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APPLICATION OF HEARTHSTONE	§	PUBLIC UTILITY COMMISSION
WATER, INC. AND TRITON TEXAS	§	
HOLDINGS LLC FOR APPROVAL OF	§	OF TEXAS
CHANGE IN OWNERSHIP UNDER	§	
TWC § 13.302	§	

ORDER NO. 7
APPROVING TRANSACTION TO PROCEED

This Order addresses the application of Hearthstone Water, Inc., together with and as authorized by The Kauffman Family Living Trust, Dated April 9, 2015,¹ Disciple Asset Holdings, LP, and Malakoff Family Holdings, LP (collectively, sellers) and Triton Texas Holdings LLC, (collectively, applicants), for Commission approval, under Texas Water Code (TWC) § 13.302 and 16 Texas Administrative Code (TAC) § 24.243 for Hearthstone to acquire a controlling interests in Horseshoe Bend Water Company LLC and Lone Star Water Company. The applicants seek approval to transfer and assign sellers' interests in Triton to Hearthstone, immediately followed by a merger of Triton into Hearthstone, with Hearthstone as the surviving entity holding 100% of the issued and outstanding limited liability company interests of Horseshoe Bend and 100% of the issued and outstanding shares of Lone Star stock. The Administrative Law Judge (ALJ) approves the transfers and authorizes the transactions between Hearthstone, sellers, and Triton to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant and Other Interested Parties

1. Hearthstone is a Texas corporation registered with the Texas secretary of state under filing number 802074645.
2. Hearthstone is a Texas corporation formed in 2014 that was formerly initially known as Potable Products Incorporated and then Triton Utilities, Inc. before changing its name to Hearthstone in 2022.

¹ The reference to "Dated April 9, 2015" is part of the trust name.

3. Hearthstone owns 15 water and wastewater utilities in Arizona and Michigan and is part of the Hearthstone family of companies that also owns six natural gas local distribution companies serving over 200,000 residential, commercial, and industrial customers across Indiana, Maine, Montana, North Carolina, Ohio, and West Virginia.
4. The Kauffman Family Living Trust, Dated April 9, 2015, Disciple Asset Holdings, LP, and Malakoff Family Holdings, LP are the sole members of and the record and beneficial owners of all the issued and outstanding interests in Triton.
5. Horseshoe Bend is a Texas limited liability company registered with the Texas secretary of state under filing number 803436754.
6. Horseshoe Bend owns, operates, maintains, and controls facilities for providing retail water service in Parker County under certificate of convenience and necessity (CCN) number 10263.
7. Lone Star is a Texas corporation registered with the Texas secretary of state under filing number 803137555.
8. Lone Star owns, operates, maintains, and controls facilities for providing retail water service in Denton County under CCN number 13279.
9. Triton is a Texas limited liability company registered with the Texas secretary of state under filing number 804219628.
10. Triton owns 100% of the issued and outstanding limited liability company membership interests of Horseshoe Bend and 100% of the issued and outstanding shares of Lone Star stock.

Application

11. On February 7, 2023, the applicants filed the application at issue in this proceeding seeking Commission approval to transfer and assign sellers' interests in Triton to Hearthstone, immediately followed by a merger of Triton into Hearthstone, leaving Hearthstone as the surviving entity holding 100% of the issued and outstanding limited liability company interests of Horseshoe Bend and 100% of the issued and outstanding shares of Lone Star stock.

12. Hearthstone filed supplemental information and supplemental confidential information to its application on March 6 and 8, 2023.
13. In Order No. 3 filed on March 10, 2023, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.

Notice

14. The applicants, Horseshoe Bend, and Lone Star are the only entities affected by the application and are aware of the transaction.
15. In Order No. 5 filed on April 19, 2023, the ALJ found the notice sufficient.

Evidentiary Record

16. In Order No. 6 filed on April 26, 2023, the ALJ admitted the following evidence into the record: (a) Hearthstone's application, attachments, and confidential attachments filed on February 7, 2023; (b) Hearthstone's supplemental application information and confidential exhibits filed on March 6 and 8, 2023; (c) Commission Staff's recommendation on administrative completeness filed on March 9, 2023; and (d) Commission Staff's final recommendation and confidential attachments filed on April 4, 2023.

Adequacy of Financial Capability

17. Hearthstone, Horseshoe Bend, and Lone Star's financial statements ending December 31, 2022, demonstrate that each entity has a debt-to-equity ratio of less than one, satisfying the leverage test.
18. Hearthstone, Horseshoe Bend, and Lone Star's financial statements ending December 31, 2022, include operating income and cash flow information that indicate Hearthstone will have sufficient cash to cover projected shortages, satisfying the operations test.
19. Hearthstone, Horseshoe Bend, and Lone Star have demonstrated adequate financial capability for providing continuous and adequate service.
20. Additional financial assurance is not necessary for approval of the proposed transaction.

Adequacy of Managerial and Technical Capability

21. Horseshoe Bend and Lone Star personnel, including their licensed water operators, will continue to manage and operate the systems after the proposed transaction with Hearthstone closes.
22. The proposed transaction will not change or alter the service provided to existing customers served by Horseshoe Bend and Lone Star or the rates charged for such service within the service areas under CCN numbers 10263 and 13279, respectively.
23. Hearthstone has demonstrated adequate managerial and technical capability for providing continuous and adequate service to the requested area.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has authority over this proceeding under TWC §§ 13.041 and 13.302.
2. Horseshoe Bend and Lone Star are each a water utility, public utility, or utility as defined in TWC § 13.002(23) and 16 TAC § 24.3(39).
3. The Commission processed this application as required by the TWC, the Administrative Procedure Act,² and Commission rules.
4. Notice complies with 16 TAC § 22.55.
5. Hearthstone, together with Horseshoe Bend and Lone Star, has demonstrated that it has adequate financial, managerial, and technical capability for providing continuous and adequate service to the certificated service areas for CCN numbers 10263 and 13279 in accordance with TWC § 13.302(b) and 16 TAC § 24.243(b).
6. Hearthstone, Horseshoe Bend, and Lone Star have demonstrated that the application meets the requirements in TWC § 13.302 and 16 TAC § 24.243.

² Tex. Gov't Code §§ 11.001–.903.

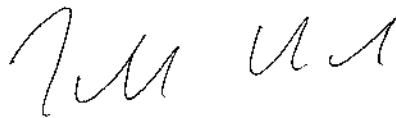
III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The transactions proposed in the application may proceed and be consummated.
2. As soon as possible after the effective date of the transactions, but not later than 30 days after the effective date, Hearthstone must file proof that the transactions have been consummated.
3. Within 15 days following the filing the of the applicant's proof that the transactions have been consummated, Commission Staff must file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.
4. Hearthstone has 180 days to complete the transaction.
5. Under 16 TAC § 24.243(i), if the transaction is not consummated within the 180-day period, or an extension has not been granted, this approval is void and Hearthstone will have to reapply for approval.
6. The names under which CCN numbers 10263 and 13279 were issued will remain unchanged.
7. In an effort to finalize this case as soon as possible, Hearthstone must file monthly updates regarding the status of the closing if the transaction has not been consummated within 30 days after entry of this Order.

Signed at Austin, Texas the 27th day of April 2023.

PUBLIC UTILITY COMMISSION OF TEXAS



JEFFREY J. HUHN
ADMINISTRATIVE LAW JUDGE