

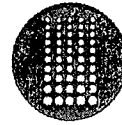


Control Number: 47992



Item Number: 8

Addendum StartPage: 0



**Monarch
Utilities I, L.P.**

A SouthWest Water Company

February 27, 2018

RECEIVED

2018 MAR -1 AM 9:20

Customer Service
866.654.SWWC (7992)

PUBLIC UTILITY COMMISSION
FILING CLERK

Public Utility Commission of Texas
P.O. Box 13326
Austin, TX 78711

Re: Docket 47992: Application of Dal-High Water LLC and Monarch Utilities I, L.P. for Sale, Transfer, and Merger of Facilities and Certificate Rights in Henderson County

To the Commission:

On February 1, 2018 the Commission issued in the above referenced application a Recommendation of Administrative Completeness and a Staff Memo with a list of deficiencies. The Order required the deficiencies to be resolved by March 5, 2018. The deficiencies and our responses are below.

1. Deficiency: A copy of Dal-High's most recent tariff.

Response: See Attachment A for the most recent tariff.

2. Deficiency: A copy of the agreement between parties, contingent contract, or other documents supporting the proposed transaction.

Response: See Attachment B for the Asset Purchase Agreement

3. Deficiency: A copy of Dal-High's 2016 Annual Report

Response: This document does not exist. The current owner has indicated she has not prepared or filed an Annual Report since the 2014 report. See Attachment C.

The circumstances are that the current owner has been operating the very small system with the assistance of a contract operator and financial records and backup documents from 2016 are either not now available or in good condition. Preparation of a 2016 Annual Report at this time will be difficult. The applicants respectfully request the need to alleviate this deficiency be waived.

4. Deficiency: Clarification of the difference in acreage as states on page 20 of 23 of the application (200 acres) and the actual acreage to be transferred determined by the staff (32 acres). The applicant must state whether they are seeking to amend the requested area to be transferred or transfer the area as is.

Response: The request is for the service area to be transferred as is. As stated on page 7 of the application, no change in the service area is requested and no change is requested to the boundaries as currently mapped. The acreage to be transferred

Public Utility Commission of Texas

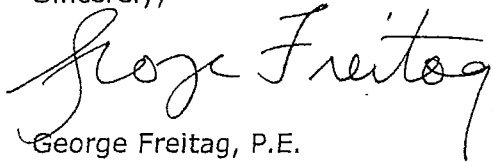
February 27, 2018

Page 2

is approximately 32 acres as determined by staff. The referenced 200 acres on the draft notice page is not correct.

Again, the applicants respectfully request the need to provide a 2016 Annual Report be waived and the processing of this application be allowed to proceed. If you have any questions or need additional information please contact me.

Sincerely,

A handwritten signature in black ink that reads "George Freitag". The signature is written in a cursive style with a large, sweeping "G" and a long, trailing "g".

George Freitag, P.E.

SouthWest Water Company

Monarch Utilities I, L.P.

Texas Regulatory Manager

1620 Grand Avenue Parkway #140

Pflugerville, TX 78660

ATTACHMENT A

WATER UTILITY TARIFF

FOR

Dexter Monroe dba Dal-High Water System
(Utility Name)

P.O. Box 1531
(Business Address)

Athens, Texas, Texas 75751
(City, State, Zip Code)

(903) 675-1119
(Area Code/Telephone)

This tariff is effective for utility operations under the following Certificate of Convenience and Necessity:

12830

This tariff is effective in the following county(ies):

Henderson

This tariff is effective in the following cities or unincorporated towns (if any):

None

This tariff is effective in the following subdivisions or systems:

Dal-High (PWS I.D.# 1070159)

TABLE OF CONTENTS

The above utility lists the following sections of its tariff (if additional pages are needed for a section, all pages should be numbered consecutively):

SECTION		PAGE
1.0	RATE SCHEDULE	<u>2</u>
2.0	SERVICE RULES	<u>3</u>
3.0	EXTENSION POLICY	<u>8</u>
4.0	WATER RATIONING PLAN	<u>10</u>
APPENDIX A	SERVICE AGREEMENTS	___

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31524 UCCN 12330 MAY 12 '97

D.A. APPROVED TARIFF BY D.L. ad

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallorage Charge</u>
5/8" or 3/4"	\$16.00 (INCLUDING 2,000 GALLONS)	\$1.50 per 1000 gallons same for all meter sizes

REGULATORY ASSESSMENT 1.0%
 A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER.

Section 1.02 - Miscellaneous Fees

TAP FEE \$300.00
 THE TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" or 3/4" METER.

