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Public Utilities Commission of Texas
Docket No. 53660

December 2, 2022


Joint Response to Proposed Order

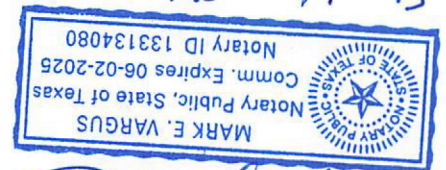
Parties:


Dr. Mark E. Vargus, Clearwater Operating Services
Ms. Karen Desmit, owner, Knob Hill Water System

Dr. Mark E. Vargus is the Managing Partner and Chief Executive Officer for Clearwater Operating Services. Clearwater Operating Services is the purchaser of the system. Dr. Vargus signed the purchase agreement as the authorized signatory for Clearwater Operating Services.

Knob Hill Water (CCN 11414) is a DBA, representing the owner Joseph and Karen Desmit.


Karen Desmit
Owner, Knob Hill Water

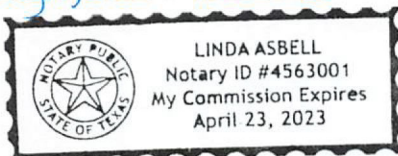



Dr. Mark E. Vargus
Managing Partner, CEO
Clearwater Operating Services

State of Texas
County of Denton

Sworn to and subscribed before me on 12/2/2022 by Mark E Vargus







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

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

Sale, Transfer, or Merger (STM) Application Instructions

- I. **COMPLETE:** In order for the Commission to find the application sufficient for filing, the Applicant should:
 - i. Provide an answer to every question and submit any required attachment applicable to the STM request (i.e., agreements or contracts).
 - ii. Use attachments or additional pages to answer questions as necessary. If you use attachments or additional pages, reference their inclusion in the form.
 - iii. Provide all mapping information as detailed in Part G: Mapping & Affidavits.
- II. **FILE:** Seven (7) copies of the completed application with numbered attachments. One copy should be filed with no permanent binding, staples, tabs, or separators; and 7 copies of the portable electronic storage medium containing the digital mapping data.
 - i. **SEND TO:** Public Utility Commission of Texas, Attention: Filing Clerk, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326 (**NOTE: Electronic documents may be sent in advance of the paper copy, however they will not be processed and added to the Commission's on-line Interchange until the paper copy is received and file-stamped in Central Records.**)
- III. The application will be assigned a docket number, and an administrative law judge (ALJ) will issue an order requiring Commission Staff to file a recommendation on whether the application is sufficient. The ALJ will issue an order after Staff's recommendation has been filed:
 - i. **DEFICIENT (Administratively Incomplete):** Applicants will be ordered to provide information to cure the deficiencies by a certain date, usually 30 days from ALJ's order. ***Application is not accepted for filing.***
 - ii. **SUFFICIENT (Administratively Complete):** Applicants will be ordered by the ALJ to give appropriate notice of the application using the notice prepared by Commission Staff. ***Application is accepted for filing.***
- IV. Once the Applicants issue notice, a copy of the actual notice sent and an affidavit attesting to notice should be filed in the docket assigned to the application. Recipients of notice may request a hearing on the merits.
HEARING ON THE MERITS: An affected party may request a hearing within 30 days of notice. In this event, the application may be referred to the State Office of Administrative Hearings (SOAH) to complete this request.
- V. **TRANSACTION TO PROCEED:** at any time following the provision of notice, or prior to 120 days from the last date that proper notice was given, Commission Staff will file a recommendation for the transaction to proceed as proposed or recommend that the STM be referred to SOAH for further investigation. The Applicants will be required to file an update in the docket to the ALJ every 30 days following the approval of the transaction. The transaction must be completed within six (6) months from the ALJ's order (Note: The Applicants may request an extension to the 6 month provision for good cause).
- VI. **FILE:** Seven (7) copies of completed transaction documents and documentation addressing the transfer or disposition of any outstanding deposits. After receiving all required documents from the Applicants, the application will be granted a procedural schedule for final processing. The Applicants are requested to consent in writing to the proposed maps and certificates, or tariff if applicable.
- VII. **FINAL ORDER:** The ALJ will issue a final order issuing or amending the applicable CCNs.

