



Control Number: 50251



Item Number: 1

Addendum StartPage: 0



# Application for Sale, Transfer, or Merger of a Retail Public Utility

Pursuant to Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239

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PUBLIC UTILITY COMMISSION  
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## Sale, Transfer, or Merger (STM) Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
  - i. Provide an answer to every question and submit any required attachment applicable to the STM request (i.e., agreements or contracts).
  - ii. Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
  - iii. Provide all mapping information as detailed in Part G: Mapping & Affidavits.
  
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
  - i. **SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (NOTE: Electronic documents may be sent in advance of the paper copy, however they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records.)
  
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
  - i. **DEFICIENT (Administratively Incomplete):** Applicants will be ordered to provide information to cure the deficiencies by a certain date, usually 30 days from ALJ's order. *Application is not accepted for filing.*
  - ii. **SUFFICIENT (Administratively Complete):** Applicants will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. *Application is accepted for filing.*
  
- IV. Once the Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.
 

**HEARING ON THE MERITS:** An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
  
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
  
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
  
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

**FAQ:**

**Who can use this form?**

Any retail public utility that provides water or wastewater service in Texas.

**Who is required to use this form?**

A retail public utility that is an investor owned utility (IOU) or a water supply corporation (WSC) prior to any STM of a water or sewer system, or utility, or prior to the transfer of a portion of a certificated service area.

**Terms**

**Transferor:** Seller

**Transferee:** Purchaser

**CCN:** Certificate of Convenience and Necessity

**STM:** Sale, Transfer, or Merger

**IOU:** Investor Owned Utility

## Application Summary

**Transferor:** JRM Water/ H2O Systems Plus/ Coletto Water System

*(selling entity)*

**CCN No.s:** 11548

Sale
  Transfer
  Merger
  Consolidation
  Lease/Rental

**Transferee:** CSWR-Texas Utility Operating Company, LLC

*(acquiring entity)*

**CCN No.s:** N/A

Water
  Sewer
  All CCN
  Portion CCN
  Facilities transfer

**County(ies):** Victoria

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**Please mark the items included in this filing**

<input checked="" type="checkbox"/> Contract, Lease, Purchase, or Sale Agreement	Part A: Question 1
<input checked="" type="checkbox"/> Tariff including Rate Schedule	Part B: Question 4
<input checked="" type="checkbox"/> List of Customer Deposits	Part B: Question 5
<input checked="" type="checkbox"/> Partnership Agreement <b>LLC Agreement</b>	Part C: Question 7
<input type="checkbox"/> Articles of Incorporation and By-Laws (WSC)	Part C: Question 7
<input checked="" type="checkbox"/> Certificate of Account Status	Part C: Question 7
<input type="checkbox"/> Financial Audit	Part C: Question 10
<input checked="" type="checkbox"/> Application Attachment A & B	Part C: Question 10
<input type="checkbox"/> Disclosure of Affiliated Interests	Part C: Question 10
<input checked="" type="checkbox"/> Capital Improvement Plan	Part C: Question 10
<input type="checkbox"/> List of Assets to be Transferred	Part D: 11.B
<input type="checkbox"/> Developer Contribution Contracts or Agreements	Part D: 11.D
<input checked="" type="checkbox"/> Enforcement Action Correspondence	Part E: Question 18 (Part D: Q12)
<input checked="" type="checkbox"/> TCEQ Compliance Correspondence	Part F: Question 22
<input type="checkbox"/> TCEQ Engineering Approvals	Part F: Question 24
<input type="checkbox"/> Purchased Water Supply or Treatment Agreement	Part F: Question 26
<input checked="" type="checkbox"/> Detailed (large scale) Map	Part G: Question 29
<input checked="" type="checkbox"/> General Location (small scale) Map	Part G: Question 29
<input type="checkbox"/> Digital Mapping Data	Part G: Question 29
<input checked="" type="checkbox"/> Signed & Notarized Oath	Page 13-14



**Part A: General Information**

1. Describe the proposed transaction, including the effect on all CCNs involved, and provide details on the existing or expected land use in the area affected by the proposed transaction. Attach all supporting documentation, such as a contract, a lease, or proposed purchase agreements:

CSWR-Texas Utility Operating Company, LLC ("CSWR Texas") will purchase all utility assets owned by JRM Water/ H2O Systems Plus/ Coletto Water System for purposes of operating its water system under CCN No. 11548 as identified in Attachment A, which is a copy of the purchase agreement between CSWR Texas' affiliate, Central States Water Resources, Inc. ("Central States"), and JRM Water/ H2O Systems Plus/ Coletto Water System. See Attachment B for a copy of the corporate organization chart of CSWR Texas' upstream ownership.

2. The proposed transaction will require (check all applicable):

For **Transferee** (Purchaser) CCN:

For **Transferor** (Seller) CCN:

- Obtaining a NEW CCN for Purchaser
- Transfer all CCN into Purchaser's CCN (Merger)
- Transfer Portion of CCN into Purchaser's CCN
- Transfer all CCN to Purchaser and retain Seller CCN
- Uncertificated area added to Purchaser's CCN

- Cancellation of Seller's CCN
- Transfer of a Portion of Seller's CCN to Purchaser
- Only Transfer of Facilities, No CCN or Customers
- Only Transfer of Customers, No CCN or Facilities
- Only Transfer CCN Area, No Customers or Facilities

**Part B: Transferor Information**

**Questions 3 through 5 apply only to the transferor (current service provider or seller)**

3. A. Name: JRM Water/ H2O Systems Plus/ Coletto Water System  
(individual, corporation, or other legal entity)  
 Individual  Corporation  WSC  Other: LLC

B. Mailing Address: 1948 Jay Street, Lakewood, CO 80214

Phone: (702) 275-5517 Email: jrmcoletto@gmail.com

C. Contact Person. Please provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Logan Campbell Title: Managing Member

Mailing Address: 1948 Jay Street, Lakewood, CO 80214

Phone: (702) 275-5517 Email: jrmcoletto@gmail.com

4. If the utility to be transferred is an Investor Owned Utility (IOU), for the most recent rate change, attach a copy of the current tariff and complete A through B: **See Attachment C**

A. Effective date for most recent rates: May 20, 2009

B. Was notice of this increase provided to the Public Utility Commission of Texas (Commission) or a predecessor regulatory authority?

No  Yes Application or Docket Number: 2008-1226-UCR

**If the transferor is a Water Supply or Sewer Service Corporation, provide a copy of the current tariff.**



5. For the customers that will be transferred following the approval of the proposed transaction, check all that apply:

There are *no* customers that will be transferred

# of customers without deposits held by the transferor 202

# of customers with deposits held by the transferor\* 9 See Attachment D.

\*Attach a list of all customers affected by the proposed transaction that have deposits held, and include a customer indicator (name or account number), date of each deposit, amount of each deposit, and any unpaid interest on each deposit.

### Part C: Transferee Information

Questions 6 through 10 apply only to the *transferee* (purchaser or proposed service provider)

6. A. Name: CSWR-Texas Utility Operating Company, LLC  
(individual, corporation, or other legal entity)

Individual  Corporation  WSC  Other: LLC

B. Mailing Address: 500 Northwest Plaza, Suite 500, St. Ann, MO 63074

Phone: (314) 736-4672 Email: regulatory@cswrgroup.com

C. Contact Person. Provide information about the person to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant, or other title.

Name: Evan Johnson Title: Local Counsel

Address: Coffin Renner LLP, 1011 West 31st Street, Austin, Texas 78705

Phone: (512) 879-0972 Email: evan.johnson@crtxlaw.com

D. If the transferee is someone other than a municipality, is the transferee current on the Regulatory Assessment Fees (RAF) with the Texas Commission on Environmental Quality (TCEQ)?

No  Yes  N/A

E. If the transferee is an IOU, is the transferee current on the Annual Report filings with the Commission?

No  Yes  N/A

7. The legal status of the transferee is:

Individual or sole proprietorship

Partnership or limited partnership (*attach* Partnership agreement)

Corporation  
Charter number (as recorded with the Texas Secretary of State): \_\_\_\_\_

Non-profit, member-owned, member controlled Cooperative Corporation [Article 1434(a) Water Supply or Sewer Service Corporation, incorporated under TWC Chapter 67]

Charter number (as recorded with the Texas Secretary of State): \_\_\_\_\_

Articles of Incorporation and By-Laws established (*attach*)

Municipally-owned utility

District (MUD, SUD, WCID, FWSD, etc.)

- County
- Affected County (a county to which Subchapter B, Chapter 232, Local Government Code, applies)
- Other (please explain): Limited Liability Company. A copy of the LLC Operating Agreement is attached as Attachment E. See also Attachment F.

**8.** If the transferee operates under any d/b/a, provide the name below:

Name: The transferee does not operate under a d/b/a.

**9.** If the transferee's legal status is anything other than an individual, provide the following information regarding the officers, members, or partners of the legal entity applying for the transfer:

Name: CSWR-Texas Utility Holding Company, LLC (See Attachment B for a corporate organization chart)

Position: Member Ownership % (if applicable): 100.00%

Address: 500 Northwest Plaza, Suite 500 St. Louis, MO 63074

Phone: (314) 736-4672 Email: regulatory@cswrgroup.com

Name: Josiah Cox

Position: President; CSWR, LLC Ownership % (if applicable): 0.00%

Address: 500 Northwest Plaza, Suite 500 St. Louis, MO 63074

Phone: (314) 736-4672 Email: jcox@cswrgroup.com

Name: Tom Rooney

Position: Chairman; CSWR, LLC Ownership % (if applicable): 0.00%

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Name: Dan Standen

Position: Board Member; CSWR, LLC Ownership % (if applicable): 0.00%

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

**10. Financial Information**

The transferee Applicant must provide accounting information typically included within a balance sheet, income statement, and statement of cash flows. If the Applicant is an existing retail public utility, this must include historical financial information and projected financial information. However, projected financial information is only required if the Applicant proposes new service connections and new investment in plant, or if requested by Staff. If the Applicant is a new market entrant and does not have its own historical balance sheet, income statement, and statement of cash flows information, then the Applicant should establish a five-year projection taking the historical information of the transferor Applicant into consideration when establishing the projections.

**Historical Financial Information** may be shown by providing any combination of the following that includes necessary information found in a balance sheet, income statement, and statement of cash flows:

1. Completed Appendix A;
2. Documentation that includes all of the information required in Appendix A in a concise format; or
3. Audited financial statements issued within 18 months of the application filing date. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.

**See Attachment G**



**Projected Financial Information** may be shown by providing any of the following:

1. Completed Appendix B;
  2. Documentation that includes all of the information required in Appendix B in a concise format;
  3. A detailed budget or capital improvement plan, which indicates sources and uses of funds required, including improvements to the system being transferred; or
  4. A recent budget and capital improvements plan that includes information needed for analysis of the operations test (16 Tex. Admin. Code § 24.11(e)(3)) for the system being transferred and any operations combined with the system. This may be provided electronically by providing a uniform resource locator (URL) or a link to a website portal.
- See Appendix B and Attachments H, I, & J.**

**Part D: Proposed Transaction Details**

11. A. Proposed Purchase Price: \$ 10.00

If the transferee Applicant is an investor owned utility (IOU) provide answers to B through D.

B. Transferee has a copy of an inventory list of assets to be transferred (*attach*):

No    Yes    N/A

Total Original Cost of Plant in Service: \$ 551,250.00

Accumulated Depreciation: \$ 497,067.00

Net Book Value: \$ 54,183.00

C. **Customer contributions in aid of construction (CIAC):** Have the customers been billed for any surcharges approved by the Commission or TCEQ to fund any assets currently used and useful in providing utility service? Identify which assets were funded, or are being funded, by surcharges on the list of assets.

No    Yes

Total Customer CIAC: \$ 0.00

Accumulated Amortization: \$ 0.00

D. **Developer CIAC:** Did the transferor receive any developer contributions to pay for the assets proposed to be transferred in this application? If so, identify which assets were funded by developer contributions on the list of assets and provide any applicable developer agreements.

No    Yes

Total developer CIAC: \$ 0.00

Accumulated Amortization: \$ 0.00

12. A. Are any improvements or construction required to meet the minimum requirements of the TCEQ or Commission and to ensure continuous and adequate service to the requested area to be transferred plus any area currently certificated to the transferee Applicant? Attach supporting documentation and any necessary TCEQ approvals, if applicable.

No    Yes

**See Attachments H, I & J.**

**B.** If yes, describe the source and availability of funds and provide an estimated timeline for the construction of any planned or required improvements:

Funds will be provided by a mix of equity and debt financing. Equity financing will be provided through an infusion from CSWR Texas' ultimate parent company CSWR, LLC ("CSWR"). A copy of the corporate organization chart is provided as Attachment B. The source of debt financing will be determined after acquisition of the system. The exact timeline for construction has not yet been determined as approval from TCEQ will be sought following acquisition, but CSWR Texas plans to move as quickly as possible to address known issues on the system upon approval of the CCN and closing of the acquisition.

**13.** Provide any other information concerning the nature of the transaction you believe should be given consideration:

Numerous deficiencies exist in the water system to be acquired (e.g., see the Engineering Memo attached as Attachment J and the Correspondence with TCEQ, attached as Attachment I), and it requires immediate capital investment to remedy those deficiencies. CSWR Texas has worked with an engineer to identify the shortcomings in the system and has outlined a plan to address these deficiencies to ensure that after closing full operation of the systems can continue in accordance with PUC and TCEQ rules, with even greater provision of service to the customers.

**14.** Complete the following proposed entries (listed below) as shown in the books of the Transferee (purchaser) after the acquisition. Debits (positive numbers) should equal credits (negative numbers) so that all line items added together equal zero. Additional entries may be made; the following are suggested only, and not intended to pose descriptive limitations:

Utility Plant in Service:	\$	551,250.00
Accumulated Depreciation of Plant:	\$	-497,067.00
Cash:	\$	-10.00
Notes Payable:	\$	0.00
Mortgage Payable:	\$	0.00
(Proposed) Acquisition Adjustment*:	\$	-54,173.00

\* Acquisition Adjustments will be subject to review under 16 TAC § 24 41(d) and (e)

Other (NARUC account name & No.): See Attachment K.

Other (NARUC account name & No.): \_\_\_\_\_

**15. A.** Explain any proposed billing change (NOTE: If the acquiring entity is an IOU, the IOU may not change the rates charged to the customers through this STM application. Rates can only be changed through the approval of a rate change application.)

CSWR Texas will adopt existing rates of service, including any temporary rates and surcharges, as those best reflect the system's current cost of service and revenue requirement. CSWR Texas plans to continue the existing rates and surcharges until it files its next base rate proceeding. See Attachment C for a copy of the existing tariff.

**B.** If transferee is an IOU, state whether or not the transferee intends to file with the Commission, or an applicable municipal regulatory authority, an application to change rates for some or all of its customers as a result of the transaction within the next twelve months. If so, provide details below:

CSWR Texas plans to file an application to change rates after the system is acquired if operating expenses exceed revenue from rates or if current rates fail to provide a reasonable rate of return. Otherwise, CSWR Texas will file an application following completion of improvements to return the system to compliance.



**Part E: CCN Obtain or Amend Criteria Considerations**

16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:

See Attachment K.

17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but is not limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.

See Attachment K.

18. Has the transferee been under an enforcement action by the Commission, TCEQ, Texas Department of Health (TDH), the Office of the Attorney General (OAG), or the Environmental Protection Agency (EPA) in the past five (5) years for non-compliance with rules, orders, or state statutes? Attach copies of any correspondence with the applicable regulatory agency(ies)

No  Yes

19. Explain how the environmental integrity or the land will be impacted or disrupted as a result of the proposed transaction:

CSWR Texas will operate the system to ensure it is in compliance with all environmental regulations. Accordingly, environmental integrity will be improved by the transaction. CSWR Texas is not aware of any negative impacts or disruptions to the environment or land that would result from the transaction.

20. How will the proposed transaction serve the public interest?

See Attachment K.

21. List all neighboring water or sewer utilities, cities, districts (including ground water conservation districts), counties, or other political subdivisions (including river authorities) providing the same service within two (2) miles from the outer boundary of the requested area affected by the proposed transaction:

Goliad County WSC (CCN 13028)

**Part F: TCEQ Public Water System or Sewer (Wastewater) Information**

**Complete Part F for EACH Public Water or Sewer system to be transferred subject to approval of the transaction. Attach a separate sheet with this information if you need more space for additional systems being transferred.**

22. A. For Public Water System (PWS):

TCEQ PWS Identification Number: 2350036 (7 digit ID)

Name of PWS: Coleta Water

Date of last TCEQ compliance inspection: January 28, 2019 (attach TCEQ letter)

Subdivisions served: Coleta

B. For Sewer service:

TCEQ Water Quality (WQ) Discharge Permit Number: WQ - (8 digit ID)

Name of Wastewater Facility: \_\_\_\_\_

Name of Permittee: \_\_\_\_\_

Date of last TCEQ compliance inspection: \_\_\_\_\_ (attach TCEQ letter)

Subdivisions served: \_\_\_\_\_

Date of application to transfer permit *submitted* to TCEQ: \_\_\_\_\_

23. List the number of *existing* connections, by meter/connection type, to be affected by the proposed transaction:

Water			Sewer		
	Non-metered		2"		Residential
211	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			211	Total Sewer Connections:	

24. A. Are any improvements required to meet TCEQ or Commission standards?

No  Yes

B. Provide details on each required major capital improvement necessary to correct deficiencies to meet the TCEQ or Commission standards (attach any engineering reports or TCEQ approval letters): **See Attachments H, I & J.**

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:
Replace tank with 5,000 gallon pressure Tank		\$ 60,000.00
Two Additional 160 gpm booster pumps		\$ 35,000.00
Repair/Clean Water Well		\$ 25,000.00

C. Is there a moratorium on new connections?

No  Yes:

25. Does the system being transferred operate within the corporate boundaries of a municipality?

No  Yes: \_\_\_\_\_ (name of municipality)

If yes, indicate the number of customers within the municipal boundary.