RECONNECTION FEE
 THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS:

- a) Non payment of bill (Maximum \$25.00) \$25.00
- b) Customer's request \$25.00
 OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF

LATE CHARGE \$2.00 OR 5%
 A ONE TIME PENALTY MAY BE MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE \$15.00

CUSTOMER DEPOSIT (Maximum \$50) \$50.00

METER TEST FEE (actual cost of testing the meter up to) \$25.00
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

RATES LISTED ARE EFFECTIVE ONLY IF
 THIS PAGE HAS TNRCC APPROVAL STAMP

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31524 UCCM 12330 MAY 12 '97

D.A. APPROVED TARIFF BY JLch

SECTION 2.0 - SERVICE RULES AND REGULATIONS

Section 2.01 - Texas Natural Resource Conservation Commission Rules

The utility will have the most current Texas Natural Resource Conservation Commission Rules, Chapter 291, Water Rates, available at its office for reference purposes. The Rules and this tariff shall be available for public inspection and reproduction at a reasonable cost. The latest Rules or Commission approved changes to the Rules supersede any rules or requirements in this tariff.

Section 2.02 - Application for and Provision of Water Service

All applications for service will be made on the utility's standard application or contract form (attached in the Appendix to this tariff) and will be signed by the applicant before water service is provided by the utility. A separate application or contract will be made for each service location.

After the applicant has met all the requirements, conditions and regulations for service, the utility will install tap, meter and utility cut-off valve and/or take all necessary actions to initiate service. The utility will serve each qualified applicant for service within 5 working days unless line extensions or new facilities are required. If construction is required to fill the order and if it cannot be completed within 30 days, the utility will provide the applicant with a written explanation of the construction required and an expected date of service.

Where service has previously been provided, service will be reconnected within one working day after the applicant has met the requirements for reconnection.

The customer will be responsible for furnishing and laying the necessary customer service pipe from the meter location to the place of consumption. Customers may be required to install a customer owned cut-off valve on the customer's side of the meter or connection.

Section 2.03 - Refusal of Service

The utility may decline to serve an applicant until the applicant has complied with the regulations of the regulatory agencies (state and municipal regulations) and for the reasons outlined in the TNRCC Rules. In the event that the utility refuses to serve an applicant, the utility will inform the applicant in writing of the basis of its refusal. The utility is also required to inform the applicant a complaint may be filed with the Commission.

Section 2.04 - Customer Deposits

If a residential applicant cannot establish credit to the satisfaction of the utility, the applicant may be required to pay a deposit as provided for in Section 1.02 of this tariff. The utility will keep records of the deposit and credit interest in accordance with TNRCC Rules.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31524 UCCM 12330 MAY 12 '97

D.A. APPROVED TARIFF BY *D.A.*

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.04 - Customer Deposits (cont.)

Residential applicants 65 years of age or older may not be required to pay deposits unless the applicant has an outstanding account balance with the utility or another water or sewer utility which accrued within the last two years.

Nonresidential applicants who cannot establish credit to the satisfaction of the utility may be required to make a deposit that does not exceed an amount equivalent to one-sixth of the estimated annual billings.

Refund of deposit - If service is not connected, or after disconnection of service, the utility will promptly refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The utility may refund the deposit at any time prior to termination of utility service but must refund the deposit plus interest for any customer who has paid 18 consecutive billings without being delinquent.

Section 2.05 - Meter Requirements, Readings, and Testing

All water sold by the utility will be billed based on meter measurements. The utility will provide, install, own and maintain meters to measure amounts of water consumed by its customers. One meter is required for each residential, commercial or industrial facility in accordance with the TNRCC Rules.

Service meters will be read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the Commission.

Meter tests. The utility will, upon the request of a customer, and, if the customer so desires, in his or her presence or in that of his or her authorized representative, make without charge a test of the accuracy of the customer's meter. If the customer asks to observe the test, the test will be made during the utility's normal working hours at a time convenient to the customer. Whenever possible, the test will be made on the customer's premises, but may, at the utility's discretion, be made at the utility's testing facility. If within a period of two years the customer requests a new test, the utility will make the test, but if the meter is found to be within the accuracy standards established by the American Water Works Association, the utility will charge the customer a fee which reflects the cost to test the meter up to a maximum \$25 for a residential customer. Following the completion of any requested test, the utility will promptly advise the customer of the date of removal of the meter, the date of the test, the result of the test, and who made the test.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31524 UCCN 12330 MAY 12 '97

D.A. APPROVED TARIFF BY D.Loh

SECTION 2.0 - SERVICE RULES AND REGULATIONS (CONT.)

