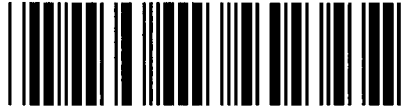




Control Number: 51544



Item Number: 1

Addendum StartPage: 0



# Application for Sale, Transfer, or Merger of a Retail Public Utility 51544

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**

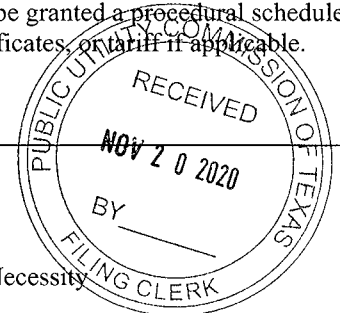
**Transferor:** Seller

**Transferee:** Purchaser

**CCN:** Certificate of Convenience and Necessity

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

**IOU:** Investor Owned Utility



0 1 2 3 4

## Application Summary

**Transferor:** Virginia Fuller d/b/a Franklin Water Service Co.

*(selling entity)*

**CCN No.s:** 12374

- Sale    
  Transfer    
  Merger    
  Consolidation    
  Lease/Rental

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

*(acquiring entity)*

**CCN No.s:** 13290

- Water    
  Sewer    
  All CCN    
  Portion CCN    
  Facilities transfer

**County(ies):** Tarrant

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

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

**Part A: General Information**

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

CSWR-Texas Utility Operating Company, LLC ("CSWR Texas") seeks purchase all utility assets owned by Virginia Fuller d/b/a Franklin Water Service Co. under CCN No. 12374 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 Franklin Water Service Co. See Attachment B for a copy of the corporate organization chart of CSWR Texas' upstream ownership.

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

For **Transferee** (Purchaser) CCN:

- 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

For **Transferor** (Seller) 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: Franklin Water Service Co.  
(individual, corporation, or other legal entity)

Individual  Corporation  WSC  Other: \_\_\_\_\_

B. Mailing Address: 401 N. Carroll Avenue, Ste. 156, Southlake, Texas 76092

Phone: (817) 456-1986 Email: virgfuller@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: Virginia Fuller Title: Owner

Mailing Address: 401 N. Carroll Avenue, Ste. 156 Southlake, Texas 76092

Phone: (817) 456-1986 Email: virgfuller@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: June 28, 1995

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: n/a

**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 172

# of customers with deposits held by the transferor\* 35 **See Attachment D.**

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

**Part C: Transferee Information**

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

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

Individual  Corporation  WSC  Other: LLC

B. Mailing Address: 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: \$ 10.00 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: \$ See Attachments K.

Accumulated Depreciation: \$

Net Book Value: \$

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, I-1 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 systems are distressed 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:	\$ _____	<b>See Attachments K.</b>
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.)

See Attachment K.

**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:

City of Lubbock (CCN: 10627)

**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): PWS number 1520224 (Franklin Water Systems 1)  
PWS number 1520080 (Franklin Water Systems 3)  
TCEQ PWS Identification Number:<sup>7</sup> digit ID: \_\_\_\_\_  
Name of PWS: Franklin Water Systems 1 and Franklin Water Systems 3  
Date of last TCEQ compliance inspection: \_\_\_\_\_ **See Attachment I and I-1.**  
Subdivisions served: \_\_\_\_\_

**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	1	2"		Residential
218	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			219	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, I, and J		

**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. **See Attachment N.**

Capacity is purchased from: City of Lubbock

Water: City of Lubbock

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%

**See Attachment K.**

- 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: 186.00

Number of customer connections in the requested area: 219

Affected subdivision : N/A

The closest city or town: Lubbock

Approximate mileage to closest city or town center: 0

Direction to closest city or town: West

The requested area is generally bounded on the North by: E Ursuline St

on the East by: N county Road 2840

on the South by: Idalou Road & E County Road 6430

on the West by: N Tulip Avenue

**31.** A copy of the proposed map will be available at: Coffin Renner LLP, 1011 West 31st St., Austin, Texas 78705

**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

See Attachment F & G.

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

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

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

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

See Attachments F & G.

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



See Attachments F & G.

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

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

See Attachments F & G.

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

<b>PROJECTED EXPENSE DETAIL</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>	<b>TOTALS</b>
<b>GENERAL/ADMINISTRATIVE EXPENSES</b>						
Salaries						
Office						
Computer						
Auto						
Insurance						
Telephone						
Utilities						
Depreciation						
Property Taxes						
Professional Fees						
Interest						
Other						
<b>Total</b>						
<b>% Increase Per projected Year</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>OPERATIONAL EXPENSES</b>						
Salaries						
Auto						
Utilities						
Depreciation						
Repair & Maintenance						
Supplies						
Interest						
Other						
<b>Total</b>						

See Attachments F & G.

<b>PROJECTED SOURCES AND USES OF CASH STATEMENTS</b>	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
<b>SOURCES OF CASH</b>						
Net Income						
Depreciation (If funded by revenues of system)						
Loan Proceeds						
Other						
<b>Total Sources</b>						
<b>USES OF CASH</b>						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
<b>Total Uses</b>						
<b>NET CASH FLOW</b>						
<b>DEBT SERVICE COVERAGE</b>						
Cash Available for Debt Service (CADS)						
A: Net Income (Loss)						
B: Depreciation, or Reserve Interest						
<b>C: Total CADS (A + B = C)</b>						
<b>D: DEBT SERVICE (DS)</b>						
Principle Plus Interest						
<b>E: DEBT SERVICE COVERAGE RATIO</b>						
CADS Divided by DS (E = C / D)						

**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.

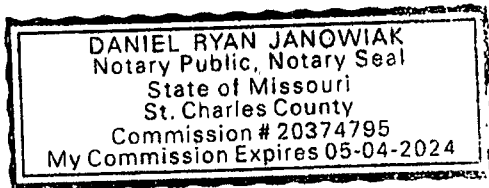


\_\_\_\_\_  
**AFFIANT**  
(Utility's Authorized Representative)

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 24<sup>th</sup> of June, 20 20

SEAL



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

Daniel Ryan Janowiak  
\_\_\_\_\_  
PRINT OR TYPE NAME OF NOTARY

My commission expires: 5/4/24

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

## **ATTACHMENT LIST**

1. Attachment A – Executed Purchase Agreement
2. Attachment B – CSWR, LLC Corporate Organizational Chart
3. Attachment C – Current Tariff
4. Attachment D – List of Customer Deposits (Confidential)
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 I-1 – Correspondence re Resolution of Compliance Issues (Confidential)
11. Attachment J – Engineering Memo (Confidential)
12. Attachment K - Responses to STM Questions
13. Attachment L – Small Scale Map (General Location)
14. Attachment M – Large Scale Map (Detailed)
15. Attachment N – Water Purchase Agreement
16. Attachment O – Statement of Confidentiality

# Attachment A



**AGREEMENT FOR SALE OF UTILITY SYSTEM**

THIS AGREEMENT ("Agreement"), is made and entered into this 30<sup>th</sup> day of December, 2019, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and VIRGINIA FULLER d/b/a FRANKLIN WATER SYSTEM 1 & 3 ("Seller"), collectively ("Parties").

**WITNESSETH:**

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

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

**WHEREAS**, Virginia Fuller is an individual, doing business as Franklin Water Systems 1 & 3 in the State of Texas, with all the requisite power necessary to enter into the transaction described hereinafter; and

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

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

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

1. **SALE OF ASSETS.**

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

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

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

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

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

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

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

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

## 2. CONVEYANCES OF REAL PROPERTY.

The real estate to be conveyed by Seller will include all utility easements related to the operation of the System owned by the Seller. The real estate will be conveyed by an easement deed or an assignment in a form satisfactory to Buyer, and will vest marketable title in fact in the Buyer.

At Buyer's expense, Buyer shall obtain, at least thirty (30) calendar days prior to the Closing, a Commitment to issue an Owner's Policy of Title Insurance to Buyer in the amount of the Purchase Price issued by a company authorized to issue title insurance in the state of Texas, which policy shall insure the owner's title to be marketable as the same is described and defined in Title Examination Standards of The Texas Bar ("Title Standards"). After delivery of said title insurance commitment and Buyer's completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any

objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property interests noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer's option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. **REGULATORY APPROVAL.**

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

4. **PURCHASE PRICE.** Buyer agrees to pay to Seller at the Closing **Ten and 00/100 Dollars (\$10.00)** ("Purchase Price").