Water: \_\_\_\_\_ Sewer: \_\_\_\_\_



26. A. Does the system being transferred purchase water or sewer treatment capacity from another source?

No  Yes: If yes, attach a copy of purchase agreement or contract.

Capacity is purchased from: \_\_\_\_\_

Water: \_\_\_\_\_

Sewer: \_\_\_\_\_

B. Is the PWS required to purchase water to meet capacity requirements or drinking water standards?

No  Yes

C. What is the amount of water supply or sewer treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?

	Amount in Gallons	Percent of demand
Water:		0.00%
Sewer:		0.00%

D. Will the purchase agreement or contract be transferred to the Transferee?

No  Yes:

27. Does the PWS or sewer treatment plant have adequate capacity to meet the current and projected demands in the requested area?

No  Yes:

28. List the name, class, and TCEQ license number of the operator that will be responsible for the operations of the water or sewer utility service:

Name (as it appears on license)	Class	License No.	Water or Sewer
Zachary King	C	WG-0010543	Water
Timothy Young	A	WO 0029245	Water

**Part G: Mapping & Affidavits**

**ALL applications require mapping information to be filed in conjunction with the STM application. Read question 29 A and B to determine what information is required for your application.**

29. A. For applications requesting to transfer an entire CCN, without a CCN boundary adjustment, provide the following mapping information with each of the seven (7) copies of the application: **See Attachments L & M**

1. A general location (small scale) map identifying the requested area in reference to the nearest county boundary, city, or town. The following guidance should be adhered to:
  - i. If the application requests to transfer certificated service areas for both water and sewer, separate maps must be provided for each.
  - ii. A hand drawn map, graphic, or diagram of the requested area is not considered an acceptable mapping document.

- iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.

- 2. A detailed (large scale) map identifying the requested area in reference to verifiable man-made and natural landmarks such as roads, rivers, and railroads. The Applicant should adhere to the following guidance:
  - i. The map must be clearly labeled and the outer boundary of the requested area should be marked in reference to the verifiable man-made or natural landmarks. These verifiable man-made or natural landmarks must be labeled and marked on the map as well.
  - ii. If the application requests an amendment for both water and sewer certificated service area, separate maps need to be provided for each.
  - iii. To maintain the integrity of the scale and quality of the map, copies must be exact duplicates of the original map. Therefore, copies of maps cannot be reduced or enlarged from the original map, or in black and white if the original map is in color.
  - iv. The outer boundary of the requested area should not be covered by any labels, roads, city limits or extraterritorial jurisdiction (ETJ) boundaries.

**B.** For applications that are requesting to include area not currently within a CCN, or for applications that require a CCN amendment (any change in a CCN boundary), such as the transfer of only a portion of a certificated service area, provide the following mapping information with each of the seven (7) copies of the application:

- 1. A general location (small scale) map identifying the requested area with enough detail to locate the requested area in reference to the nearest county boundary, city, or town. Please refer to the mapping guidance in part A 1 (above).
- 2. A detailed (large scale) map identifying the requested area with enough detail to accurately locate the requested area in reference to verifiable man-made or natural landmarks such as roads, rivers, or railroads. Please refer to the mapping guidance in part A 2 (above).
- 3. One of the following identifying the requested area:
  - i. A metes and bounds survey sealed or embossed by either a licensed state land surveyor or a registered professional land surveyor. Please refer to the mapping guidance in part A 2 (above);
  - ii. A recorded plat. If the plat does not provide sufficient detail, Staff may request additional mapping information. Please refer to the mapping guidance in part A 2 (above); or
  - iii. Digital mapping data in a shapefile (SHP) format georeferenced in either NAD 83 Texas State Plane Coordinate System (US Feet) or in NAD 83 Texas Statewide Mapping System (Meters). The digital mapping data shall include a single, continuous polygon record. The following guidance should be adhered to:
    - a. The digital mapping data must correspond to the same requested area as shown on the general location and detailed maps. The requested area must be clearly labeled as either the water or sewer requested area.
    - b. A shapefile should include six files (.dbf, .shp, .shx, .sbx, .sbn, and the projection (.prj) file).
    - c. The digital mapping data shall be filed on a data disk (CD or USB drive), clearly labeled, and filed with Central Records. Seven (7) copies of the digital mapping data is also required.



**Part H: Notice Information**

The following information will be used to generate the proposed notice for the application.  
**DO NOT provide notice** of the application until it is found sufficient and the Applicants are ordered to provide notice.

30. Complete the following using verifiable man-made or natural landmarks such as roads, rivers, or railroads to describe the requested area (to be stated in the notice documents). Measurements should be approximated from the outermost boundary of the requested area:

The total acreage of the requested area is approximately: 440.00

Number of customer connections in the requested area: 211

Affected subdivision : Coleto

The closest city or town: Victoria

Approximate mileage to closest city or town center: 7

Direction to closest city or town: North

The requested area is generally bounded on the North by: US Highway 59 S

on the East by: Reeves Ranch Park Road

on the South by: Reeves Ranch Park Road

on the West by: US Highway 59 S

31. A copy of the proposed map will be available at: CSWR Texas' offices and upon request

32. What effect will the proposed transaction have on an average bill to be charged to the affected customers? Take into consideration the average consumption of the requested area, as well as any other factors that would increase or decrease a customer's monthly bill.

- All of the customers will be charged the same rates they were charged before the transaction.
- All of the customers will be charged different rates than they were charged before the transaction.
  - higher monthly bill     lower monthly bill
- Some customers will be charged different rates than they were charged before (i.e. inside city limit customers)
  - higher monthly bill     lower monthly bill

Oath for Transferor (Transferring Entity)

STATE OF COLORADO

COUNTY OF JEFFERSON

I, LOGAN CAMPBELL being duly sworn, file this application for sale, transfer,

merger, consolidation, acquisition, lease, or rental, as OWNER (owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

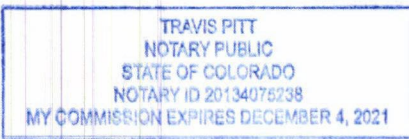
I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

[Handwritten signature] AFFIANT (Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas this day the 13 of November, 2019

SEAL



[Handwritten signature] NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS CO Travis Pitt PRINT OR TYPE NAME OF NOTARY

My commission expires: 12/4/2021

**Oath for Transferee (Acquiring Entity)**

STATE OF MISSOURI

COUNTY OF ST. LOUIS

I, Josiah Cox being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as Manager of CSWR-Texas Utility Operating Company, LLC,  
(owner, member of partnership, title as officer of corporation, or authorized representative)

I attest that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to Applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I further state that I have been provided with a copy of the 16 TAC § 24.239 Commission rules. I am also authorized to agree and do agree to be bound by and comply with any outstanding enforcement orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.



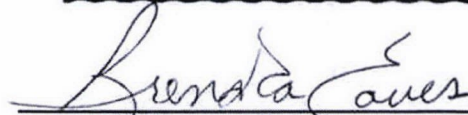
**AFFIANT**

(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

**SUBSCRIBED AND SWORN BEFORE ME**, a Notary Public in and for the State of Texas  
this day the 15th of November, 2019

SEAL



**NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS** MO

**PRINT OR TYPE NAME OF NOTARY**

My commission expires: 01/31/2021



See Attachment G for copies of Financial Statements.

**Appendix A: Historical Financial Information (Balance Sheet and Income Schedule)**

*(Audited financial statements may be substituted for this schedule – see Item 17 of the instructions)*

HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END )	CURRENT(A) ( - - )	A-1 YEAR ( - - )	A-2 YEAR ( - - )	A-3 YEAR ( - - )	A-4 YEAR ( - - )	A-5 YEAR ( - - )
<b>CURRENT ASSETS</b>						
Cash						
Accounts Receivable						
Inventories						
Other						
<b>A. Total Current Assets</b>						
<b>FIXED ASSETS</b>						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
<b>B. Total Fixed Assets</b>						
<b>C. TOTAL Assets (A + B)</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
<b>D. Total Current Liabilities</b>						
<b>LONG TERM LIABILITIES</b>						
Notes Payable, Long-term						
Other						
<b>E. Total Long Term Liabilities</b>						
<b>F. TOTAL LIABILITIES (D + E)</b>						
<b>OWNER'S EQUITY</b>						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
<b>G. TOTAL OWNER'S EQUITY</b>						
<b>TOTAL LIABILITIES+EQUITY (F + G) = C</b>						
<b>WORKING CAPITAL (A – D)</b>						
<b>CURRENT RATIO (A / D)</b>						
<b>DEBT TO EQUITY RATIO (E / G)</b>						

**DO NOT INCLUDE ATTACHMENTS A OR B IN FILED APPLICATION IF LEFT BLANK**

See Attachment G for copies of Financial Statements.

<b>HISTORICAL NET INCOME INFORMATION</b>						
<b>(ENTER DATE OF YEAR END )</b>	<b>CURRENT(A)</b> ( - - )	<b>A-1 YEAR</b> ( - - )	<b>A-2 YEAR</b> ( - - )	<b>A-3 YEAR</b> ( - - )	<b>A-4 YEAR</b> ( - - )	<b>A-5 YEAR</b> ( - - )
<b>METER NUMBER</b>						
Existing Number of Taps						
New Taps Per Year						
<b>Total Meters at Year End</b>						
<b>METER REVENUE</b>						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
<b>Operating Revenue Per Meter</b>						
<b>GROSS WATER REVENUE</b>						
Revenues- Base Rate & Gallonage Fees						
Other (Tap, reconnect, transfer fees, etc)						
<b>Gross Income</b>						
<b>EXPENSES</b>						
General & Administrative (see schedule)						
Operating (see schedule)						
Interest						
Other (list)						
<b>NET INCOME</b>						



See Attachment G for copies of Financial Statements.

HISTORICAL EXPENSE INFORMATION (ENTER DATE OF YEAR END)	CURRENT(A) ( - - )	A-1 YEAR ( - - )	A-2 YEAR ( - - )	A-3 YEAR ( - - )	A-4 YEAR ( - - )	A-5 YEAR ( - - )
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries & Benefits–Office/Management						
Office (services, rentals, supplies, electricity)						
Contract Labor						
Transportation						
Insurance						
Telephone						
Utilities						
Property Taxes						
Professional Services/Fees (recurring)						
Regulatory- other						
Other (describe)						
Interest						
Other						
<b>Total General Admin. Expenses (G&amp;A)</b>						
<b>% Increase Per Year</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>						
Salaries & Benefits (Employee, Management)						
Materials & Supplies						
Utilities Expense-office						
Contract Labor						
Transportation Expense						
Depreciation Expense						
Other(describe)						
<b>Total Operational Expenses (O&amp;M)</b>						
<b>Total Expense (Total G&amp;A + O&amp;M)</b>						
<b>Historical % Increase Per Year</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ASSUMPTIONS</b>						
Interest Rate/Terms						
Depreciation Schedule (attach)						
Other assumptions/information (List all)						



**Appendix B: Projected Information**

<b>HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END)</b>	<b>CURRENT(A) (12-31-19)</b>	<b>A-1 YEAR (12-31-20)</b>	<b>A-2 YEAR (12-31-21)</b>	<b>A-3 YEAR (12-31-22)</b>	<b>A-4 YEAR (12-31-23)</b>	<b>A-5 YEAR (12-31-24)</b>
<b>CURRENT ASSETS</b>						
Cash	\$0.00	\$40,628.02	\$126,741.72	\$210,723.91	\$292,512.71	\$372,044.38
Accounts Receivable		14,385.32	19,108.66	19,108.66	19,108.66	19,108.66
Inventories						
Income Tax Receivable						
Other						
<b>A. Total Current Assets</b>	<b>\$0.00</b>	<b>\$55,013.34</b>	<b>\$145,850.38</b>	<b>\$229,832.57</b>	<b>\$311,621.37</b>	<b>\$391,153.04</b>
<b>FIXED ASSETS</b>						
Land						
Collection/Distribution System	551,250.00	694,750.00	703,994.43	713,361.86	722,853.94	732,472.33
Buildings						
Equipment						
Other	-54,173.00	-53,452.17	-52,731.33	-52,010.50	-51,289.67	-50,568.84
Less: Accum. Depreciation or Reserves	-497,067.00	-506,311.43	-515,678.86	-525,170.94	-534,789.33	-544,535.69
<b>B. Total Fixed Assets</b>	<b>\$10.00</b>	<b>\$134,986.40</b>	<b>\$135,584.23</b>	<b>\$136,180.42</b>	<b>\$136,774.95</b>	<b>\$137,367.80</b>
<b>C. TOTAL ASSETS (A+B)</b>	<b>\$10.00</b>	<b>\$189,999.74</b>	<b>\$281,434.61</b>	<b>\$366,012.99</b>	<b>\$448,396.31</b>	<b>\$528,520.83</b>
<b>CURRENT LIABILITIES</b>						
Accounts Payable		\$5,416.67	\$5,579.17	\$5,746.54	\$5,918.94	\$6,096.51
Notes Payable, Current		2,269.53	2,482.42	2,715.29	2,970.00	3,248.61
Accrued Expenses						
Other						
<b>D. Total Current Liabilities</b>	<b>\$0.00</b>	<b>\$7,686.19</b>	<b>\$8,061.59</b>	<b>\$8,461.83</b>	<b>\$8,888.94</b>	<b>\$9,345.12</b>
<b>LONG TERM LIABILITIES</b>						
Notes Payable, Long-term		\$118,919.86	\$116,437.43	\$113,722.14	\$110,752.14	\$107,503.53
Other						
<b>E. Total Long Term Liabilities</b>	<b>\$0.00</b>	<b>\$118,919.86</b>	<b>\$116,437.43</b>	<b>\$113,722.14</b>	<b>\$110,752.14</b>	<b>\$107,503.53</b>
<b>F. TOTAL LIABILITIES (D+E)</b>	<b>\$0.00</b>	<b>\$126,606.05</b>	<b>\$124,499.02</b>	<b>\$122,183.98</b>	<b>\$119,641.08</b>	<b>\$116,848.64</b>
<b>OWNER'S EQUITY</b>						
Paid in Capital	10.00	29,740.57	34,809.35	35,129.94	35,423.66	35,688.32
Retained Equity	8,693.00	0.00	33,653.12	122,126.23	208,699.07	293,331.57
Other						
Current Period Profit or Loss	-8,693.00	33,653.12	88,473.12	86,572.84	84,632.49	82,652.30
<b>G. TOTAL OWNER'S EQUITY</b>	<b>\$10.00</b>	<b>\$63,393.69</b>	<b>\$156,935.59</b>	<b>\$243,829.01</b>	<b>\$328,755.23</b>	<b>\$411,672.19</b>
<b>TOTAL LIABILITIES+EQUITY (F + G) = C</b>	<b>\$10.00</b>	<b>\$189,999.74</b>	<b>\$281,434.61</b>	<b>\$366,012.99</b>	<b>\$448,396.31</b>	<b>\$528,520.83</b>
<b>WORKING CAPITAL (A - D)</b>	<b>\$0.00</b>	<b>\$47,327.15</b>	<b>\$137,788.79</b>	<b>\$221,370.74</b>	<b>\$302,732.42</b>	<b>\$381,807.92</b>
<b>CURRENT RATIO (A / D)</b>	<b>0.0000</b>	<b>7.1574</b>	<b>18.0920</b>	<b>27.1611</b>	<b>35.0572</b>	<b>41.8564</b>
<b>DEBT TO EQUITY RATIO (F / G)</b>	<b>0.0000</b>	<b>1.9971</b>	<b>0.7933</b>	<b>0.5011</b>	<b>0.3639</b>	<b>0.2838</b>



**PROJECTED NET INCOME INFORMATION**

(ENTER DATE OF YEAR END)	CURRENT(A) (12-31-19)	A-1 YEAR (12-31-20)	A-2 YEAR (12-31-21)	A-3 YEAR (12-31-22)	A-4 YEAR (12-31-23)	A-5 YEAR (12-31-24)
<b>METER NUMBER</b>						
Existing Number of Taps	211	211	211	211	211	211
New Taps Per Year	0	0	0	0	0	0
<b>Total Meters at Year End</b>	211	211	211	211	211	211
<b>METER REVENUE</b>						
Revenue per Meter (use for projections)	\$ 282.98	\$ 818.12	\$ 1,086.75	\$ 1,086.75	\$ 1,086.75	\$ 1,086.75
Expense per Meter (use for projections)	324.18	658.63	667.44	676.45	685.65	695.03
<b>Operating Revenue per Meter</b>	\$ (41.20)	\$ 159.49	\$ 419.30	\$ 410.30	\$ 401.10	\$ 391.72
<b>GROSS WATER REVENUE</b>						
Revenues - Base Rate & Gallonage Fees	59,708.00	172,623.81	229,303.92	229,303.92	229,303.92	229,303.92
Other (Tap, reconnect, transfer fees, etc)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Gross Income</b>	\$ 59,708.00	\$ 172,623.81	\$ 229,303.92	\$ 229,303.92	\$ 229,303.92	\$ 229,303.92
<b>EXPENSES</b>						
General & Administrative (see schedule)	39,596.00	52,992.47	52,992.47	52,992.47	52,992.47	52,992.47
Operating (see schedule)	28,805.00	74,244.43	76,317.44	78,450.58	80,645.64	82,904.44
Interest		11,733.79	11,520.90	11,288.03	11,033.31	10,754.71
Other (list)						
<b>NET INCOME</b>	\$ (8,693.00)	\$ 33,653.12	\$ 88,473.12	\$ 86,572.84	\$ 84,632.49	\$ 82,652.30

