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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	§	

**ORDER NO. 10
APPROVING SALE AND TRANSACTION TO PROCEED**

This Order addresses the application of CSWR-Texas Utility Operating Company, LLC and Vineyard Ridge Water Supply, LLC for the sale, transfer, or merger of facilities and certificate rights in Gillespie County. The applicants seek approval of the following: (1) 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; (2) the cancellation of Vineyard Ridge’s water CCN number 13265; and (3) 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.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. Vineyard Ridge is a Texas limited liability company registered with the Texas secretary of state under file number 802658376.
2. Vineyard Ridge is an investor-owned utility.
3. Vineyard Ridge holds CCN number 13265 which obligates it to provide retail water service in its certificated service area in Gillespie County.
4. Vineyard Ridge owns a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) as Vineyard Ridge Water Supply, under public water system identification number 0860144.

5. CSWR-Texas is a Texas limited liability company registered with the Texas secretary of state under file number 803367893.
6. CSWR-Texas holds CCN number 13290 which obligates it to provide retail water service in multiple counties, including Gillespie County.
7. CSWR-Texas owns and operates several public water systems registered with the TCEQ.

Application

8. On August 29, 2023, Vineyard Ridge and CSWR-Texas filed the application at issue in this proceeding.
9. CSWR-Texas supplemented the application on September 13, 2023, and February 27 and 29, 2024.
10. In the application, as supplemented, the applicants seek approval of the following:
 - a. the sale and transfer of all facilities and service area held under Vineyard Ridge's CCN number 13265 to CSWR-Texas;
 - b. the cancellation of Vineyard Ridge's CCN number 13265; and
 - c. the amendment of CSWR-Texas's CCN number 13290 to include the facilities and service area previously included in Vineyard Ridge's CCN number 13265.
11. The requested area is comprised of the following:
 - a. approximately 660.7 acres of singly certificated service area under Vineyard Ridge's CCN number 13265; and
 - b. 76 current customer connections.
12. 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.
13. In Order No. 2 filed on October 2, 2023, the ALJ found the application, as supplemented, administratively complete.

Notice

14. On October 27, 2023, CSWR-Texas filed an affidavit dated October 23, 2023 of Eric Rocchio, regulatory case manager of CSWR-Texas, attesting that notice, along with maps, was provided via first-class mail to all current customers of Vineyard Ridge, neighboring utilities, and affected parties on October 20, 2023.
15. On October 27, 2023, CSWR-Texas filed an affidavit dated October 23, 2023 of Mr. Rocchio attesting that notice was provided on October 23, 2023 via individual first-class mail to landowners owning tracts of land over 25 acres wholly or partly inside the requested area.
16. In Order No. 4 filed on November 14, 2023, the ALJ found the notice sufficient.

Intervention

17. In Order No. 3 filed on October 27, 2023, the ALJ granted Kim and Anthony Sarao's motion to intervene.

Evidentiary Record

18. In Order No. 8 filed on April 15, 2024, 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 proof of notice, including confidential exhibit B, filed on October 27, 2023;
 - f. CSWR-Texas's proof of notice to landowners, provided as exhibit C to the proof of notice documents and confidential exhibit D, filed on October 27, 2023;
 - g. Commission Staff's recommendation on sufficiency of notice filed on November 13, 2023;

- h. Commission Staff's recommendation on the transaction, including confidential attachment FB-1, filed on January 5, 2024;
- i. CSWR-Texas's status update filed on February 26, 2024;
- j. CSWR-Texas's pleading and attached affidavit of Mike Duncan filed on February 29, 2024;
- k. Commission Staff's response to Order No. 7 filed on April 5, 2024; and
- l. CSWR-Texas's submission of capital improvement plan filed on April 5, 2024.

Purchaser's Compliance History

- 19. CSWR-Texas has not been under enforcement action by the Commission, TCEQ, Texas Health and Human Services, the Office of Attorney General, or the United States Environmental Protection Agency in the past five years for non-compliance with rule, orders, or statutes.
- 20. The Commission's complaint records, which date back to 2017, show 63 complaints against CSWR-Texas.
- 21. The Commission's consumer protection division has reviewed all the complaints submitted, two remain open and still in review.
- 22. CSWR-Texas does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
- 23. CSWR-Texas demonstrated a compliance history that is adequate for approval of the transaction to proceed.

