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DOCKET NO. 56608

APPLICATION OF THE ESTATE OF	§	PUBLIC UTILITY COMMISSION
HENRY M. GARZA DBA CIELO AZUL	§	
RANCH AND CIELO AZUL AGUA LLC	§	
FOR SALE, TRANSFER, OR MERGER	§	OF TEXAS
OF FACILITIES AND CERTIFICATE	§	
RIGHTS IN HAYS COUNTY	§	

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

Daniel L. Garza, Executor of the Estate of Henry M. Garza DBA Cielo Azul Ranch, (“Garza Estate”) and Cielo Azul Agua LLC, (“Cielo Azul”), (together, the “Applicants”), and the Staff (“Staff”) of the Public Utility Commission of Texas (“Commission”) (collectively, the “Parties”), submit this Joint Motion to Admit Evidence and Proposed Order Approving Sale and Transfer to Proceed. In support thereof, the Parties show the following:

I. BACKGROUND

On May 13, 2024, Applicants filed an application with the Commission for approval of the sale, transfer, or merger (“STM”) of facilities and certificate rights in Hays County, Texas (“Application”). The Applicants seek approval for Garza Estate to transfer all of its facilities and certified service area under Certificate of Convenience and Necessity (CCN) No. 12702 to Cielo Azul. The Applicants filed supplemental information on June 27, 2024, August 8, 2024, and October 15, 2024. The requested transfer includes approximately 45 acres and 11 customer connections.

On December 12, 2024, the administrative law judge (ALJ) filed Order No. 7 establishing a deadline of February 4, 2025, for the Parties to file a joint motion to admit evidence and proposed order approving sale and transfer to proceed. Therefore, this pleading is timely filed.

II. JOINT MOTION TO ADMIT EVIDENCE

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

1. Applicants' Application, filed May 13, 2024 (Interchange Item No. 1);
2. Commission Staff's Recommendation on Administrative Completeness, Notice, Proposed Procedural Schedule and Request to Restyle, filed June 13, 2024 (Interchange Item No. 3);
3. Applicants' Response to Request for Clarification, filed June 27, 2024 (Interchange Item No. 5);
4. Commission Staff's Supplemental Comment on the Correct Name of the Applicants, Sufficiency of the Applicant's Oaths, and Request to Restyle, filed July 3, 2024 (Interchange Item No. 6);
5. Applicants' Response to Request to Cure Deficiencies, filed August 8, 2024 (Interchange Item No. 8);
6. Confidential Response to Request to Cure Deficiencies, filed August 8, 2024 (Interchange Item No. 9);
7. Applicants' Response to Request to Cure Deficiencies, filed October 15, 2024 (Interchange Item No. 15);
8. Confidential Affidavit and Letter of Guarantee, filed October 15, 2024 (Interchange Item No. 16);

9. Commission Staff's Recommendation on Administrative Completeness, Notice, and Proposed Procedural Schedule, filed October 31, 2024 (Interchange Item No. 17);
10. Notice Affidavits, Copy of Notice and Maps, filed November 8, 2024 (Interchange Item No. 19);
11. Confidential Exhibit A to Affidavit of Notice to Customers, Neighboring Utilities, and Affected Parties, filed November 8, 2024 (Interchange Item No. 20);
12. Commission Staff's Recommendation on Notice and Proposed Procedural Schedule, filed December 10, 2024 (Interchange Item No. 21);
13. Commission Staff's Recommendation on the Transaction, filed January 7, 2024 (Interchange Item No. 23); and
14. Confidential Attachment FB-1, filed January 7, 2024 (Interchange Item No. 24).

III. PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

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

IV. CONCLUSION

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

Dated: February 4, 2025

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DOCKET NO. 56608

CERTIFICATE OF SERVICE

I hereby certify that on this the 4th day of February 2025, notice of the filing of this document was provided to all parties of record via electronic mail in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Gregory M. Klipp
Gregory Klipp

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RANCH AND CIELO AZUL AGUA LLC	§	
FOR SALE, TRANSFER, OR MERGER	§	OF TEXAS
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RIGHTS IN HAYS COUNTY	§	
	§	

PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Daniel L. Garza, Executor of the Estate of Henry M. Garza DBA Cielo Azul Ranch, (Garza Estate) and Cielo Azul Agua LLC, (Cielo Azul) (collectively, Applicants) for a sale, transfer, or merger of facilities and certificate rights in Hays County, Texas. The Applicants seek approval for Garza Estate to transfer all of its facilities and certified service area under Certificate of Convenience and Necessity (CCN) No. 12702 to Cielo Azul. The administrative law judge (ALJ) approves the sale and transfer and authorizes the transaction between Garza Estate and Cielo Azul to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact:

Applicants

1. Garza Estate operates, maintains, and controls facilities that provide retail water service in its certified service area in Hays County, Texas, under water CCN No. 12702.
2. Henry M. Garza is deceased.
3. Daniel L. Garza is the executor of the estate of Henry M. Garza.
4. The Garza Estate owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Cielo Azul Ranch, under identification number TX1050034.

5. Cielo Azul is a Texas limited liability company registered with the Texas secretary of state under file number 805477743.

Application

6. On May 13, 2024, Garza Estate and Cielo Azul filed the application at issue in this proceeding.
7. Applicants filed supplemental information on June 27, 2024, August 8, 2024, and October 15, 2024.
8. In the application, as supplemented, the Applicants seek approval of the sale, transfer, or merger of facilities and certificate rights in Hays County, Texas. Specifically, Garza Estate seeks approval of the transfer of all of its facilities and certified service area under Certificate of Convenience and Necessity (CCN) No. 12702 to Cielo Azul.
9. The requested area includes the following:
 - a. 45 acres of area that is singly certificated under Garza Estate's CCN Number 12702; and
 - b. 11 customer connections.
10. The requested area is located approximately 3.9 miles southwest of downtown Wimberley, Texas, and is generally bounded on the north by Benito Lane; on the east by Backbone Ridge; on the south by Farm to Market 32; and on the west by Dara Lane.
11. In Order No. 6 filed on November 4, 2024, the ALJ deemed the application, as supplemented, administratively complete.

Notice

12. On November 8, 2024, Cielo Azul filed the affidavit of Allison Chambers, Office Manager for The Garza Management Trust, attesting that notice was provided to all current

customers of Garza Estate, neighboring utilities, and affected parties on November 6, 2024, and the affidavit of Ms. Chambers that there are no landowners with a tract of land that is at least 25 acres and is wholly or partially included in the requested service area.

13. In Order No. 7, filed on December 12, 2024, the ALJ deemed the notice sufficient.

Evidentiary Record

14. On February 4, 2025, the parties filed a joint motion to admit evidence.

15. In Order No. ____ filed on _____, 2025, the ALJ admitted the following evidence into the record:

- a. the application, filed on May 13, 2024;
- b. Commission Staff's Recommendation on Administrative Completeness, Notice, Proposed Procedural Schedule and Request to Restyle, filed June 13, 2024;
- c. Applicants' Response to Request for Clarification, filed June 27, 2024;
- d. Commission Staff's Supplemental Comment on the Correct Name of the Applicants, Sufficiency of the Applicant's Oaths, and Request to Restyle, filed July 3, 2024;
- e. Applicants' Response to Request to Cure Deficiencies and corresponding Confidential Information related to the same, filed August 8, 2024;
- f. Applicants' Response to Request to Cure Deficiencies and corresponding Confidential Information related to the same, filed October 15, 2024;
- g. Commission Staff's Recommendation on Administrative Completeness, Notice, and Proposed Procedural Schedule, filed October 31, 2024;
- h. Notice Affidavits, Copy of Notice and Maps and corresponding Confidential Information related to the same, filed November 8, 2024;

- i. Commission Staff's Recommendation on Notice and Proposed Procedural Schedule, filed December 10, 2024; and
- j. Commission Staff's Recommendation on the Transaction and corresponding Confidential Information related to the same, filed January 7, 2025.

System Compliance

- 16. Garza Estate has a TCEQ approved PWS registered as Cielo Azul Ranch, PWS ID No. TX1050034.
- 17. The last TCEQ compliance investigation of the Garza Estate water system was on January 19, 2023. Garza Estate does not have any active violations listed in the TCEQ database.
- 18. The Commission's complaint records, which date back five years, show no complaints against Garza Estate.

Adequacy of Existing Service

- 19. Garza Estate has been providing adequate and continuous service to the area being transferred.
- 20. No additional construction is necessary for Cielo Azul to serve the requested area held by Garza Estate.

Need for Additional Service

- 21. The requested Garza Estate area includes 11 existing water customers. Therefore, there is a need for ongoing service. No additional service is needed at this time.

Capital Improvements to Existing Service

22. There are no improvements necessary to provide continuous and adequate service to the requested area therefore a capital improvements plan is not necessary.

Effect of Approving the Transaction and Granting the Amendments

23. Cielo Azul will become the certificated entity for the requested area and will be required to provide adequate and continuous service to the requested area.
24. There will be no effect on landowners as the area is currently certificated. Any landowners in the requested area that do not currently receive service from Garza Estate will need to request service from Cielo Azul if they require service after the transaction has been completed.
25. There will be no effect on any retail public utility servicing the proximate area.
26. The other retail public utilities in the proximate area were provided notice of the transaction proposed in the application and did not request to intervene.

Ability to Serve; Managerial and Technical

27. Cielo Azul will have qualified TCEQ licensed operators licensed in water treatment to run the acquired system.
28. Cielo Azul will have access to an adequate supply of water and is capable of providing water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the Texas Water Code (TWC), and the TCEQ's rules.
29. Cielo Azul will have the managerial and technical capability to provide continuous and adequate service in the requested area.

Ability to Serve; Financial Ability and Stability

30. Cielo Azul provided an affidavit stating that its affiliate and sole owner, The Garza Management Trust of 1994 (Garza), is capable, available, and willing to cover any temporary cash shortages and operating expense shortfalls. Garza's financial statements, ending December 31, 2023, demonstrate a debt-to-equity ratio of less than one. Therefore, through its affiliate, Cielo Azul satisfies the leverage test.
31. Cielo Azul provided an affidavit stating that its affiliate and sole owner, Garza, is capable, available, and willing to cover any temporary cash shortages and operating expense shortfalls. Cielo Azul also projects no operating shortages satisfying the operations test..
32. Cielo Azul has demonstrated the financial and managerial capability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

33. There is no need to require Cielo Azul to provide a bond or other financial assurance to ensure continuous and adequate service.

Environmental Integrity

34. The proposed transaction will not adversely impact the environmental integrity of the land because customers will be served using existing infrastructure.
35. The environmental integrity of the lands will not be affected as no additional construction is needed to provide service to the requested area.

Improvement in Service or Lowering Cost to Consumers

36. The customers' rates will not change from the current rates for the Cielo Azul Ranch water system.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

37. Garza Estate is currently serving customers and has sufficient capacity.
38. Obtaining service from an adjacent retail public utility would not be cost effective and would likely increase costs to customers because new facilities will need to be constructed. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

39. Construction of a physically separate water system is not necessary to serve the requested area therefore, concerns of regionalization and consolidation do not apply.

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. Garza Estate and Cielo Azul provided notice that complies with TWC §§ 13.246 and 13.301(a)(2) and 16 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Cielo Azul 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. Cielo Azul 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. Garza Estate and Cielo Azul have demonstrated that the transfer of Garza Estate's water service area and facilities held under CCN No. 12702 to Cielo Azul will serve the public

interest and is necessary for the service, accommodation, convenience, and safety of the public, as required by TWC §§ 13.246(b) and 13.301(d) and (e).

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 Cielo Azul and Garza Estate 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, Cielo Azul and Garza Estate must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
3. Cielo Azul and Garza Estate have 180 days 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 Cielo Azul and Garza Estate will have to reapply for approval.
5. Cielo Azul and Garza Estate are advised that the requested area and associated facilities will be held by Garza Estate until the sale and transfer transaction is complete, in accordance with Commission rules.
6. In an effort to finalize this case as soon as possible, Cielo Azul and Garza Estate 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 Cielo Azul and Garza Estate'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 _____ 2025.

PUBLIC UTILITY COMMISSION OF TEXAS

ADMINISTRATIVE LAW JUDGE