5. **CLOSING.**

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval, satisfaction of Seller's Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer's sole discretion, or at such other time as the parties hereto may mutually agree (the "Closing"). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such title to the Assets to be sold as provided in this Agreement and as set forth in Section 6.D, and Buyer will deliver to Seller the Purchase Price. From time to time, at Buyer's request and expense, whether at or after

the Closing and without further consideration, Seller shall execute and deliver such other instruments of conveyance and transfer and take such other action as Buyer reasonably may require to more effectively convey and transfer to Buyer any of the Assets to be sold hereunder, and will assist Buyer in the collection or reduction to possession of such Assets. Buyer will pay all sales, transfer and documentary taxes, if any, payable in connection with the sale, transfers and deliveries to be made to Buyer hereunder. All ad valorem real estate taxes and assessments levied or assessed against the Assets shall be prorated according to the calendar year as of the Closing based on the most recent tax bill and assessments levied for the same, and Buyer shall receive a credit against the Purchase Price for the amount of taxes owed by Seller at the time of the Closing. Buyer shall pay the costs of recording all instruments required for the Closing to occur, the fees charged by the title company, and Buyer's attorneys' fees. Seller shall pay for all attorneys' fees incurred by Seller.

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

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

The Seller represents and warrants as follows:

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

Seller is an individual, doing business as Franklin Water System 1 and 3, in the State of Texas, with all the requisite power and authority to sell the Assets pursuant to the terms of this Agreement.

B. **Liabilities.**

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

C. **Absence of Certain Changes.**

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

- i. Any material change in the use of the Assets in connection with the

business or operations of the System;

ii. Any damage, destruction or loss whether or not covered by insurance, materially and adversely affecting the Assets.

**D. Title to Properties.**

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

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

Within twenty (20) days prior to the Closing and with Buyer's assistance, Seller agrees to have identified any and all interests in land (including easements or license agreements) it has obtained in connection with its operation and maintenance of the System and will provide Buyer or Buyer's representatives copies of the same or a reference to the book and page number of the records of the Lubbock County Recorder's Office where such easements are recorded. The cost of such identification and any related search being the sole responsibility of the Buyer.

Buyer shall have until twenty (20) calendar days prior to the Closing to determine: 1) if Seller lacks an easement or other interest necessary for operation of the System or 2) an easement is defective in title or interest conveyed. If it appears that Seller lacks a valid

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

E. **Authority to Operate.**

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

F. **Litigation.**

Seller acknowledges and discloses that there is pending litigation (referred to herein as "pending litigation") against the Seller. Such pending litigation is a suit against the Seller by the State of Texas. Said suit is pending in the 419th Judicial District of Travis County, Texas, Cause No. D-1-GN-18-006750, styled STATE OF TEXAS V. VIRGINIA FRANKLIN FULLER d/b/a FRANKLIN WATER SYSTEM 1 AND FRANKLIN WATER SYSTEM 3. Other than the pending litigation, there is no litigation or proceeding pending, or to the knowledge of Seller threatened, against or relating to Seller, the Assets, or the System, nor does Seller know, or have reasonable grounds to know, of any basis for any such action, or of any governmental investigation relative to Seller, the Assets, or the System, except as otherwise disclosed to Buyer.

G. **No Violation or Breach.**

The performance of this Agreement by Seller, including any preconditions or

surviving warranties or representations, is not in violation of any laws, statutes, local ordinances, state or federal regulations, court orders or administrative order or ruling, nor is such performance in violation of any loan documents, conditions or restrictions in effect for financing, whether secured or unsecured, except for those alleged violations contained in the current pending litigation described herein.

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

Buyer represents and warrants as follows:

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

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

B. **Authority.**

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

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

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

A. **Regulatory Approval.**

The Texas Public Utility Commission and any other government agency for which approval is required to operate the System shall have, to the extent necessary, authorized or approved the sale, transfer or disposition of the Assets to Buyer from Seller, the proposed financing, and any schedule of compliance for proposed utility improvement projects for regulatory compliance deemed necessary by Buyer, each in form and substance (including without limitation with respect to the terms and conditions contained in such approval) acceptable to Buyer in Buyer's sole and absolute discretion. Both Parties shall diligently pursue the required approvals and authorizations contemplated herein. In the event the Parties are unable to obtain the required regulatory approval or authorization to complete the transactions contemplated herein, Buyer may terminate this Agreement by providing

written notice to Seller at Buyer's sole and absolute discretion.

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

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

**C. Performance.**

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

**D. Feasibility.**

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



E. **No Casualty.**

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

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

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

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

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

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

B. **Performance.**

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

C. **Seller's Right to Terminate.** If the Seller is unable to obtain an agreed settlement to the pending litigation described herein, Seller shall have the right to terminate this Agreement prior to the Closing upon written notice to Buyer, unless Buyer agrees to accept liability and to indemnify Seller for any fines and damages arising out of the current pending litigation and additionally agrees to comply with any corrective or compliance orders arising out of the pending litigation at or after the Closing.

10. **INDEMNIFICATION.**

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

A. All liabilities or obligations of Seller, whether accrued, absolute, contingent or otherwise, and including all liabilities or obligations arising out of the transactions entered

into, or any state of facts existing, prior to the date of Closing, including, without limitation, such liabilities or obligations as are described in paragraph B of Section 6 hereof;

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

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

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

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

11. **FEES AND COMMISSIONS.**

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

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

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

13. **BENEFIT.**

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

14. **GOVERNING LAW.**

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

15. **COUNTERPARTS.**

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

16. **NO THIRD PARTY BENEFICIARIES.**

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

17. **ENTIRE AGREEMENT.**

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

18. **SUCCESSION AND ASSIGNMENT.**

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

19. **HEADINGS.**

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

20. **NOTICES.**

All notices, demands, consents, requests or other communications required to or permitted to be given pursuant to this Agreement shall be in writing, shall be given only in accordance with the provisions of this Section 20, shall be addressed to the parties in the manner set forth below, and shall be conclusively deemed to have been properly delivered: (a) upon receipt when hand delivered during normal business hours (provided that, notices which are hand delivered shall not be effective unless the sending party obtains a signature of a person at such address that the notice has been received); (b) upon receipt when sent by facsimile if sent between the hours of 8:00 a.m. and 5:00 p.m. (the recipient's time) on a business day to the number set forth below with written confirmation of a successful transmission by the sender's facsimile machine; (c) when sent by electronic mail if (1) identified in the subject line as a notice under this Agreement, (2) sent between the hours of 8:00 a.m. and 5:00 p.m. on a business day to the email address set forth below, and (3) acknowledged as received by the recipient, by reply or separate email, (d) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, registered or certified mail, postage prepaid, with a return receipt requested (provided that, the sender has in its possession the return receipt to prove actual delivery); or (e) one (1) business day after the notice has been deposited with FedEx, United Parcel Service or other reliable overnight courier to be delivered by overnight delivery (provided that, the sending party receives a confirmation of actual delivery from the courier). The addresses of the parties to receive notices are as follows:

If to Buyer:

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

With a Copy to:

James A. Beckemeier  
The Beckemeier Law Firm, LC  
13421 Manchester Road, Suite 103  
St. Louis, MO 63131

Facsimile: (314) 965-0127  
Email: jim@beckemeierlaw.com

If to Seller:

Virginia Fuller d/b/a  
Franklin Water System 1 & 3  
401 N. Carroll Avenue, Ste. 156  
Southlake, TX 76092-6407  
Phone: (817) 456-1988 (bus)  
Facsimile: \_\_\_\_\_  
Email: \_\_\_\_\_

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

21. **AMENDMENTS AND WAIVERS.**

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

22. **SEVERABILITY.**

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

23. **EXPENSES.**

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

24. **CONSTRUCTION.**

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

25. **INCORPORATION OF EXHIBITS.**

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

26. **DEFAULT; ATTORNEY’S FEES.**

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

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

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

**SELLER:**  
*Virginia Fuller*  
VIRGINIA FULLER, d/b/a  
FRANKLIN WATER SYSTEM 1 & 3

**BUYER:**  
CENTRAL STATES WATER  
RESOURCES, INC.  
By: *Josiah Cox*  
Josiah Cox, President

Franklin Water System

FSF

**EXHIBIT "A"**

**Service Area Description**

- PWS #TX1520224
- PWS #TX1520080

*[service area description and service area map to be added prior to closing]*



**EXHIBIT "B"**

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

**EXHIBIT "C"**

**Personal Property and Equipment**

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

Description	Balance of Associated Debt & Lender Information
All In-Ground Piping, Water Meters, Meter Boxes and Attached Related Equipment	N/A
All Water Wells, Well Houses and Permanently Attached Equipment	N/A
All Sewer Lines in the Blue Sky Neighborhood	N/A

No other inventory or equipment is conveyed except that which is permanently attached and in use in the system at the time of sale.