Section 2.06 - Billing

Bills from the utility will be mailed monthly unless otherwise authorized by the Commission. The due date of bills for utility service will be at least sixteen (16) days from the date of issuance. The postmark on the bill or, if there is no postmark on the bill, the recorded date of mailing by the utility will constitute proof of the date of issuance. Payment for utility service is delinquent if full payment, including late fees and the regulatory assessment, is not received at the utility or the utility's authorized payment agency by 5:00 p.m. on the due date. If the due date falls on a holiday or weekend, the due date for payment purposes will be the next work day after the due date.

A late penalty of either \$2.00 or 5.0% will be charged on bills received after the due date. The penalty on delinquent bills will not be applied to any balance to which the penalty was applied in a previous billing. The utility must maintain a record of the date of mailing to charge the late penalty.

Each bill will provide all information required by the TNRCC Rules. For each of the systems it operates, the utility will maintain and note on the monthly bill a telephone number (or numbers) which may be reached by a local call by customers. At the utility's option, a toll-free telephone number or the equivalent may be provided.

In the event of a dispute between a customer and a utility regarding any bill for utility service, the utility will conduct an investigation and report the results to the customer. If the dispute is not resolved, the utility will inform the customer that a complaint may be filed with the Commission.

Section 2.07 - Service Disconnection

Utility service may be disconnected if the bill has not been paid in full by the date listed on the termination notice. The termination date must be at least 10 days after the notice is mailed or hand delivered.

The utility is encouraged to offer a deferred payment plan to a customer who cannot pay an outstanding bill in full and is willing to pay the balance in reasonable installments. However, a customer's utility service may be disconnected if a bill has not been paid or a deferred payment agreement entered into within 26 days from the date of issuance of a bill and if proper notice of termination has been given.

Notice of termination must be a separate mailing or hand delivery in accordance with the TNRCC Rules.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

31524 UCCN 12330 MAY 12 '97

D.A. APPROVED TARIFF BY Dh ah

ATTACHMENT B

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") dated as of this ^{29th} day of August 2017, by and between Monarch Utilities I, L.P., a Texas limited partnership, by and through its general partner, Texas Water Services Group LLC, a Texas Limited Liability Company (the "Buyer") and Dal-High Water, LLC (the "Seller") sets forth the terms and conditions by which the Buyer shall acquire all the assets of the Seller used in the Seller's operation of a Public Water System (the "Assets"). The Buyer and the Seller are referred to collectively as the "Parties."

RECITALS

WHEREAS, the Seller acquired the water system from the original developer of the Dal-High Addition including 0.262 acres of land in Henderson County, Texas; and

WHEREAS, the Seller desires to sell and the Buyer desires to purchase all the Assets (as such term is defined below) utilized in the Public Water System on and subject to the terms and conditions set forth herein; and

NOW, THEREFORE, in consideration of the promises herein made, and in consideration of the covenants herein contained, the Parties agree as follows:

Section I – Definitions

1.1 Definitions: In this Agreement each of the following terms has the meaning specified or referred to in this Section 1:

"Assets" shall mean all right, title and interest in and to all the assets owned by Seller and used in the Public Water System, which are more fully described in Exhibit A attached hereto and incorporated herein by reference.

"Public Water System" shall have the same meaning set forth above.

"Buyer" shall have the same meaning set forth above.

"Closing" shall have the meaning set forth in Section 2.3.

"Closing Date" shall have the meaning set forth in Section 2.3.

"Environmental, Health, and Safety Laws" shall mean all laws of federal, state, and local governments (and all agencies thereof) concerning pollution or protection of the environment, public health and safety, including laws relating to emissions, discharge, releases, or threatened releases of pollutants, contaminants or chemical, industrial, hazardous or toxic materials or waste into ambient air, surface, water, ground water, or lands or otherwise.

"Knowledge", in respect of any person shall mean the actual knowledge of such person.

"Liability" shall mean any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether

liquidated or unliquidated, and whether due or to become due), including liability of Taxes.

"Ordinary Course of Business" shall mean the ordinary course of business consistent with past custom and practice.

"Parties" shall have the same meaning set forth above.

"Purchase Price" shall have the meaning set forth in Section 2.2.

"Regulatory Approval" shall mean the consent of the Texas Public Utilities Commission to the transactions contemplated by this Agreement.

"Seller" shall have the same meaning set forth above.

