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APPLICATION OF TEXAS WATER UTILITIES, L.P. AND CS WATER CORPORATION FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN BOSQUE COUNTY	§ § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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TEXAS WATER UTILITIES, L.P.'S REPLY TO OFFICE OF PUBLIC UTILITY COUNSEL'S EXCEPTIONS TO THE PROPOSED INTERIM ORDER

Texas Water Utilities, L.P. (TWU) submits the following reply to the Exceptions to the Proposed Interim Order Approving the Transaction to Proceed (Proposed Interim Order) filed by the Office of Public Utility Counsel (OPUC) on January 19, 2024.

I. REPLY TO OPUC'S EXCEPTIONS

The Public Utility Commission of Texas (Commission) should reject OPUC's exceptions to the Proposed Interim Order because they are contrary to the decision in Docket No. 54341 regarding the appropriate procedure for addressing a request for initial rates in a sale, transfer, or merger proceeding.¹ In Docket No. 54341, the administrative law judge (ALJ) filed Order No. 12, which contained findings of fact addressing Aqua Texas Inc.'s (Aqua Texas) request for initial rates under Texas Water Code § 13.3011 that were very similar to the findings of fact in the Proposed Interim Order filed in the instant case. The parties to Docket No. 54341 jointly requested that the ALJ modify Order No. 12 to include findings of fact, conclusions of law, and ordering paragraphs authorizing Aqua Texas to charge the requested initial rates upon the issuance of a Notice of Approval or final order.² In response, the ALJ withdrew Order No. 12 and filed two alternative proposed orders for the Commission to consider.³ In accordance with a

¹ *Application of Aqua Texas, Inc. and Forest Grove, Inc. dba Southern Oaks Water Supply for Sale, Transfer, or Merger of Facilities and Certificate Rights in Navarro and Freestone Counties and for Dual Certification with Winkler Water Supply Corporation*, Docket No. 54341, Commissioner Memorandum at 2 (Jun. 28, 2023) (Commissioner Memorandum).

² *Id.*, Joint Response to and Request for Modifications to Interim Order No. 12 Approving Sale and Transfer to Proceed at 5–6 (May 10, 2023).

³ *Id.*, Proposed Interim Order Memorandum and Proposed Interim Orders (May 12, 2023).

Commissioner memorandum addressing the issue, the Commission adopted the proposed order that adhered to the original format of Order No. 12.⁴

Below is a side-by-side comparison of the relevant findings of fact from Docket No. 54341 and the instant case.

Docket No. 54341⁵	Docket No. 54171⁶
9. Additionally, in the application, the applicants seek the following (a) an order confirming the ratemaking rate base for the public water system at issue in this proceeding; and (b) authorization for Aqua to charge the customers served by the public water system being acquired the rates that are in force for Aqua's North Region public water systems.	10. Additionally, in the application as supplemented, the applicants seek the following: (a) an order confirming the ratemaking rate base for the public water system at issue in this proceeding; and (b) authorization for Texas Water to charge the customers served by the public water system being acquired the rates that are in force for the majority of Texas Water's customers.
58. Aqua requested authorization to charge the customers served by the public water system being acquired the rates that are in force for Aqua's North Region public water systems.	58. Texas Water requested authorization to charge the customers served by the public water system being acquired the rates that are in force for Texas Water's customers as shown on page nine of its tariff.
59. If authorization is granted, rates for customers in the requested area will be higher than the rates currently charged by Southern Oaks, because Aqua will charge its North Region water utility tariff's rates.	59. If authorization is granted, rates for customers in the requested area will be higher than the rates currently charged by CS Water, because Texas Water will charge its tariff's rates.

None of these findings of fact are inconsistent with the statement that the Proposed Interim Order does not address the initial rates following Texas Water's acquisition of CS Water Corporation because none of these constitute a grant of approval of the requested initial rates.⁷ They simply state what TWU is requesting in relation to initial rates and a possible result if the requested

⁴ *Id.*, Commissioner Memorandum at 2 and Interim Order Approving Sale and Transfer to Proceed at Findings of Fact Nos. 9 and 58–59 (Jun. 29, 2023).

⁵ *Id.*, Order No. 12 Approving Sale and Transfer to Proceed at Findings of Fact Nos. 9 and 58–59 (May 3, 2023).

⁶ Proposed Interim Order Approving Sale and Transfer to Proceed at Findings of Fact Nos. 10 and 58–59 (Jan. 5, 2024).

⁷ *Id.* at 1.

initial rates are approved. Accordingly, OPUC's exception to this "discrepancy" is inappropriate.⁸

Moreover, the Proposed Interim Order's approach to addressing TWU's request for initial rates is wholly consistent with the approach approved by the Commission in Docket No. 54341. Under that approach, the final decision to approve or deny TWU's request for initial rates will be made via the Notice of Approval or final order issued in this case.⁹ Consequently, neither of OPUC's proposed changes to the Proposed Interim Order to address its exceptions are viable because they incorrectly imply that the Proposed Interim Order is the only opportunity the Commission will have to approve or deny TWU's request for initial rates. For these reasons, OPUC's exceptions should be rejected.

II. CONCLUSION

TWU respectfully requests that the Commission decline to modify the Proposed Interim Order Approving Sale and Transfer to Proceed as requested by OPUC because OPUC's exceptions do not raise any discernible issue that needs to be addressed.

⁸ Office of Public Utility Counsel's Exceptions to the Proposed Interim Order at 2 (Jan. 19, 2024).

⁹ Docket No. 54341, Commissioner Memorandum at 2 ("Practically, circumstances or environmental conditions or economics could change substantially during the 180 days the parties have to close the transaction. It is possible that the Commission might later consider rates that had received initial approval to no longer be reasonable at the time of the final order. As such, it is better for the Commission to wait to approve the rates to be charged until the final order in this proceeding and in other similar proceedings.") (emphasis added).

Respectfully submitted,

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**ATTORNEYS FOR TEXAS WATER
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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 January 19, 2024, in accordance with the Order Suspending Rules, issued in Project No. 50664.


Eleanor D' Ambrosio