Adequacy of Existing Service

- 24. There are currently 76 connections in the requested area that are being served by Vineyard Ridge through public water system number 0860144.
- 25. The last TCEQ investigation of Vineyard Ridge was on November 30, 2022.
- 26. Vineyard Ridge has no unresolved violations listed in the TCEQ database.
- 27. The Commission's complaint records, which date back to 2017, show no complaints against Vineyard Ridge.

28. CSWR-Texas stated that it intends to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the system into compliance with TCEQ regulations and to ensure customers receive safe and reliable service. CSWR-Texas stated that the needed improvements will begin when the system is officially transferred to CSWR-Texas.

Need for Additional Service

29. There is a continuing need for service because Vineyard Ridge is currently serving 76 connections in the requested area.
30. This is an application to transfer only existing facilities, customers and service area.
31. There is no evidence of specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

32. CSWR-Texas will be the sole certificated water utility for the requested area.
33. CSWR-Texas will be required to provide continuous and adequate water service to current and future customers in the requested area.
34. Landowners in the requested area will be able to obtain water service from CSWR-Texas.
35. All retail public utilities in the proximate area were provided notice of the application, and no protests or adverse comments were filed.
36. There will be no effect on any retail public utility providing service in the proximate area.
37. There will be no effect on landowners because the area is currently certificated.

Ability to Serve: Managerial and Technical

38. CSWR-Texas owns and operates numerous public water systems registered with the TCEQ.
39. CSWR-Texas employs or contracts with TCEQ-licensed water operators who will operate the public water system being transferred.
40. CSWR-Texas has the technical and managerial capability to provide adequate and continuous service to the requested area.

Ability to Serve: Financial Ability

41. 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.
42. CSWR, LLC provided a written guarantee of coverage of temporary cash shortages, demonstrated that it has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the transaction, and possesses the cash and leverage ability to pay for capital improvements and necessary equity investments, satisfying the operations test.
43. The cost of CSWR-Texas' proposed improvements to the water system being transferred does not exceed \$100,000.
44. CSWR-Texas filed a capital improvement plan that included a budget and estimated timeline for construction of all facilities necessary to provide service to the requested area, keyed to a map showing where such facilities will be located.
45. CSWR-Texas provided audited financial statements 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; thus providing a firm capital commitment.
46. CSWR-Texas demonstrated the financial and managerial ability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

47. 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

48. Vineyard Ridge is currently serving customers.
49. 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 to connect to a neighboring retail public utility.
50. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

51. It will not be necessary for CSWR-Texas to construct a physically separate water system to serve the requested area.
52. 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.

Environmental Integrity and Effect on the Land

53. The requested area will continue to be served with existing infrastructure.
54. There will be minimal effects on environmental integrity and on the land as a result of CSWR-Texas' planned upgrades, renovations and repairs to the public water system.

Improvement of Service or Lowering Cost to Consumers

55. CSWR-Texas will continue to provide water service to Vineyard Ridge's existing customers in the requested area.
56. The reliability and quality of water service are expected to improve under CSWR-Texas's management.
57. The rates charged to customers in the requested area will not change as a result of the proposed transaction, because CSWR-Texas will adopt the currently in effect tariff for Vineyard Ridge's public water system number 0860144 upon approval of the transaction.

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. CSWR-Texas and Vineyard Ridge provided notice of the application that complies with Texas Water Code (TWC) §§ 13.246 and 13.301(a)(2) and 16 Texas Administrative Code (TAC) § 24.239.
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 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).

III. Ordering Paragraphs

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

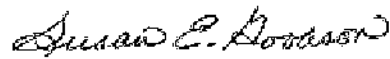
1. The transaction between CSWR-Texas and Vineyard Ridge in this proceeding is approved and may be completed.
2. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, CSWR-Texas and Vineyard Ridge must file proof that the transaction has 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. Before the Commission can grant final approval to this transaction, CSWR-Texas must file a capital improvement plan that complies with the requirements of TWC § 13.244(d)(3) and 16 TAC § 24.233(a)(6), which must include a budget and an estimated timeline for

construction of all facilities necessary to provide full service to the requested area, keyed to a map showing where such facilities will be located to provide service.

7. 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.
8. 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 on the 15th day of April 2024.

PUBLIC UTILITY COMMISSION OF TEXAS



SUSAN E. GOODSON

ADMINISTRATIVE LAW JUDGE