PROJECTED EXPENSE DETAIL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries	\$30,384.00	\$30,384.00	\$30,384.00	\$30,384.00	\$30,384.00	\$151,920.00
Office	5,823.60	5,823.60	5,823.60	5,823.60	5,823.60	29,118.00
Computer	0.00	0.00	0.00	0.00	0.00	0.00
Auto	759.60	759.60	759.60	759.60	759.60	3,798.00
Insurance	8,290.77	8,290.77	8,290.77	8,290.77	8,290.77	41,453.83
Telephone	1,139.40	1,139.40	1,139.40	1,139.40	1,139.40	5,697.00
Utilities	1,139.40	1,139.40	1,139.40	1,139.40	1,139.40	5,697.00
Depreciation	0.00					0.00
Property Taxes	0.00	0.00	0.00	0.00	0.00	0.00
Professional Fees	2,313.54	2,313.54	2,313.54	2,313.54	2,313.54	11,567.69
Interest	0.00	0.00	0.00	0.00	0.00	0.00
Other	3,142.17	3,142.17	3,142.17	3,142.17	3,142.17	15,710.84
<b>Total</b>	\$52,992.47	\$52,992.47	\$52,992.47	\$52,992.47	\$52,992.47	\$264,962.36
<b>% Increase Per projected Year</b>		0.00%	0.00%	0.00%	0.00%	
<b>OPERATIONAL EXPENSES</b>						
Salaries	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Auto	0.00	0.00	0.00	0.00	0.00	0.00
Utilities	7,500.00	7,725.00	7,956.75	8,195.45	8,441.32	39,818.52
Depreciation	9,244.43	9,367.44	9,492.08	9,618.38	9,746.37	47,468.69
Repair & Maintenance	50,000.00	51,500.00	53,045.00	54,636.35	56,275.44	265,456.79
Supplies	7,500.00	7,725.00	7,956.75	8,195.45	8,441.32	39,818.52
Interest	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	\$74,244.43	\$76,317.44	\$78,450.58	\$80,645.64	\$82,904.44	\$392,562.52

<b>PROJECTED SOURCES AND USES OF CASH STATEMENTS</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>	<b>TOTALS</b>
<b>SOURCES OF CASH</b>						
Net Income	\$33,653.12	\$88,473.12	\$86,572.84	\$84,632.49	\$82,652.30	\$375,983.87
Depreciation (If funded by revenues of system)	9,244.43	9,367.44	9,492.08	9,618.38	9,746.37	47,468.69
Loan Proceeds	121,189.38					121,189.38
Other	22,310.62	0.00	0.00	0.00	0.00	22,310.62
<b>Total Sources</b>	<b>\$186,397.55</b>	<b>\$97,840.55</b>	<b>\$96,064.92</b>	<b>\$94,250.88</b>	<b>\$92,398.67</b>	<b>\$566,952.56</b>
<b>USES OF CASH</b>						
Net Loss	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Principle Portion of Pmts	2,269.53	2,482.42	2,715.29	2,970.00	3,248.61	13,685.86
Fixed Asset Purchase	143,500.00	9,244.43	9,367.44	9,492.08	9,618.38	181,222.33
Reserve						0.00
Other						0.00
<b>Total Uses</b>	<b>\$145,769.53</b>	<b>\$11,726.85</b>	<b>\$12,082.73</b>	<b>\$12,462.09</b>	<b>\$12,866.99</b>	<b>\$194,908.19</b>
<b>NET CASH FLOW</b>	<b>\$40,628.02</b>	<b>\$86,113.70</b>	<b>\$83,982.19</b>	<b>\$81,788.79</b>	<b>\$79,531.67</b>	<b>\$372,044.38</b>
<b>DEBT SERVICE COVERAGE</b>						
Cash Available for Debt Service (CADS)						
A Net Income (Loss)	\$33,653.12	\$88,473.12	\$86,572.84	\$84,632.49	\$82,652.30	\$375,983.87
B Depreciation, or Reserve Interest	8,523.60	8,646.60	8,771.25	8,897.55	9,025.53	43,864.53
<b>C: Total CADS (A + B = C)</b>	<b>\$42,176.71</b>	<b>\$97,119.72</b>	<b>\$95,344.09</b>	<b>\$93,530.05</b>	<b>\$91,677.83</b>	<b>\$419,848.40</b>
<b>D: DEBT SERVICE (DS)</b>						
Principle Plus Interest	\$14,003.32	\$14,003.32	\$14,003.32	\$14,003.32	\$14,003.32	\$70,016.59
<b>E: DEBT SERVICE COVERAGE RATIO</b>						
CADS Divided by DS (E = C / D)	3.0119	6.9355	6.8087	6.6791	6.5469	5.9964

## **ATTACHMENT LIST**

1. Attachment A – Executed Purchase Agreement
2. Attachment B – CSWR, LLC Corporate Organization Chart
3. Attachment C – Current Coletto Water Tariff
4. Attachment D – List of Customer Deposits
5. Attachment E – CSWR-Texas Utility Operating Company, LLC Operating Agreement
6. Attachment F – Certificate of Account Status
7. Attachment G – Appendix A Historical Financial Information (Confidential)
8. Attachment H – Capital Estimates
9. Attachment I – TCEQ Inspection Report
10. Attachment J – Engineering Memo (Confidential)
11. Attachment K – Responses to STM Questions
12. Attachment L – Small Scale Map
13. Attachment M – Large Scale Map



# Attachment A

**AGREEMENT FOR SALE OF UTILITY SYSTEM**

THIS AGREEMENT ("Agreement"), is made and entered into this 16<sup>TH</sup> day of FEBRUARY, 2019, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and JRM WATER LLC ("Seller"), collectively ("Parties").

**WITNESSETH:**

**WHEREAS**, Seller has developed and operates regulated water facilities in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in Victoria County, Texas (hereinafter the "System"); and

**WHEREAS**, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

**WHEREAS**, Seller is a limited liability company, organized and existing under the constitution and the laws of the State of Texas, with all the requisite power necessary to enter into the transaction described hereinafter; and

**WHEREAS**, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of water to each of the customers connected to the service area (defined further below as "Assets"); and

**WHEREAS**, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

**NOW, THEREFORE**, it is mutually agreed that:

1. **SALE OF ASSETS.**

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of water service in the System located in Victoria County, in the State of Texas, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases

related to the System area depicted in *Exhibit "A"* and/or generally described in *Exhibit "B"*, attached hereto;

B. All of Seller's water service facilities, equipment, lines, plant, pipes, manholes and appurtenances;

C. Any machinery and equipment such as meters, tools, devices, mobile work equipment, and all furniture, fixtures, machinery, supplies and other tangible items, if any, located in Victoria County, Texas, and used or held for use in connection with the System as generally described in *Exhibit "C"*, attached hereto;

D. All of Seller's rights, title and interest in and to any franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds or other financial assurances or guaranties, and customer deposits, if any, pertaining to, allocable to or arising out of the provision of water service in Victoria County, Texas as generally described in *Exhibit "D"*, attached hereto,

E. All of Seller's inventory, merchandise, contract rights, supplies, goodwill, and general intangibles excluding accounts receivable pertaining to the water service that accrued prior to the Closing; and

F. All assets not described which are located in Victoria County, Texas, and used or useful to operate the System, excepting therefrom, and from any other assets described in the paragraphs above of this Section 1, any and all cash, cash equivalents and banking deposits in existence prior to the Closing.

The assets to be sold and delivered, as above described, are hereinafter collectively described as the "Assets."

## 2. CONVEYANCES OF REAL ESTATE.

The real estate to be conveyed by Seller will include all facilities described herein and all interest of Seller in any water and other utility easements. The real estate will be conveyed by general warranty deed, in a form satisfactory to Buyer, and will vest marketable title in fact in the Buyer. Easements shall be assigned by written assignment or other means, in a form satisfactory to Buyer.

At Buyer's expense, Buyer shall obtain, at least thirty (30) calendar days prior to the Closing, a Commitment to issue an Owner's Policy of Title Insurance to Buyer in the amount of

the Purchase Price issued by a company authorized to issue title insurance in the state of Texas, which policy shall insure the owner's title to be marketable as the same is described and defined in Title Examination Standards of The Texas Bar ("Title Standards"). After delivery of said title insurance commitment and Buyer's completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer's option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. **REGULATORY APPROVAL.**

Seller and Buyer agree to make application to the Texas Public Utility Commission and any other government agency for which approval is required to operate the System for authority to complete the transfer of the Assets. Buyer and Seller agree to assist the other in this process when requested to do so. Buyer and Seller shall act diligently and cooperate with each other in obtaining final approval, if necessary, of the Texas Public Utility Commission and any other government agency for which approval is required for transfer of Seller's permits, if any. To the extent professional services are incurred to prepare the application to complete the transfer, Buyer agrees to pay the costs of these services.

4. **PURCHASE PRICE.** Buyer agrees to pay to Seller at the Closing **Ten Dollars (\$10.00)** for purchase of the Assets ("Purchase Price").

5. **CLOSING.**

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval,

satisfaction of Seller's Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer's sole discretion, or at such other time as the parties hereto may mutually agree (the "Closing"). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such title to the Assets to be sold as provided in this Agreement and as set forth in Section 6.D, and Buyer will deliver to Seller the Purchase Price. From time to time, at Buyer's request and expense, whether at or after the Closing and without further consideration, Seller shall execute and deliver such other instruments of conveyance and transfer and take such other action as Buyer reasonably may require to more effectively convey and transfer to Buyer any of the Assets to be sold hereunder, and will assist Buyer in the collection or reduction to possession of such Assets. Buyer will pay all sales, transfer and documentary taxes, if any, payable in connection with the sale, transfers and deliveries to be made to Buyer hereunder. All ad valorem real estate taxes and assessments levied or assessed against the Assets shall be prorated according to the calendar year as of the Closing based on the most recent tax bill and assessments levied for the same, and Buyer shall receive a credit against the Purchase Price for the amount of taxes owed by Seller at the time of the Closing. Buyer shall pay the costs of recording all instruments required for the Closing to occur, the fees charged by the title company, and Buyer's attorneys' fees. Seller shall pay for all attorneys' fees incurred by Seller.

On the date of the Closing, Buyer shall accept and assume ownership and title to the Assets to be conveyed hereunder and Buyer shall assume liability, and become responsible, for all obligations in connection with the Assets going forward, excepting responsibility for any liabilities and/or obligations of Seller in connection with the Assets that existed prior to the date of the Closing.

6. **SELLER'S REPRESENTATIONS AND WARRANTIES.**

The Seller represents and warrants as follows:

A. **Organization and Standing of Seller.**

Seller is a limited liability company, organized and existing under the constitution and laws of the State of Texas in good standing with the Texas Secretary of State.



**B. Liabilities.**

All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise pertaining to or arising out from the Assets are liabilities and obligations of the Seller and shall remain the obligations of Seller after the date of the Closing.

**C. Absence of Certain Changes.**

After Buyer's inspection and acceptance of the Assets, there shall not be:

- i. Any material change in the use of the Assets in connection with the business or operations of the System;
- ii. Any damage, destruction or loss whether or not covered by insurance, materially and adversely affecting the Assets.

**D. Title to Properties.**

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller shall have obtained the legal right to transfer all of the Assets. To the best of Seller's knowledge, unless Seller has disclosed any information in writing to the Buyer to the contrary, Seller owns the Assets to be sold under this Agreement, in all cases, free and clear of all liens, mortgages, pledges, leases, options, rights of first refusal, conditional sales agreements, encumbrances or other charges, except liens for taxes not yet due or payable, easements or right of ways, streets, railways, pipelines, electric transmission and distribution lines, telephone lines, drainage rights and other similar rights or restrictions of record which do not, either individually or in the aggregate have a materially adverse effect on the value or utility of the Assets to be sold hereunder.

Notwithstanding, but not in limitation of, the foregoing, Seller agrees to work with Buyer's surveyor during the PSC asset transfer process to establish, at Buyer's expense, the property boundaries and easement locations and to create a written plat of the distribution and collection lines showing the location of said lines with respect to lot lines, platted utility easements, if any, to the extent the same can be shown with reference to such lot lines and platted utility easements.

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller agrees to have identified any and all interests in land (including easements or license agreements) it has obtained in connection with its operation and maintenance of the

System and will provide Buyer or Buyer's representatives copies of the same or a reference to the book and page number of the records of the Victoria County Recorder's Office where such easements are recorded. The cost of such identification and any related search being the sole responsibility of the Buyer.

Buyer shall have until twenty (20) calendar days prior to the Closing to determine: 1) if Seller lacks an easement or other interest necessary for operation of the System or 2) an easement is defective in title or interest conveyed. If it appears that Seller lacks a valid easement for any portion of the System, or any easement identified suffers from a defect in title or interest conveyed, Buyer at its option and in its sole discretion may: 1) cancel this Agreement, 2) independently negotiate with the owner of the affected property toward acquisition of the treatment plant and collection lines easements or other easements, 3) notify Seller that Buyer will cancel the Agreement unless a necessary easement is acquired or a defect satisfactorily cured or remedied, and 4) undertake any action, which in Buyer's sole and absolute discretion, would correct an easement or remedy the situation caused by a lack of an easement or proper land interest. Buyer's failure to cancel this Agreement, however, shall not relieve Seller from any of its duties of indemnification set forth in subsequent paragraphs herein, nor shall such failure be construed as Buyer's waiver of any such provisions.

**E. Authority to Operate.**

The Assets, as described at Section 1 of this Agreement, constitute all of the assets presently owned by the Seller pertaining to the System. To the best of Seller's knowledge, except as otherwise disclosed to the Buyer, the System is being conducted, and as of date of the Closing, will be conducted in full compliance with requirements of all regulatory bodies exercising jurisdiction with regard to rates and conditions of service, and with local building and zoning codes.

**F. Litigation.**

There is no litigation or proceeding pending, or to the knowledge of Seller threatened, against or relating to Seller, the Assets, or the System, nor does Seller know, or have reasonable grounds to know, of any basis for any such action, or of any governmental investigation relative to Seller, the Assets, or the System, except as

otherwise disclosed to Buyer.

**G. No Violation or Breach.**

The performance of this Agreement by Seller, including any preconditions or surviving warranties or representations, is not in violation of any laws, statutes, local ordinances, state or federal regulations, court orders or administrative order or ruling, nor is such performance in violation of any loan documents, conditions or restrictions in effect for financing, whether secured or unsecured, except as otherwise disclosed to the Buyer.

**7. BUYER'S REPRESENTATIONS AND WARRANTIES.**

Buyer represents and warrants as follows:

**A. Organization and Standing of Buyer.**

Buyer is a corporation organized, existing under the constitution and laws of the State of Missouri in good standing, and has the requisite power to purchase the Asscets which are to be sold pursuant to the terms of this Agreement.

**B. Authority.**

The execution and delivery of this Agreement by Buyer and the purchase of the Assets as contemplated hereby have been duly authorized by Buyer, and all necessary action on the part of Buyer has been taken to authorize the execution and delivery of this Agreement and to consummate the sale contemplated hereby.

**8. CONDITIONS PRECEDENT FOR BUYER TO CLOSE.**

All obligations of Buyer under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

**A. Regulatory Approval.**

The Texas Public Utility Commission and any other government agency for which approval is required to operate the System shall have, to the extent necessary, authorized or approved the sale, transfer or disposition of the Assets to Buyer from Seller, the proposed financing, and any schedule of compliance for proposed utility improvement projects for regulatory compliance deemed necessary by Buyer, each in form and substance (including without limitation with respect to the terms and conditions contained in such approval) acceptable to Buyer in Buyer's sole and absolute discretion.

Both Parties shall diligently pursue the required approvals and authorizations contemplated herein. In the event the Parties are unable to obtain the required regulatory approval or authorization to complete the transactions contemplated herein, Buyer may terminate this Agreement by providing written notice to Seller at Buyer's sole and absolute discretion.

**B. Representations and Warranties True at Closing.**

Seller's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

**C. Performance.**

Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Seller prior to or at the Closing; including the payment of all taxes and assessments, or portions thereof, attributable to periods prior to or ending on the day of the Closing, to include Public Utility Commission assessments.

**D. Inspections.**

Completion of Buyer's examination, testing and inspection of the Assets and the securing of any and all licenses, permits or governmental approvals Buyer deems necessary for Buyer's proposed uses of the Assets, the results thereof to be satisfactory to Buyer, in its sole discretion. For purposes of this Agreement, the period from the date this Agreement is fully executed by both parties to the date that is twenty (20) days prior to the Closing, shall be referred to herein as the "Inspection Period." During the Inspection Period, Buyer, its employees, agents and contractors, shall have the right to enter onto any property owned by Seller that is related to the operation of the System, as it deems necessary or desirable, on reasonable prior notice to Seller to perform and complete architectural, environmental, engineering and/or other surveys, studies, inspections and tests on the Assets; to review zoning laws and applicable building codes; to obtain all necessary city, county, and state zoning approval, site plan or subdivision approvals, licenses and permits to authorize the uses of the Assets as intended by Buyer.

**E. No Casualty.**

The Assets shall not have been adversely affected in any material way as a result of any strike, lockout, accident or other casualty or act of God or the public enemy, or any judicial, administrative or governmental proceeding.

F. **Buyer's Right to Terminate.** If Buyer determines, in its sole and absolute discretion, that any of the aforementioned conditions have not been met, Buyer shall have the right to terminate this Agreement at any time prior to the Closing upon written notice to Seller.

9. **CONDITIONS PRECEDENT FOR SELLER TO CLOSE**

All obligations of Seller under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

A. **Representations and Warranties True at Closing.**

Buyer's representations and warranties contained in this Agreement shall be true at the time of the Closing as though such representations and warranties were made at such time.

B. **Performance.**

Buyer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Buyer prior to or at the Closing.

