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DOCKET NO. 54899

APPLICATION OF CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY,	§	
LLC AND CIRCLE R RANCHETTES	§	OF TEXAS
PROPERTY OWNERS ASSOCIATION	§	
FOR SALE, TRANSFER, OR MERGER	§	
OF FACILITIES AND CERTIFICATE	§	
RIGHTS IN TARRANT COUNTY	§	

**ORDER NO. 8
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of CSWR-Texas Utility Operating Company, LLC, and Circle R Ranchettes Property Owners Association, aka Circle R Ranchettes Recreation and Community Corporation, for approval of the sale, transfer, or merger of facilities and certificate rights in Tarrant County. The applicants seek approval of the following: (1) the sale and transfer of all of Circle R Ranchettes' facilities and certificated service area under certificate of convenience and necessity (CCN) number 12298 to CSWR-Texas; (2) the cancellation of Circle R Ranchettes' CCN number 12298; and (3) and the amendment of CSWR-Texas's CCN number 13290 to include the facilities and service area previously included in Circle R Ranchettes' CCN number 12298. The Commission approves the transaction between Circle R Ranchettes and CSWR-Texas and authorizes it to be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

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

3. CSWR-Texas owns and operates several public water systems registered with the Texas Commission on Environmental Quality (TCEQ).
4. Circle R Ranchettes is a domestic nonprofit corporation registered with the Texas Secretary of state under file number 28305101.
5. Circle R Ranchettes operates, maintains, and controls facilities for providing water service in Tarrant County under CCN number 12298.
6. Circle R Ranchettes owns a public water system that is registered with the TCEQ under the name Circle R Ranchettes, identification number 2200148.

Application

7. On April 18, 2023, the applicants filed the application at issue in this proceeding.
8. CSWR-Texas filed an amendment to the application on April 28, 2023, and supplemented the application on June 7 and 14, and July 20, 2023.
9. In the application, as amended and supplemented, the applicants seek approval of the following transaction:
 - a. the sale and transfer of all of Circle R Ranchettes' facilities and certificated service area under CCN number 12298 to CSWR-Texas;
 - b. the cancellation of Circle R Ranchettes' CCN number 12298; and
 - c. the amendment of CSWR-Texas's CCN number 13290 to include the facilities and service area previously included in Circle R Ranchettes' CCN number 12298.
10. The requested area comprises approximately 28.2 acres, made up of two parcels; 27.6 acres to be transferred from the Circle R Ranchettes, with 48 current customer connections, and 0.6 of an acre that will be dually certificated with the Bethesda Water Supply Corporation under CCN number 10089, with no current customer connections.
11. The requested area is located approximately 5.2 miles northwest of downtown Mansfield, Texas and is generally bounded on the north by Sandy Lane; on the east by Teague Road; on the south by Rendon Bloodworth Road; and on the west by Rendon New Hope Road.
12. In Order No. 4, filed on July 12, 2023, the administrative law judge (ALJ) deemed the application administratively complete.

Notice

13. On July 26, 2023, CSWR-Texas filed the affidavit of Aaron Silas, director of regulatory operations for CSWR-Texas, attesting that notice was provided to all current customers of Circle R Ranchettes, neighboring utilities, and affected parties on July 21, 2023, and a second affidavit by Mr. Silas indicating there are no landowners owning tracts of land over 25 acres wholly or partly inside the requested CCN area.
14. In Order No. 6 filed on August 29, 2023, the ALJ found the notice sufficient.

Evidentiary Record

15. In Order No. 7 filed on November 14, 2023, the ALJ admitted the following evidence into the record:
 - a. The application including all attachments filed on April 18, 2023;
 - b. CSWR-Texas's amendment to the application filed on April 28, 2023;
 - c. CSWR-Texas's first supplement to the application filed on June 7, 2023;
 - d. CSWR-Texas's second supplement to the application filed on June 14, 2023;
 - e. Commission Staff's recommendation on administrative completeness and notice and proposed procedural schedule filed on July 6, 2023;
 - f. CSWR-Texas's third supplement, request for good cause exception and highly sensitive exhibits filed on July 20, 2023;
 - g. CSWR-Texas's proof of notice filed on July 26, 2023;
 - h. Commission Staff's recommendation on sufficiency of notice and good cause exception filed on August 25, 2023; and
 - i. Commission Staff's final recommendation on approval of the sale filed on September 19, 2023.

Purchaser's Compliance History

16. The Commission's complaint records, which date back to 2018, show 12 complaints against CSWR-Texas.
17. CSWR-Texas does not have any active violations in the TCEQ database.