It is expressly agreed that all equipment, utility lines, meters, meter boxes, sewer lines, inventory, flowback preventor, equipment sometimes used for the benefit of the water system and other equipment located with the boundaries of the Lone Star MHP and adjacent land areas, further described as the following land parcels in Lubbock County, R140436 and R164296 are excluded from the sale of the water system and have been and will continue to be owned by Lone Star MHP, LLC or affiliates. Buyer agrees these two land areas will together be served as a single commercial account, utilizing the existing master meter in place on the property located at 4701 E. Rice St, Lubbock, TX 79403. Buyer agrees that it will at its cost and without unreasonable interruption of service provide alternate sourcing of water to adjacent properties who receive water through the same lines served by the Lone Star Community and Adjacent land (a few commercial accounts are connected to the Lone Star MHP water system at this time).

**EXHIBIT "D"**

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

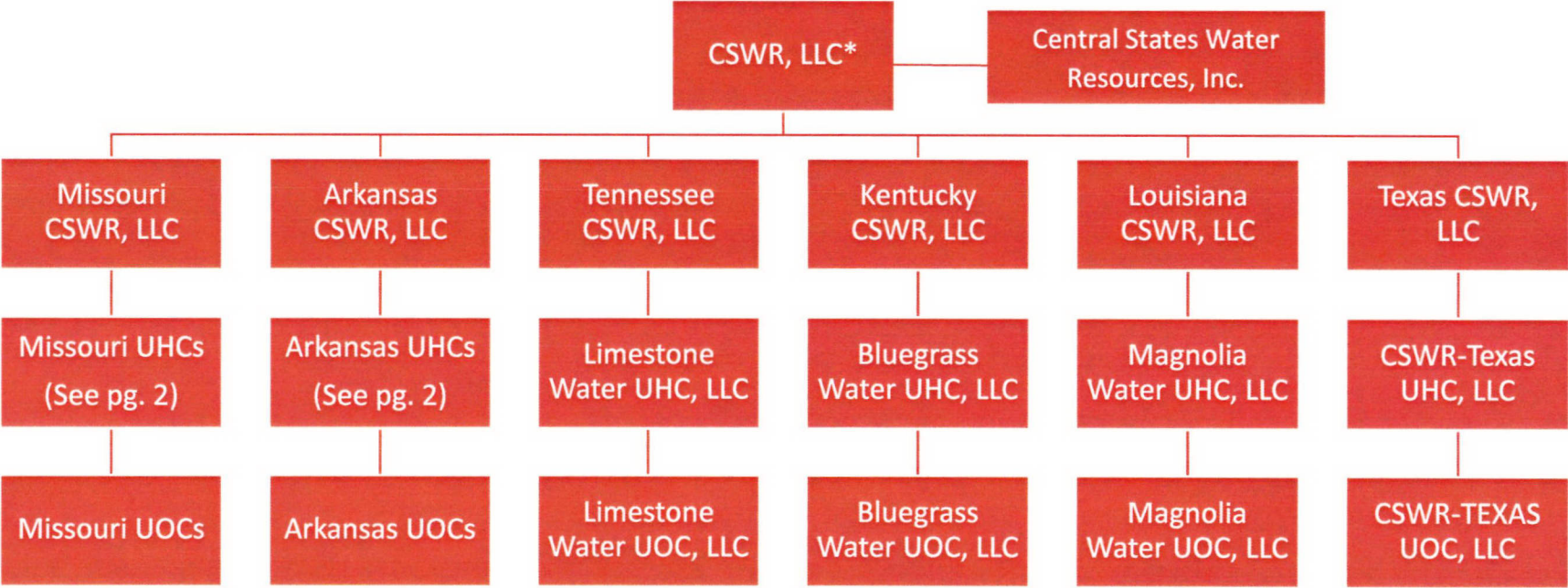
(franchise agreements, franchise rights, warranties, contracts, supply contracts, agreements, bonds and/or other financial assurances and customer deposits)

No cash related to customer deposits or pre-payments or otherwise will be transferred at closing from Seller to Buyer.

Buyer and Seller agree that Lone Star MHP, otherwise described as **BLK A SEC 25 AB 50 TR Y6 AC: 13.2** and vacant land described as **BLK A SEC 25 AB 50 BLUE SKY COMMON AREA AC: 4.146** both in Lubbock, Tx are served by a 2 inch Commercial Master Meter located on the property of 4701 E. Rice St., Lubbock TX 79403. All Utility infrastructure, water and sewer included, located on this property is owned by the real property owner and is served by and will continue to be served by the Private Utility at the master meter location and point of connection to the sewer line now and in the future.

# Attachment B

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



\* US Water Systems, LLC is an outside investment group above CSWR, LLC that provides funding to CSWR, LLC to acquire and improve the systems its seeks to acquire in Texas. In addition, it should be noted that all entities within the organizational chart between CSWR Texas and CSWR, LLC are holding companies. CSWR Texas does not currently receive services from any affiliates other than CSWR, LLC and Central States Water Resources, Inc., nor does it currently provide services to any affiliate in this organizational chart.



# Attachment C

Pam Reed, *Commissioner*

R. B. "Ralph" Marquez, *Commissioner*

Dan Pearson, *Executive Director*

## TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

*Protecting Texas by Reducing and Preventing Pollution*

August 1, 1995

Ms. Virginia Franklin Fuller  
P. O. Box 8300-126  
Dallas, Texas 75205

Re: **Water Utility Tariff**  
**Franklin Water Service Co.**  
CCN No. 12374

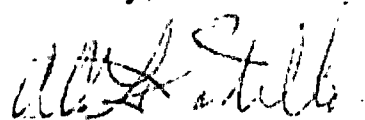
Dear Ms. Fuller:

Enclosed for your records is a copy of your tariff reflecting the results of your rate case approved by the Commission on June 28, 1995. The official copy of the tariff is on file with the Texas Natural Resource Conservation Commission.

The utility shall make the tariff available to the public at its business office for their information and examination upon request. The utility also shall provide copies of any portion of the tariff at reasonable reproduction costs to the requesting party.

Please contact me at 512/239-6960 if you have any questions.

Sincerely,



Ana C. Lopez Portillo  
Plans Review and Rate Design Team  
Water Utilities Division, MC 153

ALP/alp/wem

Enclosure



12374 - Franklin Water Services Co.

Water Tariff Page No. 2  
Revision Date  / /

**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>14.04</u> (INCLUDING 1000 GALLONS)	\$ <u>1.62</u> per 1000 gallons same for all meter sizes

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

**Section 1.02 - Miscellaneous Fees**

**TAP FEE** ..... \$ 80.00  
TAP FEE IS BASED ON THE AVERAGE OF THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" or 3/4" METER.