FAQ:

Who can use this form?

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

Who is required to use this form?

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

Terms

Transferor: Seller

Transferee: Purchaser

CCN: Certificate of Convenience and Necessity

STM: Sale, Transfer, or Merger

IOU: Investor Owned Utility

Application Summary

Transferor: Knob Hill Water System

(selling entity)

CCN No.s: 11414

☒ Sale
 ☐ Transfer
 ☐ Merger
 ☐ Consolidation
 ☐ Lease/Rental

Transferee: Clearwater Operating Services LLC

(acquiring entity)

CCN No.s: _____

☐ Water
 ☐ Sewer
 ☒ All CCN
 ☐ Portion CCN
 ☐ Facilities transfer

County(ies): Denton

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

Part A: General Information

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

Purchase of facilities and CCN. Current and future use is single family residential homes.

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: Knob Hill Water System
(individual, corporation, or other legal entity)
☐ Individual ☐ Corporation ☐ WSC ☐ Other: _____

B. Mailing Address: 2861 High Meadow Drive, Little Elm TX, 75068

Phone: (214) 536-7942

Email: kdesmit@sbcglobal.net

- 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: Karen DeSmit

Title: Owner

Mailing Address: 2861 High Meadow Drive, Little Elm TX, 75068

Phone: (214) 536-7942

Email: kdesmit@sbcglobal.net

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:

A. Effective date for most recent rates: February 27, 2012

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: 37152-R

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 76

☐ # of customers with deposits held by the transferor*

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

Part C: Transferee Information

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

6. A. Name: Clearwater Operating Services LLC
(individual, corporation, or other legal entity)
☐ Individual ☐ Corporation ☐ WSC ☐ Other:

B. Mailing Address: 831 Carrie Lane, Lakewood Village, TX 75068

Phone: (214) 558-6847 Email: mvargus47@yahoo.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: Phillip Givens Title: Consultant

Address: PO Box 130308, Spring, TX. 77393-0308

Phone: (713) 557-0808 Email: phillipgivens@superiormanagementtexas.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): 803563376

☐ 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): _____

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

Name: N/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: Dr. Mark E. Vargus

Position: CEO/Founder

Ownership % (if applicable): 100.00%

Address: 831 Carrie Lane, Lakewood Village TX 75068

Phone: (214) 558-6847

Email: mvargus47@yahoo.com

Name: _____

Position: _____

Ownership % (if applicable): 0.00%

Address: _____

Phone: _____

Email: _____

Name: _____

Position: _____

Ownership % (if applicable): 0.00%

Address: _____

Phone: _____

Email: _____

Name: _____

Position: _____

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.

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.

Part D: Proposed Transaction Details

11. A. Proposed Purchase Price: \$ 60,000.00

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

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

☐ No ☒ Yes ☐ N/A

Total Original Cost of Plant in Service: \$ 120,000.00

Accumulated Depreciation: \$ 60,000.00

Net Book Value: \$ 60,000.00

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

☒ No ☐ Yes

Total Customer CIAC: \$

Accumulated Amortization: \$

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: \$

Accumulated Amortization: \$

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

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

N/A

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

N/A

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:	\$	120,000.00
Accumulated Depreciation of Plant:	\$	60,000.00
Cash:	\$	60,000.00
Notes Payable:	\$	
Mortgage Payable:	\$	
(Proposed) Acquisition Adjustment*:	\$	

* Acquisition Adjustments will be subject to review under 16 TAC § 24.41(d) and (e)

Other (NARUC account name & No.):

Other (NARUC account name & No.):

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

Electronic Billing system will be implemented. Customers will have the ability to receive bills via email, internet access to their account or paper. In addition, customers will have the ability to pay electronically (not currently allowed) via credit card or eft automatic withdrawals.

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:

No rate filing is planned to change rates as a result of this transaction within the next twelve months.

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:

Improved internet access to billing and electronic read meters. Monitoring of meters will allow for faster leak detection or unusual consumption. New payment options allowing for more flexibility to the customer.

