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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	§	OF TEXAS
FOR SALE, TRANSFER, OR MERGER	§	
OF FACILITIES AND CERTIFICATE	§	
RIGHTS IN HAYS COUNTY	§	

ORDER NO. 9
APPROVING SALE AND ALLOWING TRANSACTION TO PROCEED

This Order addresses the application of the Estate of Henry M. Garza dba Cielo Azul Ranch and Cielo Azul Agua LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Hays County. The applicants seek approval of the sale and transfer to Cielo Azul Agua of all facilities and service area held under Cielo Azul Ranch's certificate of convenience and necessity (CCN) number 12702. Cielo Azul Agua will retain CCN number 12702. The Commission approves the transaction between Cielo Azul Ranch and Cielo Azul Agua and the transaction may be completed as proposed.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Henry M. Garza was an individual who operated under the assumed name Cielo Azul Ranch.
2. Henry M. Garza is deceased.
3. Daniel L. Garza is the executor of the Estate of Henry M. Garza.
4. Cielo Azul Ranch operates, maintains, and controls facilities that provide retail water service for compensation in its certified service area in Hays County under CCN number 12702.
5. Cielo Azul Ranch owns and operates a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Cielo Azul Ranch, under identification number TX1050034.

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

Application

7. On May 13, 2024, Cielo Azul Ranch and Cielo Azul Agua filed the application at issue in this proceeding.
8. On June 27, August 8, and October 15, 2024, the applicants supplemented the application.
9. In the application, as supplemented, the applicants seek approval of the sale and transfer to Cielo Azul Agua of all facilities and service area held under Cielo Azul Ranch's CCN number 12702.
10. The total requested area includes approximately 45 acres and 11 customer connections.
11. 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 Road 32; and on the west by Dara Lane.
12. In Order No. 6 filed on November 4, 2024, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.

Notice

13. On November 8, 2024, Cielo Azul Ranch filed the affidavits of Allison Chambers, office manager for The Garza Management Trust of 1994, attesting that:
 - a. notice was provided to all current customers of Cielo Azul Ranch, neighboring utilities, and affected parties on November 6, 2024; and
 - b. there are no landowners owning tracts of land over 25 acres wholly or partly inside the requested area to be transferred.
14. In Order No. 7 filed on December 12, 2024, the ALJ found the notice sufficient.

Evidentiary Record

15. In Order No. 8 filed on March 3, 2025, the ALJ admitted the following evidence into the record of this proceeding:
 - 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 on June 13, 2024;
- c. Applicants' response to request for clarification filed on 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 on July 3, 2024;
- e. Applicant's supplement to the application, and all attachments, filed on August 8, 2025;
- f. Applicant's supplement to the application, and all attachments, filed on October 15, 2025;
- g. Commission Staff's recommendation on administrative completeness, notice, and proposed procedural schedule, filed on October 31, 2024;
- h. Applicants' proof of notice, and all attachments, filed on November 8, 2024;
- i. Commission Staff's recommendation on notice and proposed procedural schedule filed on December 10, 2024; and
- j. Commission Staff's recommendation on approval of the transaction, and all attachments, filed on January 7, 2025.

Purchaser's Compliance History

16. Cielo Azul Agua is a new entity and has no compliance history.

Adequacy of Existing Service

17. The last TCEQ compliance investigation of the Cielo Azul Ranch water system was on January 19, 2023. Cielo Azul Ranch 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 Cielo Azul Ranch.
19. Cielo Azul Ranch has been providing continuous and adequate service to the area being transferred.

20. No additional construction is necessary for Cielo Azul Agua to serve the requested area held by Cielo Azul Ranch.

Need for Additional Service

21. There are 11 existing customer connections in the requested area that are currently receiving service from Cielo Azul Ranch and have a continuing need for service.
22. This is an application to transfer only existing facilities, customers, and service area.
23. There is no evidence in the record indicating a need for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

24. Cielo Azul Agua will be the certificated water utility for the requested area.
25. Cielo Azul Agua will be obligated to provide continuous and adequate water service to current and future customers in the requested area.
26. There will be no effect on landowners as the requested area is currently certificated or being served by Cielo Azul Ranch.
27. All retail public utilities in the proximate area were provided notice of the application and none filed protests or adverse comments in this proceeding.
28. There will be no effect on any retail public utility providing service in the proximate area.

Ability to Serve: Managerial and Technical

29. Cielo Azul Agua will employ or contract with TCEQ-licensed water operators who will operate the public water system.
30. Cielo Azul Agua has the technical and managerial capability to provide adequate and continuous service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

31. Cielo Azul Ranch is currently serving customers in the requested area, and such service has been continuous and adequate.
32. 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.

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

Regionalization or Consolidation

34. It is not necessary for Cielo Azul Agua to construct a physically separate water system to serve the requested area.
35. Because the requested area will not require construction of a physically separate water system, consideration of regionalization or consolidation with another retail public utility is not required.

Ability to Serve: Financial Capability and Stability

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

Financial Assurance

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

Environmental Integrity and Effect on the Land

40. The requested area will continue to be served with existing infrastructure.
41. 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 of Cost to Consumers

42. Cielo Azul Agua will continue to provide water service to existing customers in the requested area.

43. The rates charged to customers in the requested area will not change as a result of the proposed transaction.

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.
2. After consideration of the factors in TWC § 13.246(c) and 16 TAC § 24.227(e), Cielo Azul Agua has demonstrated 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 Agua has 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. Cielo Azul Ranch and Cielo Azul Agua have demonstrated that the sale and transfer of the Cielo Azul Ranch's facilities, customers, and service area to Cielo Azul Agua 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 Cielo Azul Ranch and Cielo Azul Agua 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 consummated 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.
5. CCN number 12702, and the associated facilities and service area, will continue to be held by Cielo Azul Ranch 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 on the 6th day of March 2025.

PUBLIC UTILITY COMMISSION OF TEXAS



**KATIE MOORE MARX
ADMINISTRATIVE LAW JUDGE**