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

- a) Non payment of bill (Maximum \$25.00) ..... \$ 25.00
  - b) Customer's request ..... \$ 50.00
- OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF

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

**RETURNED CHECK CHARGE** ..... \$ 20.00

**CUSTOMER DEPOSIT (Maximum \$50)** ..... \$ 25.00

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

**RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TNRC APPROVAL STAMP**

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

# Attachment E

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

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

### **RECITALS**

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

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

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

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

### **ARTICLE I. ORGANIZATION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **ARTICLE II. CAPITAL CONTRIBUTIONS**

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

## **ARTICLE III. DISTRIBUTIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

### 6.3. Manager.

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

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

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

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

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

#### 6.4. Indemnification

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

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

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

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

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

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

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

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

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

**ARTICLE VII.  
DETERMINATIONS BY THE MEMBER**

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

**ARTICLE VIII.  
ACTIONS OF THE MANAGER**

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

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

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

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

**ARTICLE X.  
DISSOLUTION OF THE COMPANY**

10.1. Dissolution Acts.

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

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

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

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

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

## ARTICLE XI. GENERAL

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

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

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

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

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

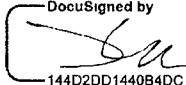
11.5. Compliance with Securities Laws. Notwithstanding anything herein contained to the contrary, no transfer or disposition of Interests in the Company pursuant to the terms hereof shall be made unless such transfer or disposition complies in all respects with the provisions of the Securities Act of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

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

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

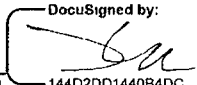
IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date first above written.

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

DocuSigned by  
  
144D2DD1440B4DC

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

Agreed and Accepted by:

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

**EXHIBIT A**  
**INITIAL CAPITAL CONTRIBUTIONS**

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

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: Virginia Franklin Fuller**  
**Customer Number: CN601450232**

**Regulated Entity Name: FRANKLIN WATER SYSTEMS 1**

**Regulated Entity Number: RN102817038**

<b>Investigation #</b> 1554849 <b>Investigator:</b> JASON LINDEMAN <b>Conducted:</b> 02/13/2019 -- 02/18/2019  <b>Program(s):</b> PUBLIC WATER SYSTEM/SUPPLY  <b>Investigation Type:</b> Compliance Investigation  <b>Additional ID(s):</b> 1520224  <b>Address:</b> 4701 IDALOU RD, LUBBOCK, TX , 79403	<b>Incident Numbers</b> <b>Site Classification</b> P 51-250 CONNECTION  <b>SIC Code:</b> 4971 <b>NAIC Code:</b> 221310 <b>SIC Code:</b> 6515  <b>Location:</b> N SIDE OF US 62 82 E OF LUBBOCK CITY LIMITS  <b>Local Unit:</b> REGION 02 - LUBBOCK <b>Activity Type(s):</b> PWSCCIGWCM - CCI GW PURCHASE - COMMUNITY MANDATORY
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**Principal(s):**

Role	Name
RESPONDENT	VIRGINIA F FULLER

**Contact(s):**

Role	Title	Name	Phone
NOTIFIED	OPERATOR	MR KEITH B SMITH	Work (806) 729-6368
REGULATED ENTITY CONTACT	OWNER	MS VIRGINIA F FULLER	Work (817) 456-1988
PARTICIPATED IN	OPERATOR	MR KEITH B SMITH	Work (806) 729-6368
REGULATED ENTITY MAIL CONTACT	PROPERTY MANAGER	MS PATTI PAGE	Work (806) 549-7125

**Other Staff Member(s):**

Role	Name
QA Reviewer	BRENT BAKER
Supervisor	JAY KEITH

**FRANKLIN WATER SYSTEMS 1 - LUBBOCK**

**2/13/2019 to 2/18/2019 Inv. # - 1554849**

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**Associated Check List**

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

**Investigation Comments:**

**INTRODUCTION:**

On February 13 – 18, 2019, Mr. Jason Lindeman, Environmental Investigator with the Texas Commission on Environmental Quality (TCEQ) Region 2 Lubbock Office, conducted a Public Water Supply (PWS) Comprehensive Compliance Investigation (CCI) at Franklin Water Systems #1, PWS ID #1520224. Mr. Keith “Brian” Smith, Operator, participated in the investigation. The investigation was scheduled by phone with Mr. Smith on February 7, 2019. Multiple guidance documents and a list of required records were then emailed to Mr. Smith. During the investigation, two alleged violations were noted and the status of several outstanding alleged violations was evaluated. An Exit Interview Form describing the alleged violations was completed and signed by Mr. Smith on February 14, 2019 (Attachment #1). Compliance documentation was submitted on March 22, 2019, to resolve both alleged violations. The property manager, Ms. Patti Page, will receive a Notice of Violation indicating the alleged violations have been resolved.

**GENERAL FACILITY AND PROCESS INFORMATION:**

Franklin Water Systems #1 is located on the north side of United States (US) Highway (HWY) 62/82 in central Lubbock County, approximately 0.25 miles east of Lubbock. This is a Mobile Home Park (MHP) that purchases treated water under direct pressure from the City of Lubbock, PWS ID #1520002. The purchase agreement is through the form of a retail service agreement and does not include any capacity restrictions or guarantees. The water is supplied through a master meter and reduced pressure zone (RPZ) backflow assembly located near the park entrance (Entry Point [EP] 001 sample tap located at 4701 Idalou Rd). No additional treatment, storage, or pressure maintenance is provided by the system. Multiple mobile home spaces were recently converted into RV spaces, which increased the connection count to 130. The estimated population is 186, based on operator knowledge. Mr. Smith is the system operator and has an “A” Water license (Attachment #2).

A system sketch documenting system flows is attached to the report. Additional information is provided in the Drinking Water Watch (DWW) Summary Sheet (Attachment #3) and the PWS data sheet (Attachment #4).

**BACKGROUND:**

A Follow-Up Investigation was conducted March 29, 2018, to evaluate the status of outstanding alleged violations (reference investigation #1484014). A summary of the status was provided to the TCEQ Litigation Division and Office of the Attorney General (OAG).

A Complaint Investigation was conducted February 8 – 20, 2018 (reference investigation #1472780). A complainant alleged the meters were being read incorrectly, the bills were inaccurate, there was not a licensed operator, and there were problems with the water quality. The portion of the complaint relating to billing was referred to the Public Utility Commission (PUC). The remaining allegations could not be verified and no alleged violations or Additional Issues were noted.

A Reconnaissance Investigation (Recon) was conducted August 30, 2017 (reference investigation #1436453). The investigation was conducted to evaluate the adequacy of the water pressure and chlorine residual in the distribution system. No alleged violations or Additional Issues were noted.

The last CCI was conducted February 16 – March 1, 2016 (reference investigation #1308722). There were three alleged violations for failure to: (1) develop a Nitrification Action Plan (NAP), (2) maintain an up-to-date and accurate Monitoring Plan, and (3) ensure abandoned wells were tested or plugged. The case was referred for formal enforcement for violation of a Default Order (reference Enforcement Case No. 38136, Docket No. 2016-0861-MLM-E). On May 13, 2016, the Enforcement Division screened the subject case and it was assigned to the Litigation Division for five previous Agreed Orders. These cases were referred to the OAG on June 12, 2017, and the case is still pending.

A Complaint Investigation was conducted August 22, 2014 (reference investigation #1192857). A complainant alleged the operator was collecting water samples for two separate systems from one location, was not reporting

**FRANKLIN WATER SYSTEMS 1 - LUBBOCK**

**2/13/2019 to 2/18/2019 Inv. # - 1554849**

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the correct connection count for either system, and was misreporting chlorine residual results. The complaint allegations could not be verified, and no alleged violations or Additional Issues were noted.

A Recon was conducted June 18, 2014 (reference investigation #1177470). The investigation was conducted to evaluate the adequacy of the water pressure and chlorine residual in the distribution system. No alleged violations or Additional Issues were noted.

**ADDITIONAL INFORMATION:**

During the investigation, the RPZ at the purchased water meter was inspected and pressure and chlorine checks were conducted at two locations using an Ashcroft glycerin-filled pressure gauge and a Hach Pocket Colorimeter II. At the EPO01 sample tap, the pressure was 55 pounds per square inch (psi) and the total chlorine residual was 3.0 milligrams per liter (mg/L). At Space #87, the pressure was 54 psi and the total chlorine residual was 2.9 mg/L.

The available records, some of which included weekly water usage, weekly chlorine residuals, monthly bacteriological sample results, Disinfectant Level Quarterly Operating Reports (DLQORs), Monitoring Plan, NAP, Backflow Prevention Assembly Test (BPAT) report, colorimeter verifications, a system map, and a Drought Contingency Plan (DCP) were also reviewed. The usage records indicate an Average Daily Demand (ADD) of 0.016 Million Gallons per Day (MGD) from April 11, 2018, through February 11, 2019, and a per capita usage rate of 85 gallons per person per day.