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.

Mayor Pro-tem, Mayor since 2007 Town of Lakewood Village. Chief Financial Officer since 2007. In charge of rate setting, infrastructure improvements and oversight of water and sewer plant expansions. Long-term relationship with current system's maintenance company - same as used by the Town. Experience with TCEQ compliance requirements.

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:

No Impact.

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

Improved efficiency via remote read meters, ability to spot unusual consumption. Financial expertise and operational experience of oversight of much larger municipal system for 13 years. Ownership with a greater level of financial assets to maintain capital improvements and replacement of assets.

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:

Terra Southwest, Mustang SUD, Town of Little Elm,
PG Note: Requires confirmation

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

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

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

TCEQ PWS Identification Number: PWS#0610068 (7 digit ID)

Name of PWS: Knob Hill Water System

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)

Subdivisions served: Knob Hill, Carter Addition

B. For Sewer service:

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

Name of Wastewater Facility: _____

Name of Permittee: _____

Date of last TCEQ compliance inspection: _____ (attach TCEQ letter)

Subdivisions served: _____

Date of application to transfer permit submitted to TCEQ: _____

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

Water				Sewer	
	Non-metered		2"		Residential
76	5/8" or 3/4"		3"		Commercial
	1"		4"		Industrial
	1 1/2"		Other		Other
Total Water Connections:			76	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:

C. Is there a moratorium on new connections?

☒ No ☐ Yes:

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

☒ No ☐ Yes: _____ (name of municipality)

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

Water: _____ Sewer: _____

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

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

Capacity is purchased from: _____

Water: _____

Sewer: _____

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

☒ No ☐ Yes

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

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

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

☐ No ☐ Yes:

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

☐ No ☒ Yes:

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

Name (as it appears on license)	Class	License No.	Water or Sewer
Mark Patterson	B	WVG0008889	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:

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: 200.00

Number of customer connections in the requested area: 76

Affected subdivision : Knob Hill

The closest city or town: Oak Point

Approximate mileage to closest city or town center: 2

Direction to closest city or town: WNW

The requested area is generally bounded on the North by: Oak Point

on the East by: Lewisville Lake

on the South by: Lewisville Lake

on the West by: Oak Point

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

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

☒ All of the customers will be charged the same rates they were charged before the transaction.

☐ All of the customers will be charged different rates than they were charged before the transaction.

☐ higher monthly bill ☐ lower monthly bill

☐ Some customers will be charged different rates than they were charged before
(i.e. inside city limit customers)

☐ higher monthly bill ☐ lower monthly bill

Oath for Transferor (Transferring Entity)

STATE OF TEXAS

COUNTY OF DENTON

I, Joseph C. DeSmit being duly sworn, file this application for sale, transfer,

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

OWNER

(owner, member of partnership, title as officer of corporation, or authorized representative)

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

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

Joseph DeSmit

AFFIANT

(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas
this day the 24 of MAY, 20 22

SEAL



June Pinkney

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

June Pinkney

PRINT OR TYPE NAME OF NOTARY

My commission expires: _____

Oath for Transferee (Acquiring Entity)

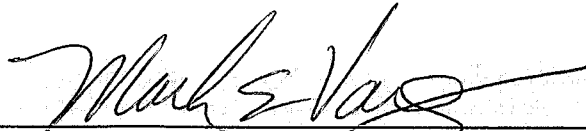
STATE OF TEXAS

COUNTY OF DENTON

I, DR. MARK E. VARGUS being duly sworn, file this application for sale, transfer, merger, consolidation, acquisition, lease, or rental, as OWNER
(owner, member of partnership, title as officer of corporation, or authorized representative)

