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DOCKET NO. 55414

APPLICATION OF CSWR-TEXAS	§	PUBLIC UTILITY COMMISSION
UTILITY OPERATING COMPANY,	§	
LLC AND VINEYARD RIDGE WATER	§	OF TEXAS
SUPPLY, LLC FOR SALE, TRANSFER,	§	
OR MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN GILLESPIE	§	
COUNTY	§	

COMMISSION STAFF’S RECOMMENDATION ON THE TRANSACTION

On August 29, 2023, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and Vineyard Ridge Water Supply, LLC (collectively, ‘Applicants’) filed an application for approval of the sale, transfer, or merger of facilities and certificate of convenience and necessity (CCN) rights in Gillespie County under Texas Water Code (TWC) § 13.301 and Texas Administrative Code (TAC) § 24.239.

On November 14, 2023, the administrative law judge filed Order No. 4, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to request a hearing or file a final recommendation on approval of the sale and CCN amendment by January 5, 2024. Therefore, this pleading is timely filed.

I. RECOMMENDATION TO ALLOW THE TRANSACTION TO PROCEED

Staff has reviewed the application and supplemental information and, as detailed in the attached memoranda of Patricia Garcia of the Infrastructure Division and Fred Bednarski III of the Rate Regulation Division, recommends that the proposed transaction satisfies the relevant statutory and regulatory criteria, including those factors identified in TWC Chapter 13 and under 16 TAC Chapter 24. Additionally, based upon its review, Staff recommends that CSWR-Texas has demonstrated that it possesses the financial, technical, and managerial capability to provide continuous and adequate service to the area subject to the proposed transaction. Therefore, Staff recommends that the proposed transaction will serve the public interest and should be allowed to proceed without a public hearing. If the transaction is permitted to proceed, Staff further requests that the Applicants be required to file evidence that all assets have been transferred to the acquiring entity and that the disposition of any remaining deposits have been addressed as soon as possible, as required by 16 TAC § 24.239(I).

Staff notes that any approval of the sale expires 180 days from the date of the Commission's written approval of the sale. If the sale is not consummated within that period, and unless the Applicants request and receive an extension from the Commission, the approval is void and the Applicants must re-apply for approval of the sale, as required by 16 TAC § 24.239(m).

II. CONCLUSION

For the reasons detailed above, Staff respectfully requests the entry of an order allowing the proposed transaction to proceed.

Dated: January 5, 2024

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document will be provided to all parties of record via electronic mail on January 5, 2024, in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Kelsey Daugherty
Kelsey Daugherty

Public Utility Commission of Texas

Memorandum

TO: Kelsey Daugherty, Attorney
Legal Division

FROM: Patricia Garcia, Infrastructure Analysis Section Director
Infrastructure Division

DATE: January 5, 2024

RE: Docket No. 55414 – *Application of CSWR-Texas Utility Operating Company, LLC and Vineyard Ridge Water Supply, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Gillespie County*

1. Application

On August 29, 2023, CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) and the Vineyard Ridge Water Supply, LLC (Vineyard Ridge) (collectively Applicants) filed an application for sale, transfer, or merger (STM) of facilities and certificate rights in Gillespie County, Texas, under Texas Water Code (TWC) §§ 13.242 through 13.250 and § 13.301 and 16 Texas Administrative Code (TAC) §§ 24.225 to 24.237 and § 24.239.

Specifically, CSWR-Texas, Certificate of Convenience and Necessity (CCN) No. 13290, seeks approval to acquire facilities and to transfer all of the water service area from Vineyard Ridge under water CCN No. 13265.

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

- The requested area includes 76 customer connections and approximately 660.7 acres of transferred area from Vineyard Ridge (CCN No. 13265) to CSWR-Texas (CCN No. 13290).
- The application proposes the subtraction of approximately 660.7 acres from CCN No. 13265 and the addition of approximately 660.7 acres to CCN No. 13290.

2. Notice

Affidavits were provided affirming that notices were submitted to customers, cities, districts, neighboring retail public utilities, the county judge, groundwater conservation districts, and nine landowners owning 25 acres partially or wholly located in the requested area. A map indicating the location of each landowner was also provided.

CSWR-Texas provided notice consistent with 16 TAC § 24.239(c). The deadline to intervene was November 22, 2023; a motion to intervene was submitted.

3. Factors Considered

Under TWC §§ 13.241, 13.246, and 13.301 and 16 TAC §§ 24.11(e), 24.227 and 24.239, the Commission must consider certain factors when granting or amending a water or sewer CCN. These factors are addressed below.

3.1. Consideration of the adequacy of service currently provided to the requested area and system compliance (TWC § 13.246(c)(1), 13.301(e)(3)(A); 16 TAC §§ 24.227(a) and (e)(1), 24.239(h)(3)(A), (h)(5)(A), and (h)(5)(I)).

Vineyard Ridge has a Texas Commission on Environmental Quality (TCEQ) approved public water system (PWS) registered as Vineyard Ridge Water Supply, PWS ID No. 0860144. The last TCEQ compliance investigation of the Vineyard Ridge system was on November 30, 2022. Vineyard Ridge does not have any violations listed in the TCEQ database. The Commission's complaint records, which date back 5 years, show no complaints against Vineyard Ridge.

3.2. Consideration of the need for additional service in the requested area (TWC § 13.246(c)(2); 16 TAC §§ 24.227(e)(2) and 24.239(h)(5)(B)).

The purpose of the transaction is to transfer the Vineyard Ridge Water System to CSWR-Texas.

There are currently 76 existing customers in the requested area, therefore, there is a need for service. No additional service is needed at this time.

3.3. Consideration of the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already servicing the proximate area (TWC § 13.246(c)(3), 16 TAC §§ 24.227(e)(3), 24.239(h)(5)(c)).

CSWR-Texas will be the certificated entity for the requested area and be required to provide continuous and adequate service to the requested area.

There will be no effect on landowners as the area is currently certificated.

There will be no effect on any retail public utility servicing the proximate area. 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.

3.4. Consideration of the managerial and technical ability of the applicant to provide adequate service (TWC §§ 13.241(a) and (b), 13.246(c)(4); and 13.301(b) and (e)(2); 16 TAC §§ 24.227(a) and (e)(4), and 24.239(f) and (h)(5)(D)).

CSWR-Texas has the ability to provide adequate service in the requested area. CSWR-Texas has purchased several TCEQ approved public water systems and wastewater

treatment plants. The Commission's complaint records, which date back to 2017, show 63 complaints against CSWR-Texas. CSWR-Texas has acquired many systems which were suffering from poor management or overdue for repairs. The Commission's Consumer Protection Division has reviewed all the complaints submitted. Currently, there are two open complaints still in review. The remaining complaints have been reviewed and closed.

CSWR-Texas stated its intent to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water systems into compliance with TCEQ regulations and to ensure that customers receive safe and reliable service. The needed improvements will begin when the systems are officially transferred to CSWR-Texas. Once the water systems are compliant with TCEQ regulations, the service provided to the requested area will be adequate.

TCEQ rule, 30 TAC § 290.46, Minimum Acceptable Operating Practices for Public Drinking Water Systems, requires the operation of a public water system by trained and licensed personnel. The production, treatment, and distribution facilities at the public water system must be operated at all times under the direct supervision of a water works operator who holds an applicable, valid license issued by the TCEQ executive director. The licensed operator of a public water system may be an employee, contractor, or volunteer. CSWR-Texas plans to use a contract operator for plant operations, which would include one or more appropriately qualified and licensed operator(s). The contract operator(s) would be responsible for day-to-day inspections, checks, sampling, reporting, meter reading, and any necessary system repairs.

Based on orders filed in previous CSWR-Texas dockets where the administrative law judge requested Staff take into consideration all prior CSWR-Texas STM dockets in which Staff recommended the transaction should be allowed to proceed, Staff is including the list of approved dockets below:

- Docket No. 50251:¹ CSWR-Texas acquired the PWS, Coletto Water, PWS No. 2350036, and associated facilities, approximately 438 acres of service area, and 211 connections in Victoria County from JRM Water, LLC.
- Docket No. 50276:² CSWR-Texas acquired the PWS, North Victoria Utilities, PWS No. 2350049, and associated facilities, approximately 307 acres of service area, and 77 connections in Victoria County from North Victoria Utilities, Inc.

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 (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 (Mar. 11, 2021).

- Docket No. 50311:³ CSWR-Texas acquired the PWS, Copano Heights Water, PWS No. 0040017, and associated facilities, approximately 61 acres of service are, and 110 connections in Aransas County from Copano Heights Water Company.
- Docket No. 50989:⁴ CSWR-Texas acquired the public water systems Hillside Estates Water System, PWS No. 0080049; Meadowview Estates, PWS No. 0080051; Settlers Meadows Water System, PWS No. 0080055; Settlers Estates Sec II, PWS No. 0080056; Settlers Crossing Water System, PWS No. 0080058; Meadowview Estates II, PWS No. 0080059; and Settlers Crossing Water System 2, PWS No. 0080060, and associated facilities, approximately 638 acres of service area, and 316 connections in Austin County from Ranch Country of Texas Water Systems, Inc.
- Docket No. 51003:⁵ CSWR-Texas acquired the PWS, Oak Hills Ranch Water, PWS No. 0940085 and associated facilities, approximately 1,857 acres and 196 connections in Guadalupe and Wilson Counties from Oak Hills Ranch Estates Water Company.
- Docket No. 51026:⁶ CSWR-Texas acquired the PWS, Tall Pines, PWS No. 1010220, and associated facilities, approximately 42 acres of service are, and 73 connections in Harris County from Tall Pines Utility, Inc.
- Docket No. 51031:⁷ CSWR-Texas acquired the public water systems, Council Creek Village, PWS No. 0270014; South Council Creek 1, PWS No. 0270079; and South Council Creek 2, PWS No. 0270080, and associated facilities, approximately 275 acres of service area, and 176 connections in Burnet County from Council Creek Village, Inc. dba Council Creek Village dba South Council Creek 2.
- Docket No. 51036:⁸ CSWR-Texas acquired the PWS, Woodlands West, PWS No. 0260043 and associated facilities, approximately 61 acres and 18 connections in Burleson County from Kathie Lou Daniels dba Woodlands West.

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 (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 (Apr. 23, 2021).*

⁵ *Application of Oak Hill 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 (Sep. 9, 2021).*

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 (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 (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 in Burleson County, Docket No. 51036 (Aug. 23, 2021).*

- Docket No. 51047:⁹ CSWR-Texas acquired the PWS, South Silver Creek I II & III, PWS No. 0270041, and associated facilities, approximately 169 acres of service area, and 103 connections in Burnet County from Jones-Owen dba South Silver Creek I II & III.
- Docket No. 51065:¹⁰ CSWR-Texas acquired the PWS Treetop Estates, PWS No. 1840134, and associated facilities, approximately 93 acres of service area, and 35 connections in Parker County from Treetop Utilities, LLC.
- Docket No. 51089:¹¹ CSWR-Texas acquired the PWS, Quiet Village II, PWS No. 1080221, associated facilities, and wastewater collection lines, this includes approximately 18.5 acres and 165 connections in Hidalgo County from Donald E. Wilson dba Quiet Village II dba QV.
- Docket No. 51118:¹² CSWR-Texas acquired the public water systems, Shady Oaks Water, PWS No. 2470017; Hickory Hill Water, PWS No. 2470018; Arrowhead Water, PWS No. 2470025; and C Willow Water, PWS No. 2470019, and associated facilities, approximately 1,828 acres of service area, and 560 connections in Wilson County from Shady Oaks Water Supply Company, LLC.
- Docket No. 51126:¹³ CSWR-Texas has acquired the TCEQ PWS registered with the TCEQ as Aero Valley Water Service, PWS No. 0610243, and associated facilities, approximately 46.5 acres of service area which includes 14 acres of dual certification with Town of Northlake's CCN No. 12915, and 42 connections in Denton County from Aero Valley Water Service.
- Docket No. 51130:¹⁴ CSWR-Texas acquired the PWS, Laguna Tres Subdivision, PWS No. 1110019, and associated facilities from Laguna Tres, CSWR Also acquired the PWS Laguna Vista Subdivision, PWS No. 1110095 and associated facilities and

⁹ *Application of Jones-Owen Company dba South Silver Creek I, II, and III and CSWR-Texas Utility Operating Utility Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Burnet County, Docket No. 51047 (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 (Mar. 9, 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 (Nov. 18, 2021).*

¹² *Application of Shady Oaks Water Supply Company, LLC and CSWR-Texas Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Wilson County, Docket No. 51118 (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 (Approved 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 (Apr. 20, 2021).*

unpermitted wastewater facilities from Laguna Vista. The total certificated area amended to CSWR-Texas' CCN was 362 acres of water service area, with 446 water connections and 6 acres of sewer service area with 5 connections in Hood County from Laguna Tres, Inc. and Laguna Vista Limited.

- Docket No. 51146:¹⁵ CSWR-Texas acquired the PWS, Abraxas Utilities, PWS No. 1840034, Wastewater Discharge Permit No. WQ 00150-10001, and associated facilities, approximately 721 acres of service area, and 437 connections in Parker County from Abraxas Corporation.
- Docket No. 51222:¹⁶ CSWR-Texas acquired the PWS, Big Wood Springs Water System, PWS No. 2500019 and associated facilities, this includes approximately 643 acres and 76 connections in Wood County.
- Docket No. 51544:¹⁷ CSWR-Texas acquired the public water systems, Franklin Water Systems 1, PWS No. 1520224 and Franklin Water Systems 3, PWS No. 1520080 and associated facilities for each including approximately 186 acres and 219 connections in Lubbock County from Franklin Water Service Co. LLC.
- Docket No. 51642:¹⁸ CSWR-Texas has acquired a PWS registered with the TCEQ as Waterco, PWS No. 1690028, associated facilities, approximately 25 acres of service area, and 13 connections in Montague County from James L. Nelson dba Waterco.
- Docket No. 51917:¹⁹ CSWR-Texas acquired the PWS, The Woodlands Water System, PWS ID number 1050139 and associated facilities, this includes approximately 1,004 acres and 69 connections in Hays County from Rocket Water Company, Inc.
- Docket No. 51928:²⁰ CSWR-Texas acquired the PWS, Thousand Oaks Subdivision, PWS No. 0720054 and associated facilities, this includes approximately 96 acres and 15 connections in Erath County from Betty J. Drago.

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 (Apr. 23, 2021).*

¹⁶ *Application of David Petty, Executor 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 (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 (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 (Mar. 17, 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 (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 (Jan. 21, 2022).*

- Docket No. 51940:²¹ CSWR-Texas has acquired a PWS registered with the TCEQ as Walnut Bend Water Supply, PWS ID No. 0030037, associated facilities, approximately 48 acres of service area, and 19 connections in Angelina County from Walnut Bend Water Supply aka Walnut Bend Water System.
- Docket No. 51981:²² CSWR-Texas acquired the public water systems, Live Oak Hills Subdivision, PWS No. 1540012, Flag Creek Ranch, PWS No. 1500112, and associated facilities for each including approximately 425 acres and 68 connections in Llano and McCulloch Counties from Live Oak Hills and Flag Creek Ranch Water Systems.
- Docket No. 52089:²³ CSWR-Texas acquired the PWS registered as Woodland Harbor, PWS ID No. 0320014, and associated facilities, approximately 217 acres of service area, and 163 connections in Camp County from Alpha Utility of Camp County, LLC.
- Docket No. 52099:²⁴ CSWR-Texas has acquired the TCEQ approved PWS registered as Pelican Isle Water System, PWS ID No. 1750036, WWTP registered as Pelican Isle WWTP, Wastewater Discharge Permit No. WQ0013528001, and associated facilities, approximately 83.7 acres of service area, and 378 connections in Navarro County from THRC Utility, LLC.
- Docket No. 52410:²⁵ CSWR-Texas has acquired the TCEQ approved WWTP registered as Bridgewood Wastewater Treatment Facility, Wastewater Discharge Permit No. WQ14376-001, and associated facilities, approximately 1,419 acres of service area, and 1,209 connections in Bexar County from Leon Springs Utility Co, Inc.
- Docket No. 52661:²⁶ CSWR-Texas has acquired the Tri County Point Water System 2, PWS ID No. 1200027, Tri County Point Water System 3, PWS ID No. 1200028, and Tri County Point Water System 4, PWS ID No. 1200029, Tri-County Point Property Owners Association WWTP, Wastewater Discharge Permit No. WQ0015399001, and associated facilities, approximately 702 acres of water service area, 476 water connection, approximately 1,841 acres of sewer service area, and 447 sewer

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 (Mar. 17, 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 (Jan. 28, 2022).*

²³ *Application of Alpha Utility of Camp County, LLC and CSWR-Texas Operating Utility Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Camp County, Docket No. 52089 (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 (Jul. 13, 2022)*

²⁵ *Application of CSWR-Texas Utility Operating Company, LLC and Leon Springs Utility Co, Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Bexar County, Docket No. 52410 (Jun. 3, 2022)*

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 (Approved Dec. 12, 2022)*

connections in Calhoun and Jackson counties from Tri-County Point Property Owners Association.

- Docket No. 52702:²⁷ CSWR-Texas has acquired the TCEQ approved PWS registered as Fremont Water, PWS ID No. 1330153, and associated facilities, approximately 139 acres of service area and 58 connections in Kerr County from Fremont Water Company.
- Docket No. 52803:²⁸ CSWR-Texas has acquired the Copano Cove Subdivision under PWS ID No. 0040003 and Copano Ridge Subdivision under PWS ID: 0040029, and associated facilities, approximately 1,267 acres of service area, and 713 connections in Aransas County from Copano Cove Water Company, Inc.
- Docket No. 52879:²⁹ CSWR-Texas has acquired the TCEQ approved public water systems registered as Emerald Forest, PWS ID: 0700058, Grande Casa, PWS ID: 0700063, Lakeview Ranchettes, PWS ID: 0700057, Red Oak Community Water Service PWS ID: 0700056, and Spanish Grant Subdivision PWS ID: 0700064, and associated facilities, approximately 1,676 acres of service area, and 584 connections in Ellis County from Carroll Water Company, Inc.
- Docket No. 52880:³⁰ CSWR-Texas has acquired the TCEQ approved public water systems registered as Texas Landing Utilities Deerwood, PWS ID No. 1700798, Texas Landing Utilities Goode City, PWS ID No. 1700744, Texas Landing Utilities, PWS ID No. 1870151 and a WWTP registered as Texas Landing Utilities, Wastewater Discharge Permit No. WQ-13147-001, and associated facilities, approximately 844 acres of water service area, 310 water customer connections, approximately 93 acres of sewer service area, and 119 sewer customer connections in Polk and Montgomery counties from Texas Landing Utilities.
- Docket No. 53238:³¹ CSWR-Texas has acquired the Vista Verde Water Systems PWS ID No. 1700694, El Pinon Estates Water System PWS ID No. 2030013, La Playa Subdivision Water System PWS ID No. 2030015, and Timberlane Water System PWS ID No. 2020054, and associated facilities, approximately 523 acres and 254

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 (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 (Approved 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 (Approved Jun. 10, 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 (Approved Nov. 3, 2022)*

³¹ *Application of Simply Aquatics, Inc. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Montgomery, Sabine, and San Augustine Counties, Docket No. 53238 (Approved May 2, 2023)*

connections in Montgomery, Sabine, and San Augustine counties from Simply Aquatics, Inc.

- Docket No. 53317:³² CSWR-Texas has acquired the Shady Grove wastewater treatment facility registered with Hood County, approximately 17 acres of service area, and 10 connections in Hood County from Jusryn Company, Inc. dba Shady Grove Sewer System.
- Docket No. 53326:³³ CSWR-Texas has acquired the public water system Aransas Bay Utilities, PWS ID: 0040018, wastewater treatment system Aransas Bay Utilities, Wastewater Discharge Permit No. WQ00495-6000, and associated facilities, approximately 282 acres of water service area, 409 water connection, approximately 35 acres of sewer service area, and 35 sewer connections in Aransas County from Aransas Bay Utilities Co., LLC.
- Docket No. 53456:³⁴ CSWR-Texas has acquired the Lake Limestone Coves Water System, PWS ID No. 1980020 and associated facilities, approximately 576 acres of service area, and 424 connections in Limestone and Robertson counties from Limestone Coves Water System, Inc.
- Docket No. 53483:³⁵ CSWR-Texas has acquired the Longford Place Water System, PWS ID No. 1810015 and Country Squire Water & Sewer, PWS ID No. 1810060 and two wastewater treatment plants registered as Longford Place with the wastewater discharge permit number, WQ0011155001 and Country Squire Plant with the wastewater discharge permit number, WQ00111589001, and associated facilities, approximately 299 acres and 346 connections in Orange County from North Orange Water & Sewer, LLC.
- Docket No. 53538:³⁶ CSWR-Texas has acquired the Amberwood Subdivision, PWS ID No. 1011920, and associated facilities, approximately 78 acres and 54 connections in Harris County from Amberwood Utility Co.

³² *Application of CSWR-Texas Utility Operating Company, LLC and Jusryn Company, Inc. dba Shady Grove Sewer System for Sale, Transfer, or Merger of Facilities and Certificate Rights in Hood County, Docket No. 53317 (Approved April 24, 2023)*

³³ *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 (Approved Dec. 16, 2022)*

³⁴ *Application of CSWR-Texas Utility Operating Company, LLC and Lake Limestone Coves Water System, Inc. for Sale, Transfer, or Merger of Facilities and Certificate Rights in Limestone and Robertson Counties, Docket No. 53456 (Approved Mar. 7, 2022)*

³⁵ *Application of CSWR-Texas Utility Operating Company, LLC and North Orange Water & Sewer, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Orange County, Docket No. 53483 (Approved Mar. 8, 2022)*

³⁶ *Application of Amberwood Utility Co. and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Harris County, Docket No. 53538 (Approved Mar. 8, 2022)*

- Docket No. 53607:³⁷ CSWR-Texas has acquired the Chaparral Water System, PWS ID No. 0860010, and associated facilities, approximately 91 acres of service area, and 51 connections in Gillespie County from Chaparral Water System.
- Docket No. 53709:³⁸ CSWR-Texas has acquired the J E Franklin Trust sewer system, which consists only of gravity collection lines and approximately 193 acres and 44 connections in Lubbock County.
- Docket No. 54019:³⁹ CSWR-Texas has acquired the Ville D' Alsace Water Supply Company (Ville D' Alsace), PWS ID No. 1630037, and associated facilities, approximately 266 acres and 133 connections in Medina County.

In each of the above applications, CSWR-Texas has stated that it intends to contract with an operations company.

- 3.5. ***The applicants' demonstration that regionalization or consolidation with another retail public utility is not economically feasible when construction of a physically separate water or sewer system is required to provide service to the requested area. (TWC § 13.241(d); 16 TAC § 24.227(b)).***

The construction of a physically separate system is not necessary for CSWR-Texas to serve the requested area. Therefore, concerns of regionalization or consolidation do not apply.

- 3.6 ***Consideration of the feasibility of obtaining service from an adjacent retail public utility (TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5) and 24.239(h)(5)(E)).***

Vineyard Ridge is currently serving customers and has sufficient capacity. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. At the minimum, an interconnect would need to be installed in order to connect to a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

- 3.7. ***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)).***

³⁷ Application of Chaparral Water System and CSWR-Texas Utility Operating Company, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Gillespie County, Docket No. 53607 (Approved May 8, 2023)

³⁸ Application of CSWR-Texas Utility Operating Company, LLC and George Fuller, Executor of the Estate of Virginia Fuller, for Sale, Transfer, or Merger of Facilities in Lubbock County, Docket No. 53709 (Approved July 25, 2023)

³⁹ Application of CSWR-Texas Utility Operating Company, LLC and Ville D'Alsace Water Supply, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Medina County, Docket No. 54019 (Approved December 12, 2023)

CSWR-Texas is proposing to make improvements to Vineyard Ridge's water system. The proposed capital improvements are expected to exceed \$100,000, therefore the need for firm capital commitment under 16 TAC § 24.11(e)(5) is required.

The Rate Regulation Division will be addressing the need for firm capital commitment criterion in a separate memo.

- 3.8. *Consideration of the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service (TWC §§ 13.246(c)(6) and 13.301(b); 16 TAC §§ 24.227(a) and (e)(6), 24.11(e), and 24.239(f) and (h)(5)(F)).*

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

- 3.9. *Requirement of the applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided (TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(f), 24.239(f)).*

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

- 3.10. *Consideration of the environmental integrity and the effect on the land to be included in the certificated area (TWC § 13.246(c)(7) and (9); and 16 TAC §§ 24.227(e)(7) and (9) and 24.239(h)(5)(G)).*

The environmental integrity of the land will not be affected as no additional construction is needed to provide service to the requested area.

- 3.11. *Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 24.239(h)(5)(H)).*

The customers' rates will not change from the current rates for the Vineyard Ridge water system. Reliability and quality of water service is expected to improve under CSWR-Texas's management.

The Applicants meet all of the applicable statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules. Approving this application is in the public interest and necessary for the service, accommodation, convenience and safety of the public.

4. 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 no deposits held by Vineyard Ridge for the customers being served by the Vineyard Ridge Water System. I further recommend that a public hearing is not necessary.