While reviewing the records, alleged violations were noted for failure to: (1) update the Customer Service Agreement (CSA) in violation of Title 30 Texas Administrative Code (TAC) §290.46(i); and (2) calibrate or verify the monochloramine test kit in violation of Title 30 TAC §290.46(s)(2)(D). The status of the outstanding alleged violations was also evaluated and is summarized below.

Failure to create a NAP – A NAP has been created and is available on-site. This outstanding alleged violation has been returned to compliance.

On March 22, 2019, Mr. Smith hand-delivered a verification log for the monochloramine test kit and an updated CSA (Attachment #5). These corrective actions are adequate to resolve the alleged violations.

See the resolutions for more information. Supporting documentation, consisting of site photographs and the referenced attachments, is included with the report and electronically in CCEDS.

**NOV Date** 04/19/2019 **Method** WRITTEN

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

**Track Number:** 710931

**Resolution Status Date:** 4/14/2019

**Violation Start Date:** Unknown

**Violation End Date:** 3/22/2019

**30 TAC Chapter 290.46(i)**

**Alleged Violation:**

**Investigation:** 1554849

Comment Date: 04/14/2019

Failure to obtain adequate Customer Service Agreements (CSAs). At the time of the investigation, the CSAs signed by customers did not include the new lead requirements adopted in 2015.

**Recommended Corrective Action:** As required in Title 30 Texas Administrative Code (TAC) §290.46(i), public water systems must adopt an adequate plumbing ordinance, regulations, or service agreement with provisions for proper enforcement to ensure that neither cross-connections nor other unacceptable plumbing practices are permitted. The use of pipes and pipe fittings that contain more than 0.25% lead or solders and flux that contain more than 0.2% lead is prohibited for installation or repair of any public water supply and for installation or repair of any plumbing in a residential or nonresidential facility providing water for human



**FRANKLIN WATER SYSTEMS 1 - LUBBOCK**

**2/13/2019 to 2/18/2019 Inv. # - 1554849**

**Page 4 of 5**

consumption and connected to a public drinking water supply system.

**Resolution:** On March 22, 2019, Mr. Keith "Brian" Smith, Operator, provided an updated CSA which includes the updated lead requirements. This corrective action is adequate to resolve the alleged violation.

**Track Number:** 710932

**Resolution Status Date:** 4/14/2019

**Violation Start Date:** Unknown

**Violation End Date:** 3/22/2019

**30 TAC Chapter 290.46(f)(3)(B)(iv)**

**30 TAC Chapter 290.46(s)(2)(D)**

**Alleged Violation:**

**Investigation: 1554849**

Comment Date: 04/14/2019

Failure to verify the accuracy of the monochloramine test kit at least once every 90 days. At the time of the investigation, calibration or verification records for the Hach Pocket Colorimeter II, Monochloramine/Free Ammonia test kit were requested. Mr. Smith indicated he had not purchased the secondary standards necessary to perform the verification.

**Recommended Corrective Action:** As required in Title 30 TAC §290.46(s)(2)(D), analyzers used to determine the effectiveness of chloramination in §290.110(c)(5) of this title shall be properly verified in accordance with the manufacturer's recommendations every 90 days. These analyzers include monochloramine, ammonia, nitrite, and nitrate equipment used by the public water system. As required in Title 30 TAC §290.46(f)(3)(B)(iv) the calibration records for laboratory equipment, flow meters, rate-of-flow controllers, on-line turbidimeters, and on-line disinfectant residual analyzers shall be retained for at least three years.

**Resolution:** On March 22, 2019, Mr. Smith provided a verification log for the monochloramine test kit. This corrective action is adequate to resolve the alleged violation.

Signed

Date \_\_\_\_\_

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

Signed

Date \_\_\_\_\_

\_\_\_\_\_  
Supervisor

**FRANKLIN WATER SYSTEMS 1 - LUBBOCK**

**2/13/2019 to 2/18/2019 Inv. # - 1554849**

**Page 5 of 5**

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

- |  |   |
|--|---|
| <input type="checkbox"/> Enforcement Action Request (EAR)          | <input type="checkbox"/> Maps, Plans, Sketches            |
| <input type="checkbox"/> Letter to Facility (specify type) : _____ | <input type="checkbox"/> Photographs                      |
| Investigation Report   | <input type="checkbox"/> Correspondence from the facility |
| <input type="checkbox"/> Sample Analysis Results                   | <input type="checkbox"/> Other (specify) :                |
| <input type="checkbox"/> Manifests                                 | _____   |
| <input type="checkbox"/> Notice of Registration                    | _____   |

**List of Attached files**

CCEDS #1554849, Franklin #1 PWS CCI.pdf

## 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: Virginia Franklin Fuller**  
**Customer Number: CN601450232**

**Regulated Entity Name: FRANKLIN WATER SYSTEMS 3**

**Regulated Entity Number: RN101264372**

<p><b>Investigation #</b> 1618929</p> <p><b>Investigator:</b> JASON LINDEMAN</p> <p><b>Conducted:</b> 12/17/2019 -- 12/17/2019</p> <p><b>Program(s):</b> PUBLIC WATER SYSTEM/SUPPLY</p> <p><b>Investigation Type:</b> Compliance Investigation</p> <p><b>Additional ID(s):</b> 1520080</p> <p><b>Address:</b> 4813 IDALOU RD, LUBBOCK, TX , 79403</p>	<p><b>Incident Numbers</b></p> <p><b>Site Classification</b> GW 51-250 CONNECTION</p> <p><b>SIC Code:</b> 4971 <b>SIC Code:</b> 6515 <b>NAIC Code:</b> 221310</p> <p><b>Location:</b> S SIDE OF US HWY 62/82 E OF LUBBOCK CITY LIMITS .25 MI</p> <p><b>Local Unit:</b> REGION 02 - LUBBOCK</p> <p><b>Activity Type(s):</b> PWSFI - PWS FI- Follow-up investigation for PWS system</p>
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**Principal(s):**

Role	Name
RESPONDENT	VIRGINIA F FULLER

**Contact(s):**

Role	Title	Name	Phone
NOTIFIED	OPERATOR	MR KEITH B SMITH	Work (806) 729-6368
PARTICIPATED IN	OPERATOR	MR KEITH B SMITH	Work (806) 729-6368
REGULATED ENTITY MAIL CONTACT	OWNER	MS VIRGINIA F FULLER	Work (817) 456-1988
REGULATED ENTITY MAIL CONTACT	PROPERTY MANAGER	MS PATTI PAGE	Work (806) 549-7125

**Other Staff Member(s):**

Role	Name
Supervisor	JAY KEITH

### Associated Check List

<u>Checklist Name</u>	<u>Unit Name</u>
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**FRANKLIN WATER SYSTEMS 3 - LUBBOCK**

**12/17/2019 Inv. # - 1618929**

**Page 2 of 4**

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**Investigation Comments:**

**INTRODUCTION:**

On December 17, 2019, Mr. Jason Lindeman, Environmental Investigator with the Texas Commission on Environmental Quality (TCEQ) Region 2 Lubbock Office, conducted a Public Water Supply (PWS) Follow-Up Investigation at Franklin Water Systems #3, TCEQ Public Water Supply (PWS) ID #1520080. Mr. Keith "Brian" Smith, Operator, participated in the investigation. The investigation was requested by the Office of the Attorney General (OAG) via email on November 25, 2019, to evaluate the status of the outstanding alleged violations. Due to the nature of the water system, Mr. Smith was notified of the investigation on December 13, 2019. A summary of the investigation findings was emailed to Ms. Amy Rodriguez, OAG, on January 7, 2020. The approved report detailing the status of the alleged violations will be provided to the OAG.

**GENERAL FACILITY AND PROCESS INFORMATION:**

Franklin Water Systems #3 is located on the south side of United States (US) Highway (HWY) 62/82 in central Lubbock County, approximately 0.25 miles east of Lubbock. As of the last Comprehensive Compliance Investigation (CCI), this was a community water system that utilized five wells with a combined capacity of 63 gallons per minute (GPM) to supply water for 89 total connections and a population of 159 based on the number of active connections. Each well was equipped with a hypochlorinator and pumped directly to the distribution system through a retention tank. Entry Point (EP) sample taps were located on each of the tanks. There were also two out-of-service wells, one of which had been given to the landowner.