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

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



AFFIANT

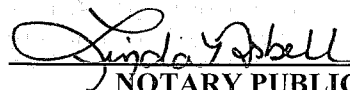
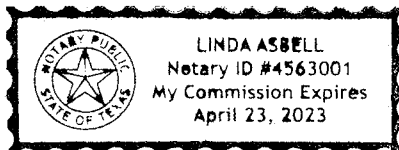
(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN BEFORE ME, a Notary Public in and for the State of Texas

this day the 18th of May, 2022

SEAL



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

Linda Asbell

PRINT OR TYPE NAME OF NOTARY

My commission expires: 4/23/2023

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

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

HISTORICAL BALANCE SHEETS (ENTER DATE OF YEAR END)	CURRENT(A) (12.31.20)	A-1 YEAR (12.31.19)	A-2 YEAR (12.31.18)	A-3 YEAR (12.31.17)	A-4 YEAR (12.31.16)	A-5 YEAR (12.31.15)
CURRENT ASSETS						
Cash	\$ 8,700.00	\$ 9,250.00	\$ 10,193.00	\$ 8,500.00	\$ 2,818.00	\$ 3,675.00
Accounts Receivable	412.00	550.00	418.00	912.00	2,492.00	2,811.00
Inventories	950.00	750.00	1,023.00		752.00	948.00
Other						
A. Total Current Assets	\$ 10,062.00	\$ 10,550.00	\$ 11,634.00	\$ 9,412.00	\$ 6,062.00	\$ 7,434.00
FIXED ASSETS						
Land	\$ 65,000.00	\$ 64,000.00	\$ 63,000.00	\$ 63,000.00	\$ 60,000.00	\$ 60,000.00
Collection/Distribution System	4,400.00	4,500.00	4,800.00	5,000.00	6,000.00	6,500.00
Buildings	9,200.00	9,500.00	9,800.00	10,000.00	11,500.00	12,500.00
Equipment	7,300.00	7,550.00	7,500.00	8,000.00	9,000.00	10,000.00
Other	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Less: Accum. Depreciation or Reserves			36,309.00	39,495.00	36,995.00	34,495.00
B. Total Fixed Assets	\$ 105,900.00	\$ 105,550.00	\$ 105,200.00	\$ 106,000.00	\$ 106,500.00	\$ 109,000.00
C. TOTAL Assets (A + B)	\$ 115,962.00	\$ 116,100.00	\$ 116,834.00	\$ 115,412.00	\$ 112,562.00	\$ 116,434.00
CURRENT LIABILITIES						
Accounts Payable	\$ 2,850.00	\$ 3,100.00	\$ 2,050.00	\$ 1,600.00	\$ 1,231.00	\$ 1,918.00
Notes Payable, Current						
Accrued Expenses	3,812.00	4,950.00	5,350.00	5,500.00	4,721.00	5,107.00
Other						
D. Total Current Liabilities	\$ 6,662.00	\$ 8,050.00	\$ 7,400.00	\$ 7,100.00	\$ 5,952.00	\$ 7,025.00
LONG TERM LIABILITIES						
Notes Payable, Long-term						
Other						
E. Total Long Term Liabilities						
F. TOTAL LIABILITIES (D + E)	\$ 6,662.00	\$ 8,050.00	\$ 7,400.00	\$ 7,100.00	\$ 5,952.00	\$ 7,025.00
OWNER'S EQUITY						
Paid in Capital	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00
Retained Equity						
Other	42,405.00	46,432.00	41,911.00	38,654.00		
Current Period Profit or Loss	7,395.00	2,118.00	8,023.00	10,158.00		
G. TOTAL OWNER'S EQUITY	\$ 109,300.00	\$ 108,050.00	\$ 109,434.00	\$ 108,312.00		
TOTAL LIABILITIES+EQUITY (F + G) = C	\$ 115,962.00	\$ 116,100.00	\$ 116,834.00	\$ 115,412.00		
WORKING CAPITAL (A – D)	\$ 3,400.00	\$ 2,500.00	\$ 4,234.00	\$ 2,312.00	\$ 110.00	\$ 409.00
CURRENT RATIO (A / D)	1.5100	1.3100	1.5700	1.3300	1.0200	1.0600
DEBT TO EQUITY RATIO (E / G)						

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

HISTORICAL NET INCOME INFORMATION

(ENTER DATE OF YEAR END)	CURRENT(A) (12-31-20)	A-1 YEAR (12-31-19)	A-2 YEAR (12-31-18)	A-3 YEAR (12-31-17)	A-4 YEAR (12-31-16)	A-5 YEAR (12-31-15)
METER NUMBER						
Existing Number of Taps	76	76	76	76	76	76
New Taps Per Year	0	0	0	0	0	0
Total Meters at Year End	76	76	76	76	76	76
METER REVENUE						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Revenues- Base Rate & Gallonage Fees	\$ 35,550.00	\$ 35,500.00	\$ 35,500.00	\$ 35,000.00	\$ 35,858.00	\$ 38,380.00
Other (Tap, reconnect, transfer fees, etc)	500.00	550.00	600.00	450.00	2,085.00	955.00
Gross Income	\$ 36,050.00	\$ 36,050.00	\$ 36,100.00	\$ 35,450.00	\$ 37,943.00	\$ 38,079.00
EXPENSES						
General & Administrative (see schedule)	\$ 28,655.00	\$ 33,932.00	\$ 28,077.00	\$ 25,292.00	\$ 14,816.00	\$ 14,951.00
Operating (see schedule)					12,953.00	12,387.00
Interest						
Other (list)						
NET INCOME	\$ 7,395.00	\$ 2,118.00	\$ 8,023.00	\$ 10,158.00	\$ 10,174.00	\$ 10,741.00

HISTORICAL EXPENSE INFORMATION (ENTER DATE OF YEAR END)	CURRENT(A) 12/31/20	A-1 YEAR 12/31/19	A-2 YEAR (- -)	A-3 YEAR (- -)	A-4 YEAR (- -)	A-5 YEAR (- -)
GENERAL/ADMINISTRATIVE EXPENSES						
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						
Total General Admin. Expenses (G&A)						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONS & MAINTENANCE EXPENSES						
Salaries & Benefits (Employee, Management)						
Materials & Supplies						
Utilities Expense-office						
Contract Labor						
Transportation Expense						
Depreciation Expense						
Other(describe)						
Total Operational Expenses (O&M)						
Total Expense (Total G&A + O&M)	\$ 28,655.00	\$ 33,932.00	\$ 28,077.00	\$ 25,292.00		
Historical % Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ASSUMPTIONS						
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) 12 -31 -20)	A-1 YEAR 12 -31 - 21)	A-2 YEAR (12 -31- 22)	A-3 YEAR (12 -31 - 23)	A-4 YEAR (12 -31 - 24)	A-5 YEAR (12 -31 - 25)
CURRENT ASSETS						
Cash	\$ 8,700.00	\$ 8,700.00	\$ 8,700.00	\$ 8,700.00	\$ 8,700.00	\$ 8,700.00
Accounts Receivable	412.00	412.00	412.00	412.00	412.00	412.00
Inventories	950.00	950.00	950.00	950.00	950.00	950.00
Income Tax Receivable						
Other						
A. Total Current Assets	\$ 10,062.00	\$ 10,062.00	\$ 10,062.00	\$ 10,062.00	\$ 10,062.00	\$ 10,062.00
FIXED ASSETS						
Land	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00	\$ 65,000.00
Collection/Distribution System	4,400.00	4,400.00	4,400.00	4,400.00	4,400.00	4,400.00
Buildings	9,200.00	9,200.00	9,200.00	9,200.00	9,200.00	9,200.00
Equipment	7,300.00	7,300.00	7,300.00	7,300.00	7,300.00	7,300.00
Other	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Less: Accum. Depreciation or Reserves						
B. Total Fixed Assets	\$ 105,900.00	\$ 105,900.00	\$ 105,900.00	\$ 105,900.00	\$ 105,900.00	\$ 105,900.00
C. TOTAL Assets (A + B)	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00
CURRENT LIABILITIES						
Accounts Payable	\$ 2,850.00	\$ 2,850.00	\$ 2,850.00	\$ 2,850.00	\$ 2,850.00	\$ 2,850.00
Notes Payable, Current						
Accrued Expenses	3,812.00	3,812.00	3,812.00	3,812.00	3,812.00	3,812.00
Other						
D. Total Current Liabilities	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00
LONG TERM LIABILITIES						
Notes Payable, Long-term						
Other						
E. Total Long Term Liabilities						
F. TOTAL LIABILITIES (D + E)	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00	\$ 6,662.00
OWNER'S EQUITY						
Paid in Capital	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00	\$ 59,500.00
Retained Equity						
Other	42,405.00	42,405.00	42,405.00	42,405.00	42,405.00	42,405.00
Current Period Profit or Loss	7,395.00	7,395.00	7,395.00	7,395.00	7,395.00	7,395.00
G. TOTAL OWNER'S EQUITY	\$ 109,300.00	\$ 109,300.00	\$ 109,300.00	\$ 109,300.00	\$ 109,300.00	\$ 109,300.00
TOTAL LIABILITIES+EQUITY (F + G) = C	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00	\$ 115,962.00
WORKING CAPITAL (A – D)	\$ 3,400.00	\$ 3,400.00	\$ 3,400.00	\$ 3,400.00	\$ 3,400.00	\$ 3,400.00
CURRENT RATIO (A / D)	1.5100	1.5100	1.5100	1.5100	1.5100	1.5100
DEBT TO EQUITY RATIO (F / G)						

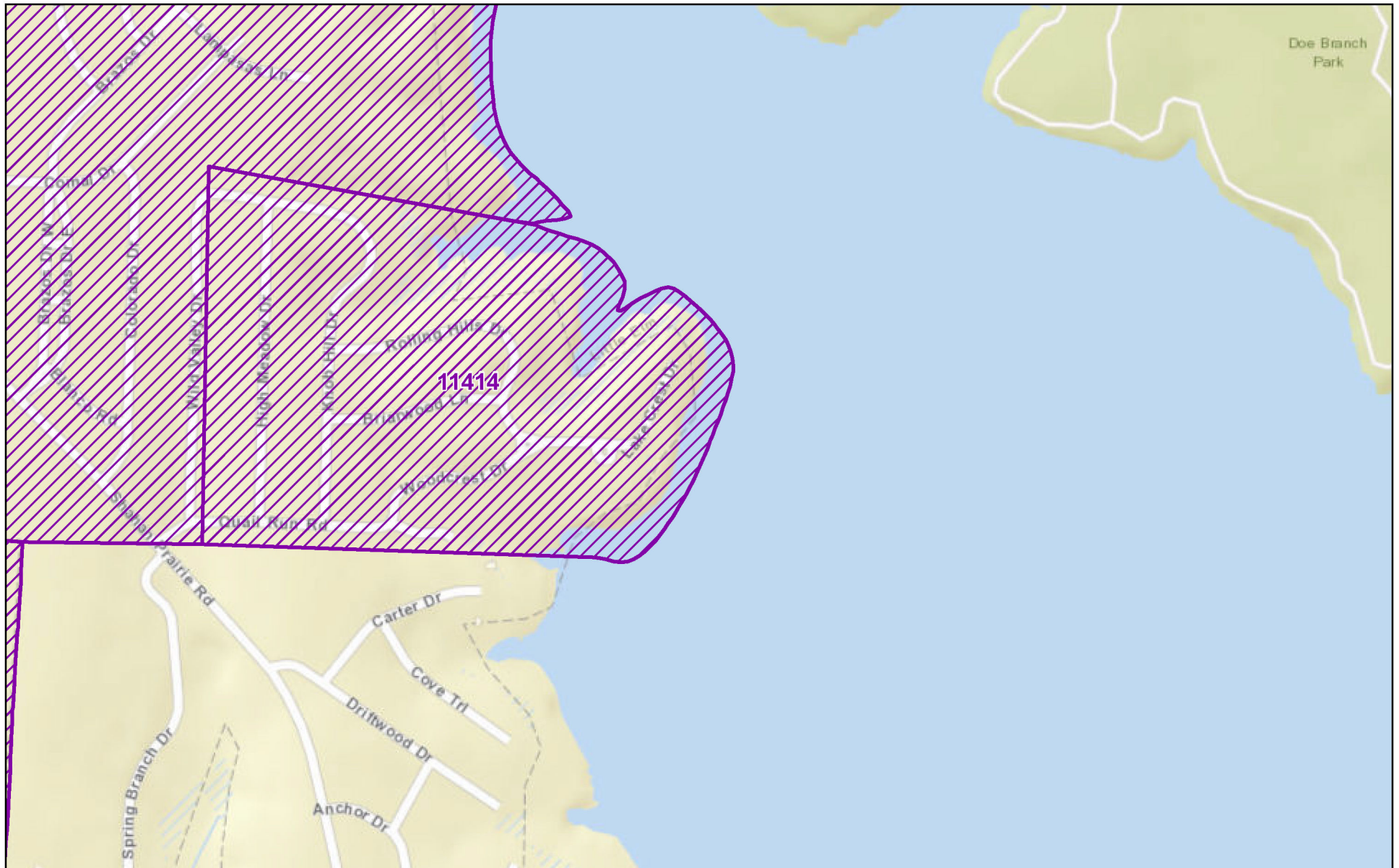
PROJECTED NET INCOME INFORMATION

(ENTER DATE OF YEAR END)	CURRENT(A) 12-31-20	A-1 YEAR 12-31-21	A-2 YEAR 12-31-22	A-3 YEAR 12-31-23	A-4 YEAR 12-31-24	A-5 YEAR 12-31-25
METER NUMBER						
Existing Number of Taps	76	76	76	76	76	76
New Taps Per Year	0	0	0	0	0	0
Total Meters at Year End	76	76	76	76	76	76
METER REVENUE						
Revenue per Meter (use for projections)						
Expense per Meter (use for projections)						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Revenues- Base Rate & Gallonage Fees	\$ 40,094.61	\$ 40,094.61	\$ 40,094.61	\$ 40,094.61	\$ 40,094.61	\$ 40,094.61
Other (Tap, reconnect, transfer fees, etc)	1,352.01	1,352.01	1,352.01	1,352.01	1,352.01	1,352.01
Gross Income	\$ 41,446.62	\$ 41,446.62	\$ 41,446.62	\$ 41,446.62	\$ 41,446.62	\$ 41,446.62
EXPENSES						
General & Administrative (see schedule)	\$ 17,786.33	\$ 17,786.33	\$ 17,786.33	\$ 17,786.33	\$ 17,786.33	\$ 17,786.33
Operating (see schedule)	12,235.61	12,235.61	12,235.61	12,235.61	12,235.61	12,235.61
Interest						
Other (list)						
NET INCOME	\$ 11,424.68	\$ 11,424.68	\$ 11,424.68	\$ 11,424.68	\$ 11,424.68	\$ 11,424.68

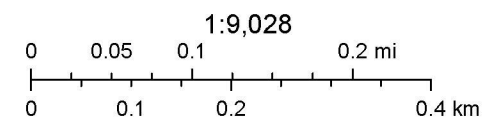
PROJECTED EXPENSE DETAIL	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office	9,511.71	9,511.71	9,511.71	9,511.71	9,511.72	47,558.55
Computer						
Auto						
Insurance	742.00	742.00	742.00	742.00	742.00	3,710.00
Telephone	3,417.28	3,417.28	3,417.28	3,417.28	3,417.28	17,086.40
Utilities						
Depreciation						
Property Taxes	856.59	856.59	856.59	856.59	856.59	4,282.95
Professional Fees	1,170.00	1,170.00	1,170.00	1,170.00	1,170.00	5,850.00
Interest						
Other	1,911.20	1,911.20	1,911.20	1,911.20	1,911.20	9,556.00
Total						
% Increase Per projected Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONAL EXPENSES						
Salaries						
Auto	76.25	76.25	76.25	76.25	76.25	381.25
Utilities	2,718.53	2,718.53	2,718.53	2,718.53	2,718.53	13,592.65
Depreciation						
Repair & Maintenance						
Supplies	7,224.78	7,224.78	7,224.78	7,224.78	7,224.78	36,123.90
Interest						
Other	2,216.05	2,216.05	2,216.05	2,216.05	2,216.05	11,080.25
Total						