18. CSWR-Texas does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
19. CSWR-Texas demonstrated a compliance history that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

20. There are 48 connections in the requested area that are being served by Circle R Ranchettes through public water system number 2200148.
21. The last TCEQ compliance investigation of Circle R Ranchettes was on July 13, 2022. Circle R Ranchettes has violations listed in the TCEQ database.
22. Capital improvements are necessary for CSWR-Texas to continue providing continuous and adequate service to the requested area.
23. There is no evidence in the record that Circle R Ranchettes has failed to comply with any Commission or TCEQ order.

Need for Additional Service

24. There is a continuing need for service because Circle R Ranchettes is currently serving 48 connections in the requested area.
25. There have been no specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

26. CSWR-Texas will be the sole certificated water utility for 27.2 acres of the requested area and one of two certificated providers for the remaining 0.6 of an acre of the requested area.
27. CSWR-Texas will be required to provide continuous and adequate water service to current and future customers for the requested area being sold, transferred, and added.
28. There will be no effect on landowners as the area is currently certificated.
29. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and did not request to intervene, protests, or adverse comments.
30. There is no evidence that approval of the transaction will have any adverse effect on any other retail public utility servicing the proximate area.

Ability to Serve: Managerial and Technical

31. CSWR-Texas owns and operates numerous TCEQ-registered public water systems in Texas.
32. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will be responsible for the operation of the public water system being transferred.
33. CSWR-Texas has the technical, financial, and managerial capability to provide adequate and continuous service to the requested area.

Ability to Serve: Financial Ability

34. 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.
35. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages or operating expense shortfalls, satisfying the operations test.
36. CSWR-Texas is proposing improvements to Circle R Ranchettes' public water system that exceed \$100,000, therefore a firm capital commitment under 16 TAC § 24.11(e)(5) is required.
37. CSWR-Texas demonstrated adequate cash funding of the purchase price and planned system improvements in this application, along with all of CSWR-Texas's other purchased systems and planned system improvements, therefore satisfying the requirement for a firm capital commitment under 16 TAC §24.11(e)(A).
38. CSWR-Texas demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

39. There is no need to require CSWR-Texas to provide a bond or other financial assurance to ensure continuous and adequate service.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

40. Circle R Ranchettes is currently providing water service to customers serving customers throughout its certificated portion of the requested area and such service has been continuous.

41. 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.
42. It is not feasible to obtain service from an adjacent retail public utility.

Environmental Integrity and Effect on the Land

43. The 27.6-acre portion of requested area will continue to be served with existing infrastructure.
44. The environmental integrity of the land will not be affected as no additional construction is needed to provide service to the requested area.

Improvement of Service or Lowering Cost to Consumers

45. CSWR-Texas will continue to provide water service to Circle R Ranchettes' existing customers in the requested area.
46. Reliability and quality of water service is expected to improve under CSWR-Texas's management.
47. CSWR-Texas will adopt current rates upon consummation of the transaction.

Regionalization or Consolidation

48. It will not be necessary for CSWR-Texas to construct a physically separate public water system to serve the requested area.
49. Because the requested area will not require construction of a physically separate public water system, consideration of regionalization or consolidation with another retail public utility is not required.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with Texas Water Code (TWC) §§ 13.246 and 13.301(a)(2) and 16 Texas Administrative Code (TAC) § 24.239(c).¹
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 in the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. The applicants demonstrated that the sale and transfer of all of Circle R Ranchettes' service area to CSWR-Texas will serve the public interest and is necessary for the continued service, accommodation, convenience, or safety of the public, as required by 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.

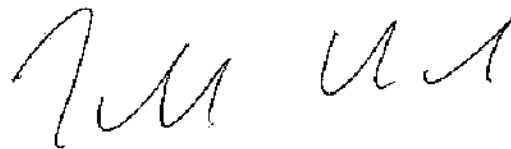
1. The transaction between CSWR-Texas and Circle R Ranchettes in this proceeding is approved and may be completed.
2. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, the applicants must file proof that the transaction has been completed 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.

¹ After this application was filed, 16 TAC § 24.239 was amended, effective March 29, 2023. Accordingly, all references and citations to 16 TAC § 24.239 in this Order are made to the version in effect at the time the application was filed.

5. CCN number 12298, and associated facilities and service area, will continue to be held by Circle R Ranchettes 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 20th day of November 2023.

PUBLIC UTILITY COMMISSION OF TEXAS



JEFFREY J. HUHN
ADMINISTRATIVE LAW JUDGE