**BACKGROUND:**

The last CCI was conducted February 13 – 18, 2019 (reference investigation #1555626). Two alleged violations were noted for failure to: (1) develop and maintain an accurate and up-to-date Plant Operations Manual and (2) obtain adequate Customer Service Agreements (CSAs). Compliance documentation was submitted on March 22, 2019, to resolve both alleged violations. The status of several outstanding alleged violations was also evaluated and communicated to the OAG.

A Follow-Up Investigation was conducted March 29, 2018, to evaluate the status of outstanding alleged violations (reference investigation #1484257). A summary of the status was provided to the TCEQ Litigation Division and OAG.

A Complaint Investigation and Reconnaissance Investigation (Recon) were conducted April 24, 2017 (reference incident #256779, investigation #1409122). The complainant alleged the water smelled like chlorine and was undrinkable. The complaint could not be verified, and no Additional Issues or alleged violations were noted.

A CCI was conducted February 16 – March 1, 2016 (reference investigation #1308724). One Additional Issue was noted regarding updates to the Monitoring Plan. Twelve alleged violations were noted for failure to: (1) provide adequate wellhead protection; (2) provide a pressure release device on the pressure tanks; (3) provide adequate well capacity; (4) provide total storage capacity; (5) provide service pump capacity; (6) provide adequate pressure tank capacity; (7) provide a system ownership sign; (8) plug or test an abandoned well; (9) obtain sanitary control easements; (10) record the amount of water distributed each week; (11) calibrate well flow meters every three years; and (12) provide specific criteria for the initiation and termination of drought response stages. Due to violations of Commission Orders, the case was referred for formal enforcement and combined with the previous cases (Docket No. 2013-0819-PWS-E, Enforcement Case No. 38136). The case is still pending.

**ADDITIONAL INFORMATION:**

During the investigation, the wells, disinfection facilities, tanks, associated appurtenances, and waste piles were inspected, and the outstanding alleged violations were discussed. Mr. Smith provided maps and records regarding Sanitary Control Easements and attempts to obtain easements for each well (attached). The status of the outstanding violations is summarized below:

Failure to provide adequate well protection – some of the waste piles have been removed and others have been pushed back to at least 150' away from the well; however, there are still waste piles near Well #4. This alleged violation is still outstanding.

Failure to provide pressure release devices on the pressure tanks at Well #2 and Well #6 – neither tank has been equipped with a pressure release device. This alleged violation is still outstanding.

**FRANKLIN WATER SYSTEMS 3 - LUBBOCK**

**12/17/2019 Inv. # - 1618929**

**Page 3 of 4**

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Failure to calibrate the well meters – Well #1 has a broken flow meter and the flow meters at Well #2 and Well #4 have not been calibrated or verified. This alleged violation is still outstanding.

Failure to adopt an adequate Drought Contingency Plan (DCP) – Mr. Smith indicated the DCP had not been updated since the last investigation and did not provide it for review. During the last investigation the DCP did not have adequate triggers and there were no indications it had been provided to the Public Utility Commission (PUC) or appropriately adopted. This alleged violation is still outstanding.

Failure to obtain Sanitary Control Easements – Documentation was provided to identify all property within 150' of each well and indicate which landowners had granted an easement and those who had not. This alleged violation is still outstanding.

Failure to provide storage capacity – this will require approval of plans and specs and construction of new facilities, none of which has been done. The system is still 100% deficient and this violation is still outstanding.

Failure to provide service pump capacity – this will require approval of plans and specs and construction of new facilities, none of which has been done. The system is still 100% deficient and this violation is still outstanding.

Failure to provide adequate pressure tank capacity – each well is associated with a tank. Upon further inspection, none of these tanks appear to be functioning as pressure tanks and it is unclear as to whether they can be operated as such. The system is now regarded as 100% deficient and this violation is still outstanding.

Failure to plug or test abandoned wells – Well #3 is completely disconnected from the system and has been given to the landowner. Well #5 is completely disconnected from the system but has not been tested or plugged, thus this violation is still outstanding.

Supporting documentation, consisting of site photographs and the referenced attachment, is included with the report and electronically in CCEDS.

**No Violations Associated to this Investigation**

**Signed**

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

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

**Signed**

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

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

**FRANKLIN WATER SYSTEMS 3 - LUBBOCK**

**12/17/2019 Inv. # - 1618929**

**Page 4 of 4**

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

- |  |   |
|--|---|
| <input type="checkbox"/> Enforcement Action Request (EAR)          | <input type="checkbox"/> Maps, Plans, Sketches            |
| <input type="checkbox"/> Letter to Facility (specify type) : _____ | <input type="checkbox"/> Photographs                      |
| <input type="checkbox"/> Investigation Report                      | <input type="checkbox"/> Correspondence from the facility |
| <input type="checkbox"/> Sample Analysis Results                   | <input type="checkbox"/> Other (specify) :                |
| <input type="checkbox"/> Manifests                                 | _____   |
| <input type="checkbox"/> Notice of Registration                    | _____   |

**List of Attached files**

CCEDS #1618929, Franklin #3 PWS Follow-Up.pdf

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

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



# Attachment K

### **11.B. Proposed Transaction Details**

CSWR Texas has not been able to identify any plant records for this water system or annual report filings from which to determine the original cost of plant, accumulated depreciation, or financial information requested in this question.

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

CSWR Texas has not been able to identify any plant records for this water system or annual report filings from which to determine the original cost of plant, accumulated depreciation, or financial information requested in this question.

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. Whether or not there is a difference between the purchase price paid and the original cost less accumulated depreciation and contributions in aid on construction is still under review. 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 16 Tex. Admin. Code § 24.238.

**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.)**

For Franklin Water Systems 1, the Company understands that this system currently purchases treated water under direct pressure from the City of Lubbock and allocates and passes through the costs to customers based on their individual metered usage. The purchase agreement is through the form of a retail service agreement and does not include any capacity restrictions. Upon acquisition, CSWR Texas plans to purchase water from the City and continue charging the same rates that are currently charged. The rates charged by the City are currently as follows:

Base Water Charge (2" meter):	\$96.30/month
Volumetric Charge:	\$4.76/Kgal

For Franklin Water Systems 3, 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.

**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 alleged violations that needed to be addressed. See Attachment I to this Application.

A preliminary engineering report commissioned by CSWR Texas identified issues as well. See Attachment J to this Application. More specifically, the report recommends well rehab, a centralized water plant site, and installing of fencing. The cost of these and other upgrades, renovations, and repairs is estimated to be approximately \$400,000. 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 deal with any customer service issues. Second, CSWR Texas will ensure customers served by the system have access to customer service representatives during normal business hours to talk about any customer concerns. Additionally, CSWR Texas will establish a utility-specific webpage and dedicated email address to keep customers informed about their utility service. Mirroring the relevant utility homepage information, CSWR Texas will

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

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

CSWR Texas is part of a group of affiliated companies owned by CSWR, LLC. 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.

The Public Utility Commission of Texas has already determined in Docket NO. 50251, 50276 and 50311 that the affiliated group has financial, technical, and managerial ability necessary to provide reasonable service to the public, and Commission Staff has recommended approval in eight other pending dockets, having found that the group has financial, technical, and managerial ability necessary to provide reasonable service to the public (See Docket Nos. 50989, 51026, 51031, 51047, 51065, 51118, 51130, and 51146). In addition, The Missouri Public Service Commission and the Missouri Department of Natural Resources have recognized the solid track record CSWR, LLC and its affiliates have established for acquiring, rehabilitating, maintaining, and operating troubled water and wastewater systems in that state. And, in a recent order authorizing the group's Kentucky affiliate to acquire several troubled wastewater systems, the Kentucky Public Service Commission expressly found the group has the financial, technical, and managerial ability necessary to provide reasonable service to the public.



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

CSWR, 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.

