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Public Utilities Commission of Texas

RE: PUC DOCKET NO. 54565

I am writing this addendum to my protest after being able to read the filings that CSWR-Texas has made in support of their rate increase request. I feel the need to point out some inaccuracies and some conflicts with previous correspondence from CSWR-Texas.

In his filing received 2023-02-10, Mr. Jacob Freeman, Director of Engineering for CSWR, LLC, states:

“Many times, CSWR-Texas is unaware of the full scope of the reinvestment and upgrades required at the time of closing because CSWR-Texas is not able to inspect the entirety of the system prior to taking ownership and control.”

While that seems like a reasonable statement, it doesn't seem to apply to our Settler's Crossing neighborhood since it only consists of two water wells and two pressurized tank sites. He also states that:

“Many of the drinking water systems acquired by CSWR-Texas were found to have issues with their drinking water wells. These issues typically result from a combination of the age of the well as well as past owners' failure to conduct routine maintenance.”

One of our wells (#169444) was drilled and completed January 17, 2009, to a depth of 200 feet. The other well (#438653) was drilled and completed August 19, 2016, to a depth of 220 feet. Neither appears to have any issues, or need for “rehabilitation” as Mr. Freeman hinted. None of the photos included in his filing were from Settler's Crossing. Similarly, while CSWR apparently has replaced the 3000-gallon hydropneumatic tanks at both well sites, users have been unaware of any issues with the systems. One has to wonder if the changes were made more for CSWR-Texas' convenience, i.e. installation of remote monitoring equipment, rather than aging infrastructure. Further, while they tout doing fence repair work, the only work performed on the fence for well #169444 was the installation of a gate to facilitate bringing in a portable generator in case of extended power failure. This is a welcome addition, but didn't involve a huge capital outlay. In fact, they still haven't repaired the fence slat by the original gate, which has been broken for more than two years. While both Mr. Freeman and Mr. Cox imply they have superior operating practices, the reality is that they retained the same contractor to maintain our system as when Ranch Country Water Systems was the owner.



An additional review of Mr. Freeman's appendices, indicates that the nature of the improvements across the system lean much more heavily to the waste water treatment sector, than they do to the water supply portion of their business.

Mr. Josiah Cox, President of CSWR-Texas, states in his testimony, received 2023-02-10:

"In early 2010, after working on several small, failing water and wastewater systems, I created a business plan to acquire and recapitalize failing systems as investor-owned regulated water and wastewater utility companies."

It would appear, then, that Mr. Cox characterized the Ranch County water systems he acquired as "failing systems." This is very interesting since a) the systems were not failing, and b) by his own admission if they were he should have been prepared for a sizeable investment. Mr. Cox also states:

"...CSWR-Texas has filed 54 separate sale, transfer or merger ('STMs') cases to acquire water or wastewater systems in Texas, and each of these systems was either out of compliance at the time of acquisition or was at risk of being out of compliance due to a need to upgrade and modernize those systems to meet existing regulatory compliance requirements."

The residence of Settler's Crossing were never informed of any issues with our water system, either at the time we were told it was being sold, or when CSWR-Texas took over operations. In fact, CSWR-Texas expressly stated:

"This transaction will not have an effect on the current customer's rates and services."¹

Mr. Cox's testimony would appear to imply that CSWR-Texas **expected** to encounter substantial investments in "failing" systems, yet sent a letter to all end users **allaying any fears of rate increases** or service disruptions. At a minimum this is poor operating practice, and a maximum it is dishonest.

Mr. Cox goes on to say:

"CSWR-Texas seeks to unify the terms of service and consolidate rates statewide in order to simplify its in-state operations and regulatory obligations. As detailed in the testimony of Company witnesses Mike Duncan and Chis Ekrut, statewide consolidation not only provides efficiencies for CSWR-Texas and the regulators, it also facilitates the rehabilitation of distressed systems and mitigates rate impacts at many CSWR-Texas systems. For instance, absent consolidation, a household using 10,000 gallons a month in the Walnut Bend service area would have a monthly bill of \$674.49 for water service alone. Similarly, for a sewer customer in the Laguna service area, absent consolidation, a household would have a monthly bill of approximately \$568.59 for sewer service alone."

In other words, by consolidating and making everyone pay the same rate, CSWR-Texas simplifies their bookkeeping and **makes customers across the state pay for services and upgrades which they do not receive!** Quite a business model.

It appears that CSWR-Texas' business model is essentially to acquire unsuspecting rural systems, which may or may not be in need of upgrades, and then spending large amounts of capital in order to justify a rate of return. We are a captive audience. The only way we could possibly have redress is to be

released from the terms of the original agreement with Ranch Country Water Systems so that we can drill our own residential wells. While not an attractive option, it will pay out over time.

We do not want to have a water supply system that is out of compliance or unsafe. However, we cannot afford to be part of a business model experiment in which our rates are increase over 300% for water. The changes made to our local system do not warrant that kind of increase, even for a reasonable return on investment. Furthermore, as a consumer, I could care less if it make CSWR-Texas' accounting easier. We should be paying for the commodity we receive, not an inflated price. In times of natural disaster there are laws to protect against price gouging. What protections do we have now? We urge the Texas Public Utilities Commission to reject this rate increase proposal and direct CSWR-Texas to develop a more equitable solution for the end users. Residents of Settler's Crossing simply cannot afford to pay for infrastructure upgrades throughout the rest of Texas, especially upgrades that do not benefit us.

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¹ From "Notice to Current Customers, Landowners, Neighboring Systems and Cities Docket No. 53718