"Tax" shall mean any federal, state, or local income, or gross receipts, license, payroll, employment, severance, unemployment, disability, real property, personal property, sales, use, transfer, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

Section II – Purchase and Sale of Assets; Closing

2.1 Purchase and Sale of Assets: Subject to the terms and conditions of this Agreement, the Buyer agrees to purchase from the Seller and the Seller agrees to sell, transfer, assign and deliver to the Buyer, all of the Assets free and clear of all liens, security interests, options, rights of first refusal, mortgages, charges, indebtedness, deeds of trust, leases or security agreements on the Closing Date against receipt by the Seller of the Purchase Price.

2.2 Purchase Price: In consideration for the sale of the Assets, the Buyer agrees to pay the Seller Fifty-Five Thousand Two Hundred Dollars (\$55,200) (the "Purchase Price") and other valuable considerations.

2.3 The Closing: The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at Buyer's preferred location, on the next meter read date after Regulatory Approval (the "Closing Date"). At the Closing, the Seller shall deliver to the Buyer a Bill of Sale in the form attached as Exhibit B, and such other instruments of transfer, assignment, and conveyance in form and substance reasonably satisfactory to the Buyer sufficient to transfer to and effectively vest in the Buyer all right, title, and interest in the Assets together with possession of the Assets free and clear of all encumbrances. The Buyer shall pay the cash portion of Purchase Price via check to the Seller.

2.4 No Assumption of Liability: Buyer agrees to indemnify and hold Seller, its successors, assigns and heirs, harmless from pro-rata share of damages, losses or expenses (including, without limitation, interest and penalties, reasonable attorney's fees and expenses) arising out of any liability or obligation of or claim against Seller that is expressly assumed by Buyer, and any liability arising out of or relating to the operation of the Public Water System and the Assets after the Closing Date to the extent such liabilities were incurred or the events

giving rise to such liabilities occurred after the Closing Date. Seller shall remain responsible for any liability for acts which occurred prior to Closing. Except for the liabilities expressly set forth herein, Buyer assumes no liabilities of Seller that occur prior to the Closing Date.

2.5 Property Tax: Seller shall pay all sales, use and transfer taxes arising out of the transfer of the Assets to Buyer and shall pay its portion, prorated as of the Closing Date, of state and local real and personal property taxes of the Public Water System.

Section III – Representations and Warranties of the Seller

3.1 Except as otherwise disclosed in an attached schedule, the Seller represents and warrants that to the best of Seller's knowledge:

- (a) the Seller has all the requisite power and capacity to enter into this Agreement;
- (b) this Agreement constitutes a legally binding and enforceable obligation of the Seller enforceable against the Seller in accordance with its terms;
- (c) this Agreement and its consummation will not conflict with or result in a breach of any agreement, judgment, or order;
- (d) there are no undisclosed Liabilities associated with the Assets including, but not limited to, Liabilities under discharge permits and treatment standards; zoning, regulations, ordinances, taxes or other applicable laws, including anti-corruption and anti-bribery laws;
- (e) the Seller has good and merchantable title to all of its Assets, in each case free and clear of all liens and claims;
- (f) the conveyance and warranties of title given are made subject to any restrictions, easements, setback lines, covenants, conditions, reservations terms and provisions of record affecting the Assets.
- (g) Seller has the right to use all express, implied and/or constructive easements related to the Public Water System;
- (h) there are no actions, claims, suits, or proceedings to which the Seller is a party pending or to the Knowledge of the Seller threatened, that may prevent or delay the closing of the transactions contemplated hereby or have any effect on the Assets or the Business;
- (i) the Seller is not and upon consummation of the transactions contemplated hereby, will not be in default under any Contract and, to the Knowledge of the Seller, no other party to any Contract is in default thereunder;
- (j) to Seller's knowledge, all necessary consents, authorizations, permits, right-of-ways, privileges, immunities, franchises, licenses, conveyances, grants and assignments which are used in connection with the operation of the Business have been obtained by Seller;
- (k) all returns of Taxes, information and other reports required to be filed in any jurisdiction related to the Public Water System by the Seller have been timely filed and all such returns are true and correct in all material respects and all Taxes of the Seller related to the Public Water System have been paid;
- (l) buyer shall have the right to inspect the assets prior to closing and accepts the Assets "as is";
- (m) the representations and warranties of the Seller contained in this Agreement and all other documents and information prepared by the Seller and furnished to the Buyer are materially complete and accurate and do not and will

not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made and to be made not misleading.

Section IV – Representations and Warranties of Buyer

4.1 The Buyer represents and warrants to the Seller as follows:

- (a) the Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Texas;
- (b) this Agreement constitutes a legally binding and enforceable obligation of the Buyer enforceable against the Buyer in accordance with its terms; and there are no proceedings or other actions commenced against the Buyer that may prevent or delay the closing of the transactions contemplated hereby;
- (c) Buyer has had full opportunity to inspect and relies upon its own review, inspection, and expertise, regarding the condition of the assets that are the subject of this Agreement and assumes the risk that they are appropriate for the use of Buyer. The seller undertakes no responsibility for the quality of the Assets except as otherwise provided in this contract. The Seller assumes no responsibility that the Assets will be fit for any particular purpose. Buyer is an expert in the associated industry and has relied on its independent determination.