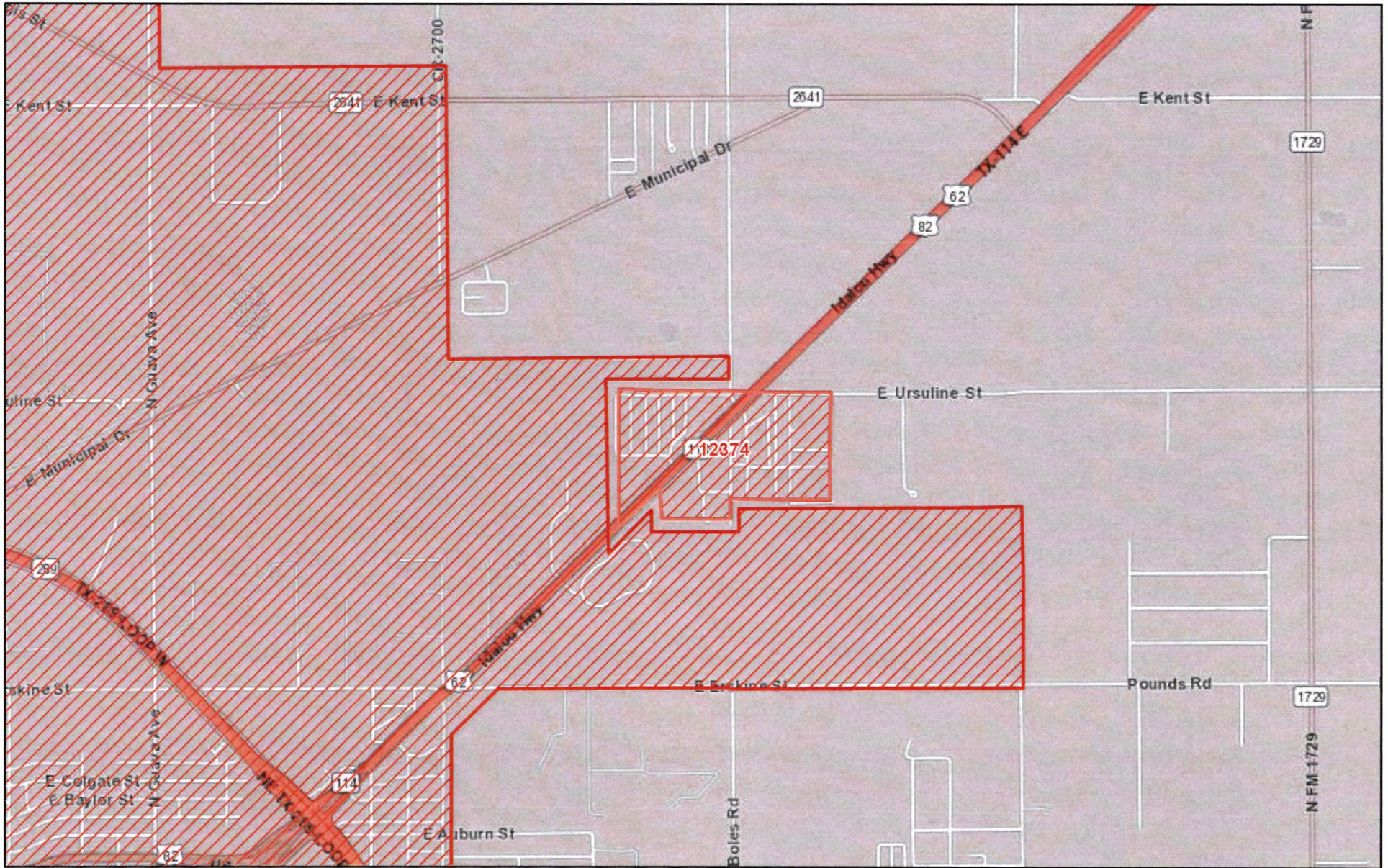
**26. What is the amount of water supply or sewer treatment purchased, per the agreement or contract? What is the percent of overall demand supplied by purchased water or sewer treatment (if any)?**

Franklin Water Systems 1 purchases 100% of its water from the City of Lubbock. The Company does not currently have enough information to determine the total number of gallons but will supplement as soon as it is able to find this information.

Franklin Water Systems 3 does not purchase any water from other sources but instead relies on groundwater.

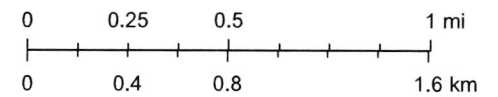
# Attachment L

# CCN 12374: Small Scale Map



September 10, 2020

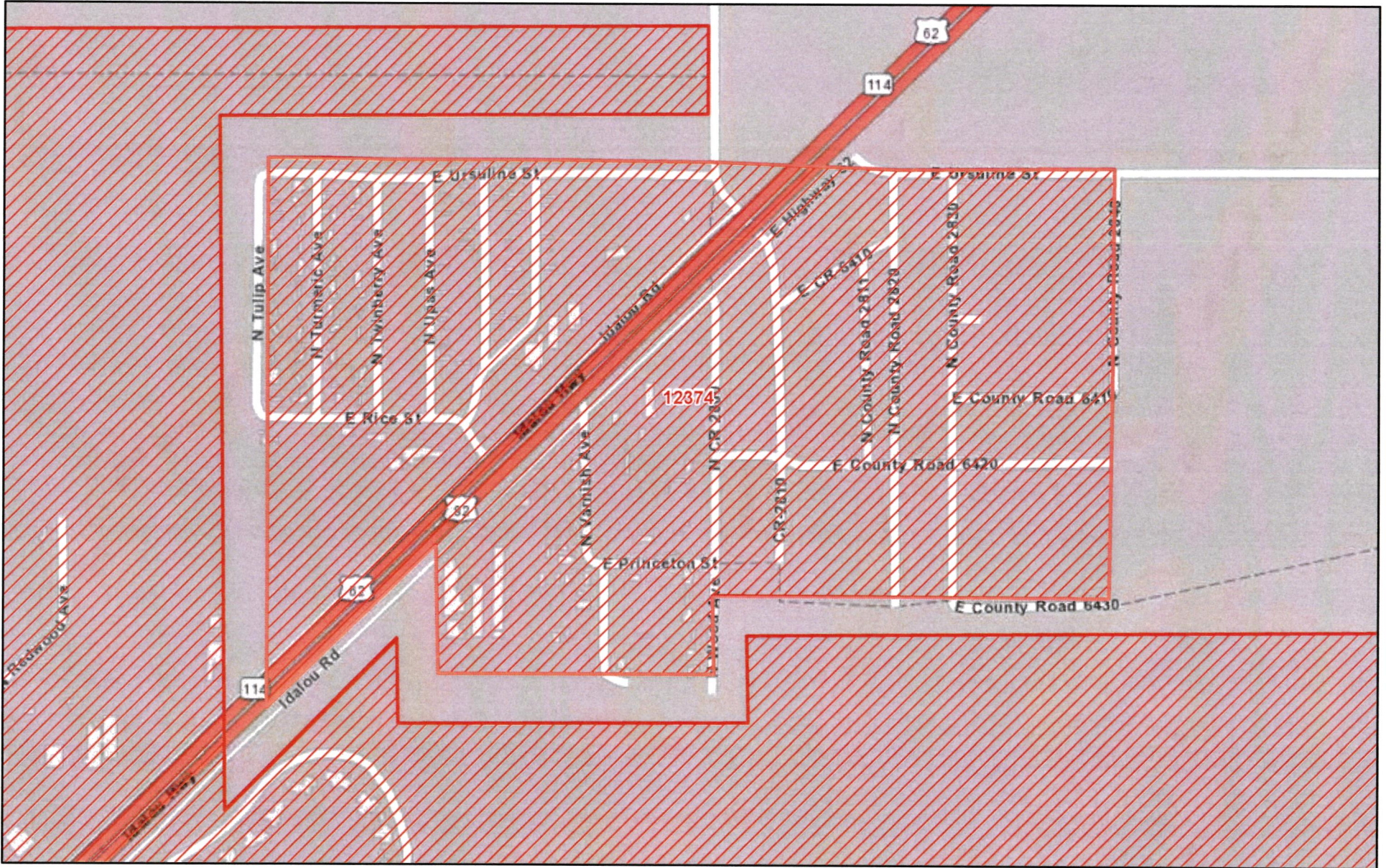
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Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan,

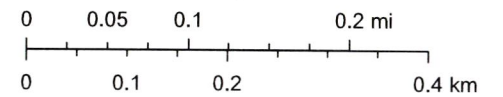
# Attachment M

# CCN 12374: Large Scale Map



September 10, 2020

1:9,028



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

# Attachment N

**RETAIL SERVICE AGREEMENT  
BETWEEN  
THE CITY OF LUBBOCK  
AND  
FRANKLIN MOBILE HOME PARK**

This Retail Service Agreement ("Agreement") is entered into this \_\_\_\_ day of May, 2013 by and between the City of Lubbock, Texas ("WATER SYSTEM") and Virginia Fuller, principal, on behalf of Franklin Mobile Home Park ("CUSTOMER").

