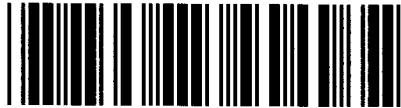




Control Number: 43005



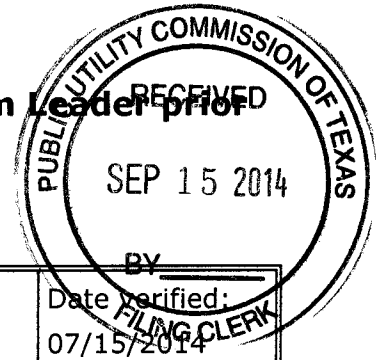
Item Number: 6

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014.

STM Checklist

Checklist must be submitted to Work Leader and Team Leader prior to final map or hearing request.



Applicant: Aqua Texas, Inc.

Application No.: 37922-S & 37923-S

§13.301(a)	Was written application filed on or before the 120 th day before the effective date of a sale? Yes	Date verified: 07/15/2014
<p>Description: The application was received on May 19, 2014, and was accepted for filing on June 10, 2014.</p> <p>(see question 2 of the application)</p>		
§13.301(a)	Was proper public notice provided? Yes. See notices.	Date verified: 07/15/2014
Date(s): June 12, 2014		
Waivers?: None		
Additional notice required for amendment?: No.		
All appropriate entities notified?: Yes. See list of all notified.		
§13.301(b)	Does the purchaser have adequate FMT to provide continuous and adequate service to the requested area AND any areas currently certificated to that person? Yes.	Date verified: 07/15/2014
<p>Description: This transaction and service area transferred should have a minimal impact on the purchaser's managerial and financial capabilities.</p> <p>Description of qualifications: "Aqua Texas is a subsidiary of Aqua America, Inc., one of the largest publicly traded water utilities in America. Aqua Texas currently operates more than 375 water systems and 44 wastewater systems in Texas. The Company has the financial ability to make all necessary repairs and improvements to the system to keep it in full compliance with all TCEQ regulations. The Company's experienced operators are thoroughly knowledgeable about water operations, as well as the requirements for continuous and adequate service required by the TCEQ rules of operation of utility systems."</p> <p>(see question 11. A. of the application)</p> <p>Description of any plans for improvements: Improvements are currently being made to bring the system into TCEQ compliance. Aqua Texas has the financial ability through customer collections and infusions of capital from lenders, as well as capital contributions from its parent Aqua America, Inc., to make any required future improvements necessary to meet TCEQ minimum requirements for continuous and adequate service.</p> <p>(see question 11. C and pg. 18, question 18. A of the application)</p>		
§13.301(c)	Is a bond or other financial assurance required to ensure continuous and adequate service? No.	Date verified: 07/15/2014
<p>Description: This transaction should have a minimal impact on the purchaser's financial and managerial capabilities.</p> <p>(review FMT Checklist and Memo for response)</p>		

§13.301(d)	Will the transaction serve the public interest? Yes. Aqua Texas owns several water utilities in the area of the system being acquired in this transaction. Economies of scale and regional methods of operation will be used to help keep expenses down in order to achieve lower customer rates. (see pg. 4, question 11. D of the application)	Date verified: 07/15/2014
Is the applicant willing to make improvements? Aqua Texas has the financial ability through customer collections and infusions of capital from lenders as well as capital contributions from its parent Aqua America, Inc., to make any required improvements necessary to meet TCEQ minimum requirements for continuous and adequate service.		
Description: Aqua Texas owns several water and sewer utilities in the area of the systems being acquired in these transactions. Economies of scale and regional methods of operation will be used to help keep expenses down in order to achieve lower customer rates. The transaction strictly involves an asset sale/acquisition /transfer between Texas H2O, Inc. and Aqua Texas, Inc. dba Aqua Texas. This is not a stock purchase transaction. Legal ownership and responsibility for the assets will be transferred to Aqua Texas, but day to day utility operations will improve under Aqua Texas experienced management and operations personnel. (see question 11. C of the application)		
§13.301(e)	Does the purchaser or any affiliate of the purchaser have a history of noncompliance with the requirements of the commission within the past 5 years? Yes.	Date verified: 07/15/2014
Description: Aqua Texas, Inc. dba Aqua Texas has received a few notices of violation which have been resolved or are in the process of resolution. Aqua Texas, Inc., Aqua utilities, Inc., and Aqua Development Inc. dba Aqua Texas implemented action items required under an extensive agreed compliance order for utility systems under enforcement or compliance orders inherited from AquaSouce Utility, Inc. and AquaSource Development Company in 2003. That works is now complete. Aqua Texas systems receive periodic inspections and reports from TCEQ staff. Records documenting all compliance and/or enforcement matters for Aqua Texas, Inc. and its affiliates are voluminous and available from TCEQ files. Waiver of productions is requested. Well capacity well pumps will be serviced or preplaced. Install additional isolation valves. All improvements necessary to bring the system up to TCEQ specifications will be completed before transfer of ownership to purchaser. (see question 11. B. of the application)		
Any active enforcement actions?: see above		
Enforcement Coordinator: see above		
Date of previous enforcement orders: see above		
Penalties: see above		
In compliance with previous orders?: see above		
§13.301(e)	Does the purchaser or any affiliate of the purchaser have a history of continuing mismanagement or misuse of revenues as a utility service provider? No.	Date verified: 07/15/2014