Section V – Agreements Through Closing

5.1 During the period from the date hereof until the Closing:

- (a) the Seller shall provide the Buyer with reasonable access to the Assets;
- (b) the Seller shall conduct business in compliance with all applicable laws, including Environmental, Health and Safety and anti-corruption and anti-bribery laws;
- (c) the Seller shall not, without the consent of the Buyer, acquire or dispose of any Assets, terminate or amend any Contract, or commit to do any of the foregoing or make any other commitments or take any actions that are outside the Ordinary Course of Business;
- (d) the Buyer shall prepare and process at its expense applications for Regulatory Approval and Buyer and the Seller shall cooperate to a reasonable extent to satisfy all regulatory requirements necessary for the transactions contemplated hereby, including obtaining the Regulatory Approval; and
- (e) No public announcements will be made without mutual agreement between both parties.

Section VI – Conditions to Close

6.1 The Buyer's obligation to consummate the transactions contemplated by this Agreement is subject to the following conditions:

- (a) the representations and warranties of the Seller, to the best of Seller's knowledge, will be accurate at and as of the Closing Date as though such

- representations and warranties had been made at and as of such date however limited herein;
- (b) the parties shall cooperate so that all statutory requirements for the valid consummation of the transactions contemplated herein shall have been fulfilled and all governmental consents, approval, or authorizations necessary for the valid consummation of the transactions contemplated herein shall have been obtained including, but not limited to, the Regulatory Approval;
 - (c) Contracts, permits, held interests deemed material to the transaction shall be assigned to Buyer prior to close.
 - (d) No action or suit shall have been commenced and no statute, rule, regulation, or order shall have been enacted or proposed, that reasonably may be expected to prohibit the Buyer's ownership of the Assets or render the Buyer unable to purchase the Assets; make the sale of the Assets illegal or impose material limitations on the ability of the Buyer to exercise full rights of ownership of Assets;
 - (e) Seller will provide any original cost receipts of water utility construction to Buyer for which it has possession;

6.2 At the Closing, Seller shall deliver to Buyer a certificate, in form satisfactory to Buyer, setting forth and reaffirming said representations and warranties as of the Closing Date as shown in Exhibit C.

Section VII – Indemnification

7.1 Survival: Right to Indemnification Not Affected By Knowledge: All representations, warranties, covenants, and obligations in this Agreement or any document delivered pursuant to this Agreement will survive the Closing. Knowledge obtained of specific acts shall not interfere with the right of indemnification.

7.2 Post Closing Indemnity:

Buyer agrees to indemnify and hold Seller, its successors, assigns and heirs, harmless from a pro-rata share of damages, losses or expenses (including, without limitation, interest and penalties, reasonable attorney's fees and expenses) arising out of any liability or obligation of or claim against Seller expressly assumed by Buyer. Buyer shall indemnify Seller for any liability arising out of or relating to the operation of the Public Water System and the Assets after the Closing Date to the extent such liabilities were incurred or the events giving rise to such liabilities occurred after the Closing Date. Seller shall remain responsible for any liability prior to Closing.

Section IX – Termination

9.1 Termination: Anything herein to the contrary notwithstanding, this Agreement shall terminate upon the occurrence of any of the following events: (i) by mutual consent of the Buyer and the Seller; (ii) on written notice from the Buyer to the Seller or the Seller to the Buyer if the Closing shall not have occurred on or before 18 months from the date of this Agreement, or (iii) if Regulatory Approval shall have been denied.

(c) Change of Address. Any party may change the address to which notices are to be addressed by giving the other party notice in the manner provided in this Section 10.4.

10.5 Sales and Transfer Taxes: The Seller shall be responsible for and pay any applicable sales, stamp, transfer, documentary, use, registration, filing and other taxes and fees (including any penalties and interest) that may become due or payable in connection with this Agreement and the transactions contemplated hereby.

10.6 Entire Agreement: This Agreement constitutes the entire understanding of the parties. All other agreements whether written or oral are hereby null, void and without effect.

10.7 Severability: The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

10.8 Counterparts: This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement which is effective as of the date first written above.

BUYER

SELLER

Monarch Utilities I, L.P.