NOW, THEREFORE, for and in consideration of the premises, and the mutual promises, and agreements set forth herein, the parties agree as follows:

**1.0 PURPOSE**

The CITY OF LUBBOCK ("WATER SYSTEM") is responsible for protecting its drinking water supply from contamination or pollution which could result from improper system construction, configuration, operation, or maintenance on FRANKLIN MOBILE HOME PARK'S ("CUSTOMER") side of the meter or point of delivery. The purpose of this service agreement is to notify the CUSTOMER of the restrictions which are in place to provide this protection. The WATER SYSTEM enforces these restrictions to ensure the public health and welfare. The CUSTOMER must sign this agreement before the WATER SYSTEM will begin service. In addition, when service to an existing retail connection has been suspended or terminated, the WATER SYSTEM will not re-establish service unless it has a signed copy of this agreement.

**2.0 RESTRICTIONS**

The following unacceptable practices are prohibited by State regulations as outlined in 30 TAC Subchapter D Rule 290.47(b).

- A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.
- B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.
- C. No connection which allows water to be returned to the public drinking water supply is permitted.
- D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.
- E. No solder or flux which contains more than 0.2 % lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

**3.0 SERVICE AGREEMENT**

The term of this Agreement shall be for five (5) years from the effective date hereof, and shall only be renewed or extended upon mutual written consent of the parties



The following are additional terms of the service agreement between the WATER SYSTEM and the CUSTOMER.

- A. The WATER SYSTEM will maintain a copy of this agreement as long as the CUSTOMER and/or the premises is connected to the WATER SYSTEM.
- B. A Reduced Pressure Zone (RPZ) prevention device or air gap shall be maintained at all times by the CUSTOMER at the point of delivery. All costs associated with the installation, maintenance, and testing of this backflow prevention device shall be the sole responsibility of the CUSTOMER. The plans of such RPZ prevention device or air gap shall be approved in writing by the WATER SYSTEM and any and all regulatory agencies with appropriate jurisdiction, including the Texas Commission of Environmental Quality (TCEQ). At no time shall a by-pass be installed on or around the backflow prevention device.
- C. The CUSTOMER shall permit WATER SYSTEM personnel or designated agents to enter upon the property of the CUSTOMER for the purpose of inspecting any and all facilities of both parties relating to and regarding necessary sanitary control. Should the WATER SYSTEM have reasonable grounds to believe that any condition exists which might result in contamination of the WATER SYSTEM's water supply or jeopardize any of their certifications with the TCEQ and/or any other federal, state, or local regulatory permits or certifications, then the WATER SYSTEM shall notify the CUSTOMER. The CUSTOMER shall immediately correct such condition.
- D. In the event the CUSTOMER fails to correct such condition then the WATER SYSTEM may, at its sole discretion, either correct the condition, at the CUSTOMER'S expense, and include the cost of materials and labor in subsequent billing statements, or cease delivering water until such condition is corrected to the satisfaction of the WATER SYSTEM.
- E. In the event the WATER SYSTEM determines that contamination of CUSTOMER'S water supply actually exists, the WATER SYSTEM shall have the absolute right to discontinue service to the CUSTOMER until such time as said contamination has been eliminated by the CUSTOMER.
- F. Nothing herein shall be construed to impose upon the WATER SYSTEM the duty and obligation to make any inspection or to regulate the quality of water beyond the point of delivery to the CUSTOMER, and the CUSTOMER shall be solely responsible for the operation, maintenance, regulation, employment and prudent management of all facilities beyond the point of delivery and the use and delivery of water herein to the CUSTOMER'S Users.

#### **4.0 ENFORCEMENT**

If the CUSTOMER fails to comply with any of the terms of this Retail Service Agreement, the WATER SYSTEM shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this agreement shall be billed to the CUSTOMER.

#### **5.0 MISCELLANEOUS**

- A. **Indemnity/Hold Harmless.** CUSTOMER agrees to indemnify, protect, defend, and hold harmless WATER SYSTEM, its officers, elected officials, agents, representatives, and employees from all suits, actions, losses, damages, claims, or liability of any character, type, or description, including without limiting the generality of the foregoing, all expenses of litigation, court costs, and attorney's fees for injury or death to any person, or injury to any property, received by or sustained by any person or persons or property arising out of, or occasioned by, CUSTOMER, its agents, or employees in connection with the performance or underlying subject matter of this Agreement.
- B. **Authority.** The undersigned represent that they have the authority to execute this instrument, and bind their respective parties to all obligations undertaken in this Agreement.
- C. **Severability.** The parties hereto agree that should any provision herein be declared invalid, illegal, or unenforceable, the remaining provisions of this Agreement shall not be affected, and shall remain in full force and effect.
- D. **Force majeure.** In the event that WATER SYSTEM shall be prevented from performing any of its obligations due under the terms of this Agreement by an act of God, by acts of war, riot, or civil commotion, by an act of State, by strikes, fire, flood, or by the occurrence of any other event beyond the control of the parties hereto, WATER SYSTEM shall be excused from any further performance of the obligations and undertakings set forth under the terms of this Agreement.
- E. **Venue.** The parties agree that venue for any dispute arising under or related to this Agreement shall be in Lubbock County, Texas.
- F. **Non-arbitration.** The WATER SYSTEM reserves the right to exercise any right or remedy available to it by law, contract, equity, or otherwise, including without limitation, the right to seek any and all forms of relief in a court of competent jurisdiction. Further, the WATER SYSTEM shall not be subject to any arbitration process prior to exercising its unrestricted right to seek judicial remedy. The remedies set forth herein are cumulative and not exclusive, and may be exercised concurrently. To the extent of any conflict between this provision and another provision in, or related to, this document, the former shall control.

CITY OF LUBBOCK, TEXAS

FRANKLIN MOBILE HOME PARK

By: \_\_\_\_\_


Date: \_\_\_\_\_

\_\_\_\_\_  
GLEN C. ROBERTSON, MAYOR

ATTEST:

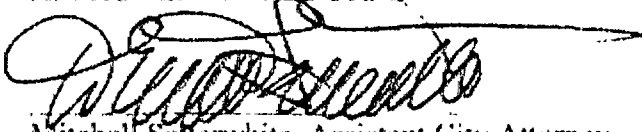
\_\_\_\_\_  
Rebecca Garza, City Secretary

APPROVED AS TO CONTENT:



R. Keith Smith, P.E., Chief Operations Officer

APPROVED AS TO FORM:



Mitchell Satterwhite, Assistant City Attorney

ms Retail Serv Agmt.  
0418.13

# 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 D is a list of customer deposits that contains customer-specific information including names, addresses, phone numbers, and account payment histories. This information is specifically protected by Tex. Util. Code § 182.052 and is expressly protected under Paragraph 6 of the Commission's standard protective order. Accordingly, the information contained in Confidential Attachment D is exempt from public disclosure under Tex. Gov't Code § 552.101 and Tex. Util. Code § 182.052 and merits the Protect Materials 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.

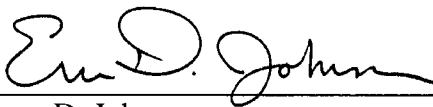
Highly Sensitive Attachment G contains projected financial information for the acquired system, including information from which the purchase price could be ascertained; consolidated financial statements for CSWR Texas's parent company, CSWR, LLC, and its subsidiaries; combined financial projections 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 I-1 contains correspondence between the TCEQ and the Company that reveals the identity of potential acquisitions by CSWR Texas that are not otherwise publicly available. 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 affiliates. Accordingly, the information contained in Confidential Attachment I-1 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.

  
\_\_\_\_\_  
Evan D. Johnson

**ATTORNEY FOR CSWR, LLC**