10. **INDEMNIFICATION.**

Seller shall, and hereby does agree to indemnify and hold harmless Buyer, at any time after the Closing against and in respect of:

A. All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise, and including all liabilities or obligations arising out of the transactions entered into, or any state of facts existing, prior to the date of Closing, including, without limitation, such liabilities or obligations as are described in paragraph B of Section 6 hereof;

B. Any claim, damage or deficiency resulting from any misrepresentation, untrue warranty, breach of warranty, or nonfulfillment of any agreement on the part of Seller under this Agreement or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Buyer under this

Agreement;

C. Any claim, liability, damage or obligation arising out of or attributable to, directly or indirectly, the storage or disposal of hazardous waste or materials prior to the date of the Closing;

D. All actions, suits, proceedings, demands, assessments, judgments, costs (including attorney's fees) and expenses incident to any of the foregoing.

Seller shall reimburse Buyer, on demand, for any payment involuntarily made, required by law to be made, or with the consent of Seller made by Buyer at any time after the date of the Closing in respect of any liability, obligation or claim to which the indemnity and hold harmless by Seller contained in this section relates.

11. **FEES AND COMMISSIONS.**

Each Party represents that it has not retained any broker or finder and is not paying, and is not obligated to pay, any finder's fee, commission or other transactional fee in connection with the transactions contemplated by this Agreement. Each Party shall pay its own fees for attorneys, accountants, appraisers or others engaged by it in the course of negotiating or executing this Agreement and in closing and completing the transactions hereunder provided. Fees for professional advisors retained jointly by the Parties for their mutual benefit shall be equally divided.

12. **HAZARD INSURANCE & CASUALTY LOSS.**

Seller shall maintain current hazard insurance in force on the Assets until the Closing. The risk of loss to the Assets shall pass to Buyer upon delivery of possession of the Assets to Buyer. If an event of casualty occurs to the Assets prior to the Closing, the Buyer may elect to either move to the Closing and accept any insurance proceeds as full satisfaction for the damage to the Assets or the Buyer may terminate this Agreement. Buyer shall notify Seller as to which option it elects within five (5) days prior to the Closing.

13. **BENEFIT.**

All of the terms of this Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, the respective legal representatives of Seller, its successors and assigns, and the successors and assigns of Buyer.

14. **GOVERNING LAW.**



This Agreement shall be construed and enforced in accordance with the laws of the State of Missouri.

15. **COUNTERPARTS.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement shall not be binding until executed by all Parties.

16. **NO THIRD PARTY BENEFICIARIES.**

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

17. **ENTIRE AGREEMENT.**

This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof.

18. **SUCCESSION AND ASSIGNMENT.**

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. Buyer shall be permitted to assign its rights in this Agreement to an affiliated entity that the Buyer controls without need of consent by the Seller by providing written notice to the Seller of such assignment. Other than the foregoing permitted assignment, no Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of Buyer and Seller, said approval not to be unreasonably withheld.

19. **HEADINGS.**

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

20. **NOTICES.**

All notices, demands, consents, requests or other communications required to or permitted to be given pursuant to this Agreement shall be in writing, shall be given only in accordance with the provisions of this Section 19, shall be addressed to the parties in the manner set forth below, and shall be conclusively deemed to have been properly delivered: (a) upon

receipt when hand delivered during normal business hours (provided that, notices which are hand delivered shall not be effective unless the sending party obtains a signature of a person at such address that the notice has been received); (b) upon receipt when sent by facsimile if sent between the hours of 8:00 a.m. and 5:00 p.m. (the recipient's time) on a business day to the number set forth below with written confirmation of a successful transmission by the sender's facsimile machine; (c) when sent by electronic mail if (1) identified in the subject line as a notice under this Agreement, (2) sent between the hours of 8:00 a.m. and 5:00 p.m. on a business day to the email address set forth below, and (3) acknowledged as received by the recipient, by reply or separate email, (d) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested (provided that, the sender has in its possession the return receipt to prove actual delivery); or (e) one (1) business day after the notice has been deposited with FedEx, United Parcel Service or other reliable overnight courier to be delivered by overnight delivery (provided that, the sending party receives a confirmation of actual delivery from the courier). The addresses of the parties to receive notices are as follows:

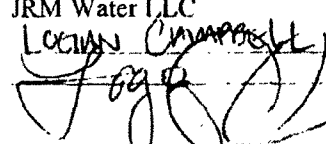
If to Buyer:

Josiah Cox, President  
Central States Water Resources, Inc.  
500 Northwest Plaza Drive #500  
St. Ann, MO 63074  
Facsimile: (314) 238-7201  
Email: jcox@cswrgroup.com

With a Copy to:

James A. Beckemeier  
The Beckemeier Law Firm, LC  
13421 Manchester Road, Suite 103  
St. Louis, MO 63131  
Facsimile: (314) 965-0127  
Email: jim@beckemeierlaw.com

If to Seller:

JRM Water LLC  


Agreement for Sale of Utility System

3333 RALEIGH ST, DENVER CO 80212  
Phone: 703 275-5517  
Facsimile:  
Email: toyanisstill@gmail.com

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

21. **AMENDMENTS AND WAIVERS.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer and Seller. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

22. **SEVERABILITY.**

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

23. **EXPENSES.**

Buyer and Seller shall each bear its own costs and expenses (including legal and accounting fees and expenses) incurred in connection with the preparation of this Agreement and activities necessary for the Closing.

24. **CONSTRUCTION.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

25. **INCORPORATION OF EXHIBITS.**

The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

26. **DEFAULT; ATTORNEY'S FEES.**

If either Party shall default in their performance under this Agreement, which default results in the expenditure of attorneys' fees to enforce the terms of this Agreement or to recover damages for breach of this contract, then the prevailing party shall be entitled to receive their reasonable and actually incurred attorneys' fees and costs in addition to any other damages that the Party is entitled to recover at law or in equity.

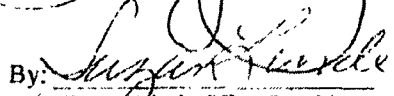
27. **AUTHORITY TO EXECUTE.** Each person whose signature appears hereon represents, warrants and guarantees that he or she has been duly authorized and has full authority to execute this Agreement on behalf of the party on whose behalf this Agreement is executed.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first above written.

**SELLER:**

JRM Water LLC

By:   
Logan Campbell, President.

By:   
Suzan Lind, Vice-President

**BUYER:**

CENTRAL STATES WATER  
RESOURCES, INC.

By:   
Josiah Cox, President

**EXHIBIT "A"**

**Service Area Description**

**EXHIBIT "B"**

**Description of Land, Improvements thereon, Easements, Rights of Way, Permits and Leases**  
**(The legal description(s) of the Land, Improvements thereon, Easements, Rights of Way shall be determined by survey and title commitments, which shall be inserted prior to the Closing).**

**EXHIBIT "C"**

**Personal Property and Equipment**  
(meters, tools, devices, mobile work equipment, furniture, fixtures, machinery, supplies, and other tangible items)

<b>Description</b>	<b>Balance of Associated Debt &amp; Lender Information</b>
	N/A



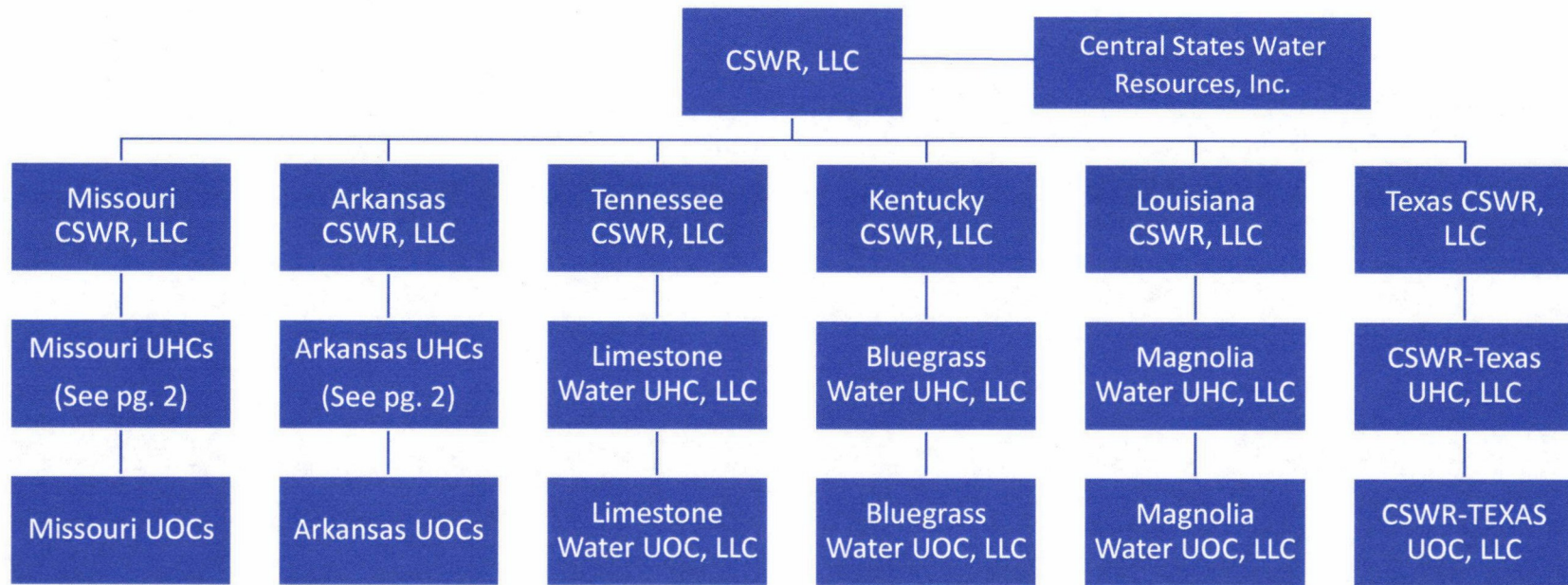
**EXHIBIT "D"**

**Rights Via Agreements, Contracts, Misc.**

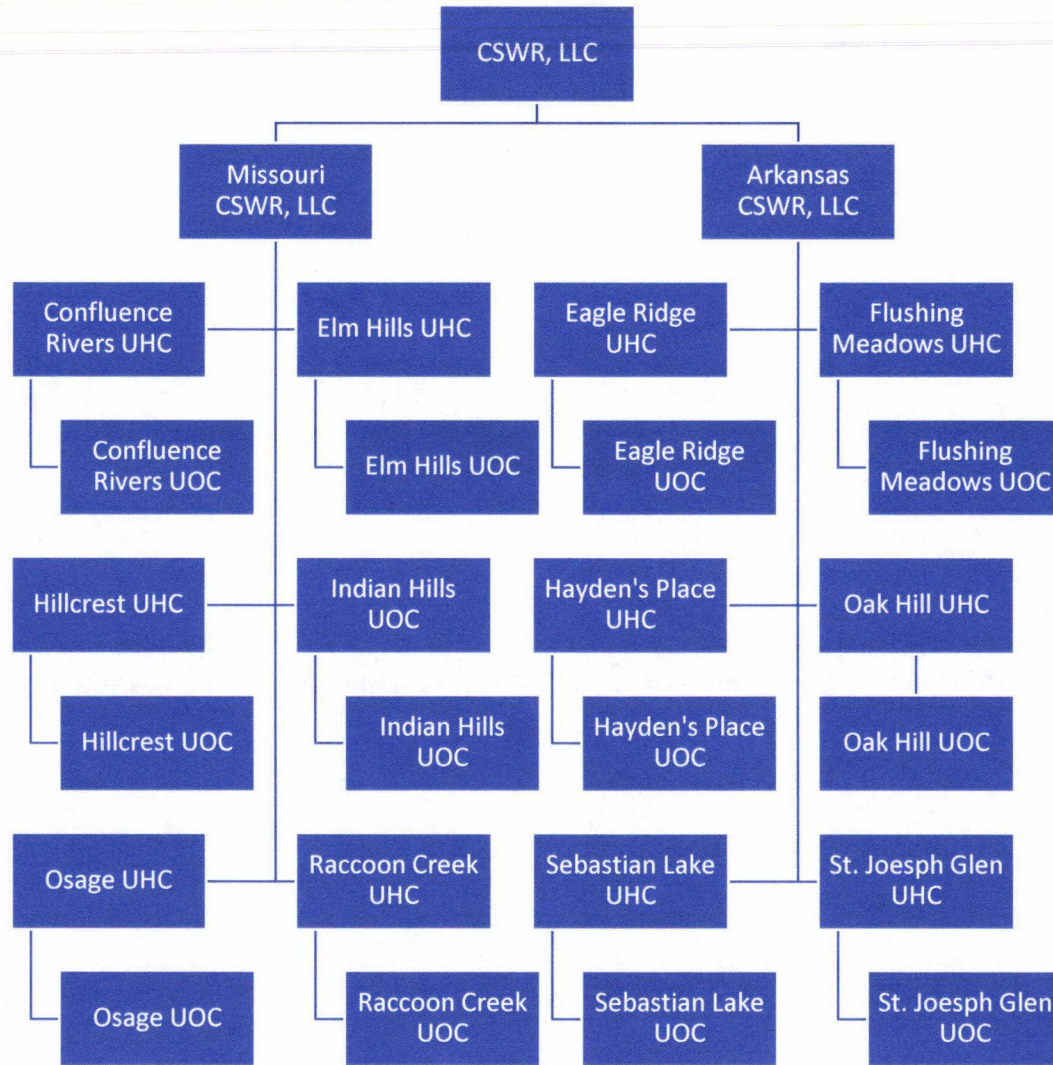
(franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds and/or other financial assurances and customer deposits)

# Attachment B

**Central States Water Resources Corporate Entity Organizational Chart**



**Missouri & Arkansas CSWR Organizational Chart Detail**



# Attachment C



SOAH DOCKET NO. 582-08-4354  
TCEQ DOCKET NO. 2008-1226-UCR

APPLICATION OF JAMES R.  
THE dba 1--120 SYSTEMS PLUS,  
CCN NO. 11548 TO CHANGE  
WATER RATES AND TARIFF IN  
VICTORIA COUNTY,  
APPLICATION NO. 35984-R

§ MAIBBEFORE  
§ INC.,  
§ ITSTEXAS COMMISSION 0N  
§  
§ TEXAS,ENVIRONMENTAL QUALITY

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ORDER

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James R. Maib dba H20 Systems Plus, Inc. (H20) is a retail public utility providing water service in Victoria County, Texas. The Texas Commission on Environmental Quality (TCEQ) received an application for a water rate change pursuant to Section 13.187 of the Texas Water Code and Title 30, Chapter 291 of the Texas Administrative Code from H20 on February 8, 2008. The application was accepted for filing on March 26, 2008. At least 10 percent of the utility's customers protested the application and the matter was referred to the State office of Administrative Hearings (SOAH) for a contested case hearing pursuant to Section 291.28 of the Commission's rules.

A preliminary hearing was held on November 10, 2008 at the State Office of Administrative Hearings (SOAH) for the above captioned matter. The Honorable Administrative Law Judge (ALJ), Penny Wilkov, took jurisdiction and admitted/designated the following as parties: (1) James R. Maib dba H20 Systems Plus, Inc. (Applicant); (2) the Executive Director (ED) of the Texas Commission on Environmental Quality (TCEQ); (3) Office of the Public Interest Counsel of the TCEQ; and (4) David Williams (ratepayer/protestant). The parties were unable to reach an agreement at that time and submitted a procedural schedule. Pursuant to the schedule, the parties

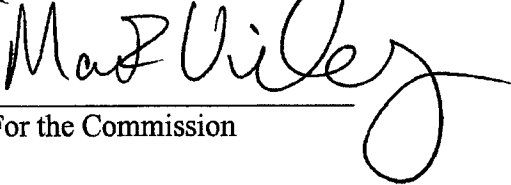
reconvened at SOAH on May 20, 2009, for the evidentiary hearing. The disputed water rate change application was resolved without the necessity of the evidentiary hearing. A signed agreement for the water rate was entered into by the Applicant and protestant; the ED and OPIC witnessed the agreement but did not sign it. The matter was thereby dismissed from the docket of SOAH by the ALJ and remanded back to the ED for uncontested processing in SOAH Order No. 2 on May 20, 2009.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that:

- 1. Pursuant to the Executive Director's authority granted under 30 Tex. Admin. Code § 80.101, the application for a water rate change is hereby approved as reflected in the tariff attached to this Order.
- 2. The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to the parties.
- 3. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

ISSUE DATE: JUN 15 2009

TEXAS COMMISSION  
ON ENVIRONMENTAL  
QUALITY

  
For the Commission

QUALITY

WATER UTILITY TARIFF  
FOR

\_\_\_\_\_  
(Utility Name) Plus, Inc.

102 Manassas Loop  
(Business Address)

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

11548

This tariff is effective in the following county:

Victoria

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

N/A

This tariff is effective in the following subdivisions and public water systems:

Coletto Water Company/ Shady Oaks Subdivision PWS ID # 2350036

#### 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 1.0 RATE SCHEDULE	2
SECTION 2.0 SERVICE RULES AND POLICIES	4
SECTION 3.0 EXTENSION	11
POLICY SECTION 4.0 -- DROUGHT CONTINGENCY PLAN	15
APPENDIX A -- SAMPLE SERVICE AGREEMENT	
APPENDIX B APPLICATION FOR SERVICE	



SECTION 1.0 RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallage Charge</u>
5/8" or 3/4"	\$28.00 (Includes 0 gallons)	\$3.00 per 1000 gallons thereafter

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order, Credit Card, Other (specify)

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

REGULATORY ASSESSMENT 1.0%

TCEQ RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL.

Section 1.02 - Miscellaneous Fees

TAP FEE \_\_\_\_\_ \$350.00

TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) \_\_\_\_\_ Actual Cost

FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

. TAP FEE (Large meter) \_\_\_\_\_ Actual Cost TAP FEE IS THE

UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE ..... Actual Relocation Cost, Not to Exceed Tap Fee THIS FEE MAY BE

CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE \_\_\_\_\_ \$25.00

THIS FEE WHICH SHOULD REFLECT THE UTILITY'S COST 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. THE FEE MAY NOT EXCEED \$25.