Dal-High Water, LLC

By: Texas Water Services Group, LLC
Its general partner

By: Charles W. Profilet, Jr.
Name: Charles W. Profilet, Jr.
Title: President

By: Pam Monroe
Name: Owner / Mng.
Title: Owner / Mng.
PAM MONROE

**EXHIBIT A
ASSETS**

"Assets" shall mean all right, title, and interest in and to all the assets owned by the Seller and utilized in the Public Water System including all: (a) easements; (b) all connections, water mains, meters, pipes, pipelines, valves, services, meter boxes, and associated facilities; (c) contracts, agreements, and other similar arrangements and rights thereunder ("Contracts"); (d) franchises, approvals, permits, licenses, orders, registrations, variances, and similar rights obtained from governments and the governmental agencies; (e) all interest of Seller in property owned by Seller and used in Seller's Public Water System and to the extent approved by Buyer in writing pursuant to the provisions of this Agreement, including, but not limited to, warranties, guarantees, customer account records, maps and drawings, prepaid expenses, grants, certificates and privileges, site plans, plans and specifications, "as-built" plans and drawings.

Plant Building (wood on concrete slab)
Storage Building (wood on piers)
Well
Wood Fence
Service Pump 1 (5 HP)
Service Pump 2 (5 HP)
Production Meter (2")
Portable Air compressor
Chemical feed tank and pump
Pressure Tank 1
Pressure Tank 2
Ground Storage Tank (10,000 gallon fiber reinforced plastic on concrete pad)
6' chain link fence with barbed wire
Water mains
Service tubing from taps to meters
45 5/8" nominal water meters
Real Estate - BLK 2 LT A, AB 797 B C WALTERS SUR, DALHIGH ADDN

EXHIBIT B

BILL OF SALE AND ASSIGNMENT


FOR GOOD AND VALUABLE CONSIDERATION, receipt, adequacy, and sufficiency of which are hereby acknowledged, Dal-High Water, LLC ("Seller") subject to the receipt of the consent of the Public Utility Commission of Texas, hereby sells, grants, conveys, assigns, transfers and sets over to Monarch Utilities I, LP ("Buyer"), its successors and assigns, all right, title and interest in and to all the Assets, as such term is defined in the Asset Purchase Agreement dated _____ between Seller and Buyer.

TO HAVE AND TO HOLD the Assets, together with all rights and appurtenances thereto in any way belonging, unto Buyer, its successors and assigns, forever, and Seller does hereby bind itself and its successors to WARRANT and FOREVER DEFEND title to the Assets unto the Buyer, its successors and assigns, against the lawful claims of any and all persons lawfully claiming or to claim the same or any part hereof.

Seller warrants that there are no liens, encumbrances or security agreements affecting the Assets.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale and Assignment as of this 29 day of Aug., 2017

Dal-High Water, LLC

By: 
Name: PAM MORROW
Title: Owner / Mng

Section X – General Provisions

10.1 Expenses: Each Party shall be responsible for its own expenses incurred in connection with this Agreement including any broker's fees.

10.2 Further Assistance: The Seller shall execute and deliver with additional expense to the Buyer such additional documents and take such additional actions as are reasonably necessary to transfer the Assets and the Public Water System to the Buyer.

10.3 Governing Law: This Agreement supersedes all previous agreements and understandings between the Parties and shall be governed by and construed in accordance with the laws of the State of Texas without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of Texas.

10.4 Notice:

- (a) **Addresses.** Any and all notices or other communications which the Parties shall be required or may elect to provide to another party pursuant to this Agreement shall be in writing unless otherwise so agreed. Any notice or communication hereunder shall be personally delivered, telecopied (receipt confirmed), or sent by certified or registered mail, postage prepaid, return receipt requested, or sent by overnight courier service providing evidence of delivery to the other party at the applicable address set forth below.

If to the Seller: Dal-High Water, LLC.
 214 S. Wofford
 Athens, Texas 75751
 Attention: Pam Monroe

If to Buyer: Monarch Utilities I, LP
 12535 Reed Road
 Sugar Land, Texas 77478
 Attention: Charles W. Profilet, Jr., President

With a copy to: SouthWest Water Company
 15088 Rosecrans Avenue
 La Mirada, CA 90638
 Attention: General Counsel

- (b) **Delivery Standards.** Delivery or service of any written notice or communication shall be deemed completed (i) upon personal delivery, (ii) if telecopied, upon electronic acknowledgment thereof, (iii) if mail, three (3) business days after deposit in the United States mail, postage prepaid, and (iv) if by overnight courier service, one business day after deposit with the courier service.