Description: Aqua Texas, Inc. dba Aqua Texas has received a few notices of violation which have been resolved or are in the process of resolution. Aqua Texas, Inc., Aqua utilities, Inc., and Aqua Development Inc. dba Aqua Texas implemented action items required under an extensive agreed compliance order for utility systems under enforcement or compliance orders inherited from AquaSouce Utility, Inc. and AquaSource Development Company in 2003. That works is now complete. Aqua Texas systems receive periodic inspections and reports from TCEQ staff. Records documenting all compliance and/or enforcement matters for Aqua Texas, Inc. and its affiliates are voluminous and available from TCEQ files. Waiver of productions is requested.

(see question 11. B. of the application)

§13.301(j)	If applicable, has the seller made a written disclosure to the purchaser related to customer contributions in aid of construction derived from specific surcharges? No.	Date verified: 07/15/2014
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Description: No surcharges listed on tariff.

(see question 13. A. of the application)

If applicable, have protestants' concerns been addressed by letter from the staff or utility? No protests were received.	Date verified: 07/15/2014
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Names of protestants: None.

Description of protests: NA

Protestants included on mailing list?: NA

Have any customer deposits been accounted for? Deposits will be returned prior to closing.	Date verified:
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(see question 5. of the application)

Have all tariff issues including rates, tap fees and service rules/extension policy language been resolved? Yes.	Date verified:
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Description: The rates will not change, they will be transferred to the buyer's tariff.	Date tariff was stamped approved: Pending
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If entity is a WSC, is most recent version of tariff on file? NA	Date WSC tariff was received: NA
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§13.132	Does the applicant have a current Annual Report on file? Yes.	Date verified: 07/15/2014
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Description: 2012 annual report	Date annual report was received: 04/02/2012
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Do any of the systems being transferred have violations that need to be corrected? See Compliance Summary.	Date verified: 07/15/2014
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If the purchaser is a corporation, is it in good standing with the State Comptroller? Yes.	Date verified: 07/15/2014
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Have all TCEQ Fees and penalties and any laboratory fees owed by either the seller or purchaser been paid? Yes. None owed (see the Admin's NOD letter)	Date verified: 07/15/2014
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What are the terms of the sale? The transaction strictly involves an asset sale/acquisition /transfer between Texas H2O, Inc. and Aqua Texas, Inc. dba Aqua Texas. This is not a stock purchase transaction. Legal ownership and responsibility for the assets will be transferred to Aqua Texas, but day to day utility operations will improve under Aqua Texas experienced management and operations personnel. (see question 12 of the application)	Date verified:
Sales price: \$2,720,000	
# of customers affected: 1,088	
Original cost of plant being transferred: unknown	
Accumulated depreciation: unknown	
Date of closing:	
If facility being transferred is a wastewater treatment system, has the applicant requested a transfer of the wastewater discharge permit? Yes, there are two pending by WQ 13786-001 and WQ 13025-001. (see question 16 B of the application)	Date verified: 07/15/2014
Miscellaneous information: the following are the water and sewer utilities transferring: Boynton Water: Canyon Creek Addition, Granbury Industrial Park, Long Creek Water, Ridge utilities and Sunset Canyon Water Moore Estates in Hood County. Forest Acres Gardens, Heritage and Oaks Water in Tarrant Counties. Rancho Villa Water in Johnson County.	Date verified: 07/15/2014
Is the system under the jurisdiction of a city (if yes, name the city)? No. (see question 18 of the application)	
Is the seller's CCN being canceled?: Yes. (see question 1 of the application)	

	If applicable, the staff person must send an email to Central Registry requesting them to link the appropriate CCN, CN and RN numbers. The email should be addressed to Karen Young with a copy to Bernadette Segala and say WUD Priority in the subject line. If these numbers are not linked appropriately, the Chief Clerk's Office will not be able to accept the application for posting and the file will be returned to our program area. This will cause a delay in the getting the final order and CCN(s) signed.	Date verified: After sale
<p>Description:</p> <p>Re: Application from Aqua Texas, Inc., CCN No. 13201 to Transfer and Cancel CCN Nos. 12809 & 20814 held by Texas H2O in Hood, Johnson and Tarrant Counties; Application No. 37922-S 37923-S</p> <p>CN: 601570773; RN: 106107709 (water) RN: 106107733 (sewer) (Aqua Texas) CN: 600656201; RN: 101451862 (water) RN: 101274991 (sewer) (Texas H2O)</p>		

COMPLIANCE SUMMARY

General: Water System Name: Texas H2O Inc.
Public Water System No.: 1110084
Public Water System No.: 1110070
Inspection Date: 12/14/11

Water Quality No.: WQ0013025-001
Water Quality No.: WQ0013786-001 09-27-12

Inspection Date: 02/13-13-02/13-13

Several outstanding alleged violations are noted. See summary list of deficiencies/violations: Docket No. 2013-1268-PWS-E, Compliance Agreement Effective 08-30-13.

Signed: _____ Date: _____