



## **Filing Receipt**

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**Item Number - 67**

**DOCKET NO. 53721**

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

**COMMISSION STAFF’S RESPONSE TO ORDER NO. 14**

**I. INTRODUCTION**

On June 15, 2022, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and Patterson Water Supply, LLC (Patterson Water) (jointly, Applicants) filed an application for approval of the sale, transfer, or merger (STM) of facilities and certificate of convenience and necessity rights in Dallas, Denton, Parker, Tarrant, and Wise counties. The Applicants filed supplemental information on June 20, July 29, August 11, August 15, August 16, and September 6, 2022, and July 18, 2023.

On June 7, 2023, the administrative law judge (ALJ) filed Order No. 14, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file recommendations on whether Applicants’ capital improvement plans satisfy Commission requirements, on the loan documentation or request for a good cause exception, on Applicants’ supplemental notice, and on Applicants’ supplemental materials by July 19, 2023. Therefore, this pleading is timely filed.

**II. RECOMMENDATION ON SUPPLEMENTAL MATERIALS**

Staff has reviewed the application and supplemental materials Applicants have filed to address the issues identified in Order No. 14 and, as supported by the attached memorandum from Patricia Garcia of the Infrastructure Division, recommends that Applicants have sufficiently addressed those issues. Specifically, Ms. Garcia points out that CSWR-Texas is proposing to make improvements to Patterson Water’s water and sewer systems that are expected to exceed \$100,000. CSWR will not be able to determine the full extent of the improvements needed until after the sale has been approved and the systems are in their possession. Therefore, Staff recommends a good cause exception be granted for the capital improvement plan under 16 TAC § 22.5(b). Additionally, Ms. Garcia notes that CSWR-Texas is acquiring all of Patterson Water’s existing

certificate of convenience and necessity and does not include any uncertificated areas nor any customers currently served by Patterson through its public water system but not currently located within Patterson's certificated area.

### **III. RECOMMENDATION ON SUPPLEMENTAL NOTICE**

Staff has reviewed the supplemental notice documentation filed by Applicants and as supported by the attached memorandum from Ms. Garcia, recommends that the Applicants' supplemental notice be deemed sufficient.

### **IV. RECOMMENDATION ON LOAN DOCUMENTATION**

Staff has reviewed the application and supplemental materials filed by Applicants and as supported by the attached memorandum from Fred Bednarski of the Rate Regulation Division, recommends that CSWR-Texas provided firm capital commitments to meet the requirements of 16 TAC § 24.11(e)(5)(B). Specifically, CSWR-Texas filed documentation demonstrating access to adequate cash funding for this transaction, and CSWR-Texas' parent company has committed capital to pay for the capital improvements in this application and CSWR-Texas' pending STM proceedings and is capable, available, and willing to cover any temporary cash shortages and operating expenses in this and other pending STM proceedings. Alternatively, if the ALJ were to find that CSWR-Texas' firm capital commitments do not meet the requirements of 16 TAC § 24.11(e)(5)(B), Staff recommends granting a good cause exception under 16 TAC § 22.5(b).

### **V. CONCLUSION**

For the reasons detailed above, Staff respectfully requests that an order be issued finding that Applicants have addressed the issues raised in Order No. 14 and allowing Applicants to proceed with the transaction.

Date: July 19, 2023

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

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**CERTIFICATE OF SERVICE**

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on July 19, 2023 in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Margaux Fox  
Margaux Fox

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Margaux Fox, Attorney  
Legal Division

**FROM:** Patricia Garcia, Infrastructure Analysis Section Director  
Infrastructure Division

**DATE:** July 17, 2023

**RE:** Docket No. 53721 – *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*

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### **1. Application**

CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and Patterson Water Supply, LLC (Patterson Water) (collectively, 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.

Specifically, CSWR-Texas, Certificate of Convenience and Necessity (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.

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

- The requested area 1 includes 243 customer connections and approximately 276 acres of transferred area from (CCN No. 13248).
- The requested area 2 includes 134 customer connections and approximately 59 acres of transferred area from (CCN No. 13248).
- The requested area 3 includes 406 customer connections and approximately 78 acres of transferred area from (CCN No. 13248).
- The requested area 3 sewer includes 362 customer connections and approximately 78

acres of transferred area from (CCN No. 20566).

- The requested area 4 includes 75 customer connections and approximately 253 acres of transferred area from (CCN No. 13248).
- The requested area 5 includes 55 customer connections and approximately 23 acres of transferred area from (CCN No. 13248).
- The requested area 6 includes 188 customer connections and approximately 1,164 acres of transferred area from (CCN No. 13248).
- **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 CCN No. 10195**

## **2. Notice**

CSWR-Texas provided notice consistent with 16 TAC § 24.239(c). The deadline to intervene was October 31, 2022; there were no motions to intervene, protests, or opt-out requests received.

On June 28, 2023, CSWR-Texas submitted a map to show the locations of landowners with 25 acres or more and a list of the landowners. Additionally, an affidavit was provided stating that all owners of tracts of land of 25 acres or more that are wholly or partially located in the requested area received individual notice by first-class mail. I recommend CSWR-Texas' notice be found sufficient.

## **3. Need for Service**

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

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. There are no uncertificated areas being added to CSWR-Texas' CCN in this application. The only area to be transferred is currently certificated to Patterson Water. There is no need for additional service as CSWR-Texas will continue to provide service to the customers in the area through the water and sewer facilities currently owned by Patterson Water when the sale and transfer is complete. I recommend need for service is necessary for the customers in the requested area.

#### **4. Capital Improvements Plan**

*An application for a certificate of public convenience and necessity or for an amendment to a certificate must contain: a capital improvements plan, including a budget and estimated timeline for construction of all facilities necessary to provide full service to the entire proposed service area (TWC § 13.244(d)(3)).*

CSWR-Texas is proposing to make improvements to Patterson Water's water and sewer systems. The proposed capital improvements are expected to exceed \$100,000. CSWR-Texas states that the itemized Attachment J provided in their original application is an estimate of the costs of repairs to the system. They will not be able to know the full extent of the improvements necessary until after the sale has been approved and the systems are in their possession. I recommend a good cause exception should be granted for the capital improvement plan.

The Rate Regulation Division will be addressing the need for firm capital commitment criterion in a separate memo.

#### **5. Recommendation**

I recommend CSWR-Texas' notice be found sufficient, approval of a good cause exception for the capital improvement plan, and that a public hearing is not necessary.

Based on the above information, I recommend that the Commission find that the transaction will serve the public interest and that the Applicants be allowed to proceed with the proposed transaction. There are no deposits held by Patterson Water for the customers being served in their water and sewer service areas.

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Margaux Fox  
Legal Division

**FROM:** Fred Bednarski III  
Rate Regulation Division

**DATE:** July 19, 2023

**RE:** Docket No. 53721 *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*

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On June 15, 2022, CSWR-Texas Utility Operating Company (CSWR-Texas), CCN No. 13290, and Patterson Water Supply, LLC (Patterson), CCN No. 13248, filed an application for the sale and transfer of facilities and certificate rights in Dallas, Denton, Parker, Tarrant, and Wise Counties under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239.

On June 7, 2023, the administrative law judge issued Order No. 14, requiring staff to file a recommendation on the loan documentation or good cause exception provided by CSWR- Texas.

Staff notes that 16 TAC § 24.11(e)(5)(B) allows the owner to meet the test by providing loan approval documents or firm capital commitments. At the February 16, 2023 open meeting, the Commission elaborated upon its previous discussion regarding these requirements at the October 6, 2022 open meeting. The Commissioners clarified that audited financial statements showing an adequate cash surplus were sufficient proof of financial assurance.<sup>1</sup>

CSWR-Texas filed documentation demonstrating access to adequate cash funding for this application, as well as CSWR-Texas' pending applications, as indicated in confidential attachment FB-1. CSWR-Texas' parent has committed capital to pay for the capital improvements regarding

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<sup>1</sup> Open Meeting at 39:40 (Feb. 16, 2023), Item No. 3 (*available at [https://www.adminmonitor.com/tx/puct/open\\_meeting/20230216/](https://www.adminmonitor.com/tx/puct/open_meeting/20230216/)*).



this application and pending STM proceedings, and is capable, available, and willing to cover any temporary cash shortages and operating expense shortfalls in this and other STM proceedings.<sup>2</sup> CSWR-Texas submitted audited financial statements containing a cash and cash equivalents balance sufficient to pay for the purchase price of Patterson, the remaining systems' purchase prices, Patterson's improvement cost, and the remaining systems' improvements costs. Therefore, I recommend a finding that CSWR-Texas provided adequate cash funding, a firm capital commitment, and that, if necessary, a good cause exception should be granted for 16 TAC § 24.11(e)(5)(A).

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<sup>2</sup> Application, Confidential 53721 CSWR Supplemental Attachment G-1 to Application, item no. 11, at pdf 7 (Jun. 20, 2022).