EXHIBIT C
Certificate Regarding Representations and Warranties

Closing Date

The undersigned, PAM MOROE, executes this Certificate on Behalf of Seller in his capacity as Owner of Dal-High Water, LLC and certifies, represents, and warrants to Monarch Utilities I, LP that to the best of Seller's knowledge:

- (n) the Seller has all the requisite power and capacity to enter into this Agreement;
- (o) this Agreement constitutes a legally binding and enforceable obligation of the Seller enforceable against the Seller in accordance with its terms;
- (p) this Agreement and its consummation will not conflict with or result in a breach of any agreement, judgment, or order;
- (q) there are no undisclosed Liabilities associated with the Assets including, but not limited to, Liabilities under discharge permits and treatment standards; zoning, regulations, ordinances, taxes or other applicable laws, including anti-corruption and anti-bribery laws;
- (r) the Seller has good and merchantable title to all of its Assets, in each case free and clear of all liens and claims;
- (s) the conveyance and warranties of title given are made subject to any restrictions, easements, setback lines, covenants, conditions, reservations terms and provisions of record affecting the Assets.
- (t) Seller has the right to use all express, implied and/or constructive easements related to the Public Water System;
- (u) there are no actions, claims, suits, or proceedings to which the Seller is a party pending or to the Knowledge of the Seller threatened, that may prevent or delay the closing of the transactions contemplated hereby or have any effect on the Assets or the Business;
- (v) the Seller is not and upon consummation of the transactions contemplated hereby, will not be in default under any Contract and, to the Knowledge of the Seller, no other party to any Contract is in default thereunder;
- (w) to Seller's knowledge, all necessary consents, authorizations, permits, right-of-ways, privileges, immunities, franchises, licenses, conveyances, grants and assignments which are used in connection with the operation of the Business have been obtained by Seller;
- (x) all returns of Taxes, information and other reports required to be filed in any jurisdiction related to the Public Water System by the Seller have been timely filed and all such returns are true and correct in all material respects and all Taxes of the Seller related to the Public Water System have been paid;
- (y) buyer shall have the right to inspect the assets prior to closing and accepts the Assets "as is";
- (z) the representations and warranties of the Seller contained in this Agreement and all other documents and information prepared by the Seller and furnished to the Buyer are materially complete and accurate and do not and will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made and to be made not misleading.

Dal-High Water, LLC Water System

By: Pam Monroe
Printed Name: PAM MOROE
Date: August 29, 2017

WATER AND WASTEWATER UTILITIES ANNUAL REPORT

Docket No. 43134

(this number will be assigned by the Public Utility Commission after your document is filed)

of

Dal-High Water Supply
Exact Legal Name of Utility/Respondent

CCN 12830
Certificate of Convenience and Necessity (CCN) No.

Submitted to the



for the

Calendar Year Ended

12/31/2014

RECEIVED
2015 OCT 22 AM 9:16
PUBLIC UTILITY COMMISSION
FILING CLERK

Section 1: Utility Information

Utility Name Dzk-High Water Supply
Address P.O. Box 744
Athens, Tex. 75751

Please check this box if your Official Address, which is noted on the enclosed letter, has changed.

Telephone Number 903-675-1119 Fax Number 903-675-1119
E-mail Address Dexmon22@AOL.com
Contact Person Dexter Monroe Title Owner

Check the business ownership entity of the utility as filed with the Internal Revenue Service

Individual Partnership Corporation Nonprofit Association

Section 2: Utility Background

Water CCN No.	<u>12830</u>
Number of PWSs	<u>1</u>
TCEQ PWS ID No.	<u>1070159</u>
TCEQ PWS ID No.	<u>N/A</u>
<small>(if the utility has more PWS ID Nos., please indicate in Section 10)</small>	
Number of Wastewater Systems	<u>None</u>
Sewer CCN No.	<u>N/A</u>
TCEQ Sewer Discharge Permit No.	<u>N/A</u>
TCEQ Sewer Discharge Permit No.	<u>N/A</u>
<small>(if the utility has more Discharge Permit Nos., please indicate in Section 10)</small>	

Section 3: Revenues

	Water	Wastewater	Total Water + Wastewater
OPERATING REVENUES:			
Utility Service/Sales	12,940.	N/A	\$ 0.00
Fees (Tap, Reconnection, etc.)	100.	N/A	\$ 0.00
OTHER REVENUES:			
Please Identify:		N/A	\$ 0.00
TOTAL REVENUES	\$ 0.00	\$ 0.00	\$ 0.00
	13,040.	N/A	13,040.

