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DOCKET NO. 54393

APPLICATION OF CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY,	§	
LLC AND INTERMEDIARY	§	OF TEXAS
SOLUTIONS HOLDING LLC FOR	§	
SALE, TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN LUBBOCK COUNTY	§	

COMMISSION STAFF'S RECOMMENDATION ON CSWR-TEXAS'S CAPITAL IMPROVEMENTS PLAN

On November 30, 2022, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and Intermediary Solutions Holding LLC (collectively, Applicants) filed an application for the sale, transfer, or merger of facilities and certificate rights in Lubbock County.

On October 20, 2023, the administrative law judge filed Order No. 13, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a recommendation on CSWR-Texas's capital improvements plan by November 3, 2023. Therefore, this pleading is timely filed.

I. CSWR-TEXAS'S CAPITAL IMPROVEMENT PLAN

Staff has reviewed the supplemental information provided by CSWR-Texas in response to Order No. 13 and, as detailed in the attached memoranda from Jolie Mathis of the Infrastructure Division and from Fred Bednarski of the Rate Regulation Division, recommends that the information provided is sufficient. Specifically, CSWR-Texas provided a budget, an estimated timeline for construction, and a keyed map showing where additional facilities will be located. Therefore, Staff recommends that CSWR-Texas meets all the statutory requirements of Texas Water Code Chapter 13 and the Commission's Chapter 24 rules and regulations.

II. CONCLUSION

For the reasons detailed above, Staff recommends that CSWR-Texas meet all the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules and regulations. Staff respectfully requests the entry of an order consistent with Staff's recommendation.

Dated: November 3, 2023

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Marisa Lopez Wagley
Division Director

/s/ Ian Groetsch

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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 November 3, 2023, in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Ian Groetsch

Ian Groetsch

Public Utility Commission of Texas

Memorandum

TO: Ian Groetsch, Attorney
Legal Division

FROM: Jolie Mathis, Utility Engineering Specialist
Infrastructure Division

DATE: November 3, 2023

RE: Docket No. 54393 – *Application of CSWR-Texas Utility Operating Company, LLC and Intermediary Solutions Holding LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Lubbock County*

1. Application

CSWR-Texas Utility Operating Company LLC (CSWR-Texas) and Intermediary Solutions Holding LLC (Intermediary Solutions) (collectively, Applicants) filed an application for sale, transfer, or merger (STM) of facilities and certificate rights in Lubbock County, Texas, under Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.

Specifically, CSWR-Texas, water Certificate of Convenience and Necessity (CCN) No. 13290, seeks approval to acquire facilities and to transfer and cancel all of the water service area from Intermediary Solutions under water CCN No. 12179.

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

- The requested area includes 194 customer connections and approximately 149.2 acres, comprised of:
8.5 acres of uncertificated area; and
140.7 acres of transferred area from CCN No. 12179.
- The application proposes the subtraction of approximately 140.7 acres from CCN No. 12179 and the addition of approximately 149.2 acres to CCN No. 13290.
- The application indicates that the total acreage being requested is approximately 148.2 acres, however, the mapping review determined the requested area is approximately 149.2 acres.

2. Notice

CSWR-Texas provided notice consistent with 16 TAC § 24.239(c). The deadline to intervene was March 6, 2023; there were no motions to intervene, protests, or opt-out requests received.

CSWR-Texas provided notice consistent with TWC § 13.246(a-1) and 16 TAC § 24.235(b)(2). An affidavit was filed showing that notice was provided to customers outside the current CCN area and landowners of tracts of land 25 acres or more in the requested area. Additionally, a detailed map providing the location of the customers outside the current CCN area and the landowners with tracts of land over 25 acres that are partially included in the CCN area were provided with identifying landowner information.

3. Capital Improvement 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 the North University Estates water system. The proposed capital improvements do exceed \$100,000, therefore, the need for firm capital commitment under 16 TAC § 24.11(e)(5) is required.

Once CSWR-Texas begins operating the facility, it is estimated it will take 12 months to evaluate the repairs and improvements needed. Following the evaluation, CSWR-Texas estimated it will begin construction within 24 months and that construction will be completed within 30 months.

A map was provided showing where the facilities will be located on October 18th.

4. Loan Documentation

The Rate Regulation Division will be addressing this criterion in a separate memo.

5. Recommendation

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 deposits held by Intermediary Solutions for some of the customers being served by North University Estates.

Public Utility Commission of Texas

Memorandum

TO: Ian Groetsch, Attorney
Legal Division

FROM: Fred Bednarski III, Financial Analyst
Rate Regulation Division

DATE: November 03, 2023

RE: Docket No. 54393 – *Application of CSWR-Texas Utility Operating Company, LLC and Intermediary Solutions Holding LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Lubbock County*

On November 30, 2022, CSWR-Texas Utility Operating Company (CSWR-Texas), water Certificate of Convenience and Necessity (CCN) No. 13290 and Intermediary Solutions Holding LLC (Intermediary) filed an application to for the sale and transfer of facilities and certificate rights in Lubbock County under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239, and to amend CSWR-Texas' CCN No. 13290 with uncertificated area under Subchapter G of Texas Water Code Chapter 13.

On October 20, 2023, the administrative law judge issued Order No. 13, requiring staff to file a recommendation on CSWR-Texas's capital improvement plan. Per Jolie Mathis, Utility Engineering Specialist, the proposed capital improvements do exceed \$100,000, therefore the need for firm capital commitment under 16 TAC § 24.11(e)(5) is required.

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.

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-1.1. CSWR-Texas' parent has committed capital to pay for the capital improvements regarding

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. CSWR-Texas submitted audited financial statements containing a cash and cash equivalents balance sufficient to pay for the purchase price of Intermediary, the remaining systems' purchase prices, Intermediary'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).