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

Requested Area- Retain CCN 11414

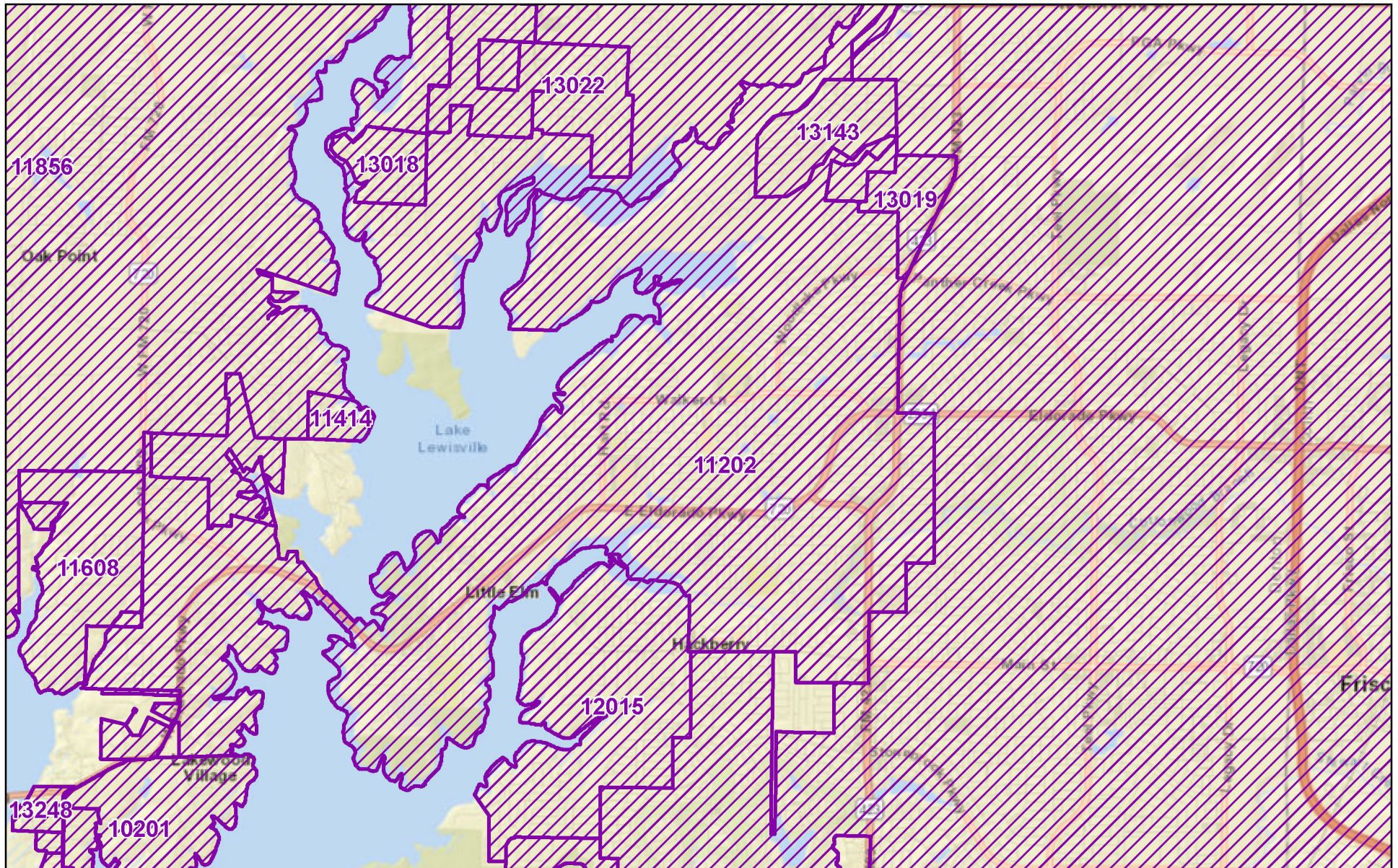


May 24, 2022

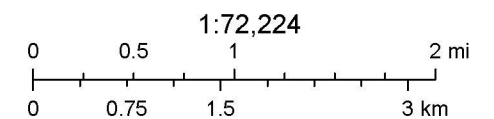


Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand),

Requested Area- Retain CCN 11414



May 24, 2022



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand),