



Filing Receipt

Filing Date - 2024-02-02 02:44:48 PM

Control Number - 55414

Item Number - 30

Coffin | Renner

February 2, 2024

Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, Texas 78701

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*

Central Records:

This letter is to request Central Records to Void Item 28 in Docket No. 55414 from the PUC Interchange. The Joint Motion to Admit contains a clerical error. Attached to this cover letter is the correct filing.

Respectfully,



Wendy K. L. Harvel
Attorney for CSWR-Texas Utility Operating
Company, LLC

cc: All Parties of Record

DOCKET NO. 55414

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

**JOINT MOTION TO ADMIT EVIDENCE
AND PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED**

TABLE OF CONTENTS

I. BACKGROUND 2
II. JOINT MOTION TO ADMIT EVIDENCE 2
III. PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO
PROCEED 3
IV. CONCLUSION..... 3

ATTACHMENT: Proposed Order Approving the Sale and Transfer to Proceed

DOCKET NO. 55414

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

**JOINT MOTION TO ADMIT EVIDENCE
AND PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED**

COME NOW Vineyard Ridge Water Supply, LLC (“Vineyard Ridge”) and CSWR-Texas Utility Operating Company, LLC (“CSWR-Texas”), together with the Staff of the Public Utility Commission of Texas (“Commission Staff”) (collectively, “the Moving Parties”), and file this Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Transfer to Proceed. In support thereof, the Moving Parties show the following:

I. BACKGROUND

On August 29, 2023, Vineyard Ridge and CSWR-Texas (collectively, the “Applicants”) filed an application with the Public Utility Commission of Texas (“Commission”) for approval of the sale, transfer, or merger of facilities and certificate rights in Gillespie County (“Application”). The Applicants seek the transfer of all water facilities owned by Vineyard Ridge and the amendment of CSWR-Texas’s certificate of convenience and necessity (CCN) number 13290 to include 660.7 acres under CSWR-Texas’s CCN No. 13290. The requested sale and transfer includes approximately 660.7 acres and 76 connections.

Pursuant to Order Nos. 4 and 5, the Moving Parties timely file this Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Transfer to Proceed.

II. JOINT MOTION TO ADMIT EVIDENCE

The Moving Parties move to admit the following items into the record evidence of this proceeding:

1. The application, including confidential attachments, filed on August 29, 2023 (Interchange Item Nos. 1-7);
2. CSWR-Texas’s first supplement to the application, filed on September 13, 2023 (Interchange Item No. 9);

3. Commission Staff's recommendation on administrative completeness, filed on September 28, 2023 (Interchange Item No. 10);
4. Kim and Anthony Sarao's motion to intervene, filed on October 18, 2023 (Interchange Item No. 12);
5. CSWR-Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on October 27, 2023 (Interchange Item Nos. 15-17);
6. Commission Staff's recommendation on sufficiency of notice, filed on November 13, 2023 (Interchange Item No. 20); and
7. Commission Staff's recommendation on the transaction, including confidential attachment, filed on January 5, 2024 (Interchange Item Nos. 23-24).

III. PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED

The Moving Parties move for adoption of the attached Proposed Order Approving the Sale and Transfer to Proceed.

IV. CONCLUSION

The Moving Parties respectfully request that the Commission grant the Motion to Admit Evidence and adopt the attached Proposed Order Approving the Sale and Transfer to Proceed.

Respectfully submitted,

**ATTORNEYS FOR CSWR-TEXAS UTILITY
OPERATING COMPANY, LLC**

L. Russell Mitten
General Counsel
Central States Water Resources, Inc.
1630 Des Peres Rd., Suite 140
Des Peres, Missouri 63131
(314) 380-8595
(314) 763-4743 (fax)

Wagley K L Harvel

Evan D. Johnson
State Bar No. 24065498
Wendy K. L. Harvel
State Bar No. 00796719
Coffin Renner LLP
1011 W. 31st Street
Austin, Texas 78705
(512) 879-0900
(512) 879-0912 (fax)
evan.johnson@crtxlaw.com
wendy.harvel@crtxlaw.com

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Marisa Lopez Wagley
Division Director

Ian Groetsch
Managing Attorney

/s/ Kelsey Daugherty

Kelsey Daugherty
State Bar No. 24125054
1701 N. Congress Ave.
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7255
(512) 936-7268 (Fax)
Kelsey.Daugherty@puc.texas.gov

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of February 2024, a true and correct copy of the foregoing document was served on all parties of record via electronic mail in accordance with the Second Order Suspending Rules issued in Project No. 50664.

Wagley K L Harvel
Wendy K. L. Harvel

DOCKET NO. 55414

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

PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Vineyard Ridge Water Supply, LLC (Vineyard Ridge) and CSWR-Texas Utility Operating Company, LLC (CSWR-Texas) for the sale, transfer, or merger of facilities and certificate rights in Gillespie County. CSWR-Texas seek the sale and transfer of all facilities and service area held under Vineyard Ridge’s water certificate of convenience and necessity (CCN) number 13265 to CSWR-Texas, the cancellation of Vineyard Ridge’s water CCN number 13265, and the amendment of CSWR-Texas’s water CCN number 13290 to include the area previously included in Vineyard Ridge’s water CCN number 13265. The administrative law judge (ALJ) approves the transaction between CSWR-Texas and Vineyard Ridge and authorizes it to be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. Vineyard Ridge is an investor-owned utility that operates, maintains, and controls facilities for providing water service in Gillespie County under CCN number 13265.
2. Vineyard Ridge owns and operates a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) under the name Vineyard Ridge Water Supply, public water system identification number 0860144.
3. CSWR-Texas owns and operates several public water systems registered with the TCEQ.
4. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 0803367893.
5. CSWR-Texas is an investor-owned utility that operates, maintains, and controls facilities for providing retail water service in Angeline, Aransas, Austin, Burleson, Burnet,

Calhoun, Camp, Denton, Ellis, Erath, Gillespie, Guadalupe, Harris, Hays, Hidalgo, Hood, Jackson, Kerr, Limestone, Llano, Lubbock, Medina, McCulloch, Montague, Montgomery, Navarro, Orange, Parker, Polk, Robertson, Sabine, San Augustine, Victoria, Wilson, and Wood counties under CCN number 13290.

Application

6. On August 29, 2023, the applicants filed the application at issue in this proceeding.
7. CSWR-Texas supplemented the application on September 13, 2023.
8. In the application, as supplemented, CSWR-Texas and Vineyard Ridge seek approval of the following transaction:
 - a. The sale and transfer of all of Vineyard Ridge's water facilities and certificated service area under water CCN number 13265 to CSWR-Texas;
 - b. The cancellation of Vineyard Ridge's water CCN number 13265; and
 - c. The amendment of CSWR-Texas's water CCN number 13290 to include the facilities and service area previously included in Vineyard Ridge's water CCN number 13265.
9. The requested area comprises approximately 660.7 acres and 76 current customer connections.
10. The requested area is located approximately 12.7 miles northwest of downtown Johnson City, Texas, and is generally bounded on the north by North Grape Creek Road; on the east by North Grape Creek Road; on the south by Ranch to Market Road 2721; and on the west by Klein Ahrens Road.
11. In Order No. 2 filed on October 2, 2023, the ALJ deemed the application, as supplemented, administratively complete.

Notice

12. On October 27, 2023, CSWR-Texas filed the affidavit of Eric Rocchio, Regulatory Case Manager of CSWR-Texas, attesting that notice was provided to all current customers of Vineyard Ridge, neighboring utilities, and affected parties on October 20, 2023.

13. In Order No. 4 filed on November 14, 2023, the ALJ deemed the notice sufficient.

Intervention

14. On October 18, 2023, Kim and Anthony Sarao filed a motion to intervene, which was granted on October 27, 2023, in Order No. 3.

Evidentiary Record

15. On February 2, 2024, the parties filed a joint motion to admit evidence.

16. In Order No. ___ filed on _____, the ALJ admitted the following evidence into the record:

- a. The application, including confidential attachments, filed on August 29, 2023;
- b. CSWR-Texas's first supplement to the application, filed on September 13, 2023;
- c. Commission Staff's recommendation on administrative completeness, filed on September 28, 2023;
- d. Kim and Anthony Sarao's motion to intervene, filed on October 18, 2023;
- e. CSWR-Texas's affidavit of notice to current customers, neighboring utilities, and affected parties, including confidential Exhibit B, filed on October 27, 2023;
- f. Commission Staff's recommendation on sufficiency of notice, filed on November 13, 2023; and
- g. Commission Staff's recommendation on the transaction, including confidential attachment, filed on January 5, 2024.

Compliance History

17. The last TCEQ compliance investigation of Vineyard Ridge Water Supply system was on November 30, 2022.

18. Vineyard Ridge's public water system number 0860144 does not have any violations listed in the TCEQ database.

19. The Commission's complaint records, which date back to 2017, show 63 complaints against CSWR-Texas.

20. CSWR-Texas does not have any active violations in the TCEQ database.
21. CSWR-Texas demonstrated a compliance history that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

22. There are currently 76 water connections in the requested area that are being served by Vineyard Ridge through public water system number 0860144.
23. Vineyard Ridge does not have any violations listed in the TCEQ database.
24. The Commission's complaint records, which date back to 2017, show no complaints against Vineyard Ridge.
25. CSWR-Texas stated that it intends to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the systems into compliance with TCEQ regulations and to ensure customers receive safe and reliable service.
26. There is no evidence in the record that Vineyard Ridge has failed to comply with any Commission or TCEQ order.

Need for Additional Service

27. There is a continuing need for service because Vineyard Ridge is currently serving 76 connections in the requested area.
28. There have been no specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

29. CSWR-Texas will be required to provide continuous and adequate water service to current and future customers for the requested area being sold and transferred.
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.
31. There will be no effect on landowners because the area is currently certificated.
32. All retail public utilities in the proximate area were provided notice of the transaction and none filed protests, adverse comments, or sought to intervene in this proceeding.

Ability to Serve: Managerial and Technical

33. CSWR-Texas owns and operates numerous TCEQ-registered public water systems and sewer systems in Texas.
34. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will be responsible for the operation of the public water system being transferred.
35. CSWR-Texas stated its intent to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water and sewer systems into compliance with TCEQ regulations and to ensure 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.
36. CSWR-Texas has the technical and managerial capability to provide adequate and continuous service to the requested area.

Ability to Serve: Financial Ability

37. 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.
38. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages or operating expense shortfalls and projects no cash shortages—satisfying the operations test.
39. CSWR-Texas is proposing improvements to Vineyard Ridge's public water system alongside all of CSWR-Texas's planned system improvements and purchased systems that exceed \$100,000. Therefore, loan approval documents or a firm capital commitment under 16 TAC § 24.11(e)(5) are required.
40. 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.¹

41. CSWR-Texas satisfies the requirements of 16 TAC § 24.11(e)(5)(A) and, if necessary, a good cause exception should be granted.
42. CSWR-Texas demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

43. 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

44. Vineyard Ridge is currently serving customers and has sufficient capacity.
45. 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.
46. It is not feasible to obtain service from an adjacent retail public utility.

Environmental Integrity and Effect on the Land

47. The requested area will continue to be served with existing infrastructure.
48. 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

49. CSWR-Texas will continue to provide water service to Vineyard Ridge's existing customers in the requested area.
50. CSWR-Texas will adopt current rates upon consummation of the transaction.

¹ See Confidential Attachment FB-1 (Jan. 5, 2024).

51. Reliability and quality of water service are expected to improve under CSWR-Texas's management.

Regionalization or Consolidation

52. The construction of a physically separate system is not necessary for CSWR-Texas to serve the requested area.
53. 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).²
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 areas, as required by TWC § 13.251.
3. CSWR-Texas demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. It is not necessary for CSWR-Texas to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
5. CSWR-Texas and Vineyard Ridge have demonstrated that the sale and transfer of all of Vineyard Ridge's facilities and service area to CSWR-Texas will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public, as required by TWC § 13.301(d) and (e).

² After this application was filed, 16 TAC § 24.239 was amended, effective March 29, 2023. Accordingly, all references and citation to 16 TAC § 24.239 are made to the version in effect at the time the application was filed.

III. Ordering Paragraphs

In accordance with the preceding findings of fact and conclusions of law, the Commission issues the following orders.

1. The sale is approved and the transaction between CSWR-Texas and Vineyard Ridge may proceed and be consummated.
2. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, CSWR-Texas and Vineyard Ridge must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
3. CSWR-Texas and Vineyard Ridge 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 consummated within this 180-day period, or an extension is not granted, this approval is void and CSWR-Texas and Vineyard Ridge will have to reapply for approval.
5. CCN number 13265, and associated facilities and service area, will continue to be held by Vineyard Ridge 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, CSWR-Texas and Vineyard Ridge must continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
7. Within 15 days following the filing of CSWR-Texas and Vineyard Ridge's proof that the transaction has been consummated 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 _____ day of _____ 2024.

PUBLIC UTILITY COMMISSION OF TEXAS

SUSAN E. GOODSON
ADMINISTRATIVE LAW JUDGE