Section 4: Expenses

	Water	Wastewater	Total Water + Wastewater
Salaries & Wages	0		\$ 0.00
Contract Labor	600.		\$ 0.00
Purchased Water	0		\$ 0.00
Chemicals for Treatment	2,400.		\$ 0.00
Utilities (electricity)	1,791.		\$ 0.00
Repairs/Maintenance/Supplies	384.		\$ 0.00
Office Expenses	642.		\$ 0.00
Professional Fees (Accounting, Legal)	200.		\$ 0.00
Insurance	1,102.		\$ 0.00
Depreciation & Amortization	0		\$ 0.00
Miscellaneous (describe in remarks below)	105.		\$ 0.00
Subtotal	\$ 0.00	\$ 0.00	\$ 0.00
Taxes:			
Federal Income Taxes	0		\$ 0.00
Property and Other Taxes (Payroll, etc.)	677.		\$ 0.00
Regulatory Expenses (Rate Case, Permits)	1,033.		\$ 0.00
Other (describe in remarks below)	800.		\$ 0.00
TOTAL EXPENSES	\$ 0.00	\$ 0.00	\$ 0.00
	7,224.		

Remarks:
 Lab samples: \$800.
 Pest Control: \$105.

Section 5: Operating Items

Debt Information:

Annual interest expense on long and/or short term debt?	\$	<u>0</u>
Annual principal payment on debt?	\$	<u>0</u>
Annual interest rate on debt?		<u>0</u> %
Annual debt principal and interest?	\$	<u>0</u>
Principal balance on outstanding debt at end of this reporting period?	\$	<u>0</u>

Regulatory Assessment Fee:

What was the Regulatory Assessment fee amount submitted to TCEQ for the applicable Calendar Year 2014
 \$ 129.40

Rate Change:

What was the effective date of the last Rate Change? 1982

Section 6: Customer Information

Connection Type	Number of Connections at	
	Beginning of the Calendar Year <u>2014</u>	End of the Calendar Year <u>2014</u>
Water		
Total <u>45</u>	<u>45</u>	<u>45</u>

Connection Type	Number of Connections at	
	Beginning of the Calendar Year	End of the Calendar Year
Wastewater		
Total <u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Section 7: Water Production & Consumption

A What is the total amount of water produced/pumped?	<u>3,115,200</u> gallons
B What is the total amount of water sold/billed?	<u>2,886,730</u> gallons
C How much water was lost?	<u>228,470.</u> gallons
What is the total percent of water loss?	<u>7.33</u> %

To calculate the above, please reference the attached document Water and Wastewater Utilities Annual Report Instructions. Comments?

Section 8: Wastewater Treated

What is the total amount of wastewater treated?	<u>N/A</u> gallons
Comments?	

Section 9: Utility Management & Operations Assessment

Utility Policy and Procedures

Do you have an Application Form or Formal Process for New Customers?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have a copy of your approved tariff and drought contingency plan for customers to review?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Written Operating Procedures for Routine Operations?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Written Emergency Actions Plan(s)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Written Personnel Procedures?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have Risk Management & Safety Policies?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Do you have Customer Service Policies (including billing & collection)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Do you have a Written Budget (normally updated annually)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Did you or any utility staff attend any other utility/business related conferences?
this year? If so, please list them in Section 10.

Do you record complaints or keep a complaint log?

Yes No

Is a customer service representative, water system employee, or
answering service accessible by phone at all times to all customers?

Yes No

Rules and Regulations

If you own/operate a public water system, do you have a copy of
or have access to 30 Texas Administrative Code (TAC) Chapter 290?

Yes No

If you own/operate a sewer system, do you have a copy of or have access
to 30 TAC 30 Subchapter J, 30 TAC 217, 30 TAC 308, and 30 TAC 309?

Yes No

Do you have a copy of or have access to the TAC 16?

Yes No

Do you have a copy of or have access to Texas Water Code Chapter 13?

Yes No

Administrative Information

Do you notify customers prior to shutting down the system for repairs?

Yes No Sometimes Only if greater than 2 hours

How do you keep your customers informed?

Billing Statements Newsletter Meetings

Other _____

Are water records kept separate from other business and personal records?

Yes No

Are records kept for additions to fixed assets?

Yes No

Is the financial position of the system reviewed at least quarterly?

Yes No

Are accounting records for water and wastewater kept separately?

Yes No

N/A

Section 10: Remarks (please feel free to attach additional pages if necessary)

Section 11: Sworn Statement

I HEREBY CERTIFY THAT THE INFORMATION PROVIDED IN THIS REPORT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF. (This document MUST be signed by the President or Owner of the Utility)

This 18th day of Oct., 2015.

President or Owner:

Dexter Monroe

(Signature)

DexTer Monroe

(Printed name)

Owner - Operator