay for facilities necessary to provide service in each of the requested areas, both individually and as a whole.

IV. PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

The Parties move for adoption of the attached Proposed Order Approving the Sale and Transfer to Proceed.

V. REQUEST FOR EXPEDITED RELIEF

CSWR Texas respectfully requests that the ALJ issue the order approving the sale and transaction to proceed on an expedited basis. CSWR Texas is seeking to close the transaction to purchase these water systems prior to the end of calendar year 2022. The systems are currently not in compliance with minimum requirements to ensure continuous and adequate service and CSWR Texas cannot start necessary repairs until it acquires the systems. Therefore, CSWR Texas respectfully requests that the ALJ issue an order as quickly as possible so that CSWR Texas may begin that process. Staff does not oppose expedited relief.

VI. CONCLUSION

The Parties respectfully request that the Commission expeditiously grant the Motion to Admit Evidence and adopt the attached Proposed Order Approving the Sale and Transfer for Proceed.

Respectfully submitted,

**ATTORNEYS FOR CSWR TEXAS
UTILITY OPERATING COMPANY, LLC**

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CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of November 2022, a true and correct copy of the foregoing document was served on all parties of record via electronic mail in accordance with the Order Suspending Rules issued in Project No. 50664.


Wendy L. Harvel

DOCKET NO. 53721

**APPLICATION OF CSWR-TEXAS §
UTILITY OPERATING COMPANY, LLC § PUBLIC UTILITY COMMISSION
AND PATTERSON WATER SUPPLY, LLC §
FOR SALE, TRANSFER, OR MERGER OF § OF TEXAS
FACILITIES AND CERTIFICATE RIGHTS §
IN DALLAS, DENTON, PARKER, §
TARRANT, AND WISE COUNTIES §**

PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

This Order addresses the application of CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and Patterson Water Supply, LLC (Patterson Water) for the sale, transfer, or merger of facilities in Dallas, Denton, Parker, Tarrant, and Wise counties. CSWR-Texas seeks the sale and transfer of a portion of the water service area from Patterson Water under water Certificate of Convenience and Necessity (CCN) No. 13248 and all of the sewer facilities and sewer service area under sewer CCN No. 20566. The administrative law judge (ALJ) grants that the sale is approved and the transaction between the applicants may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. Patterson Water is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Dallas, Denton, Jack, Montague, Parker, Tarrant, and Wise counties under CCN number 13248.
2. Patterson Water is a limited liability company registered with the Texas secretary of state under file number 0801820571.
3. Patterson Water owns and operates public sewer facilities for providing sewer service in Denton County under sewer CCN No. 20566.
4. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 0803367893.
5. CSWR-Texas is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Angelina, Aransas, Austin, Burleson, Burnet, Camp, Ellis, Erath, Guadalupe, Harris, Hays, Hidalgo, Hood, Kerr, Llano, Lubbock, McCulloch, Montague,

Navarro, Parker, Victoria, Wilson, and Wood counties under CCN number 13290. CSWR-Texas operates, maintains, and controls facilities for providing sewer service in Bexar, Hidalgo, Hood, and Parker counties under CCN 21120.

Application

6. On June 15, 2022, the applicants filed an application for sale, transfer, or merger (STM) of facilities and certificate rights in Dallas, Denton, Parker, Tarrant, and Wise counties, Texas, under Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.
7. Specifically, CSWR-Texas, CCN Nos. 13290 and 21120, seeks approval to acquire facilities and to transfer a portion of the water service area from Patterson Water under water CCN No. 13248 and all of the sewer facilities and sewer service area under sewer CCN No. 20566.
8. The areas included in the transaction are as follows:
 - The requested area 1 includes 243 customer connections and approximately 276 acres of transferred area from (CCN No. 13248) and is located approximately 2.6 mile(s) northeast of downtown DeSoto, Texas, and is generally bounded on the north by East Daniieldale Road; on the east by Interstate Highway 35; on the south by East Wintergreen Road; and on the west by Connor Street.
 - The requested area 2 includes 134 customer connections and approximately 59 acres of transferred area from (CCN No. 13248) and is located approximately 0.8 mile(s) west of downtown Lakewood Village, Texas, and is generally bounded on the north by Easy Street; on the east by Garza Lane; on the south by Lake Lewisville; and on the west by Lake Lewisville.
 - The requested water service area 3 includes 406 customer connections and approximately 78 acres of transferred area from (CCN No. 13248) and is located approximately 4.8 mile(s) southeast of downtown Denton, Texas, and is generally bounded on the north by Lake Vista Lane; on the east by Lake Shore Lane; on the south by Farm to Market Road 426; and on the west by the intersection of Farm to Market Road 426 and Laney Circle.
 - The requested sewer service area 3 includes 362 customer connections and approximately 78 acres of transferred area from (CCN No. 20566) and is located approximately 4.8 mile(s) southeast of downtown Denton, Texas, and is generally bounded on the north by Lake Vista Lane; on the east by Lake Shore Lane; on the south by Farm to Market Road 426; and on the west by the intersection of Farm to Market Road 426 and Laney Circle.
 - The requested area 4 includes 75 customer connections and approximately 253 acres of transferred area from (CCN No. 13248) and is located approximately 5 mile(s) northwest of downtown Weatherford, Texas, and is generally bounded on the north by Adair Lane; on the east by Zion Hill Road; on the south by Johnson Bend Road; and on the west by the intersection of Farm to Market Road 1185 and Farm to Market Road 920.

- The requested area 5 includes 55 customer connections and approximately 23 acres of transferred area from (CCN No. 13248) and is located approximately 1.9 mile(s) southwest of downtown Newark, Texas, and is generally bounded on the north by Eagle Mountain Lake; on the east by Eagle Mountain Lake; on the south by Eagle Mountain Lake; and on the west by Briar Road.
 - The requested area 6 includes 188 customer connections and approximately 1,164 acres of transferred area from (CCN No. 13248) and is located approximately 2.4 mile(s) west of downtown Newark, Texas, and is generally bounded on the north by County Road 4659; on the east by Eagle Mountain Lake; on the south by Briar Road; and on the west by Farm to Market Road 730.
 - The application proposes the subtraction of approximately 1,853 acres from CCN No. 13248 and the addition of approximately 1,853 acres to CCN No. 13290.
 - The application proposes the subtraction of approximately 78 acres from CCN No. 20566 and the addition of approximately 78 acres to CCN No. 21120.
 - 1,775 acres will be single certification of CCN No. 13290, and 78 acres will be dual certification between CCN No. 13290 and the City of Denton CCN No. 10195.
9. In Order No. 3 filed on September 21, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

10. On October 4, 2022, CSWR-Texas filed the affidavit of Aaron Silas, Regulatory Case Manager of CSWR-Texas, attesting that notice was provided to all current customers of Patterson Water, neighboring utilities, and affected parties on September 30, 2022.
11. In Order No. 4, filed on October 13, 2022, the ALJ deemed the notice sufficient.
12. The deadline to intervene was October 31, 2022; there were no motions to intervene, protests, or opt-out requests received.

Evidentiary Record

13. On November 10, 2022, the parties filed a joint motion to admit evidence.
14. In Order No. ____ filed on _____, the ALJ admitted the following evidence into the record: (a) the application, including confidential attachments, filed on June 15, 2022 (b) CSWR-Texas's first supplement to the application, filed on June 20, 2022 (c) CSWR-Texas's second supplement to the application, filed on July 29, 2022; (d) CSWR-Texas's third supplement to the application, filed on August 11, 2022; (e) CSWR-Texas's Fourth

Supplement to Application, filed on August 15, 2022; (f) CSWR-Texas's Fifth Supplement to Application, filed on August 15, 2022 ; (g) CSWR-Texas's Supplemental Attachment G, filed on August 16, 2022; (h) CSWR-Texas's Highly Sensitive Attachment G, filed on August 16, 2022; (i) CSWR-Texas's Seventh Supplement to Application, filed September 6, 2022; (j) Commission Staff's supplemental recommendation on administrative completeness, including confidential attachment, filed on September 15, 2022; (k) CSWR-Texas's proof of notice and affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on October 4, 2022; (l) Commission Staff's recommendation on sufficiency of notice, filed on October 12, 2022; and (m) Commission Staff's recommendation on approval of the sale, including confidential attachment, filed on November 7, 2022.

Cumulative Recommendation

15. 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 as: 50251,¹ 50276,² 50311,³ 50989,⁴ 51003,⁵ 51026,⁶ 51031,⁷ 51036,⁸

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, 2022).*

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, 2022).*

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, 2022).*

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, 2022).*

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, 2022).*

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, 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, 2022).*

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, 2022).*

51047,⁹ 51065,¹⁰ 51089,¹¹ 51118,¹² 51126,¹³ 51130,¹⁴ 51146,¹⁵ 51222,¹⁶ 51544,¹⁷ 51642,¹⁸

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, 2022).*

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, 2022).*

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, 2022).*

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, 2022).*

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, Docket No. 51130, Notice of Approval (Apr. 20, 2022).*

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, Docket No. 51146, Notice of Approval (Apr. 23, 2022).*

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).*

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).*

51917,¹⁹ 51928,²⁰ 51940,²¹ 51981,²² 52089,²³ 52099,²⁴ 52410,²⁵ 52700,²⁶ 52702,²⁷ 52803,²⁸

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 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, Notice of Approval (July 13, 2022).*

²⁵ *Application of RJR Water Company, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bexar County, Docket No. 52410, Notice of Approval (Jun. 3, 2022).*

²⁶ *Application of RJR Water Company 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).*

²⁷ *Application of CSWR-Texas Utility Operating Company, LLC and Fremont Water Company for Saale, Transfer, or Merger of Facilities and Certificate Rights in Kerr County, Docket No. 52702, Notice of Approval (Aug. 5, 2022).*

²⁸ *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).*

52879,²⁹ 52661,³⁰ 52880,³¹ 53326,³² 53317,³³ 53259,³⁴ 53429,³⁵ 53430,³⁶ 53456,³⁷ 53483,³⁸
53607,³⁹ 53238,⁴⁰ and 53538.⁴¹

System Compliance

16. Patterson Water's public water system number 1011920 currently has multiple violations listed in the Texas Commission on Environmental Quality (TCEQ) database from February 2019 for failure to maintain the facilities.

²⁹ *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, Notice of Approval (Sept. 21, 2022).*

³⁰ *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 (pending).*

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 Aransas Bay Utilities Co., LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Aransas County, Docket No. 53326 (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).*

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

³⁹ *Application of Chaparral Water System and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate of Rights in Gillespie County, Docket No. 53607 (pending).*

⁴⁰ *Application of Simply Aquatics, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate of Rights in Montgomery, Sabine, and San Augustine Counties, Docket No. 53238 (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).*

- 17. CSWR-Texas has agreed to work with TCEQ to address any outstanding compliance issues upon consummation of the transaction.
- 18. CSWR-Texas demonstrated a compliance history that is adequate for approval of the sale to proceed.

Adequacy of Existing Service

- 19. Patterson Water will be transferring six TCEQ approved public water systems (PWS) registered as:

Table 1 - PWS Listing and Investigation Date

PWS ID	Name	Last CCI	Violations
0570044	Danieldale Community Water Service	April 5, 2021	Paperwork violation
0610041	Rocky Point Community	October 14, 2021	Paperwork violation
0610052	Vacation Village	January 2, 2020	Pressure Violation
1840024	Crazy Horse Ranch	August 5, 2020	Capacity violation
2200117	Cooley Point	February 22, 2019	No Violations
2490049	Hills of Briar Oaks PWS	February 22, 2019	No Violations

- 20. As noted above some of Patterson Water’s public water systems have active violations listed in the TCEQ database. CSWR has 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 that customers receive safe and reliable service. The needed improvements will begin when the systems are officially transferred to CSWR-Texas.
- 21. Patterson Water does not have a wastewater permit associated with its sewer CCN. Instead, Patterson Water has sewer collection lines that transport wastewater to the City of Denton for treatment. The Commission’s complaint records, which date back to 2017, show 14 complaints against Patterson Water, each of which have been investigated by the Commission’s Consumer Protection Division.

Need for Additional Service

22. The purpose of the transaction is to transfer a portion of Patterson Water's public water systems and all of its sewer CCN service area and customers to CSWR-Texas. The customers are currently receiving water and sewer service from Patterson Water's water and sewer systems.

Effect of Approving the Transaction and Granting the Amendment

23. CSWR-Texas will be the certificated entity for the requested area and be required to provide continuous and adequate service to the requested area.
24. Because this application is to transfer only existing facilities, customers, and service area, there will be no effect on any other retail public utility servicing the proximate area.
25. There will be no effect on landowners as the area is currently certificated.
26. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and did not request to intervene.
27. CSWR-Texas will adopt Patterson Water's current rates upon the consummation of the transaction.

Ability to Serve: Managerial and Technical

28. CSWR-Texas has the technical and managerial capability 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 12 complaints against CSWR-Texas.
29. 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.
30. CSWR-Texas plans to use a contract operator for drinking water 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.

31. CSWR-Texas will have qualified TCEQ licensed operators licensed in wastewater treatment to run the acquired wastewater systems.

Regionalization or Consolidation

32. 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.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

33. Patterson Water is currently serving customers and has sufficient capacity. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities would need to be constructed. At a minimum, an interconnect would need to be installed in order to connect to a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

Ability to Serve: Financial Ability

34. 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.
35. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages or operating expense shortfalls—satisfying the operations test.
36. CSWR-Texas demonstrated adequate cash funding of the purchase price and planned system improvements for the Patterson Water water system.
37. CSWR-Texas demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

38. There is no need to require CSWR-Texas to provide a bond or other financial assurance to ensure continuous and adequate service.

Fair Market value and ratemaking rate base

39. Prior to filing the application, CSWR-Texas and Patterson Water filed a notice to the Commission in Project No. 49859 of their intent to use the Commission's fair market value (FMV) process to determine the ratemaking rate base of Patterson Water's system assets to be acquired by CSWR-Texas.
40. CSWR-Texas included three appraisal reports required by the FMV process with the application and evidence of the purchase price agreed upon between CSWR-Texas and Patterson Water.
41. The average of the three appraisals yields a FMV that is more than the sales price. Therefore, the ratemaking rate base for the Patterson Water system is the sales price amount.
42. The application included CSWR-Texas's known and estimated transaction and closing costs.
43. No additional conditions for the acquisition based on the FMV process are needed.

Environmental Integrity and Effect on the Land

44. The environmental integrity of the land will be minimally affected as CSWR-Texas makes necessary improvements to the systems to provide service to the requested area.

Improvement of Service or Lowering Cost to Consumers

45. Service to the requested area will improve because CSWR-Texas intends to address and resolve regulatory compliance issues and improve the safety and reliability of service.
46. The rates charged to customers in the requested area will not change as a result of the proposed transaction because CSWR-Texas will adopt the currently in effect tariff for Patterson Water's system upon consummation of the transaction.
47. Approving this application is in the public interest and necessary for the service, accommodation, convenience and safety of the public.

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. CSWR-Texas and Patterson Water provided notice of the application that complies with TWC §§ 13.246, 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).
3. The applicants have demonstrated that the sale of Patterson Water's facilities to CSWR-Texas will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public as required by TWC § 13.301(d) and (e).
4. CSWR-Texas filed its notice of intent to use the fair market valuation as required by TWC § 13.305(c)(1) and 16 TAC § 24.238(d).
5. The Commission's Executive Director selected three utility valuation experts to perform an appraisal of Patterson Water in compliance with TWC § 13.305(c)(2) and 16 TAC § 24.238(e).
6. The application included copies of the three appraisal reports completed by the utility valuation experts as required by TWC § 13.305(h) and 16 TAC § 24.239(d)(1)(A).
7. The application included the purchase price agreed to by CSWR-Texas and Patterson Water as required by TWC § 13.305(h)(2) and 16 TAC § 24.239(d)(1)(B).
8. The calculation of the fair market valuation for Patterson Water complies with TWC § 13.305(f) and 16 TAC § 24.238(f)-(j).
9. The calculation of the ratemaking rate base for Patterson Water complies with TWC § 13.305(g) and 16 TAC § 24.238(b)(3) and (4).

10. It is not necessary for CSWR-Texas to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
11. The applicants have demonstrated that the sale of Patterson Water'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).

III. 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. The ratemaking rate base for Patterson Water is determined to be the sales price amount.
3. CSWR-Texas may seek to include in its rate base its transaction and closing costs for the acquisition of Patterson Water's water and sewer systems in a future rate case.
4. 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.
5. The applicants have 180 days to complete the transaction.
6. 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.
7. The applicants are advised that the requested areas and associated facilities will remain under water CCN number 13248 and sewer CCN number 20566 and held by Patterson Water until the sale and transfer transaction is complete, in accordance with Commission rules.
8. 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.
9. 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 _____ 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

Katie Moore Marx
ADMINISTRATIVE LAW JUDGE