Public Utility Commission of Texas

Memorandum

TO: Kelsey Daugherty, Attorney
Legal Division

FROM: Fred Bednarski III, Financial Analyst
Rate Regulation Division

DATE: January 5, 2024

RE: Docket No. 55414 *Application of CSWR-Texas Utility Operating Company, LLC and Vineyard Ridge Water Supply, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Gillespie County*

On August 29, 2023, CSWR-Texas Utility Operating Company (CSWR-Texas), CCN No. 13290, and Vineyard Ridge Water Supply, LLC (Vineyard Ridge) filed an application for the sale, transfer, or merger of facilities and certificate rights in Gillespie County under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239.

An owner or operator of a retail public utility must have the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service areas, as established by 16 Texas Administrative Code (TAC) § 24.11. CSWR-Texas must demonstrate that it meets one of the five leverage tests under 16 TAC § 24.11(e)(2) as well as the operations test under 16 TAC § 24.11(e)(3).

Leverage Test

CSWR-Texas filed an affidavit stating that CSWR, LLC is capable, available, and willing to cover any temporary cash shortages and operating expense shortfalls.¹

My analysis is based on financial statements ending December 31, 2022. These financial statements contain an unqualified auditor's opinion from RSM US LLP stating that the financial

¹ 55414 CSWR-Texas highly sensitive attachment G to application, interchange item no. 4, at pdf 7 (Aug. 29, 2023).

statements present fairly, in all material respects, the financial position of CSWR, LLC as of December 31, 2022.²

CSWR-Texas provided CSWR, LLC's financial statements, which demonstrates a debt-to-equity ratio of 0.16 as shown in confidential attachment FB-1. Because the ratio is less than one, I recommend a finding that CSWR, LLC meets the leverage test specified in 16 TAC § 24.11(e)(2)(A). Therefore, I recommend a finding that—through its affiliate—CSWR-Texas meets the leverage test as specified in 16 TAC § 24.11(e)(2)(E).

Operations Test

An owner or operator must demonstrate sufficient available cash to cover projected cash shortages for operations and maintenance expense during the first five years of operations; or an affiliated interest may provide a written guaranty of coverage of temporary cash shortages if the affiliated interest also satisfies the leverage test, as required by 16 TAC § 24.11(e)(3).

The affidavit provided by CSWR, LLC demonstrates a written guarantee of coverage of temporary cash shortages from an affiliated interest. Additionally, CSWR-Texas projects no operating shortages.³ Therefore, I recommend a finding that CSWR-Texas meets the operations test specified in 16 TAC § 24.11(e)(3).

Planned Capital Improvements and Purchase Price

An applicant proposing service to a new CCN area must provide documentation of adequate funding for the purchase of an existing system plus any improvements exceeding \$100,000 necessary to provide continuous and adequate service to the existing customers per 16 TAC § 24.11(e)(5)(A).

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 Oc-

² 55414 CSWR-Texas confidential attachment F to application, interchange item no. 3, at pdf 4 and 5 (Aug. 29, 2023).

³ 55414 CSWR-Texas highly sensitive attachment G to application, interchange item no. 4, at pdf 2 and 3 (Aug. 29, 2023).

tober 6, 2022 open meeting. The Commissioners clarified that audited financial statements showing an adequate cash surplus were sufficient proof of financial assurance.⁴

Pursuant to the memorandum provided by Patricia Garcia, Section Director, Infrastructure Analysis, required capital improvement exceed \$100,000. Therefore, CSWR-Texas provided a firm capital commitment demonstrating adequate cash funding of the purchase price and planned system improvements for the Vineyard Ridge system alongside all of CSWR-Texas's other purchased systems and planned system improvements as shown in confidential attachment FB-1. Therefore, I recommend a finding that CSWR-Texas satisfies the requirements of 16 TAC § 24.11(e)(5)(A) and that, if necessary, a good cause exception should be granted.

Recommendation

Because CSWR-Texas meets the financial tests, I do not recommend that the Commission require additional financial assurance.

Consequently, I recommend a finding that CSWR-Texas demonstrates the financial and managerial capability needed to provide continuous and adequate service to the area subject to this application. My conclusions are based on information provided by CSWR-Texas before the date of this memorandum and may not reflect any changes in CSWR-Texas's status after this review.

⁴ Open Meeting at 39:40 (Feb. 16, 2023), Item No. 3 (available at https://www.adminmonitor.com/tx/puct/open_meeting/20230216/).