SECTION 1.0 RATE SCHEDULE (Continued)

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non payment of bill (Maximum \$25.00).....\$25.00 b)
- Customer's request that service be disconnected.....\$25.00

TRANSFER FEE..... \$10.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (EITHER \$5.00 OR OF THE BILL)..... 10%  
TCEQ RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED m A PREVIOUS BILLING.

RETURNED CHECK CHARGE.....\$35.00 RETURNED  
CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....\$50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT ..... 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY TCEQ AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [30 TAC 291.21K)(2

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

RATES LISTED ARE EFFECTIVE ONLY

IF THIS PAGE HAS TCEQ

APPROVAL STAMP

Buddy Garcia, Chairman .  
Larry R. Soward, Commissioner  
Bryan W. Shaw, Ph.D., Commissioner  
Mark R. Vickery, P.G., Executive  
Director



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
Protecting Texas by Reducing and Preventing Pollution  
June 17, 2009

CERTIFIED MAIL

Mr. Jim Maib,  
President 102  
Manassas Loop  
Victoria, Texas 77904

Re: Water Rate/TariffChange Application No. 35984-R (SOAH Docket  
No. 582-08-4354) of James R. Maib dba H2O Systems Plus, Inc.,  
in Victoria County; Certificate of Convenience and Necessity  
(CCN) No. 11548

CN: 600631386; RN: 101184190

Dear Mr. Maib:

Enclosed are the following documents issued by the Commission in  
the above referenced application:

e certified copy of an order,  
and approved tariff.

This action is taken under authority delegated by the Executive  
Director of the Texas Commission on Environmental Quality.

If you have any questions. please contact Ms. Elizabeth Flores  
by phone at 512/239-6846, or Ms. Heidi Graham at 512/239-0844,  
or by fax at 512/239-6972, or if by correspondence, include MC  
153 in the letterhead address.

James R. Maib dba H2O Systems

Sincerely,



Todd Chenoweth, Director  
Water Supply Division  
TC/EF/HG/1

n

Enclosures

cc:

mailing

list

P.O. Box 13087 Austin, Texas 78711-3087 512-239-1000  
www.tceq.state.tx.us

Internet address:






You may file a motion to overturn with the chief clerk. A motion to overturn is a request for the commission to review the TCEQ ED's approval of the application. Any motion must explain why the commission should review the TCEQ executive director's action. According to 30 TAC Section 50.139 an action by the ED is not affected by a motion to overturn filed under this section unless expressly ordered by the commission.

A motion to overturn must be received by the chief clerk within 23 days after the date of this letter. An original and 7 copies of a motion must be filed with the chief clerk in person, or by mail to the chief clerk's address on the attached mailing list. On the same day the motion is transmitted to the chief clerk, please provide copies to the applicant, the ED's attorney, and the Public Interest Counsel at the addresses listed on the attached mailing list. If a motion to overturn is not acted on by the commission within 45 days after the date of this letter, then the motion shall be deemed overruled.

You may also request judicial review of the ED's approval. According to Texas Water Code Section 5.351 a person affected by the ED's approval must file a petition appealing the ED's approval in Travis County district court within 30 days after the effective date of the approval. Even if you request judicial review, you still must exhaust your administrative remedies, which includes filing a motion to overturn in accordance with the previous paragraphs.

Individual members of the public may seek further information by calling the TCEQ Office' of Public Assistance, toll free, at 1-800-687-4040.

Sincerely,



Lalonna Castañuela  
Chief Clerk

LDC/ms

P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000

Internet address: [www.tceq.state.tx.us](http://www.tceq.state.tx.us)

MAILING LIST

for

James R. Maib dba H2O Systems Plus, Inc.

TCEQ Docket No. 2008-1226-UCR•, SOAH Docket No. 582-08-4354

Certificate of Convenience and Necessity No. 11548

FOR THE APPLICANT:

James L. Maib H2O Systems  
Plus, Inc. 102 Manassas Loop  
Victoria, Texas 77904

Howard Marek, Attorney  
203 Liberty Street  
Victoria, Texas 77901

Garrett Arthur, Attorney  
Texas Commission on Environmental Quality  
Public Interest Counsel MC- 103  
P.O. Box 13087  
Austin, Texas 78711-3087

INTERESTED PERSONS:

David Williams  
419 Vernon  
Victoria, Texas 77905

FOR THE CHIEF CLERK  
via electronic mail:

LaDonna Castafiuella  
Texas Commission on Environmental Quality  
Office of Chief Clerk MC-105  
P.O. Box 13087  
Austin, Texas 78711-3087

FOR THE EXECUTIVE DIRECTOR  
via electronic mail:

Kayla Murray, Staff Attorney  
FOR PUBLIC INTEREST  
COUNSEL via electronic mail:

Texas Commission on Environmental Quality  
Environmental Law Division MC- 173  
P.O. Box 13087  
Austin, Texas 78711-3087

Heidi Graham, Technical Staff  
Elizabeth Flores, Technical Staff  
Texas Commission on Environmental Quality  
Water Supply Division MC- 153  
P.O. Box 13087  
Austin, Texas 78711-3087

# Attachment D

Customer No.	Customer Name	Security Deposit
45361	Bianka and Zachary Meiers	50
45437	Misty Huerta	50
56311	Ivette White	25
165855	Erin Steven Solis	50
166347	Cory Garcia	50
166453	Sebastian Espinoza Chelsea Richardson	50
173036	Armando J Reyes Jr.	50
174017	Sandra Henke	50
174349	Lesly Dianna Lopez	50

# Attachment E



**RESTATED OPERATING AGREEMENT OF  
CSWR-TEXAS UTILITY OPERATING COMPANY, LLC**

THIS OPERATING AGREEMENT (this "Agreement") is signed as of the 13<sup>th</sup> day of November, 2019 (the "Effective Date"), by **CSWR-TEXAS UTILITY HOLDING COMPANY, LLC**, a Texas limited liability company, as the sole Member of **CSWR-TEXAS UTILITY OPERATING COMPANY, LLC**, a Texas limited liability company (the "Company").

**RECITALS**

WHEREAS, on July 16, 2019, the Company was organized a limited liability company under the laws of Texas pursuant to the Texas Limited Liability Company Act, Texas Business Organization Code Title 3 Chapter 101 (the "Act") for the purpose of, among other things, of investing in and operating water and waste water utilities;

WHEREAS, on September 23, 2019, the Company amended its name to "Yellow Rose Utility Operating Company, LLC", October 18, 2019 the Company amended its name to "Palmwood Water Utility Operating Company, LLC" and on November 13, 2019 the Company amended its name to "CSWR-Texas Utility Operating Company, LLC";

WHEREAS, the aforementioned Member desires to restate and adopt this Operating Agreement setting forth the Member's desire for the management and operation of such limited liability company.

NOW THEREFORE, in consideration of the mutual covenants and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Member hereby states as follows:

**ARTICLE I.  
ORGANIZATION**

1.1. Certain Definitions. As used herein, the following terms have the following meanings:

- (a) "Act" is defined in Section 1.2 hereof.
- (b) "Agreement" means this Operating Agreement, as the same may be amended from time to time.
- (c) "Business Property" means all properties, assets and interests (whether real or personal, tangible or intangible) now or hereafter owned or held by the Company.
- (d) "Capital Account" means the Capital Account maintained by the Company for each Member in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv), as amended from time to time.

(e) "Capital Contributions" means with respect to the Member, the total amount of money and the fair market value of the other property, if any, to be contributed to the Company by the Member in accordance with Article II hereof. The Member's "Paid-In Capital Contribution" means the amount of the Member's Capital Contribution actually paid in cash or other property actually contributed to or on behalf of the Company. With respect to the Company, such terms shall mean the aggregate Capital Contributions and aggregate Paid-In Capital Contributions, respectively, of the Member.

(f) "Capital Transaction" means any of the following items or transactions: a sale, transfer or other disposition of all or substantially all of the assets of the Company, condemnation actions, net insurance recoveries (other than for temporary loss of use), the refinancing of the mortgage or other indebtedness of the Company. The payment of Capital Contributions by the Member shall not be included within the meaning of the term "Capital Transaction."

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

(h) "Company" means this limited liability company and any successors hereto.

(i) "Depreciation" means for each fiscal year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such fiscal year. In the event the book value of an asset differs from its adjusted tax basis at the beginning of such year, then the Depreciation shall be an amount which bears the same ratio to the fair market value (as may be adjusted pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(f) and (g)) as the Depreciation determined for federal income tax purposes bears to the beginning adjusted tax basis.

(j) "Dissolution Proceeds" is defined in Section 10.2 hereof.

(k) "Net Profits" or "Net Losses" for the applicable period means the gross income of the Company minus (a) all net cash outlays of any kind, whether capital in nature or not, to the extent the same are not depreciable or amortizable for federal income tax purposes (or, as the context may require, to the extent the same are not depreciated or amortized for federal income tax purposes), including, without limiting the generality of the foregoing, all operating expenses payable by the Company, salaries, life insurance premiums on policies owned by the Company, and interest on any Company indebtedness; and (b) all Depreciation allowable for federal income tax purposes. In the event that such sum is a positive number, it shall be considered "Net Profits" and if the sum is a negative number, it shall be considered "Net Losses."

(l) "Person" is defined in Section 1.9 hereof.

(m) "Treasury Regulation(s)" means the Income Tax Regulations promulgated under the Code, as such Treasury Regulations may be amended or supplemented from time to time.

1.2. Formation. The Member has formed the Company under and pursuant to the provisions of the Act, for the limited purposes and scope set forth in this Agreement. The Member has filed in the appropriate governmental office(s) Articles of Organization which conform to the requirements of the Act in order to constitute the Company as a valid limited liability company under the Act. The costs and expenses associated with such filing shall be borne by the Company.

1.3. Name. The business and affairs of the Company shall be conducted solely under the name of "**CSWR-Texas Utility Operating Company, LLC**", and such name shall be used at all times in connection with the business and affairs of the Company; provided that the Member may operate the Company under any other name necessary or convenient to qualify it to do business in any state or jurisdiction.

1.4. Term. The Company shall continue in existence perpetually, or until dissolved by the Member under the terms of this Agreement.

1.5. Business of the Company. The business of the Company is to: (i) invest in and operate water and waste water utilities; (ii) own, finance, hold, manage, manufacture, sell, exchange or otherwise deal with and dispose of all or any part of the Business Property; and (iii) transact any and all lawful business for which a limited liability company may be organized under the Act and exercise all rights and engage in all activities related thereto (the "Business").

1.6. Principal Office. The principal office of the Company shall be at 500 Northwest Plaza Drive, Suite 500, St. Ann, MO 63074, or such other location as may be hereafter determined by the Manager.

1.7. Registered Office and Registered Agent. The name of the Company's registered agent for service of process in Texas and the address of the Company's registered office in Texas shall be as provided in the Articles of Organization. The Manager may in his sole discretion and from time to time change the address of the registered office and the registered agent by filing the documents required by law.

1.8. Articles of Organization and Other Instruments. The Member has executed or has authorized the execution of the Articles of Organization in accordance with the Act, and shall execute such other documents and instruments and take all such other actions as may be deemed by the Manager to be necessary or appropriate to effectuate and permit the continuation of the Company under the laws of the State of Texas or the laws of any other state in any other state which the Member deems necessary or appropriate. The Manager shall, from time to time, take appropriate action, including the preparation and filing of such other amendments to the Articles of Organization and other certificates as may be required under the laws of the State of Texas or any other state, to enable the Company to do business in the State of Texas or any other state.

1.9. Additional Definitions. The definitions in Section 1.1 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun used herein shall include the corresponding masculine, feminine and neuter forms. The term "Person" includes individuals, partnerships, corporations, limited liability companies, trusts, and other associations and entities. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation." The words "herein," "hereof," "hereunder," and similar terms shall refer to this Agreement, unless the context otherwise requires.

## **ARTICLE II. CAPITAL CONTRIBUTIONS**

2.1. Initial Capital Contributions. The Member shall make the Capital Contribution to the Company as reflected on Exhibit A attached hereto and incorporated herein by reference.

## **ARTICLE III. DISTRIBUTIONS**

3.1. Distributions. Except as otherwise requested by the Member or required by law, cash distributions shall be made to the Member on the following bases at such time (but at least annually) and in such amounts as the Manager in his sole discretion shall determine:

(a) Distributions, other than from a Capital Contribution, shall be made in the following order of priority:

(i) To the payment of liabilities of the Company then due and owing to Persons other than the Member;

(ii) To the Member, in an amount equal to the unpaid balance of principal and accrued interest of any loan by the Member to the Company;

(iii) The balance, if any, shall be distributed to the Member.

(b) The proceeds of any Capital Transaction and the distribution upon liquidation under Section 10.2 shall be made in the following order of priority:

(i) To the payment of liabilities of the Company then due and owing to Persons other than the Member;

(ii) To establish such reserves as the Manager in his discretion determines to be reasonably necessary for any contingent or foreseeable liability or obligation of the Company; provided, however, that the balance of any such reserve remaining at such time as the Manager shall reasonably determine shall be distributed in accordance with subparagraphs (iii) through (v) of this Section 3.1(b);

(iii) To the payment to the Member of an amount equal to the unpaid balance of principal and accrued interest of any Loan by the Member;

(iv) To the Member, an amount equal to its Capital Contributions reduced (but not below zero) by the amount of all prior distributions to it under this Section 3.1;

(v) The balance, if any, shall be distributed to the Member.

3.2. Distributions to Be Made In Cash. Unless otherwise determined by the Member, all distributions to the Member shall be made in cash.

#### **ARTICLE IV. ALLOCATION OF NET PROFITS AND NET LOSSES**

4.1. Profits and Losses. Net Profits and Net Losses incurred and/or accrued shall be allocated to the Member.

#### **ARTICLE V. ACCOUNTING; RECORDS**

5.1. Accounting Methods. The Company books and records shall be prepared in accordance with generally accepted accounting principles, consistently applied. All Federal, state and local tax returns of the Company shall be prepared by the Company's certified public accountants, under the direction of the Manager.

5.2. Fiscal Year. The fiscal year of the Company shall be the twelve calendar month period ending December 31.

5.3. Tax Status. The Member shall elect such tax status that it deems appropriate for each tax year by notifying the Manager of such election.

#### **ARTICLE VI. POWERS, RIGHTS AND DUTIES OF THE MEMBER AND MANAGER**

6.1. Restriction of the Member's Rights to Participate in Management. Except as otherwise expressly provided herein, the Member shall have no voice in, take any part in, nor interfere with, the conduct, control, or management of the business of the Company in its capacity as the Member, nor shall the Member have any authority or power to act for, or on behalf of, the Company, or to bind the Company in any respect whatsoever.

6.2. Member Consent. (a) The affirmative vote, approval or consent of the Member shall be required to: (i) alter the primary purposes of the Company as set forth in Section 1.5; (ii) do any act in contravention of this Agreement or cause the Company to engage in any business not authorized by the Articles of Organization or the terms of this Agreement; (iii) do any act which would make it impossible to carry on the usual course of business of the Company; (iv) change or reorganize the Company into any other legal form; (v) amend this Agreement; (vi) issue an Interest in the Company to any Person and admit such Person as a Member; (vii) approve a merger or consolidation with another Person, (viii) change the status of the Company from one in

which management is vested in the one or more Managers to one in which management is vested in the Member, or vice versa; (ix) possess any Company property or assign the rights of the Company in specific Company property for other than a Company purpose; (x) perform any act (other than an act required by this Agreement or any act taken in good faith reliance upon counsel's opinion) which would, at the time such act occurred, subject the Member to liability as a general partner in any jurisdiction; (xi) operate the Company in such a manner as to have the Company classified as an "investment company" for purposes of the Investment Company Act of 1940; (xii) have an order for relief entered against the Company under applicable federal bankruptcy law; OR (xiii) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against the Company in any bankruptcy, reorganization or insolvency proceeding.

(b) The Member shall have the right to replace a Manager of the Company and name its successor at any time by providing written notice to the Manager being replaced of such decision in which the successor Manager is also set forth.

### 6.3. Manager.

(a) The Manager shall have the power to do all things necessary or convenient to carry out the business affairs of the Company. The initial Manager shall be Central States Water Resources, Inc., a Missouri corporation.

(b) The Manager shall not have any contractual right to such position and shall serve until the earliest of (i) the withdrawal of the Manager, or (ii) the removal of the Manager. The Manager may be removed and replaced in accordance with the provisions of Section 6.2(b).

(c) Except to the extent provided herein, the Member hereby agrees that only the Manager and agents of the Company authorized by the Manager shall have the authority to bind the Company. The Member shall not take any action to bind the Company without notifying the Manager of such action. If the Member takes any action to bind the Company, it shall indemnify and hold harmless the Manager against any claim, loss, expense or liability (including, without limitation, attorneys' fees and expenses, whether or not litigation is commenced) incurred by the Manager as a result of the unauthorized action of such Member.

(d) The Manager's duty of care in the discharge of the duties of the Manager to the Company and the Member is limited to discharging his duties pursuant to this Agreement in good faith, with the care a corporate officer of like position would exercise under similar circumstances, in the manner he reasonably believes to be in the best interests of the Company. In discharging his duties, the Manager shall not be liable to the Company or to the Member for any mistake or error in judgment or for any act or omission believed in good faith to be within the scope of authority conferred by this Agreement or by separate written instrument executed by the Member.



(e) The Manager's compensation shall be established by the Member, and the Manager shall be entitled to reimbursement of any general overhead expenses incurred in the regular course of his duties.

#### 6.4. Indemnification

(a) The Company, except as provided in Section 6.4(b), shall indemnify any Person who is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether criminal, civil, administrative or investigative, including without limitation any action by or in the right of the Company, by reason of the fact that he/it was or is a Member or Manager of the Company or is or was a Member or Manager of the Company who is or was serving at the request of the Company as a member, manager, director, officer, agent, employee, partner or trustee of another limited liability company, corporation, partnership, joint venture, trust or other enterprise; against expenses, including attorneys' fees, judgments, fines, taxes and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding if such Person's conduct is not finally adjudged to be knowingly fraudulent, deliberately dishonest or willful misconduct. The right to indemnification conferred in this paragraph shall be a contract right and shall include the right to be paid by the Company expenses incurred in defending any actual or threatened civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding. Such right will be conditioned upon receipt of an undertaking by or on behalf of the Member or manager to repay such amount if it shall ultimately be determined that he/it is not entitled to be indemnified by the Company as authorized in this Article. Such right shall survive any amendment or repeal of this Article with respect to expenses incurred in connection with claims, regardless of when such claims are brought, arising out of acts or omissions occurring prior to such amendment or repeal. The Company may, by action of the Member, provide indemnification to employees and agents of the Company with the same scope and effect as the foregoing indemnification of Member and Manager.

(b) If a claim under Section 6.4(a) is not paid in full by the Company within thirty (30) days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense, including reasonable attorneys' fees and costs, of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Company) that the claimant has not met the standards of conduct which make it permissible under the limited liability company law of Texas for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including the Member or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he/it has met the applicable standard of conduct set forth in the limited liability company law of Texas, nor an actual determination by the Company (including its Member or independent legal counsel) that the claimant has not met such

applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) The indemnification provided by this Section 6.4 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, consent of the Member or otherwise, both as to action in his/its official capacity and as to action in another capacity while holding such office, and shall continue as to a Person who has ceased to be a Member, Manager, employee, partner, trustee or agent and shall inure to the benefit of the heirs, executors and administrators of such a Person.

(d) The Company may purchase and maintain insurance on behalf of any Person who is or was a Member, Manager, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, employee, partner, trustee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his/its status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of this Section 6.4.

(e) For the purposes of this Section 6.4, references to the Company includes the resulting or surviving entity in any merger or consolidation so that any Person who is or was a Member, Manager, employee or agent of such a constituent entity or is or was serving at the request of such constituent entity as a member, manager, director, officer, employee, partner, trustee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Section 6.4 with respect to the resulting or surviving entity as he/it would if he/it had served the resulting or surviving entity in the same capacity.

(f) For purposes of this Section 6.4, the term "other enterprise" shall include employee benefit plans; the term "fines" shall include any excise taxes assessed on a Person with respect to any employee benefit plan; and the term "serving at the request of the Company" shall include any service as a member, manager, director, officer, employee, partner, trustee or agent of, or at the request of, the Company which imposes duties on, or involves services by, such member, manager, director, officer, employee, partner, trustee or agent with respect to an employee benefit plan, its participants, or beneficiaries.

(g) In the event any provision of this Section 6.4 shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision of this Section 6.4 and any other provisions of this Section 6.4 shall be construed as if such invalid provision had not been contained in this Section 6.4. In any event, the Company shall indemnify any Person who is or was a Member or Manager of the Company, or is or was a Member or Manager of the Company who is or was serving at the request of the Company as a member, manager, director, officer, agent, employee, partner or trustee of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, to the full extent permitted under Texas law, as from time to time in effect.

6.5. Liability of the Member. The Member shall not be liable as such for the liabilities of the Company. The failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Member or a Manager for liabilities of the Company.

**ARTICLE VII.  
DETERMINATIONS BY THE MEMBER**

7.1. Actions by the Member. The Member shall have the right to take any action set forth herein in accordance with the terms of the Agreement. In addition, if the Member determines that it wants to take an action that is not expressly granted to it within this Agreement, it shall take such action only after notifying the Manager in writing of the intended action.

**ARTICLE VIII.  
ACTIONS OF THE MANAGER**

8.1. Actions by the Manager. The Manager shall decide any question related to the operations of the Company, unless the question is one upon which, by express provision of the Act, the Articles of Organization or this Agreement, the Member is required to consent, in which case such express provision shall govern and control the decision on such question.

**ARTICLE IX.  
TRANSFER OF MEMBER'S INTEREST**

9.1. Transfer of Member's Interest. The Member shall have the right to transfer all or part of its Interest to another Person upon such terms that the Member deems acceptable. Prior to the effective date of the transfer of all or part of the Interest, the Member must notify the Manager of the transfer in writing.

9.2. Effect of Assignment; Documents. All Interests in the Company transferred pursuant to the provisions of this Article shall be subject to the restrictions and obligations set forth in this Agreement. As a condition to any Person being admitted as an additional Member or a substituted Member, such Person must execute this Agreement and agree to be bound by all of its terms and provisions as a substituted Member or additional Member.

**ARTICLE X.  
DISSOLUTION OF THE COMPANY**

10.1. Dissolution Acts.

(a) No act, thing, occurrence, event or circumstance shall cause or result in the dissolution of the Company except that the happening of any one of the following events shall work as an immediate dissolution and termination of the Company:

(i) A determination by Member to dissolve and terminate the Company; and

(ii) The event of the death of the Member.

(b) Without limiting the other provisions hereof, the transfer of all or any part of a Member's Interest, in accordance with the provisions of this Agreement or the admission of a new Member, shall not work the dissolution of the Company.

10.2. Distribution of Proceeds on Dissolution; Reserves. Upon the dissolution and termination of the Company, a the Member or such other Person designated by the Member (the "Winding-Up Member") shall file a Notice of Winding Up pursuant to the Act and shall proceed with the liquidation and termination of the Company as promptly as possible, but in an orderly and businesslike manner so as not to involve undue sacrifice, and the proceeds therefrom and any other funds and assets of the Company (the "Dissolution Proceeds"), shall be applied and distributed pursuant to the provisions of Section 3.1.b.

## ARTICLE XI. GENERAL

11.1. Notices. Any notice, request, approval, consent, demand or other communication required or permitted hereunder shall be given in writing by (1) personal delivery, (2) expedited delivery service with proof of delivery, (3) United States Mail, postage prepaid, registered or certified mail, return receipt requested, or (4) email or facsimile (provided that such email or facsimile is confirmed as received), and shall be deemed to have been given and received either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the last known address, or in the case of email or facsimile, upon receipt.

11.2. Amendments. This Agreement may be amended by a written agreement of amendment executed by the Member.

11.3. Miscellaneous. Except as herein otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns. Captions contained in this Agreement in no way define, limit, or extend the scope or intent of this Agreement. If any provision of this Agreement or the application of such provision to any Person or circumstance shall be held invalid, the remainder of this Agreement, or the application of such provision to any other Persons or circumstances, shall not be affected thereby.

11.4. Remedies. If the Company or any party to this Agreement obtains a judgment against any other party by reason of breach of this Agreement or failure to comply with the provisions hereof, reasonable attorneys' fees as fixed by the court shall be included in such judgment. No remedy conferred upon the Company or the Member in this Agreement is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or

by statute. No waiver by the Member or the Company of any breach of this Agreement shall be deemed to be a waiver of any other breach of any kind or nature and no acceptance of payment or performance by a Member or the Company after any such breach shall be deemed to be a waiver of any breach of this Agreement, whether or not such Member or the Company knows of such breach at the time it accepts such payment or performance. If the Member has the right herein to approve or consent to any matter or transaction, such approval or consent may be withheld in the sole discretion of the Member for any reason or no reason. No failure or delay on the part of the Member or the Company to exercise any right it may have shall prevent the exercise thereof by the Member or the Company at any time such other may continue to be so in default, and no such failure or delay shall operate as a waiver of any default.

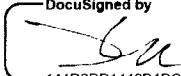
11.5. Compliance with Securities Laws. Notwithstanding anything herein contained to the contrary, no transfer or disposition of Interests in the Company pursuant to the terms hereof shall be made unless such transfer or disposition complies in all respects with the provisions of the Securities Act of 1933 and the securities laws of any and all states with jurisdiction over such transfer or disposition, and the rules and regulations promulgated thereunder.

11.6. Binding Effect. This Agreement and any amendment hereto made as provided herein shall be binding upon and inure to the benefit of the Company and its successors and assigns, and the Member, its heirs, executors, administrators, and legal or personal representatives.

11.7. Governing Law. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Texas.


IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date first above written.

**CSWR-TEXAS UTILITY  
HOLDING COMPANY, LLC**

DocuSigned by  
  
144D2DD1440B4DC

By: \_\_\_\_\_  
Josiah M. Cox, President of  
Central States Water Resources, Inc.,  
Manager

Agreed and Accepted by:

DocuSigned by  
  
144D2DD1440B4DC  
\_\_\_\_\_  
Josiah M. Cox, President of  
Central States Water Resources, Inc.,  
Manager

**EXHIBIT A  
INITIAL CAPITAL CONTRIBUTIONS**

<u>Member's Name and Address</u>	<u>Member's Interest</u>	<u>Capital Contribution</u>
CSWR-Texas Utility Holding Company, LLC	100%.	Kept by Company Accountant

# Attachment F



## Franchise Tax Account Status

As of : 11/14/2019 15:54:04

This page is valid for most business transactions but is not sufficient for filings with the Secretary of State

### CSWR-TEXAS UTILITY OPERATING COMPANY, LLC

**Texas Taxpayer Number** 32071353422

**Mailing Address** 1999 BRYAN ST STE 900 DALLAS, TX 75201-3140

**Right to Transact Business in Texas** ACTIVE

**State of Formation** TX

**Effective SOS Registration Date** 07/15/2019

**Texas SOS File Number** 0803367893

**Registered Agent Name** C T CORPORATION SYSTEM

**Registered Office Street Address** 1999 BRYAN ST. SUITE 900 DALLAS, TX 75201



**Attachment G is Confidential and  
will be provided pursuant to the  
Protective Order**

# Attachment H

**Inspection Summary for Coleta Water System**  
**Victoria, Texas**  
**June, 2019**  
**LCE Job No. 173**

**Current Connection Count: 211**

**Existing Water Plant**

<b>Component Description</b>	<b>Constructed</b>	<b>TCEQ Connections</b>	<b>Condition</b>	<b>Needed Maintenance</b>	<b>Est. Costs</b>
Water Well Submersible (unknown capacity)	1974 (44 years old)		Functioning	Rehab Well - clean well, lower pump, replace pump & motor	\$ 25,000
7,000 gallon pressure tank	1974 (44 years old)	350	Interior: unknown	Replace tank with 5,000 gallon pressure tank	\$ 60,000
			Exterior: pitting, coating failure, corrosion		
Two Booster Pumps (160 gpm estimated)	Unknown	80 (estimated)	Functioning	Need two additional 160 gpm booster pumps	\$ 35,000
44,000 Gallon Galvanized Bolted Steel Ground Storage Tank	2003	220	Leaking	Repair leaking panels	\$ 17,000
Air Compressor	Unknown	NA	Functioning	None	
Electrical Controls	1974, 1998	NA	Good	None	
Control Building	Unknown	NA	Good	None	
Chlorine Gas Disinfection	Unknown	NA	Functioning	None	
Fence	1974	NA	Good	None	
Electronic Flow Meter & Monitoring System	Needs to be added	NA		Install with electrical outlet	\$ 6,500

**Total \$ 143,500**

# Attachment I



**COLETO WATER - VICTORIA**

**12/11/2018 to 1/28/2019 Inv. # - 1550630**

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**Associated Check List**

<u>Checklist Name</u>	<u>Unit Name</u>
PWS COMPLAINT INVESTIGATION	1
PWS INVESTIGATION - EQUIPMENT	2
MONITORING AND SAMPLING revised 06/2013	
PWS STANDARD FIELD	3

**Investigation Comments:**

**INTRODUCTION**

From December 11, 2018 to January 28, 2019, Ms. Kelli Holt, Environmental Investigator with the Texas Commission on Environmental Quality (TCEQ) Region 14 Office, conducted a comprehensive compliance investigation (CCI) at Coleta Water to determine compliance with applicable public water supply regulations. The investigation was initiated in response to complaints (Incident Nos. 298094, 301678, 301681) received by the Corpus Christi Regional Office on November 30, 2018 and January 28, 2019. The complainants alleged low water pressure, air within the distribution lines, discolored water, calcium deposits in the drinking water, and that unlicensed operators were operating the water system.

Due to the nature of the complaints, the facility did not receive advanced notice of the complaint investigations conducted on December 11, 2018 and January 28, 2019. The CCI was conducted on December 17, 2018 with Mr. Joe Zamora, Operator. Mr. Eric Lindgren, Environmental Investigator, assisted with the investigation. Following the investigation, Ms. Holt discussed documented issues with the facility and an exit interview form was sent via email on December 19, 2018. An updated exit interview form was sent to the facility on January 30, 2019 (Attachment 1). As a result of the investigation, a Notice of Violation (NOV) letter was sent to the facility.

**GENERAL FACILITY AND PROCESS INFORMATION**

Coleta Water is located in Victoria County. This community water system serves 170 connections and an estimated residential population of 510 (connection count x 3).

The water system consists of one well, equipped with a submersible pump, that discharges to a ground storage tank (0.03 million gallons (MG)). Two service pumps (1 x 125 gallons per minute (gpm), 1 x 220 gpm) and a pressure tank (0.01 MG) supply water to distribution. Disinfect (gaseous chlorine) is injected prior to the ground storage tank.

Water system capacities and other technical information are detailed in the attached water system data sheets and system diagram (Attachment 2).

Coleta Water employs one licensed operator: Mr. Joe Zamora, Groundwater Treatment Class C.

Coleta Water has not been granted any exceptions by the TCEQ.

**BACKGROUND**

The last CCI (Investigation No. 1356858) was conducted on July 20, 2016. A Notice of Violation (NOV) letter was sent to the facility on August 31, 2016.

On February 23, 2017, Coleta Water triggered a Level 1 Assessment (L1A) due to positive bacteriological samples and failing to collect all required repeat samples after a total coliform-positive result. The water system completed the L1A on April 10, 2018. TCEQ Region 14 reviewed the L1A (Investigation No. 1506604) on August 3, 2018; no concerns were noted by the Region.

A reconnaissance investigation was conducted on March 13, 2018 in response to a complaint (Investigation No. 1479836; Incident No. 279562) regarding a leak in the distribution system. A general compliance letter was sent to the facility.

Bacteriological focused and reconnaissance investigations were conducted from August 15, 2018 through September 28, 2017 in response to complaints (Investigation No. 1442912; Incident Nos. 265470 and 268772) regarding leaks and low pressure in the distribution system. A Notice of Enforcement (NOE) letter was sent to the facility on January 26, 2018.

**COLETO WATER - VICTORIA**

**12/11/2018 to 1/28/2019 Inv. # - 1550630**

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Distribution focused and follow-up investigations were conducted on April 12 and April 19, 2017 in response to complaints (Investigation No. 1409212; Incident Nos. 255734 and 257823) regarding broken water lines and a metallic taste in the drinking water. A NOE letter was sent to the facility on May 19, 2017.

The facility has two effective administrative orders for violations cited in previous investigations and monitoring and reporting violations: TCEQ Docket No. 2017-0784-PWS-E and TCEQ Docket No. 2018-0191-PWS-E. Violations addressed in these orders are: failure to maintain an up-to-date chemical and microbiological monitoring plan, failure to provide a copy of the 'boil water notice rescinded' notice and a copy of the associated microbiological laboratory analysis results to the Executive Director within ten days after the notice was issued (notice rescinded September 13, 2017), failure to maintain all distribution lines in a watertight condition (leak between Irma Dr. and Vernon St.), failure to maintain and provide facility records to Commission personnel upon request (chemical usage, complaints, maintenance, disinfectant residual monitoring, coliform sampling results, monitoring plan), failure to provide a minimum pressure of 35 pounds per square inch (psi) throughout the distribution system (April 12 to April 19, 2017), failure to ensure the good working condition and general appearance of the facility and its equipment (corrosion on pressure tank and ground storage tank, leak at the bottom of ground storage tank), and failure to ensure all waterlines within the distribution system meet the minimum diameter based on the number of connections.

Issues documented during this investigation that are currently addressed in an administrative order are noted as additional issues.

**ADDITIONAL INFORMATION**

**December 11, 2018 On-Site Investigation**

On December 11, 2018, Ms. Holt and Mr. Lindgren arrived at Coletto Water to investigate the complainant's allegations regarding low pressure in the distribution system. The investigators collected field measurements on Encino Dr. using a digital pressure gauge, Hach DR900, and an Oakton Waterproof pHTestr 30. At 3:10 pm, the water pressure measured 21.8 pounds per square inch (psi), the free chlorine residual measured 2.5 milligrams per liter (mg/L), and the pH was 7.54. Additional field measurements were collected from Irma Dr. At 4:24 pm, the water pressure measured 28.1 psi, the free chlorine residual measured 2.4 mg/L, and the pH was 7.49. All pressure readings were below the minimum normal operating pressure of 35 psi.

The investigators completed two pressure case development forms to further document low distribution pressure (Attachment 3).

A power outage occurred on December 15, 2018 and caused low pressure (<20 psi) throughout the distribution system. A boil water notice was issued by the facility on December 15, 2018 and was rescinded on December 19, 2018. TCEQ received a copy of the boil water notice and accompanying certificate of delivery on December 17, 2018. TCEQ received a copy of the boil water notice rescind notice and accompanying certificate of delivery and coliform testing results on January 3, 2019 (Attachment 4).

**December 17, 2018 On-Site Investigation (CCI)**

The investigators returned to Coletto Water to conduct the CCI on December 17, 2018 (facility notified on December 12, 2018). During the investigation, applicable records were evaluated and an inspection of the facilities was conducted. Some records appeared complete and up-to-date; however, the facility failed to maintain accurate and up-to-date as-built plans or record drawings of the system (Violation Track No. 708397); provide a drought contingency plan (Violation Track No. 708399); and failed to provide an accurate and up-to-date map of the distribution system (Violation Track No. 708402).

Additionally, records of water usage, chemical usage, flushing, chlorine residual monitoring (August to December 2018), the 2017 Consumer Confidence Report, and Disinfectant Level Quarterly Operating Reports (DLQORs) for 2018 were requested; however, records were not provided.

The investigators collected field measurements on Holly Ln. using a digital pressure gauge and Hach Pocket Colorimeter II. At 12:10 pm, the water pressure measured 36.7 psi and the free chlorine residual measured 1.67 mg/L. Measurements were compliant with TCEQ regulations.

The physical inspection of the facilities resulted in five violations for failing to: provide adequate ventilation for all enclosures in which gaseous chlorine is being stored/fed (Violation Track No. 708398), calibrate the well meter at

**COLETO WATER - VICTORIA**

**12/11/2018 to 1/28/2019 Inv. # - 1550630**

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least once every three years (Violation Track No. 708400), conduct annual inspections for the facility's ground storage and pressure tanks (Violation Track No. 708401), provide a well capacity of 0.6 gpm per connection (Violation Track No. 708404), and provide a total storage capacity of 200 gallons per connection (Violation Track No. 708405).

At the conclusion of the CCI, the investigators installed a pressure recorder on a hose bib located approximately 30 feet from the distribution main on Encino Dr. to document continuous distribution system pressure. The recorder was installed for three weeks and was retrieved on January 7, 2019. During the time the recorder was installed, the average pressure was 23.7 psi and the lowest recorded pressure was -0.9 psi (December 24, 2018 at 11:45 am). It is possible that a line break occurred at this time and resulted in a back-siphonage event. The facility was unaware of this loss of pressure until the pressure data was analyzed by Region 14 on January 7, 2019. A graph of recorded data is included as Attachment 5.

TCEQ instructed Coletto Water to issue a boil water notice on January 7, 2019 due to low distribution pressure (<20 psi). The notice was rescinded on January 18, 2019. TCEQ received a copy of the boil water notice and accompanying certificate of delivery on January 25, 2019. TCEQ received a copy of the boil water notice rescind notice and accompanying certificate of delivery (blank) on January 25, 2019 (Attachment 4). Coliform testing results were not submitted.

**January 28, 2019 On-Site Investigation**

On January 28, 2019, the TCEQ Corpus Christi Region Office received two complaints regarding low water pressure, air within the distribution lines, discolored water, calcium deposits in the drinking water, and that unlicensed operators were operating the water system. Ms. Holt investigated the complaints the same day.

Mr. Zamora was already at the system and met with Ms. Holt at Coletto Water's well site. Mr. Zamora acknowledged that the system has had trouble maintaining a constant pressure above 35 psi. Due to its deteriorated condition, the sight glass connected to the facility's pressure tank is unusable (Attachment 6); therefore, there is no way to monitor the air to water ratio within the pressure tank.

Mr. Zamora also acknowledged the presence of reddish-brown water in the distribution system that morning. He stated that after flushing, there was no more discoloration.

Ms. Holt observed the flush valves actively flowing and collected field measurements using a digital pressure gauge and Hach Pocket Colorimeter II on Reaser Dr. At 1:46 pm, the water pressure measured 30.0 psi and the free chlorine residual measured 1.17 mg/L. The water was clear with no objectionable odors and calcium deposits were not present. While the investigator did not document a water outage, she did observe fluctuations of pressure in the distribution system. Measurements were not compliant with TCEQ regulations; the pressure reading was below the minimum normal operating pressure of 35 psi.

Additionally, the facility received reports of low water pressure on January 26, 2019. It was determined by Mr. Albert Bustos, a past contract operator for the system, that only Pump 1 was running consistently so Pump 2 was turned off. Mr. Bustos also re-pressurized the pressure tank with the air compressor. On January 27, 2019 at 2:00 am, residents notified the facility of a water outage. Mr. Bustos responded and found that neither of the pumps were running at the treatment plant and there was only 10 feet of water in the ground storage tank. Mr. Bustos located a leak at the corner of Gail Ln. and Reaser Dr., which was determined to be the cause of the water outage. Mr. Bustos turned the pumps back on and re-pressurized the pressure tank. The facility followed the procedures listed in the flow chart located in 30 TAC 290.47(e). Mr. Zamora came later that day to repair the leak located on Gail Ln and flushed the system on January 27 and 28, 2019. Coliform samples (marked 'routine') were collected on January 29, 2019 and came back negative; therefore, a boil water notice was not required.

**Water Quality Data Review**

The most recent chemical analysis collected by TCEQ Contractors was conducted on November 16, 2018. Samples collected included calcium and total hardness (as calcium carbonate), which yielded results of 75.2 mg/L and 281 mg/L respectively. Although these two constituents are not regulated by the TCEQ, they can potentially cause calcium deposits.

In addition, the Tetra Tech (RTW) Model was ran to evaluate possible corrosivity. Samples collected by TCEQ contractors on November 16, 2018 for total dissolved solids (TDS, temperature, pH, total alkalinity, calcium, chloride, and sulfate were inputted into the model. It was determined the water did not meet any indexes for



**COLETO WATER - VICTORIA**

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corrosivity (Attachment 7).

**CONCLUSION**

Low pressure has been repeatedly documented in Coleta Water's distribution system during this and previous investigations and is currently addressed under TCEQ Docket No. 2017-0784-PWS-E. Air pockets were documented in the distribution lines on January 28, 2019; however, the water was clear with no discoloration or calcium deposits.

Mr. Zamora currently holds a Class C Groundwater Treatment license (WG0010286). Mr. Bustos occasionally helps with re-pressurizing the system if requested and holds a Class C Groundwater Treatment license (WG0003125). As both Mr. Zamora and Mr. Bustos hold valid licenses, the allegations regarding unlicensed operators were not substantiated.

**NOV Date** 03/26/2019 **Method** WRITTEN

**OUTSTANDING ALLEGED VIOLATION(S)  
ASSOCIATED TO A NOTICE OF VIOLATION**

**Track Number:** 708397

**Compliance Due Date:** To Be Determined

**Violation Start Date:** 12/11/2018

**30 TAC Chapter 290.46(n)(1)**

**Alleged Violation:**

**Investigation: 1550630**

Comment Date: 03/12/2019

Failed to maintain accurate and up-to-date as-built plans or record drawings and specifications for each treatment plant, pump station, and storage tank.

During the investigation conducted from December 11, 2018 to January 28, 2019, it was documented that the water system was not maintaining accurate and up-to-date detailed as-built plans or record drawings at the public water system.

**Investigation: 1570300**

Comment Date: 05/28/2019

During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

No documentation has been submitted to address this alleged violation; therefore, it remains outstanding.

**Investigation: 1599229**

Comment Date: 10/08/2019

During a file record review conducted on October 8, 2019, the status of this outstanding alleged violation was evaluated.

No documentation has been submitted to address this alleged violation; therefore, it remains outstanding.

**Recommended Corrective Action:** The facility shall maintain as-built plans or record drawings and specifications for the treatment plant, pump station, and storage tank.

**Track Number:** 708404

**Compliance Due Date:** To Be Determined

**Violation Start Date:** 12/11/2018

**30 TAC Chapter 290.45(b)(1)(C)(i)**

**Alleged Violation:**

**COLETO WATER - VICTORIA**

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**Investigation: 1550630**

Comment Date: 03/12/2019

Failed to provide a well capacity of 0.6 gpm per connection.

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators determined that the facility did not provide a well production capacity of 0.6 gpm per connection. Specifically, a well capacity of 78 gpm was provided (23.53% deficient). Since the facility has 170 connections, a minimum of 102 gpm of capacity is required.

**Investigation: 1570300**

Comment Date: 05/28/2019

During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

No documentation has been submitted to address this alleged violation; therefore, it remains outstanding.

**Investigation: 1599229**

Comment Date: 10/08/2019

During a file record review conducted on October 8, 2019, the status of this outstanding alleged violation was evaluated.

No documentation has been submitted to address this alleged violation; therefore, it remains outstanding.

**Recommended Corrective Action:** The facility shall provide a minimum well capacity of 0.6 gpm per connection or obtain approval to meet an alternative capacity requirement. An alternative capacity requirement may be requested by providing the necessary information to:

Technical Review and Oversight Team (MC 159)  
Texas Commission on Environmental Quality  
PO Box 13087  
Austin, TX 78711-3087

---

**Track Number:** 708405

**Compliance Due Date: To Be Determined**

**Violation Start Date:** 12/11/2018

**30 TAC Chapter 290.45(b)(1)(C)(ii)**

**Alleged Violation:**

**Investigation: 1550630**

Comment Date: 03/12/2019

Failed to provide a total storage capacity of 200 gallons per connection.

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators determined that the facility did not provide a total storage capacity of 200 gallons per connection. Specifically, a total storage capacity of 30,000 gallons was provided (11.76% deficient). Since the facility has 170 connections, a minimum of 34,000 gallons of capacity is required.

**Investigation: 1570300**

Comment Date: 05/28/2019

During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

No documentation has been submitted to address this alleged violation; therefore, it remains outstanding.

**Investigation: 1599229**

Comment Date: 10/08/2019

During a file record review conducted on October 8, 2019, the status of this outstanding alleged violation was evaluated.

No documentation has been submitted to address this alleged violation; therefore, it remains outstanding.

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**Recommended Corrective Action:** The facility shall provide a total storage capacity of 200 gallons per connection or obtain approval to meet an alternative capacity requirement. An alternative capacity requirement may be requested by providing the necessary information to:

Technical Review and Oversight Team (MC 159)  
Texas Commission on Environmental Quality  
PO Box 13087  
Austin, TX 78711-3087

**ALLEGED VIOLATION(S) NOTED AND RESOLVED  
ASSOCIATED TO A NOTICE OF VIOLATION**

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**Track Number:** 708398

**Resolution Status Date:** 5/28/2019

**Violation Start Date:** 12/11/2018

**Violation End Date:** 5/26/2019

**30 TAC Chapter 290.42(e)(4)(C)**

**Alleged Violation:**

**Investigation: 1550630**

Comment Date: 03/26/2019

Failed to provide adequate ventilation, including both high level and floor level screened vents, for all enclosures in which gaseous chlorine is being stored or fed.

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators observed that the chlorination room, which contained one operating cylinder, did not have high level screened vents to allow for adequate air-flow.

**Investigation: 1570300**

Comment Date: 05/28/2019

During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

**Recommended Corrective Action:** To achieve compliance, the facility must provide both high level and floor level screened vents for all enclosures in which gaseous chlorine is being stored or fed. To verify compliance, submit photographic documentation to the TCEQ Region 14 Office showing that both high level and floor level floor vents are installed in the chlorination room by the compliance due date.

**Resolution:** On May 26, 2019, the facility submitted photographs showing that both high level and floor level screened vents have been installed in the chlorination room.

---

**Track Number:** 708399

**Resolution Status Date:** 5/28/2019

**Violation Start Date:** 12/11/2018

**Violation End Date:** 3/21/2019

**30 TAC Chapter 288.20**

**Alleged Violation:**

**Investigation: 1550630**

Comment Date: 03/12/2019

Failed to provide a drought contingency plan for review.

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators noted that the facility did not have a drought contingency plan available for review.

**Investigation: 1570300**

Comment Date: 05/28/2019

**COLETO WATER - VICTORIA**

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During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

**Recommended Corrective Action:** To achieve compliance, the facility must compile a drought contingency plan and make it available for review. To verify compliance, provide a copy of the drought contingency plan to the TCEQ Region 14 Office by the compliance due date.

**Resolution:** On March 21, 2019, the facility submitted a copy of Coletto Water's drought contingency plan.

---

**Track Number:** 708400

**Resolution Status Date:** 5/28/2019

**Violation Start Date:** 12/11/2018

**Violation End Date:** 5/24/2019

**30 TAC Chapter 290.46(s)(1)**

**Alleged Violation:**

**Investigation: 1550630**

Comment Date: 03/12/2019

Failed to calibrate the well meter at least once every three years.

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators determined that the well meter has not been calibrated within the past three years.

**Investigation: 1570300**

Comment Date: 05/28/2019

During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

**Recommended Corrective Action:** To achieve compliance, the facility must calibrate the well meter. To verify compliance, the facility must submit documentation indicating compliance with this requirement to the TCEQ Region 14 Office by the compliance due date.

**Resolution:** On May 24, 2019, the facility submitted records of well meter calibration. The meter was calibrated on April 24, 2019.

---

**Track Number:** 708401

**Resolution Status Date:** 5/28/2019

**Violation Start Date:** 12/11/2018

**Violation End Date:** 5/24/2019

**30 TAC Chapter 290.46(m)(1)**

**Alleged Violation:**

**Investigation: 1550630**

Comment Date: 03/12/2019

Failed to conduct annual inspections of each of the system's ground, elevated, and pressure tanks.

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators noted that the facility had not conducted annual inspections of the ground storage tank or the pressure tank.

**Investigation: 1570300**

Comment Date: 05/28/2019

During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

**Recommended Corrective Action:** To achieve compliance, the facility must conduct annual inspections of the ground storage tank and the pressure tank. To verify compliance, submit tank inspection forms to the TCEQ Region 14 Office by the compliance due date.

**COLETO WATER - VICTORIA**

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**Resolution:** On May 24, 2019, the facility submitted tank inspection forms for the ground storage tank and the pressure tank. Both tanks were inspected on May 21, 2019.

**Track Number:** 708402

**Resolution Status Date:** 5/28/2019

**Violation Start Date:** 12/11/2018

**Violation End Date:** 5/24/2019

**30 TAC Chapter 290.46(n)(2)**

**Alleged Violation:**

**Investigation: 1550630**

Comment Date: 03/12/2019

Failed to maintain an accurate and up-to-date distribution system map.

During the investigation conducted from December 11, 2018 to January 28, 2019, it was documented that the water system was not maintaining an accurate and up-to-date distribution system map. Specifically, the map supplied was outdated and did not show all existing distribution lines.

**Investigation: 1570300**

Comment Date: 05/28/2019

During a file record review conducted on May 28, 2019, the status of this outstanding alleged violation was evaluated.

**Recommended Corrective Action:** To achieve compliance, the facility must provide an accurate and up-to-date map of the distribution system to the TCEQ Region 14 Office by the compliance due date.

**Resolution:** On May 24, 2019, the facility submitted an up-to-date map of the distribution system.

**Additional Issues**

**Description** Item #1

**Additional Comments**

Coliform samples collected on January 29, 2019 in response to the water outage on January 27, 2019 were marked 'routine'. As these samples were not routine samples, the TCEQ recommends that in the future the water system mark 'special' when submitting these types of samples to a lab for analysis.

**Description** Item #2

**Additional Comments**

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators evaluated the status of Violation Track No. 642782 and determined that this violation has not been corrected. Pressure recorder data and field measurements collected from December 11, 2018 to January 28, 2019 had pressure readings as low as -0.9 psi. Additionally, the average pressure documented by the pressure recorder was 23.7 psi.

This violation remains outstanding and is addressed in TCEQ Docket No. 2017-0784-PWS-E.

**Description** Item #3

**Additional Comments**

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators evaluated the status of Violation Track No. 658277 and determined that this violation has not been corrected. Specifically, the facility was not maintaining a record of complaints and water usage records, chemical usage records, dead-end main flushing logs, maintenance records, chlorine residual monitoring records, disinfection level quarterly operating reports (DLQORs), a service agreement/plumbing ordinance, and Coletto Water's Consumer Confidence Report (CCR) for 2017 were not available for review.

This violation remains outstanding and is addressed in TCEQ Docket No. 2018-0191-PWS-E.

**COLETO WATER - VICTORIA**

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**Description**      Item #4

**Additional Comments**

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators evaluated the status of Violation Track Nos. 658278 and 509616 and determined that these violations have not been corrected. The facility has not maintained all water treatment units, storage and pressure maintenance facilities, and distribution system lines in a water tight condition.

Two leaks in the distribution system were documented during this investigation: one at the end of Holly Dr and the other at the corner of Reaser and Gail. Both leaks were repaired in a timely manner. Additionally, there is still a leak at the base of the ground storage tank.

These violations remain outstanding and are addressed in TCEQ Docket Nos. 2017-0784-PWS-E and 2018-0191-PWS-E.

**Description**      Item #5

**Additional Comments**

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators evaluated the status of Violation Track No. 666675 and determined that this violation has not been corrected. The monitoring plan provided by the facility is out of date and missing the laboratory approval form.

This violation remains outstanding and is addressed in TCEQ Docket No. 2018-0191-PWS-E.

**Description**      Item #6

**Additional Comments**

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators evaluated the status of Violation Track No. 509622 and determined that this violation has not been corrected. There is still significant corrosion on the exterior of both the pressure tank and ground storage tank. Additionally, the sight glass for the pressure tank is unusable due to sediment/iron build-up; therefore, an air-water ratio cannot be determined.

This violation remains outstanding and is addressed in TCEQ Docket No. 2017-0784-PWS-E.

**Description**      Item #7

**Additional Comments**

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators evaluated the status of Violation Track No. 664947 and determined that this violation has not been corrected.

A boil water notice was posted by the facility on December 15, 2018 and was rescinded on December 19, 2018. TCEQ received a copy of the boil water notice rescind notice and accompanying certificate of delivery and coliform testing results on January 3, 2019 (greater than 10 days after posting). An additional boil water notice was posted on January 7, 2019 and rescinded on January 18, 2019. The facility failed to include the applicable boil water notice language and format specified in 290.47(c)(1) and (2) in the boil water notice posted on January 7, 2019 and did not provide a copy of the notice to TCEQ within 24 hours of posting (received January 25, 2019).

This violation remains outstanding and is addressed in TCEQ Docket No. 2018-0191-PWS-E.

**Description**      Item #8

**Additional Comments**

During the investigation conducted from December 11, 2018 to January 28, 2019, the investigators evaluated the status of Violation Track No. 350107 and determined that this violation has not been corrected. The system has not made any changes to distribution system lines to accommodate for higher connection counts.

This violation remains outstanding and is addressed in TCEQ Docket No. 2017-0784-PWS-E.

**COLETO WATER - VICTORIA**

**12/11/2018 to 1/28/2019 Inv. # - 1550630**

**Page 11 of 11**

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**Signed**

**Date** \_\_\_\_\_

\_\_\_\_\_  
**Environmental Investigator**

**Signed**

**Date** \_\_\_\_\_

\_\_\_\_\_  
**Supervisor**

**Attachments: (in order of final report submittal)**

\_\_\_ Enforcement Action Request (EAR)

\_\_\_ Maps, Plans, Sketches

\_\_\_ Letter to Facility (specify type) : \_\_\_\_\_

\_\_\_ Photographs

\_\_\_ Investigation Report

\_\_\_ Correspondence from the facility

\_\_\_ Sample Analysis Results

\_\_\_ Other (specify) : \_\_\_\_\_

\_\_\_ Manifests

\_\_\_ Notice of Registration

**List of Attached files**

Attachment 1.pdf

Attachment 2.pdf

Attachment 3.pdf

Attachment 4.pdf

Attachment 5.pdf

Attachment 6.pdf

Attachment 7.pdf

**Attachment J is Confidential and  
will be provided pursuant to the  
Protective Order**



# Attachment K

#### **14. Calculation of Rate Base.**

In order to determine an appropriate rate base for purposes of future cost recovery, CSWR Texas intends to request an adjustment to rate base. In proceedings in other states, CSWR Texas has relied on real estate appraisals to establish rate base for systems it has acquired. These appraisals allow adjustments to rate base based on the value of existing undepreciated land and land rights owned by the selling utility. This method has resulted in fair, reasonable rate base valuations and reasonable opportunities to earn a return sufficient to raise the necessary capital to support these systems. It would provide an efficient, cost-effective alternative to the fair market value approach when the acquisition involves a smaller system, and it is particularly necessary where the acquiring entity would be ineligible to participate in the fair market value process. The Company has not performed an appraisal of the system to determine the appropriate amount of such adjustment.

As an alternative, the Company may seek review of an acquisition adjustment under 16 Texas Admin. Code § 24.41(d) and (e).

In addition, the Company may request to accrue AFUDC and defer depreciation for post-acquisition improvements in the same way provided for under the proposed fair market value rule being considered in Docket No. 49813.

**16. Describe, in detail, the anticipated impact or changes in the quality of retail public utility service in the requested area as a result of the proposed transaction:**

A letter from the TCEQ detailing the results of its December 11, 2018, compliance evaluation identified several alleged violations and "Additional Issues" that needed to be addressed. See Attachment I to this Application. Those included failure to provide a well capacity of 0.6 gpm per connection, failure to provide a total storage capacity of 200 gallons per connection, and eight additional issues.

A June 6, 2019, engineering report commissioned by CSWR Texas confirmed many of the issues identified by the TCEQ continue unabated. See Attachment J to this Application. More specifically, the report recommends the installation of a 5,000-gallon pressure tank, two additional booster pumps, and the rehab of the water well. The cost of these and other upgrades, renovations, and repairs is estimated to be approximately \$143,500. If it is authorized to acquire the Coletto system, CSWR Texas intends to invest the capital required to make the upgrades, renovations, and repairs necessary to bring the water system into compliance with TCEQ regulations and ensure customers receive safe and reliable service.

CSWR Texas plans to use a contract operator for plant operations, which would include one or more appropriately qualified and licensed operators. The contract operator would be responsible for day-to-day inspections, checks, sampling, reporting, and meter reading. The contract operator also would be responsible for necessary system repairs (as well as extraordinary issues that arise from time to time) to ensure proper facility operations. All contractor activities would be tracked inside CSWR Texas' computerized maintenance system. A computerized plant monitoring system will integrate repair and system operations data onto a single water information management platform that includes all systems operated by CSWR affiliates.

CSWR Texas will also use contractors for billing and to provide emergency answering services for customer calls. The billing contractor will be responsible for computing, printing, and sending monthly bills to customers and for collecting payments. The billing contractor's staff will also field and process customer bill inquiries, make bill adjustments, deal with customer requests for payment plans, and interact with Commission Staff regarding billing issues. Billing contractor employees will also be trained to route customer service complaints and inquiries to the service contractor.

In addition, CSWR Texas will implement operational changes to improve and enhance customer service. Customers will have access to a 24-hour phone line to report any utility service issues. Those calls would then be transferred into the computerized maintenance management system and converted into work orders, which creates a historical record of all reported service issues. The work order will also ensure contracted customer service personnel can commence work required to quickly and efficiently deal with any customer service issues. Second, CSWR Texas will ensure customers served by the system have access to customer service representatives during normal business hours to talk about

any customer concerns. Additionally, CSWR Texas will establish a utility-specific webpage and dedicated email address to keep customers informed about their utility service. Mirroring the relevant utility homepage information, CSWR Texas will also implement a dedicated social media page to offer another avenue of communication with customers about utility matters. The social media account will be manned by customer service representatives that can answer customer questions. Finally, CSWR Texas will also offer online bill paying options to customers including e-checks, debit card, and credit cards. Accordingly, and in order to mitigate increases to the cost of service, CSWR Texas will likely request authority from the Commission for a waiver from the provisions of 16 Texas Admin. Code § 24.153(d), which requires establishing a local office for maintaining business records or for purposes of accepting applications for service and payments to prevent disconnection of service or to restore service after disconnection for nonpayment, nonuse or other reasons identified in Commission rules.

- 17. Describe the transferee's experience and qualifications in providing continuous and adequate service. This should include, but not be limited to: other CCN numbers, water and wastewater systems details, and any corresponding compliance history for all operations.**

CSWR Texas is part of a group of affiliated companies owned by CSWR, LLC ("CSWR"). In addition to its ownership interest, CSWR and another affiliate, Central States Water Resources, Inc. ("Central States"), provide operational and managerial oversight and support for all operating utility affiliates within the group and also provide access to financial resources necessary to acquire water and wastewater systems and upgrade those systems as required.

CSWR Texas affiliates have purchased and currently are operating 48 public drinking water and wastewater systems in Missouri, Arkansas, and Kentucky through which they provide safe and reliable utility service to approximately 5,950 customers. And the Louisiana Public Service Commission recently authorized the Louisiana affiliate, Magnolia Water Utility Operating Company to acquire water and wastewater systems serving more than 30,000 connections in that state.

Since March 2015, affiliates in Missouri, Arkansas, and Kentucky have designed, permitted and completed construction—with the approval of state drinking water and wastewater regulatory authorities—of approximately \$5.5 million of upgrades and improvements to drinking water systems. Those upgrades and improvements include construction of ground water storage tanks and drinking water pressurization pump assemblies, drilling water wells, erecting or rehabilitating well houses, closing failed wells, blasting/coating water storage tanks, replacing meter pits with new meters, replacing or repairing numerous water distribution lines, installing numerous isolation valve systems, installing multiple flush hydrants, repairing hundreds of leaking lines, and constructing or rehabilitating various other improvements to existing drinking water systems.

For wastewater systems, CSWR Texas-affiliated companies have designed, permitted, and completed construction of approximately \$8.3 million of sanitary system improvements. Those improvements include wastewater line repairs to remedy infiltration and inflow problems, construction of sewer main extensions, construction and repairs of multiple lift stations, closures of environmentally-distressed wastewater treatment plants, conversion of failing wastewater treatment plants into sludge storage/flow equalization and treatment basins, conversion of failed mechanical systems to I-Fast systems, and construction of various other improvements to existing wastewater treatment facilities.

Through CSWR and Central States, CSWR Texas will have access to experienced technical and managerial expertise and experience not usually available to water systems of Coletto's size. And CSWR's business model makes these assets available to its affiliates at a lower cost than otherwise would be available because of the economies of scale the affiliated structure is able to achieve for its member utility operating companies.

The affiliated group of which CSWR Texas is a member has been able to secure an ongoing commitment from Sciens Capital Management, a Wall Street private equity firm, to provide capital necessary to purchase small, oftentimes distressed, systems and then make investments necessary to bring those systems into compliance with applicable health, safety, and environmental protection laws and regulations. Investment is provided primarily in the form of equity, but an affiliate also has committed to make debt capital available at reasonable rates if CSWR Texas is unable to obtain debt financing from non-affiliated commercial sources.

The Missouri Public Service Commission and the Missouri Department of Natural Resources have recognized the solid track record CSWR and its affiliates have established for acquiring, rehabilitating, maintaining, and operating troubled water and wastewater systems in that state. And in a recent order authorizing the group's Kentucky affiliate to acquire several troubled wastewater systems, the Kentucky Public Service Commission expressly found the group has the financial, technical, and managerial ability necessary to provide reasonable service to the public.

**20. How will the proposed transaction serve the public interest?**

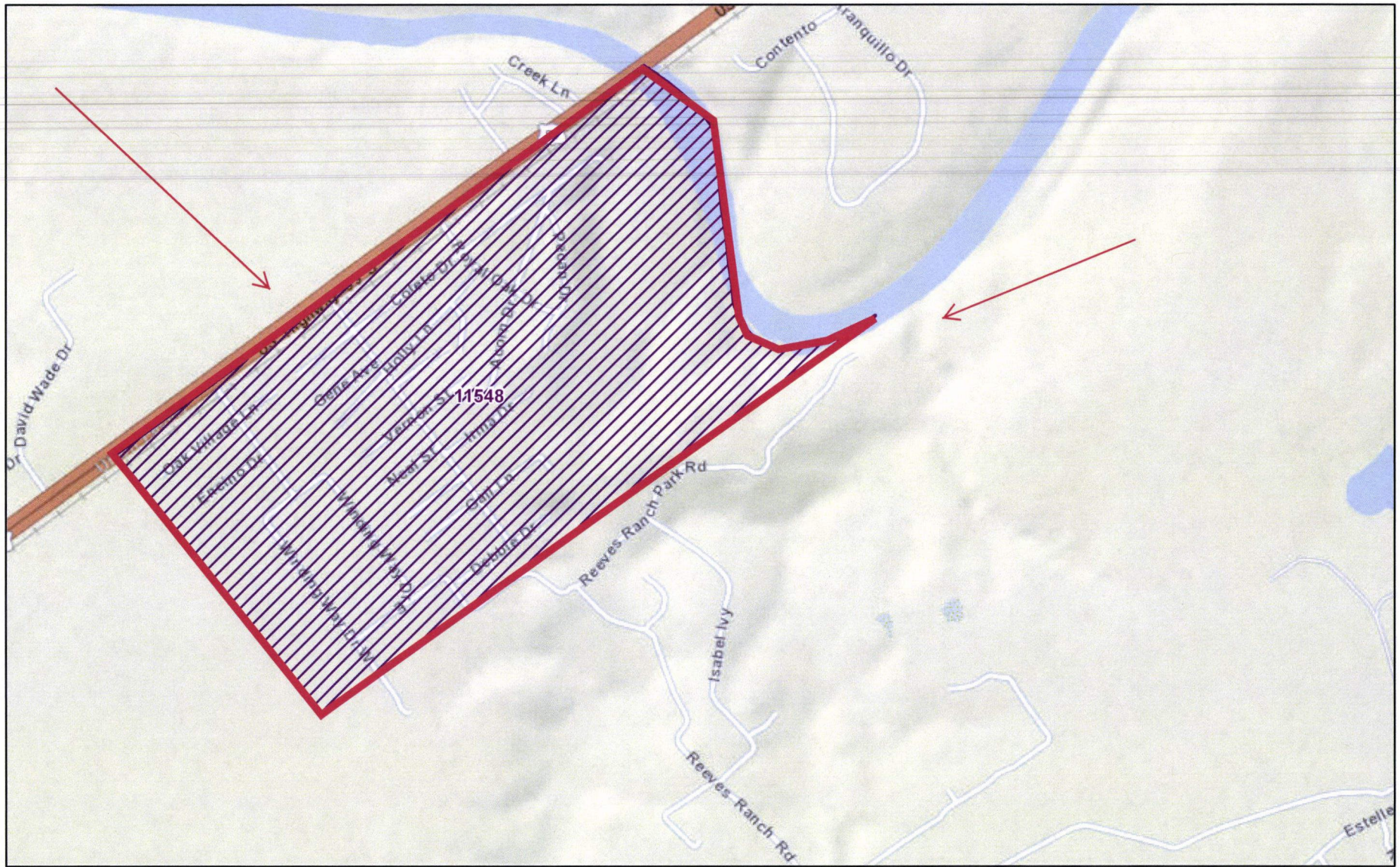
CSWR Texas and its affiliates have the financial, technical, and managerial ability to acquire, own, and operate the Coletto water system in a manner that fully complies with applicable health, safety, and environmental protection laws and regulations and provides reliable, safe, and adequate service to customers. CSWR Texas has identified issues with the Coletto water system and is prepared to invest capital required to remedy those issues. It will implement management and customer service systems and practices that will greatly improve the level of service to customers. And by adopting Coletto's current rates and tariffs, CSWR Texas will ensure the proposed acquisition has no negative impact on the system's customers.

In addition, because CSWR Texas will operate as a public utility, customers will be assured the water system's future operations will be scrutinized by the Commission and its staff and that any future increases in rates will be fair and reasonable.

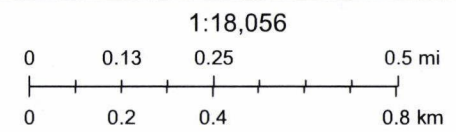
# Attachment L



# Water CCN No. 11548 - Small Scale Map



November 7, 2019

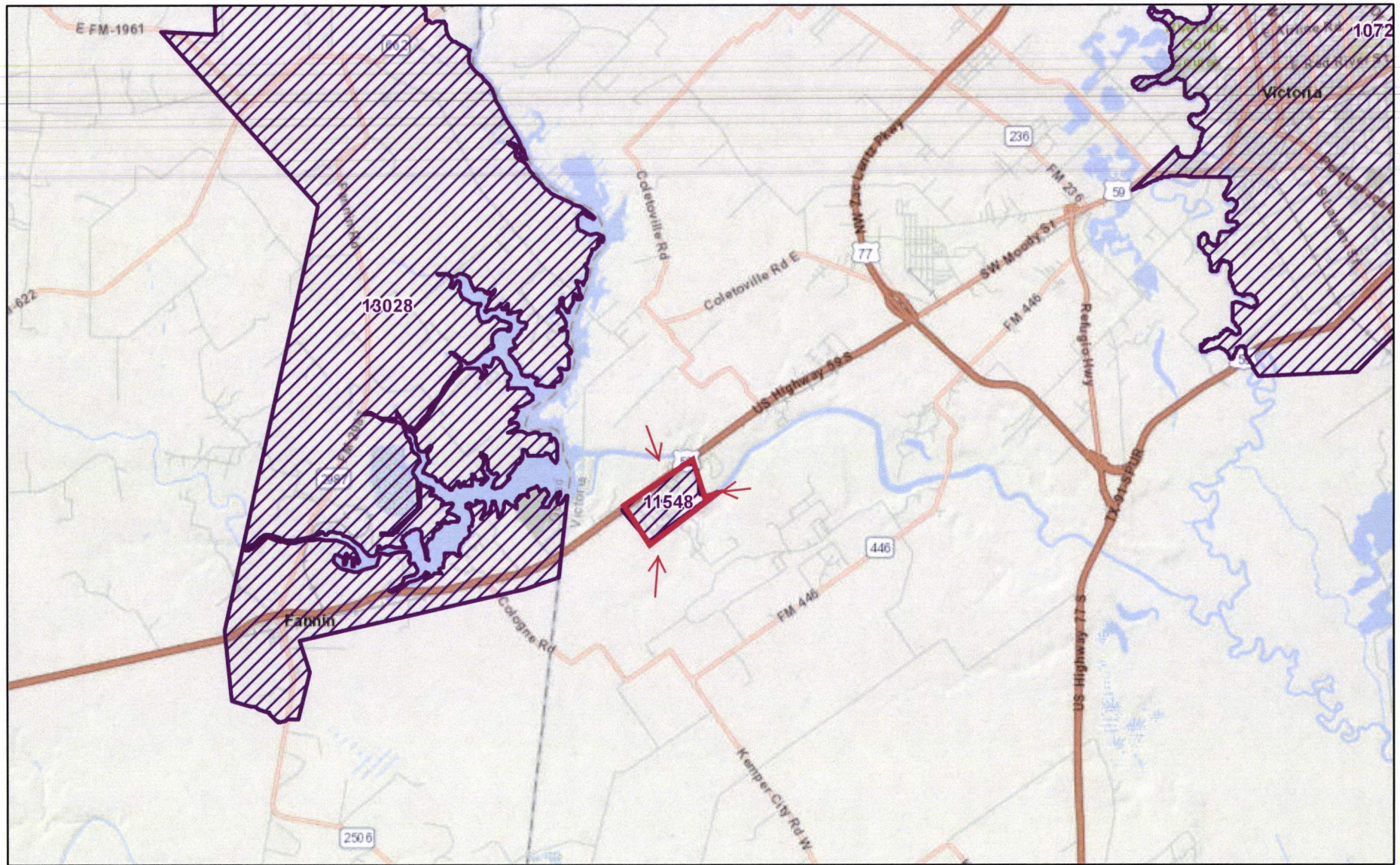


Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan,

# Attachment M

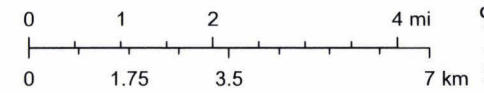


# Water CCN No. 11548 - Large Scale Map



November 7, 2019

1:144,448



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan,