

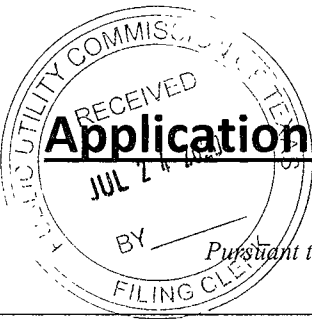


Control Number: 51118



Item Number: 1

Addendum StartPage: 0



51118

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

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: Shady Oaks Water Supply Company, LLC and Charley Strozier, L.P.
(selling entity)

CCN No.s: 12090

- Sale
 Transfer
 Merger
 Consolidation
 Lease/Rental

Transferee: CSWR-Texas Utility Operating Company, LLC
(acquiring entity)

CCN No.s: 13290 (pending approval in Docket No. 50276)

- Water
 Sewer
 All CCN
 Portion CCN
 Facilities transfer

County(ies): Wilson

Table of Contents

Sale, Transfer, or Merger (STM) Application Instructions	1
Part A: General Information	3
Part B: Transferor Information	3
Part C: Transferee Information	4
Part D: Proposed Transaction Details	6
Part E: CCN Obtain or Amend Criteria Considerations	8
Part F: TCEQ Public Water System or Sewer (Wastewater) Information	9
Part G: Mapping & Affidavits	10
Part H: Notice Information	12
Appendix A: Historical Financial Information (Balance Sheet and Income Schedule)	15
Appendix B: Projected Information	18

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 LLC Agreement	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 checked="" 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 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 Shady Oaks Water Supply Company, LLC and Charley Strozier, L.P. ("Shady Oaks") for purposes of operating its water system under CCN 12090 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 Shady Oaks. See Attachment B for a copy of the corporate organizational chart of CSWR Texas' upstream ownership.

2. The proposed transaction will require (check all applicable): **CSWR Texas is in the process of acquiring CCN number 13290 in Docket No. 50276.**

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: Shady Oaks Water Supply Company, LLC and Charley Strozier, L.P.
(individual, corporation, or other legal entity)
 Individual Corporation WSC Other: LLC/Partnership

B. Mailing Address: PO Box 597 Floresville, TX 78114

Phone: (830) 391-4406

Email: dsstrozier@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: David Strozier

Title: Managing Member

Mailing Address: PO Box 597 Floresville, TX 78114

Phone: (830) 391-4406

Email: dsstrozier@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: October 25, 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: 2009-1191-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 560
- # of customers with deposits held by the transferor* _____

*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: 1650 Des Peres Rd., Suite 303, St. Louis, Missouri 63131

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 D. 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.

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 Operating Company, LLC (See Attachment B for a corporate organizational chart)

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

Address: 1650 Des Peres Rd., Suite 303, St. Louis, Missouri 63131

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

Name: Josiah Cox

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

Address: 1650 Des Peres Rd., Suite 303, St. Louis, Missouri 63131

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 Attachments F & 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 Attachments F, G, H, I & J.

Part D: Proposed Transaction Details

11. A. Proposed Purchase Price: \$ _____ **See Attachment A.**

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: \$ 587,711.00

Accumulated Depreciation: \$ 319,127.00

Net Book Value: \$ 268,584.00

See Attachment K-1 for the requested financial information.

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, and 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:

To the extent it is determined that improvements need to be made to the system, 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"), of which Central States is the sole manager. A copy of the corporate organizational 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 as necessary following the acquisition, but CSWR Texas plans to move as quickly as possible to address any known issues on the system upon closing of the acquisition.

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

The acquired system is a distressed system and would benefit from the transition to a stable, long-term management team willing to make necessary investments to improve the system. See Responses to Questions Nos. 14, 16, 17 and 20 in Attachment K. For these reasons, the sale of assets promotes the interests of the public generally and benefits the transferring utility's 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:	\$ _____	See Attachments K & K-1 for the requested financial information.
Accumulated Depreciation of Plant:	\$ _____	
Cash:	\$ _____	
Notes Payable:	\$ _____	
Mortgage Payable:	\$ _____	
(Proposed) Acquisition Adjustment*:	\$ _____	
Other (NARUC account name & No.):	_____	
Other (NARUC account name & No.):	_____	

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

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 that 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.

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. 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:

Picosa WSC (CCN 12751); San Antonio Water System (CCN 10640); City of Elmendorf (CCN 10684); Oak Hills WSC (CCN 10647); S S WSC (CCN 11489); Aqua Utilities Inc (CCN 11157); Lake Valley Water Company Inc (CCN 12308); W & W Water Inc (CCN 12023); City of La Vernia (CCN 10689); Spring Hill WSC (CCN 10666)

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): **See attachment P**

TCEQ PWS Identification Number: _____ (7 digit ID)

Name of PWS: _____

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)
See Attachment I.

Subdivisions served: Shady Oaks, C-Willow, Arrowhead, Hickory,

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
557	5/8" or 3/4"		3"		Commercial
3	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			560	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):

Description of the Capital Improvement:	Estimated Completion Date:	Estimated Cost:
See Attachments H and J. Although the system does not currently require any major improvements in order to meet regulatory standards, the Company is continuing to evaluate whether additional improvements may be required.		

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: **See Attachment J.**

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
Professional General Management Services Inc		WC0000203	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: 1,837.00

Number of customer connections in the requested area: 560

Affected subdivision : Shady Oaks

The closest city or town: Floresville

Approximate mileage to closest city or town center: 3

Direction to closest city or town: South

The requested area is generally bounded on the North by: Hickory Hill Drive

See Attachment K, Question 30 for a on the East by: Deer Park Lane

boundary description of the service on the South by: Texas Independence Tri

area for each individual system. on the West by: Texas Independence Tri

31. A copy of the proposed map will be available at: 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

TEXAS

COUNTY OF

Wilson

I, David Strozier

being duly sworn, file this application for sale, transfer,

merger, consolidation, acquisition, lease, or rental, as

member of partnership

(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 16 of June, 20

SEAL



[Handwritten signature of Sarah E. Reed]

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

Sarah Reed

PRINT OR TYPE NAME OF NOTARY

My commission expires:

September 7, 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.

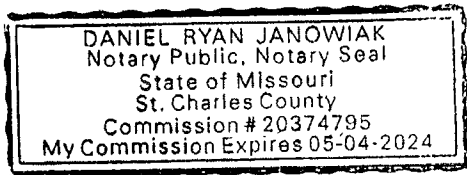


AFFIANT
(Utility's Authorized Representative)

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 Missouri
this day the 24th of June, 2020

SEAL



Daniel Ryan Janowiak
NOTARY PUBLIC IN AND FOR THE
STATE OF MISSOURI

Daniel Janowiak
PRINT OR TYPE NAME OF NOTARY

My commission expires: 5/4/2024

**See Attachments F and G for
information responsive to
Appendix A and Appendix B**

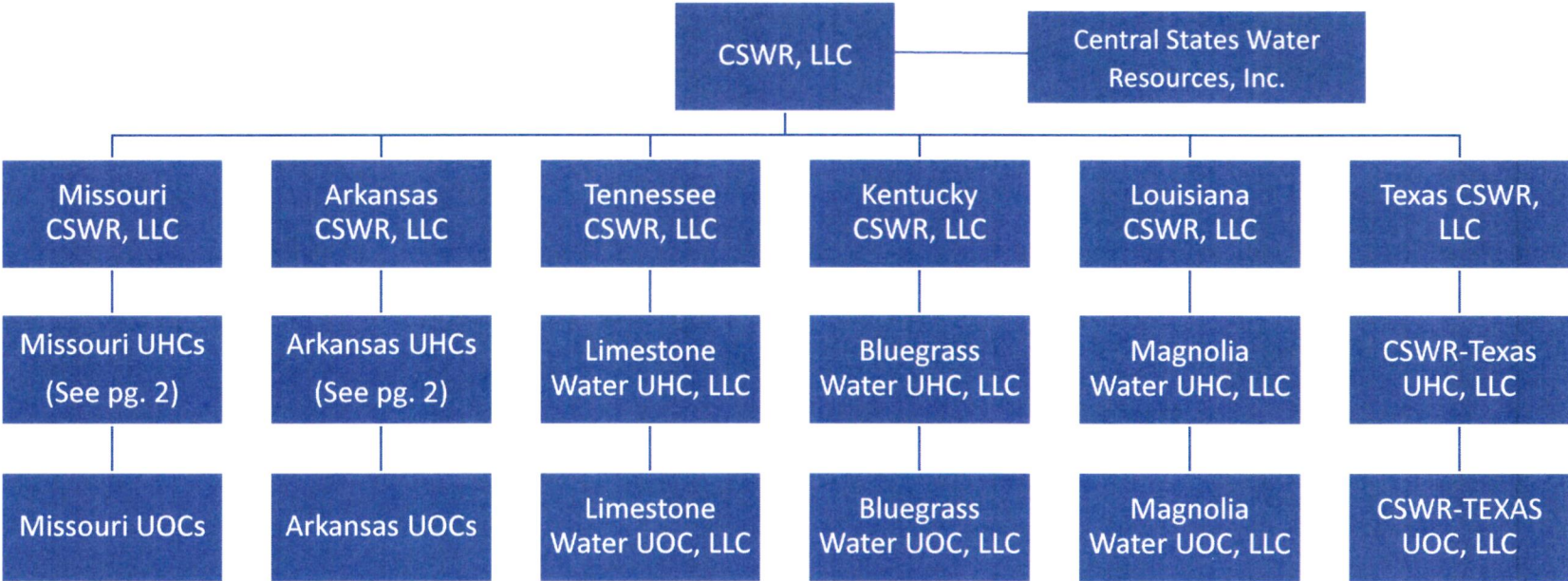
ATTACHMENT LIST

1. Attachment A – Executed Purchase Agreement (Confidential)
2. Attachment B – CSWR, LLC Corporate Organizational Chart
3. Attachment C – Current Tariff
4. Attachment D – List of Customer Deposits (not applicable)
5. Attachment E – CSWR-Texas Utility Operating Company, LLC Operating Agreement and Certificates of Account Status
6. Attachment F – Appendices A & B Historical and Projected Financial Information (Confidential)
7. Attachment G – Additional Supporting Financial Information (Highly Sensitive)
8. Attachment H – Capital Estimates or Capital Improvement Plan (Confidential)
9. Attachment I – TCEQ Compliance Investigation Report
10. Attachment J – Engineering Memo (Confidential)
11. Attachment K – Responses to STM Questions
12. Attachment K-1 – Confidential Responses to STM Questions (Confidential)
13. Attachment L – Small Scale Map (General Location)
14. Attachment M – Large Scale Map (Detailed)
15. Attachment N – Water Purchase Agreement (not applicable)
16. Attachment O – Statement of Confidentiality
17. Attachment P – Details of Public Water System or Sewer Service

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

Attachment B

Central States Water Resources Corporate Entity Organizational Chart



Attachment C



**SOAH DOCKET NO. 582-09-6108
TCEQ DOCKET NO. 2009-1191-UCR
APPLICATION NO. 36286-R**

APPLICATION OF SHADY OAKS WATER SUPPLY COMPANY, LLC, TO CHANGE ITS WATER RATES UNDER CERTIFICATE OF CONVENIENCE AND NECESSITY NO. 12090 IN WILSON COUNTY, TEXAS	§ § § § § § §	BEFORE THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
--	---------------------------------	---

ORDER

On March 20, 2009, Shady Oaks Water Supply Company, LLC, (Applicant) filed an application for an increase in retail water rates and tariff change for water CCN No. 12090, located in Wilson County, Texas, with the Executive Director (ED) of TCEQ for approval pursuant to Section 5.122 of the Code. The Applicant is a retail public utility as defined by Section 13.002(23) of the Texas Water Code (Code). The application was assigned Application No. 36286-R.

The notice of rate increase complied with the requirements of Section 13.187 of the Code and Title 30, *Texas Administrative Code*, Section 291.22 and was sufficient to place affected persons on notice of the proposed rate increase. Based on adequate protests the Commission referred the case to the State Office of Administrative Hearings (SOAH) for a contested case hearing.

On October 13, 2009, a preliminary hearing was held in Austin at the State Office of Administrative Hearings (SOAH), where the Honorable Rebecca S. Smith asserted jurisdiction on behalf of the administrative court, and designated the following parties: (1) Shady Oaks Water Supply Corporation, LLC. (Applicant); (2) the Executive Director of the Texas Commission on Environmental Quality; and (3) the Office of Public Interest Counsel (OPIC). During a recess of the hearing, the parties reached a settlement

agreement, which was memorialized in a Case Settlement Record. A copy of the agreement is attached hereto as Exhibit A. Subsequently, the ED made an oral motion to dismiss and remand case. On October 13, 2009, the ALJ granted the motion. The matter was dismissed from the SOAH docket by the ALJ and remanded back to the ED for uncontested processing.

THHEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that.

1. A rate increase for the Applicant (Application No. 36286-R) is approved as reflected in the attached tariff and CASE SETTLEMENT RECORD, effective October 25, 2009, for service located in Wilson County, Texas.
2. Unless previously provided, the Applicant shall provide written notice of the final rate structure approved in this proceeding to all affected customers within the next billing cycle after issuance of this Order.

The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order.

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: **MAR 11 2010**

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

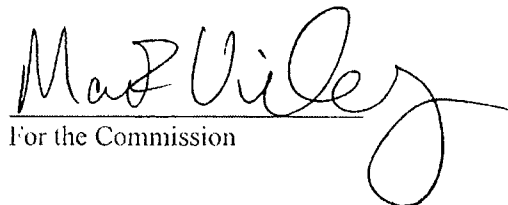

For the Commission

EXHIBIT A

CASE SETTLEMENT RECORD

UTILITY Shady Oaks CCN NO. 12090
SOAH DOCKET NO. 582-09-6108 TCEQ DOCKET NO. 2009-1191-UCR
HEARINGS EXAMINER Rebecca Smith APPLICATION NO. 36286-R
PLACE, DATE & TIME OF HEARING _____

AGREED SETTLEMENT

EFFECTIVE DATE OF AGREED RATES - October 25, 2009
WHICH APPLIES TO ALL SERVICE PROVIDED ON OR AFTER (DATE)

WATER RATES:

GALLONAGE RATE: \$ 2.00 /1,000 gallons

METER SIZE	MINIMUM BILL	
5/8 or 3/4	\$ <u>28.97</u>	<u>1,000</u> GALLONS INCLUDED IN MINIMUM BILL
1	\$ <u>72.42</u>	
1 1/2	\$ <u>144.85</u>	
2	\$ <u>231.76</u>	
3	\$ <u>434.55</u>	
4	\$ <u>660.51</u>	

MISCELLANEOUS FEES:

RESIDENTIAL TAP FEE \$ 450.00
RECONNECTION FEES
DISCONNECTED FOR NON PAYMENT (TCEQ RULES) \$ 25.00
OTHER THAN NON PAYMENT \$ 35.00
TRANSFER \$ 25.00
RETURNED CHECK FEE \$ 20.00
CUSTOMER DEPOSIT (TCEQ RULES) \$ 50.00
LATE PAYMENT PENALTY (TCEQ RULES) \$ 5.00
METER TEST FEE (TCEQ RULES) \$ 25.00

CASE SETTLEMENT RECORD (cont'd)

SEASONAL RECONNECTION:

PASS THROUGH RATE ADJUSTMENT CLAUSE:

REASON FOR CLAUSE: _____

COMPUTATION FOR ADJUSTMENT:

MINIMUM BILL = _____

GALLONAGE CHARGE = _____

SURCHARGE

AMOUNT - \$ _____ PER CONNECTION PER MONTH FOR _____ MONTHS

TERMS:

- SURCHARGE CONSIDERED CUSTOMER CONTRIBUTIONS IN AID OF CONSTRUCTION
- FUNDS DEDICATED TO SPECIFIC IMPROVEMENTS LISTED BELOW.
- FUNDS PLACED IN SPECIAL SURCHARGE ACCOUNT.
- UTILITY MUST ISSUE A MONTHLY STATEMENT OF ACCOUNT.
- COMMISSION APPROVAL (IN WRITING) REQUIRED FOR DISBURSEMENT

QUALITY OF SERVICE:

REQUIRED IMPROVEMENT

DATE DUE

VIOLATION TO BE CORRECTED:

(CCN PROBLEMS, TCEQ RULES OR ORDERS)

Shady Oaks Water Supply Company, LLC
(Utility Name)

Water Utility Tariff Page No. 2

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 - Rates

<u>Meter Size</u>	<u>Monthly Minimum Charge</u>	<u>Gallonge Charge</u>
5/8" or 3/4"	\$ <u>28.97</u> (Includes 1000 gallons)	\$ <u>2.00</u> per 1000 gallons thereafter
1"	\$ <u>72.42</u>	
1½ "	\$ <u>144.85</u>	
2"	\$ <u>231.76</u>	
3"	\$ <u>434.55</u>	
4"	\$ <u>660.51</u>	

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

Cash X, Check X, Money Order X, 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 \$450.00
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.

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

TEXAS COMM. ON ENVIRONMENTAL QUALITY
36286-R, CCN 12090, OCTOBER 25, 2009
APPROVED TARIFF BY Zf/HG

Shady Oaks Water Supply Company, LLC
(Utility Name)

Water Utility Tariff Page No. 3

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\$35.00

TRANSFER FEE\$25.00
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 10% OF THE BILL)\$5.00
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 IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE\$20.00
RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

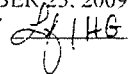
CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50)\$50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT1/6TH 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 291.21(k)(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

TEXAS COMM. ON ENVIRONMENTAL QUALITY
36286-R, CCN 12090, OCTOBER 25, 2009
APPROVED TARIFF BY 

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution
March 18, 2010

Ms. Sandra Strozier, Owner
Shady Oaks Water Supply Co., LLC
P.O. Box 597
Floresville, Texas 78114

Re: Docket No. 2009-1191-UCR: Water Rate/Tariff Change Application of Shady Oaks Water Supply Company, L.L.C, Certificate of Convenience and Necessity No. 12090 in Wilson County; Application No. 36286-R

CN: 600651939; RN: 101221364

Dear Ms. Strozier:

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

- certified copy of the order
- approved tariff
- settlement agreement

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. Elsie N. Pascua by phone at (512)239-5367 or Ms. Heidi Graham at (512)239-0844, or by fax at (512)239-6972. If by correspondence, include MC 153 in the letterhead address.

Sincerely,

A handwritten signature in cursive script that reads "Linda Brookins".

Linda Brookins, Division Director
Water Supply Division

LB/ENP/JL/ln

Enclosures

Mailing List for:
Shady Oaks Water Supply Company, LLC
Application No. 36286-R

Ms. Sandra Strozier, Owner
Shady Oaks Water Supply Co., LLC
P.O. Box 597
Floresville, Texas 78114

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution
March 18, 2010

TO: Persons on the attached mailing list.

RE: Shady Oaks Water Supply Company, LLC
TCEQ Docket No. 2009-1191-UCR; SOAH Docket No. 582-09-6108
Certificate of Convenience and Necessity No. 12090

This letter is your notice that the Texas Commission on Environmental Quality (TCEQ) executive director (ED) has issued final approval of the above-named application. According to 30 Texas Administrative Code (TAC) Section 50.135 the approval became effective on the date the ED signed the approval. A copy of the final approval is enclosed and cites the effective date.

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,

A handwritten signature in black ink that reads "LADONNA CASTAÑUELA".

LADONNA CASTAÑUELA
Chief Clerk

LDC/ms

MAILING LIST
for
Shady Oaks Water Supply Company, LLC
TCEQ Docket No. 2009-1191-UCR; SOAH Docket No. 582-09-6108
Certificate of Convenience and Necessity No. 12090

FOR THE APPLICANT:

Sandra Strozier, Owner
Shady Oaks Water Supply Company, LLC
P.O. Box 597
Floresville, Texas 78114

FOR THE CHIEF CLERK

via electronic mail:

LaDonna Castañuela
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:

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

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

FOR PUBLIC INTEREST COUNSEL

via electronic mail:

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

**Attachment D is not
applicable to this docket**

Attachment E

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

THIS OPERATING AGREEMENT (this "Agreement") is signed as of the 13th 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.

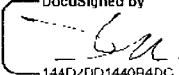
11.5. Compliance with Securities Laws. Notwithstanding anything herein contained to the contrary, no transfer or disposition of Interests in the Company pursuant to the terms hereof shall be made unless such transfer or disposition complies in all respects with the provisions of the Securities Act of 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.

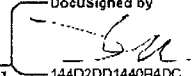
IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date first above written.

**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

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



Ruth R. Hughs
Secretary of State

Office of the Secretary of State

Certificate of Fact

The undersigned, as Secretary of State of Texas, does hereby certify that on November 12, 2019, Palmwood Water Utility Operating Company, LLC, a Domestic Limited Liability Company (LLC) (file number 803367893), changed its name to CSWR-Texas Utility Operating Company, LLC

It is further certified that the entity status in Texas is in existence

In testimony whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in Austin, Texas on November 19, 2019



A handwritten signature in black ink, appearing to read "Ruth R. Hughs".

Ruth R. Hughs
Secretary of State



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

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

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

Attachment I

N/A

Texas Commission on Environmental Quality Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact oce@tceq.texas.gov

Customer: Shady Oaks Water Supply Company, LLC
Customer Number: CN603025362

Regulated Entity Name: SHADY OAKS WATER

Regulated Entity Number: RN101208296

Investigation # 1597543

Investigator: AARON RODRIGUEZ

Conducted: 10/09/2019 -- 10/23/2019

Program(s): PUBLIC WATER SYSTEM/SUPPLY

Investigation Type: Compliance Investigation

Additional ID(s): 2470017

Address: ,
, ,

Principal(s):

Role

RESPONDENT

Name

SHADY OAKS WATER SUPPLY COMPANY LLC

Contact(s):

Incident Numbers

Site Classification GW 51-250 CONNECTION

SIC Code: 4941

Location: FROM HWYS 181 AND 97 E 5.7 M TO CR
320 RT 3 ML TO MARIPOSA LT 0.6 ML TO FLORES
OAKS RT 0.7 ML TO PLANT

Local Unit: REGION 13 - SAN ANTONIO

Activity Type(s): PWSCCIGWCM - CCI GW PURCHASE
- COMMUNITY MANDATORY

SHADY OAKS WATER - FLORESVILLE

10/9/2019 to 10/23/2019 Inv. # - 1597543

Page 2 of 4

Role	Title	Name	Phone	
PARTICIPATED IN	OFFICE MANAGER	SANDRA STROZIER	Work	(830) 391-4406
NOTIFIED	OFFICE MANAGER	SANDRA STROZIER	Work	(830) 391-4406
REGULATED ENTITY CONTACT	OFFICE MANAGER	SANDRA STROZIER	Work	(830) 391-4406
REGULATED ENTITY CONTACT	MANAGER/OPERATO R	MR DAVID STROZIER	Cell Work	(210) 639-6052 (830) 391-4406
REGULATED ENTITY MAIL CONTACT	MANAGER/OPERATO R	MR DAVID STROZIER	Work Cell	(830) 391-4406 (210) 639-6052
NOTIFIED	MANAGER/OPERATO R	MR DAVID STROZIER	Work Cell	(830) 391-4406 (210) 639-6052
PARTICIPATED IN	MANAGER/OPERATO R	MR DAVID STROZIER	Cell Work	(210) 639-6052 (830) 391-4406

Other Staff Member(s):

Role	Name
QA Reviewer	AGNIESZKA HOBSON
Supervisor	LYNN BUMGUARDNER
Supervisor	JOY THURSTON-COOK

Associated Check List

<u>Checklist Name</u>	<u>Unit Name</u>
PWS STANDARD FIELD	CCI
PWS INVESTIGATION - EQUIPMENT MONITORING AND SAMPLING revised 06/2013	CCI

Investigation Comments:

INTRODUCTION

10/02/2019- The investigator contacted Mr. David Strozier, Manger/Operator, to set up a Comprehensive Compliance Investigation (CCI) at the Shady Oaks Water System.

10/09/2019- The investigator met with Mr. Strozier and Mrs. Sandra Strozier, Manger/Operator, to review the records maintained by the water system.

10/11/2019- The investigator returned to conduct visual inspections of the water production, treatment and storage facilities. Pressure and chlorine residual tests were also conducted in the water system distribution.

10/24/2019- The investigator contacted Mr. Strozier and gave a verbal exit interview.

12/05/2019- An Exit Interview was emailed to the Regulated Entity.

A Notice of Violation will be sent to the regulated entity to facilitate compliance.

FACILITY AND PROCESS INFORMATION

SHADY OAKS WATER - FLORESVILLE

10/9/2019 to 10/23/2019 Inv. # - 1597543

Page 3 of 4

Shady Oaks Water is classified as a community public water supply system, serving 117 metered connections and a population of approximately 351 people. The system is located at 214 Shady Oaks Dr., Floresville, Wilson County, Texas, and consists of:

Entry Point #001- Four wells with submersible pumps discharge to one ground storage type tank with splash aeration. Two transfer pumps take suction from that ground storage tank and discharge through a gravity filter and then into two ground storage tanks. Two service pumps take suction from the ground storage tanks and discharge to distribution through one pressure tank. Hypochlorination is introduced into the ground storage tank that is used for aeration.

BACKGROUND

The last CCI was conducted on 04/10/2017, and six violations were cited as a result of this investigation. All of those violations were subsequently resolved.

Enforcement Actions: N/A

Agreed Orders and Compliance Agreements: N/A

Complaints and other Compliance Issues: Complaints and other Compliance Issues: 07/26/2016- Incident No. 239749 was a water quality complaint. No violations were cited as a result of this complaint.

ADDITIONAL INFORMATION:

N/A

NOV Date 12/16/2019 **Method** WRITTEN

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

Track Number: 735371

Compliance Due Date: 02/11/2020

Violation Start Date: Unknown

30 TAC Chapter 290.39(j)

Alleged Violation:

Investigation: 1597543

Comment Date: 12/11/2019

Failure to secure plan approval for changes and modifications to system before installation.

During the investigation conducted on October 9 and 10, 2019, the investigator observed that Shady Oaks water system had not secured plan approval for the construction and installation of two 70 gallon per minute transfer pumps that had been added to the Shady Oaks water system. It was also observed by the investigator that Shady Oaks Water system had removed and replaced a ground storage tank with another 9,000-gallon storage tank. Additionally, Shady Oaks changed its treatment process from the addition of caustic soda to the addition of phosphate and had not secured approval for the change.

30 TAC 290.39(j)- Changes in existing systems or supplies. Public water systems shall notify the executive director prior to making any significant change or addition to the system's production, treatment, storage, pressure maintenance, or distribution facilities. Significant changes in existing systems or supplies shall not be instituted without the prior approval of the executive director.

Recommended Corrective Action: It is mandated by the Texas Administrative Code that the Shady Oaks water system shall notify the executive director prior to making any significant changes resulting in an increase or decrease of the system's production, treatment, storage, pressure maintenance or distribution facilities. Public water systems shall submit plans and specifications for review and receive approval by the TCEQ Plan Review Team [Phone No. (512) 239-4691]: All submittals must be mailed to: TCEQ Plan Review Team, MC-159, PO Box 13087, Austin, Texas, 78711-3087.

SHADY OAKS WATER - FLORESVILLE

10/9/2019 to 10/23/2019 Inv. # - 1597543

Page 4 of 4

Exceptions must be submitted to the TCEQ, Technical Review and Oversight Team (TROT), MC 159, P.O. Box 13087, Austin, TX 78711-3087.

Additional Issues

Description Item #2

Additional Comments

At the time of the investigation, it was noted that the entity has reached 86% of its ground storage capacity. It has also reached 93% of pressure tank capacity. The entity must submit to the Texas Commission on Environmental Quality (TCEQ) Plan Review Team, MC 159, PO Box 13087, Austin, TX 78711-3087; (512)239-4691an 85% planning report that clearly explains how the retail public utility will provide the expected service demands to the remaining areas within the boundaries of its certificated area and submit to the TCEQ San Antonio Region Office documentation verifying submittal.

30 TAC 290.93(3)-- After any commission field inspection, a retail public utility must analyze the system's capacity to determine if it has reached 85% of its capacity. If the retail public utility has reached 85% of its capacity, it must file this report no later than 90 days after the date of a commission letter detailing the results of the inspection. Capacity is considered to be the overall rated capacity in number of residential connection equivalents based on the most restrictive criteria for production, treatment, storage, or pumping. The report should be submitted in writing and should contain the following: a brief description of the overall utility system and service area; an analysis of the plant capacity as defined in subparagraph (A) of this paragraph; details on how the retail public utility will provide service to the remaining areas within the boundaries of its certificated area. This includes projections of cost and expected design and installation dates for additional facilities.

Signed

Environmental Investigator

Date _____

Signed

Supervisor

Date _____

Attachments: (in order of final report submittal)

- ___ Enforcement Action Request (EAR)
- ___ Letter to Facility (specify type) : _____
- Investigation Report
- ___ Sample Analysis Results
- ___ Manifests
- ___ Notice of Registration

- ___ Maps, Plans, Sketches
- ___ Photographs
- ___ Correspondence from the facility
- ___ Other (specify) : _____
- _____
- _____

Texas Commission on Environmental Quality Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact oee@tceq.texas.gov

Customer: Shady Oaks Water Supply Company, LLC
Customer Number: CN603025362

Regulated Entity Name: ARROWHEAD WATER SYSTEM

Regulated Entity Number: RN101437358

Investigation # 1599314	Incident Numbers 321034
Investigator: AARON RODRIGUEZ	Site Classification GW <=50 CONNECTION
Conducted: 10/09/2019 -- 10/10/2019	No Industry Code Assigned
Program(s): PUBLIC WATER SYSTEM/SUPPLY	
Investigation Type: Compliance Investigation	Location: FM 1303 1.7 M W OF FM 775
Additional ID(s): 2470025	

Address: , , ,	Local Unit: REGION 13 - SAN ANTONIO
	Activity Type(s): PWSCCIGWCM - CCI GW PURCHASE - COMMUNITY MANDATORY PWSCMPL - PWS Complaint

Principal(s):

Role	Name
RESPONDENT	SHADY OAKS WATER SUPPLY COMPANY LLC

Contact(s):

Role	Title	Name	Phone
NOTIFIED	MANAGER/OPERATOR	MR DAVID STROZIER	Cell (210) 639-6052
PARTICIPATED IN	MANAGER/OPERATOR	MR DAVID STROZIER	
REGULATED ENTITY CONTACT	MANAGER/OPERATOR	MR DAVID STROZIER	
PARTICIPATED IN	MANAGER/OPERATOR	MRS SANDRA STROZIER	Cell (210) 639-6052 Work (830) 391-4406
REGULATED ENTITY MAIL CONTACT	MANAGER/OPERATOR	MR DAVID STROZIER	Work (830) 319-4406 Cell (210) 693-9605

Other Staff Member(s):

Role	Name
Supervisor	JOY THURSTON-COOK
QA Reviewer	CHRIS FRIESENHAHN

ARROWHEAD WATER SYSTEM - FLORESVILLE

10/9/2019 to 10/10/2019 Inv. # - 1599314

Page 2 of 4

Associated Check List

<u>Checklist Name</u>	<u>Unit Name</u>
PWS COMPLAINT INVESTIGATION	Complaint
PWS STANDARD FIELD	CCI
PWS INVESTIGATION - EQUIPMENT MONITORING AND SAMPLING revised 06/2013	Equipment

Investigation Comments:

INTRODUCTION

09/15/2019—A complaint was received by the Texas Commission on Environmental Quality (TCEQ) San Antonio Region office regarding the Arrowhead Water System, stating that brown water was being supplied by the regulated. Incident # 321034 was generated for this complaint.

10/02/2019- The investigator contacted Mr. David Strozier, Manger/Operator, to set up a Comprehensive Compliance Investigation (CCI) at the Arrowhead Water System.

10/09/2017- The investigator met with Mr. Strozier and Mrs. Sandra Strozier, Manger/Operator, to review the records maintained by the water system.

10/11/2019- The investigator returned to conduct visual inspections of the water production, treatment and storage facilities. Pressure and chlorine residual tests were also conducted in the water system distribution. The investigator reviewed complaint logs and flushing records.

11/15/2019- An Exit Interview form was emailed to the regulated entity.

A Notice of Violation letter will be issued to the regulated entity as a result of this investigation.

GENERAL FACILITY PROCESS INFORMATION

The Arrowhead Water System is classified as a community public water supply system, serving 34 metered connections and a population of approximately 102 people. The system is located at 213 Broken Arrow, Floresville, Wilson County, Texas, and consists of:

Entry Point #001- Two wells with submersible pumps discharge to one gravity filter with splash aeration. Two transfer pumps take suction from the gravity filter. Three service pumps take suction from the ground storage tank and discharge to distribution thru one pressure tank. Gas chlorination is introduced prior to the ground storage tank.

BACKGROUND

The last CCI was conducted on 04/10/2017. No violations were noted.

Enforcement Actions: N/A
Agreed Orders and Compliance Agreements: N/A
Complaints and other Compliance Issues: N/A

ADDITIONAL INFORMATION

10/11/2019- The investigator did not notice any color variation in the water that was flushed during distribution sample testing conducted by the investigator.

Residents should alert the water supply in the event that they experience discoloration of water so that the operator may address the concern. Discoloration can occur during flushing, line repair and at dead ends or distribution dips. Discoloration does not warrant an immediate boil water notice. Information on the water supply water quality can be found on the Texas Drinking Water Watch, using the facility id TX2470025: <https://www.tceq.texas.gov/drinkingwater/instructions-for-texas-drinking-water-watch>.

ARROWHEAD WATER SYSTEM - FLORESVILLE

10/9/2019 to 10/10/2019 Inv. # - 1599314

Page 3 of 4

Please see the attached T-NET Data documentation for system specifics. Attached for review are Water System, Storage Tank, Water Sources, Service Pumps, System Capacities, and Treatment Plants information sheets.

NOV Date 12/16/2019 **Method** WRITTEN

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

Track Number: 734466 **Compliance Due Date:** 02/03/2020

Violation Start Date: Unknown

30 TAC Chapter 290.46(n)(1)

Alleged Violation:

Investigation: 1599314

Comment Date: 11/21/2019

Failure to have accurate and up-to-date detailed as-built plans or record drawings and specifications.

At the time of the investigation, it was observed by the investigator that Arrowhead Water System did not have accurate and up-to-date detailed as-built plans or record drawings and specifications for its water treatment facilities.

30 TAC 290.46(n)(1)- Accurate and up-to-date detailed as-built plans or record drawings and specifications for each treatment plant, pump station, and storage tank shall be maintained at the public water system until the facility is decommissioned. As-built plans of individual projects may be used to fulfill this requirement if the plans are maintained in an organized manner.

Recommended Corrective Action: Provide by the compliance due date, copies of as built engineering plans or record drawings and specifications for each treatment plant, pump station, and storage tank that comprise system.

Track Number: 734476 **Compliance Due Date:** 02/03/2019

Violation Start Date: Unknown

30 TAC Chapter 290.46(m)

Alleged Violation:

Investigation: 1599314

Comment Date: 11/21/2019

Failure to maintain the water system to ensure the good working condition of the equipment.

At the time of the investigation, the regulated entity failed to repair or replace the nonfunctioning meters at wells #1 & 2.

30 TAC 290.46(m) -- Maintenance and housekeeping. The maintenance and housekeeping practices used by a public water system shall ensure the good working condition and general appearance of the system's facilities and equipment. The grounds and facilities shall be maintained in a manner so as to minimize the possibility of the harboring of rodents, insects, and other disease vectors, and in such a way as to prevent other conditions that might cause the contamination of the water.

Recommended Corrective Action: Submit documentation showing the well meters have been replaced or repaired to the San Antonio Regional Office by the compliance date.

ARROWHEAD WATER SYSTEM - FLORESVILLE

10/9/2019 to 10/10/2019 Inv. # - 1599314

Page 4 of 4

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

Texas Commission on Environmental Quality Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact oce@tceq.texas.gov

Customer: Shady Oaks Water Supply Company, LLC
Customer Number: CN603025362

Regulated Entity Name: C WILLOW WATER

Regulated Entity Number: RN102678398

Investigation # 1599317	Incident Numbers
Investigator: AARON RODRIGUEZ	Site Classification GW 51-250 CONNECTION
Conducted: 10/09/2019 -- 10/10/2019	SIC Code: 4941
Program(s): PUBLIC WATER SYSTEM/SUPPLY	
Investigation Type: Compliance Investigation	Location: 3 M S OF LA VERNIA ON HWY 87 S
Additional ID(s): 2470019	

Address: , , ,	Local Unit: REGION 13 - SAN ANTONIO
	Activity Type(s): PWSCCIGWCM - CCI GW PURCHASE - COMMUNITY MANDATORY

Principal(s):

Role	Name
RESPONDENT	SHADY OAKS WATER SUPPLY COMPANY LLC

Contact(s):

Role	Title	Name	Phone
PARTICIPATED IN	MANAGER/OPERATO R	MRS SANDRA STROZIER	Cell (210) 215-1368 Phone (830) 391-4406 Work (830) 391-4406 Cell (210) 639-6052
PARTICIPATED IN	MANAGER/OPERATO R	MR DAVID STROZIER	Cell (210) 639-6052
REGULATED ENTITY CONTACT	MANAGER/OPERATO R	MR DAVID STROZIER	
NOTIFIED	MANAGER/OPERATO R	MR DAVID STROZIER	
REGULATED ENTITY MAIL CONTACT	MANAGER/OPERATO R	MR DAVID STROZIER	

Other Staff Member(s):

Role	Name
QA Reviewer	AGNIESZKA HOBSON
Supervisor	JOY THURSTON-COOK

C WILLOW WATER - LA VERNIA

10/9/2019 to 10/10/2019 Inv. # - 1599317

Page 2 of 3

Associated Check List

<u>Checklist Name</u>	<u>Unit Name</u>
PWS STANDARD FIELD	CCI
PWS INVESTIGATION - EQUIPMENT MONITORING AND SAMPLING revised 06/2013	Equipment

Investigation Comments:

INTRODUCTION

10/02/2019- The investigator contacted Mr. David Strozier, Operator, to set up a Comprehensive Compliance Investigation at the C Willow Water System.

10/09/2019- The investigator met with Mr. David Strozier and Mrs. Sandra Strozier, to review the records maintained by the water system, conduct visual inspections of the water production, treatment and storage facilities. Pressure and chlorine residual tests were also conducted in the water system distribution.

10/10/2019- The investigator returned to conduct visual inspections of the water production, treatment and storage facilities. Pressure and chlorine residual tests were also conducted in the water system distribution.

A General Compliance letter will be issued as a result of this investigation.

GENERAL FACILITY AND PROCESS INFORMATION

C Willow water system is a community water system serving 237 connections and approximately 711 people.

Two wells, sub pumps, discharge to one 76,000 gallon standpipe through one sand filter and two 100 gallon per minute transfer pumps. Water gravity flows to distribution. This facility treats the system with Caustic Soda for pH adjustment, Aqua Quest 175 for iron sequestration and gas chlorination for disinfectant prior to storage.

BACKGROUND

The last full CCI of this facility was conducted on 04/10/2017.

Enforcement Actions: N/A

Agreed Orders and Compliance Agreements: N/A

Complaints and other Compliance Issues: N/A

ADDITIONAL INFORMATION: N/A

N/A

No Violations Associated to this Investigation

C WILLOW WATER - LA VERNIA

10/9/2019 to 10/10/2019 Inv. # - 1599317

Page 3 of 3

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

Texas Commission on Environmental Quality Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact oce@tceq.texas.gov

Customer: Shady Oaks Water Supply Company, LLC
Customer Number: CN603025362

Regulated Entity Name: HICKORY HILL WATER

Regulated Entity Number: RN101441673

Investigation # 1599315	Incident Numbers
Investigator: AARON RODRIGUEZ	Site Classification GW 51-250 CONNECTION
Conducted: 10/09/2019 -- 10/10/2019	SIC Code: 4941
Program(s): PUBLIC WATER SYSTEM/SUPPLY	

Investigation Type: Compliance Investigation	Location: FROM LA VERNIA GO E ON FM 775 AND 2772 TO FM 539 TURN RIGHT GO 2.6 ML TO HICKORY HILL DR TURN LEFT GO 1.3 ML TO PLANT
---	--

Additional ID(s): 2470018

Address: , , ,	Local Unit: REGION 13 - SAN ANTONIO
	Activity Type(s): PWSCCIGWCM - CCI GW PURCHASE - COMMUNITY MANDATORY

Principal(s):

Role	Name
RESPONDENT	SHADY OAKS WATER SUPPLY COMPANY LLC

Contact(s):

Role	Title	Name	Phone
NOTIFIED	OPERATOR	MR DAVID STROZIER	Cell (210) 639-6052 Work (830) 391-4406
REGULATED ENTITY CONTACT	OPERATOR	MR DAVID STROZIER	Cell (210) 639-6052 Work (830) 391-4406
PARTICIPATED IN	OPERATOR	MR DAVID STROZIER	Work (830) 391-4406 Cell (210) 639-6052
PARTICIPATED IN	MANAGER	SANDRA STROZIER	Work (830) 391-4406
REGULATED ENTITY MAIL CONTACT	OPERATOR	MR DAVID STROZIER	Cell (210) 639-6052 Work (830) 391-4406

Other Staff Member(s):

Role	Name
QA Reviewer	STACY ANDERSON
Supervisor	JOY THURSTON-COOK

HICKORY HILL WATER - LA VERNIA

10/9/2019 to 10/10/2019 Inv. # - 1599315

Page 2 of 3

Associated Check List

<u>Checklist Name</u>	<u>Unit Name</u>
PWS INVESTIGATION - EQUIPMENT	EQUIPMENT
MONITORING AND SAMPLING revised 06/2013	
PWS STANDARD FIELD	CCI

Investigation Comments:

INTRODUCTION

10/02/2019- The investigator contacted Mr. David Strozier, Operator, to set up a Comprehensive Compliance Investigation at the Hickory Hill Water System.

10/09/2019- The investigator met with Mr. David Strozier and Mrs. Sandra Strozier, to review the records maintained by the water system, conduct visual inspections of the water production, treatment and storage facilities. Pressure and chlorine residual tests were also conducted in the water system distribution.

10/10/2019- The investigator returned to conduct visual inspections of the water production, treatment and storage facilities. Pressure and chlorine residual tests were also conducted in the water system distribution.

A General Compliance letter will be issued as a result of this investigation.

GENERAL FACILITY AND PROCESS INFORMATION

Hickory Hill Water is classified as a community public water supply system, serving 97 metered connections and a population of approximately 291 people. The system is located at 288 Hickory Hill Dr., La Vernia, Wilson County, Texas, and consists of:

Entry Point #001- Two wells with submersible pumps discharge to one gravity filter with splash aeration. Two transfer pumps take suction from the gravity filter with splash aeration and deliver water to the ground storage tank. Two service pumps take suction from the ground storage tank and discharge to distribution thru one pressure tank. Gas chlorination is introduced prior to the ground storage tank.

BACKGROUND

The last full CCI of this facility was conducted on 04/10/2017.

Enforcement Actions: N/A

Agreed Orders and Compliance Agreements: N/A

Complaints and other Compliance Issues:

06/15/2017- A complaint was received alleging poor water quality that the Hickory Hill water system was supplying to the complainant. A General Compliance letter was sent to the regulated entity.

ADDITIONAL INFORMATION: N/A

N/A

No Violations Associated to this Investigation

HICKORY HILL WATER - LA VERNIA
10/9/2019 to 10/10/2019 Inv. # - 1599315
Page 3 of 3

Signed

Environmental Investigator

Date _____

Signed

Supervisor

Date _____

Attachments: (in order of final report submittal)

- ___ Enforcement Action Request (EAR)
- ___ Letter to Facility (specify type) : _____
- Investigation Report
- ___ Sample Analysis Results
- ___ Manifests
- ___ Notice of Registration

- ___ Maps, Plans, Sketches
 - ___ Photographs
 - ___ Correspondence from the facility
 - ___ Other (specify) :
-
-

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

Attachment K

14. Calculation of Rate Base.

Pursuant to 16 Texas Admin. Code § 24.41(d) and (e), CSWR Texas intends to request that rate base be set to allow it to earn a return on the difference between the purchase price paid for the utility assets and the original cost less accumulated depreciation or, otherwise, based on the net book value of the assets using another reasonable valuation method. The Company has identified a proposed acquisition adjustment in this application, but the difference between the purchase price paid and the original cost less accumulated depreciation and contributions in aid on construction is still under review as the Company continues to review plant and financial records for this system. Currently, the best records for determining net book value of assets is the current owner's accounting records. However, it is CSWR, LLC's experience that these records often did not completely account for the entire asset value of the system being transferred due to lack of sophistication around recording system improvements, additions or repairs/replacements that extended usable life of assets. It is CSWR, LLC's experience that an independent third-party original cost study provides the most accurate valuation of distressed utility assets like those at issue here.

In proceedings in other states, where plant records for an acquired system were inadequate, CSWR, LLC has relied on real estate appraisals to establish rate base. 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.

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 most recent compliance evaluation identified several alleged violations and "Additional Issues" that needed to be addressed such as failure to have accurate plans, failure to maintain the water system to ensure the good working condition of equipment, and reaching 86% of ground storage capacity. See Attachment I to this Application.

A preliminary engineering report commissioned by CSWR Texas confirmed many of the issues identified by the TCEQ. See Attachment J to this Application. More specifically, the report recommends well rehab, various recoating, and additional pumps. The cost of these and other upgrades, renovations, and repairs is estimated to be approximately \$319,000. If it is authorized to acquire the 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 Texas' 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 address 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. In addition to its ownership interest, CSWR, LLC 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 49 public drinking water and wastewater systems in Missouri, Arkansas, Kentucky, and Louisiana through which they provide safe and reliable utility service to approximately 35,000 customers.

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 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, LLC and Central States, CSWR Texas will have access to experienced technical and managerial expertise and experience not usually available to water systems of this system's size. And CSWR, LLC'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. Similar commitments were made with respect to equity investments necessary to acquire and improve utility assets affiliated companies currently own and operate in Missouri, Arkansas, Kentucky, and Louisiana. As evidenced by acquisitions and improvements made in each of those states, regulators can rely on such investment commitments. Although Investment is provided primarily in the form of equity, 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.

Importantly, the regulatory Commissions in Missouri, Kentucky, and Louisiana have recognized the solid track record that CSWR, LLC and its affiliates have established for acquiring, rehabilitating, maintaining, and operating troubled water and wastewater systems in that state, and they have 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, LLC has demonstrated an ability to consolidate small water utility and make necessary investments in systems to ensure that safe, reliable service is provided to customers. This system is currently in a distressed state and would benefit from the transition to a stable, long-term management team willing to make necessary investments to improve the system. As explained in this application:

- CSWR Texas has access to much needed capital that it will use to make reasonable, prudent, and timely investments to bring the system back into compliance with all applicable rules and regulations;
- Through its affiliates, CSWR Texas has access to experienced technical and managerial expertise and experience not usually available to systems of this size and at a lower cost than otherwise would be available because of the economies of scale the affiliated structure is able to achieve;
- CSWR Texas will implement new management and customer service systems and practices that will greatly improve the level of service to customers;
- CSWR Texas will seek to consolidate and regionalize this system with other systems it acquires in order to pool financial, managerial, and technical resources that achieve economies of scale or efficiencies of service;
- CSWR Texas will operate the system to ensure it is in compliance with all environmental regulations; and
- the purchase price reflects the lowest agreeable negotiated price between the parties.

In summary, CSWR Texas and its affiliates have the financial, technical, and managerial ability to acquire, own, and operate the 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 is prepared to invest capital required to remedy all outstanding and future issues in the system. It will implement management and customer service systems and practices that will greatly improve the level of service to customers. Accordingly, the system will become a part of a financially stable and technically sound utility, and customers will receive higher quality and more reliable service. Also, by adopting 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 system's future operations will be scrutinized by the Commission and its staff so that its cost of service and rates are fair and reasonable.

30. Notice Information – Boundary Descriptions

The requested area related to PWS 2470025 (Arrowhead Water) serves the Arrowhead subdivision and is generally bounded by:

On the North by:	Texas Independence Trail
On the East by:	Broken Arrow Drive
On the South by:	Broken Arrow Drive
On the West by:	County Road 157 and Broken Arrow Drive

The requested area related to PWS 2470017 (Shady Oaks Water) is generally bounded by:

On the <u>North</u> by:	Flores Oaks Drive
On the East by:	By Mariposa lane (extended to include hickory lane)
On the South by:	County Road 320
On the West by:	The end of Flores Oaks Drive and Shady Oaks Drive

The requested area related to PWS 2470019 (C-Willow Water) serves the C-Willow subdivision and is generally bounded by:

On the <u>North</u> by:	Hickory Run Road
On the East by:	Hollow Ridge
On the South by:	Enck Lane
On the West by:	US Highway 87

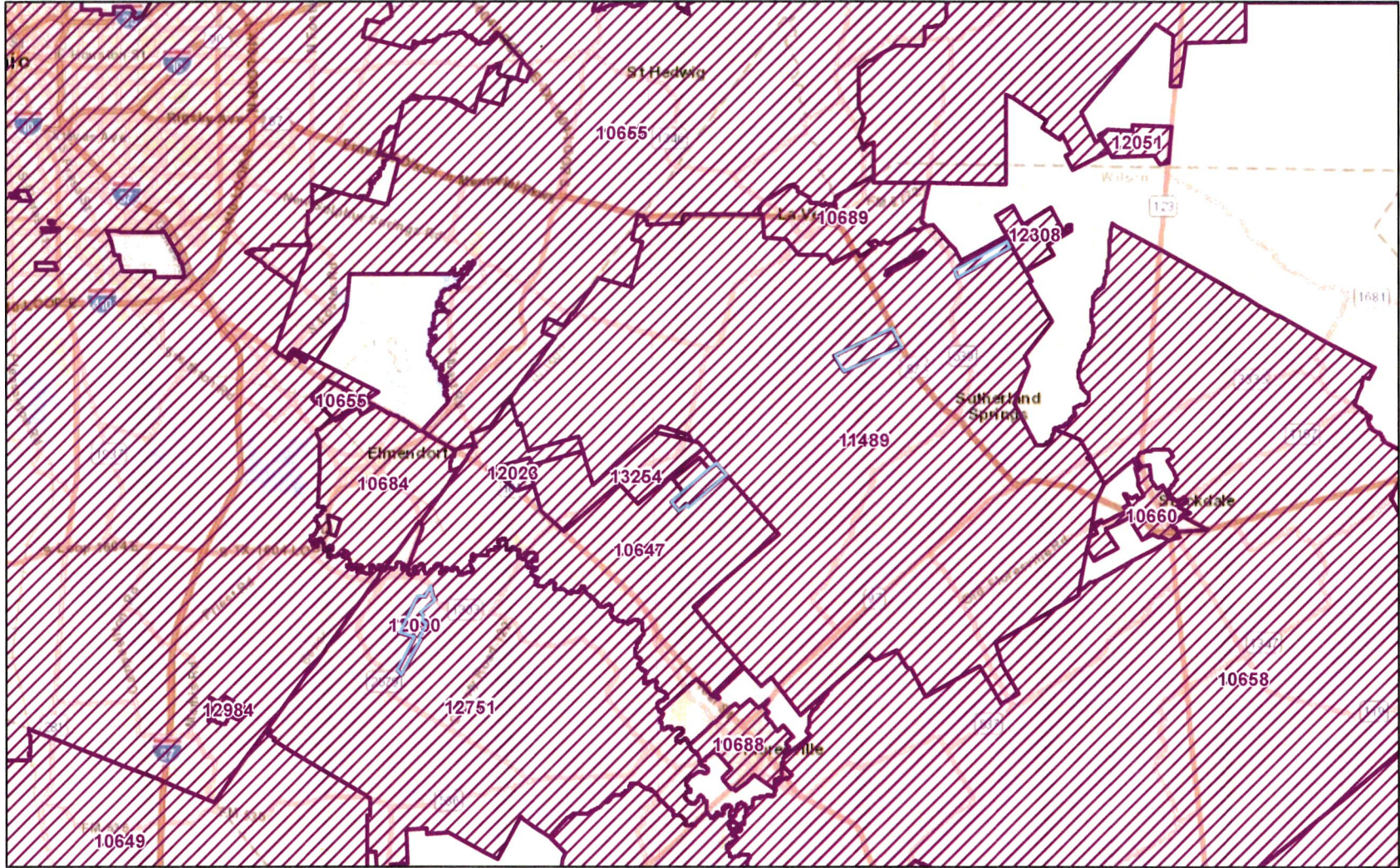
The requested area related to PWS 2470018 (Hickory Hills Water) serves the Hickory Hill subdivision and is generally bounded by:

On the <u>North</u> by:	Hickory Hill Drive
On the East by:	Bluebonnet Ridge
On the South by:	Deer Park Road
On the West by:	FM 539

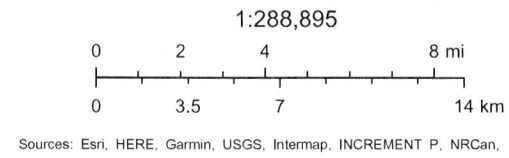
**Attachment K-1 is Confidential and
will be provided pursuant to the
Protective Order**

Attachment L

CCN No. 12090 – Small Scale Map



July 24, 2020



Attachment M

**Attachment N is not
applicable to this docket**

Attachment O

Statement of Confidentiality

Pursuant to the Commission's standard protective order, CSWR-Texas Utility Operating Company, LLC ("CSWR Texas") is designating certain materials filed as part of its application as Protected Materials. The undersigned counsel for CSWR Texas has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits the Protected Materials designation or Highly Sensitive Protected Material designation given below.

Confidential Attachment A contains the executed Purchase Agreement between CSWR Texas or its affiliates and the selling utility. The terms and pricing information of the Purchase Agreement are not publicly available, are commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR Texas because any other entity that seeks to acquire water or wastewater utilities in Texas or elsewhere could use the information to its competitive advantage to the detriment of CSWR Texas. Accordingly, the information contained in Confidential Attachment A is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material designation.

Confidential Attachment F contains the consolidated financial statements of CSWR, LLC and subsidiaries, including an independent auditor's report. This information is not publicly available, is commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR Texas and its subsidiaries. Any other entity that seeks to acquire water utilities in Texas and elsewhere could use the financial information to its competitive advantage, to the detriment of CSWR, LLC and its subsidiaries. Accordingly, the information contained in Attachment F is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material information.


Highly Sensitive Attachment G contains projected financial information for the acquired system, including information from which the purchase price could be ascertained; consolidated financial statements for CSWR Texas's parent company, CSWR, LLC, and its subsidiaries; combined financial projections for other systems that CSWR Texas is in the process of acquiring; and information regarding CSWR, LLC's financial positions. This information is not publicly available, is commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR, LLC and its subsidiaries, including CSWR Texas. Any other entity that seeks to acquire water utilities in Texas and elsewhere could use the financial

information to its competitive advantage, to the detriment of CSWR, LLC and its subsidiaries. Accordingly, the information contained in Attachment G is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material information.

Confidential Attachment H contains engineering assessments and a capital improvement plan that is deemed by a third-party engineering firm to be proprietary information. Public disclosure of the information would cause substantial competitive harm to the engineering firm by allowing other engineering companies to copy the firm's methods and analyses. Public disclosure could also negatively impact the engineering firm's willingness to perform services for CSWR Texas in the future. Accordingly, the information contained in Confidential Attachment H is exempt from public disclosure under Tex. Gov't Code §§ 552.101 and 552.104.

Confidential Attachment J is an engineering report that is the proprietary information of a third-party engineering firm. Public disclosure of the information would cause substantial competitive harm to the engineering firm by allowing other engineering companies to copy the firm's methods and analyses. Public disclosure could also negatively impact the engineering firm's willingness to perform services for CSWR Texas in the future. Accordingly, the information contained in Confidential Attachment J is exempt from public disclosure under Tex. Gov't Code §§ 552.101 and 552.104.

Confidential Attachment K-1 contains purchase price information taken from the Purchase Agreement, which is attached to the application as Attachment A. The pricing information contained in Confidential Attachment K-1 is not publicly available, is commercially sensitive, and public disclosure of the information would cause substantial competitive harm to CSWR Texas and its affiliates. Any other entity that seeks to acquire water utilities in Texas and elsewhere could use the information to its competitive advantage to the detriment of CSWR Texas. Accordingly, the information contained in Confidential Attachment K-1 is exempt from public disclosure under Tex. Gov't Code §§ 552.101, 552.104 and 552.110 and merits the Protected Material designation.


Evan D. Johnson

ATTORNEY FOR CSWR, LLC

Attachment P

Attachment P

PWS Number:	Name of PWS	Subdivisions Served
2470017	Shady Oaks Water	N/A
2470018	Hickory Hill Water	Hickory Hill
2470025	Arrowhead Water	Arrowhead
2470019	C Willow Water	C Willow