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Filing Date - 2023-04-12 10:31:44 AM

Control Number - 54018

Item Number - 29

DOCKET NO. 54018

APPLICATION OF CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY,	§	
LLC AND LINCECUMS WATER WELL	§	OF TEXAS
SERVICE FOR SALE, TRANSFER, OR	§	
MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN BRAZORIA	§	
COUNTY	§	

ORDER NO. 7
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Lincecums Water Well Service and CSWR-Texas Utility Operating Company, LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Brazoria County. The applicants seek approval of the following: (1) the sale and transfer of Lincecums' facilities and service area under certificate of convenience and necessity (CCN) number 13222 to CSWR-Texas; (2) the cancellation of Lincecums' CCN number 13222; (3) the amendment of CSWR-Texas's CCN number 13290 to include the area previously held under Lincecums' CCN number 13222; and (4) the addition of uncertificated area currently served by Lincecums to CSWR-Texas's CCN number 13290. The administrative law judge (ALJ) approves the transaction between Lincecums and CSWR-Texas and the transaction may be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. John K. Lincecums is an individual operating Lincecums Water Well Service.
2. Lincecums is an investor-owned utility.
3. Lincecums operates, maintains, and controls facilities for providing retail water service in Brazoria County under CCN number 13222.
4. Lincecums owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) under public water system number 0200159.

5. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
6. CSWR-Texas operates, maintains, and controls facilities for providing retail water service in Angelina, Aransas, Austin, Burleson, Burnet, Calhoun, Camp, Denton, Ellis, Erath, Guadalupe, Harris, Hays, Hidalgo, Hood, Jackson, Kerr, Limestone, Llano, Lubbock, McCulloch, Montague, Montgomery, Navarro, Orange, Parker, Polk, Robertson, Victoria, Wilson, and Wood counties under CCN number 13290.
7. CSWR-Texas owns multiple public water systems registered with the TCEQ.

Application

8. On August 31, 2022, the applicants filed the application at issue in this proceeding.
9. CSWR-Texas supplemented the application on September 23, October 25, and December 2, 2022, and February 27, 2023.
10. In the application, as supplemented, the applicants seek approval of the following transaction: (a) the sale and transfer of Lincecums' facilities and service area under CCN number 13222 to CSWR-Texas; (b) the cancellation of Lincecums CCN number 13222; (c) the amendment of CSWR-Texas's CCN number 13290 to include the area previously held under Lincecums' CCN number 13222; and (d) the addition of uncertificated area currently served by Lincecums to CSWR-Texas's CCN number 13290.
11. The requested area comprises approximately 43.1 acres of transferred area from Lincecums, 1.5 acres of uncertificated area, and 28 customer connections.
12. The requested area is located approximately two miles west of downtown Sweeny, Texas, and is generally bounded on the north by County Road 321; on the east by Hunters Lane; on the south by Union Pacific Railroad; and on the west by County Road 321.
13. In Order No. 3 filed on November 29, 2022, the ALJ found the application, as supplemented, administratively complete.

Notice

14. On January 9, 2023, CSWR-Texas filed the affidavit of Aaron Silas, director of regulatory operations of CSWR-Texas, attesting that notice, along with maps, was

provided to current customers of Lincecums, neighboring utilities, and affected parties on December 7, 2022.

15. On January 9, 2023, CSWR-Texas filed a publisher's affidavit attesting to publication of notice in *The Facts*, a newspaper of general circulation in Brazoria County, on December 7 and 14, 2022.
16. In Order No. 4 filed on January 24, 2023, the ALJ found the notice sufficient.

Evidentiary Record

17. In Order No. 6 filed on April 6, 2023, the ALJ admitted the following evidence into the record:
 - (a) The application, including confidential attachments, filed on August 31, 2022;
 - (b) CSWR-Texas's supplements to the application filed on September 23, October 25, and December 2, 2022, and February 27, 2023;
 - (c) Commission Staff's supplemental recommendation on administrative completeness filed on November 28, 2022;
 - (d) CSWR-Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential exhibit B, filed on January 9, 2023;
 - (e) Commission Staff's recommendation on sufficiency of notice filed on January 23, 2023; and
 - (f) Commission Staff's recommendation on the transaction, including all attachments, filed on March 7, 2023.

Cumulative Recommendation

18. On March 7, 2023, 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 area included in this

docket and, among others, in Docket Nos. 50251,¹ 50276,² 50311,³ 50989,⁴ 51003,⁵

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 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 Hills 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 (Sept. 9, 2021).

51026,⁶ 51031,⁷ 51036,⁸ 51047,⁹ 51065,¹⁰ 51089,¹¹ 51118,¹² 51126,¹³ 51130,¹⁴ 51146,¹⁵

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. dba Council Creek Village dba South Council Creek 2 and 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).*

⁸ *Application of Kathie Lou Daniels dba 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 dba 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 dba Quiet Village II dba QV Utility and 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. and 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, 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, Docket No. 51146, Notice of Approval (Apr. 23, 2021).*

51222,¹⁶ 51544,¹⁷ 51642,¹⁸ 51917,¹⁹ 51928,²⁰ 51940,²¹ 51981,²² 52089,²³ 52099,²⁴ 52410,²⁵

¹⁶ *Application of the Estate of Patetreen Petty McCoy dba 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).*

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. Drago 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).*

52661,²⁶ 52702,²⁷ 52803,²⁸ 52879,²⁹ 52880,³⁰ and 53326.³¹

CSWR-Texas's Compliance History

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

Adequacy of Existing Service

23. There are currently 28 connections in the requested area that are being served by Lincecum and such service has been continuous and adequate.
24. The last TCEQ on-site compliance investigation of the Lincecum's public water system was on November 13, 2018.

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 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).

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

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 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).

³¹ *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).

25. Lincecum has unresolved violations listed in the TCEQ database.
26. The Commission's complaint records, which date back to 2017, show no complaints against Lincecums.

Need for Additional Service

27. There is a continuing need for service because Lincecums is currently serving 28 connections in the requested area.
28. This is an application to transfer only existing facilities, customers, and service area.
29. There have been no specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

30. All retail public utilities in the proximate area of the requested area were provided notice of the transaction and none filed a protest or motion to intervene.
31. 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.
32. Approving the sale and transfer to proceed and granting the CCN amendment will obligate CSWR-Texas to provide continuous and adequate water service to current and future customers in the requested area.
33. There will be no effect on landowners in the requested area because the area is currently certificated.

Ability to Serve: Managerial and Technical

34. CSWR-Texas owns and operates multiple public water systems registered with TCEQ.
35. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system being transferred.
36. No additional construction is necessary for CSWR-Texas to provide service to the requested area. However, CSWR-Texas plans to make upgrades, renovations, and repairs to the water system to improve the reliability and quality of service.
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. Lincecums is currently serving customers and has sufficient capacity.
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 interconnect would need to be installed in order to connect to a neighboring retail 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 water system to serve the requested area.
42. 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

43. 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.
44. 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.
45. CSWR-Texas submitted documents demonstrating funds are available for the purchase of the system and facilities.
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 area 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 public water system.

Improvement of Service or Lowering Cost to Consumers

50. Reliability and quality of water service is expected to improve under CSWR-Texas's management.
51. 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 the Lincecum water system upon approval of the transaction.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The applicants provided notice of the application that complies 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 to the requested area as required by TWC §§ 13.241(a) and 13.301(b) and 16 TAC § 24.239(e).
4. The applicants demonstrated that the sale and transfer of CCN number 13222 and its associated 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 CSWR-Texas and Lincecums 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. The applicants are advised that the requested area and associated facilities will remain under CCN number 13222 and held by Lincecums 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 12th day of April 2023.

PUBLIC UTILITY COMMISSION OF TEXAS



KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE