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

JOINT SUPPLEMENTAL MOTION TO ADMIT EVIDENCE
AND PROPOSED NOTICE OF APPROVAL

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE:

Pursuant to Order No. 9, Hearthstone Water, Inc., a Texas corporation (Hearthstone), together with and as authorized by The Kauffman Family Living Trust, Dated April 9, 2015, Disciple Asset Holdings, LP, and Malakoff Family Holdings, LP (Sellers) and Triton Texas Holdings LLC, a Texas limited liability company and the Staff (Staff) of the Public Utility Commission of Texas (Commission) (collectively, the Parties) jointly file this Supplemental Motion to Admit Evidence along with the attached Proposed Notice of Approval. In support of the same, the parties respectfully show the following:

I. BACKGROUND

On February 7, 2023, Hearthstone filed an application for a change in ownership under Texas Water Code § 13.302 and 16 Texas Administrative Code § 24.243 of the controlling interests in Horseshoe Bend Water Company LLC (Horseshoe Bend) and Lone Star Water Company (Lone Star). On June 26, 2023, the ALJ filed Order No. 9, which provided a deadline of July 13, 2023, for the parties to file a Joint Motion to Admit Evidence and Proposed Notice of Approval. This pleading is therefore timely filed.

II. JOINT MOTION TO ADMIT EVIDENCE

The Parties move to admit the following evidence into the record of this proceeding:
(a) Hearthstone Water, Inc.'s Proof of Closing filed on May 26, 2023 (Item No. 26) and

(b) Commission Staff's Recommendation Regarding Sufficiency of Closing Documents and Proposed Procedural Schedule filed on June 15, 2023 (Item No. 27).

III. PROPOSED NOTICE OF APPROVAL

The Parties move for adoption of the attached Joint Proposed Notice of Approval, which would finally approve Hearthstone's application for a change in ownership of the controlling interests in Horseshoe Bend and Lone Star.

IV. CONCLUSION

The Parties respectfully request that the Commission grant this Joint Motion to Admit Evidence and issue a Notice of Approval consistent with the attached Joint Proposed Notice of Approval.

Respectfully submitted,

TERRILL & WALDROP

By: 

Geoffrey P. Kirshbaum
State Bar No. 24029665
810 West 10th Street
Austin, Texas 78701
Tel: (512) 474-9100
Fax: (512) 474-9888
gkirshbaum@terrillwaldrop.com

ATTORNEYS FOR HEARTHSTONE WATER, INC.

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

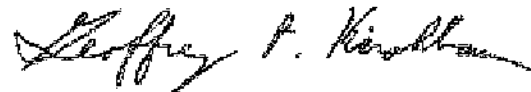
Marisa Lopez Wagley
Division Director

Sneha Patel
Managing Attorney

By: /s/ Markel Perkins
Markel Perkins
State Bar No. 24126428
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7099
(512) 936-7268 (facsimile)
Markel.Perkins@puc.texas.gov

CERTIFICATE OF SERVICE

I hereby CERTIFY that on July 13, 2023, a true and complete copy of the above was sent to the parties of record in accordance with P.U.C. PROC. R. 22.74.



Geoffrey P. Kirshbaum

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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	§	

PROPOSED NOTICE OF APPROVAL

This Notice of Approval 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 (Triton), (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 sought 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 (Transactions). The Transactions have been completed and the Commission approves the transfers between Hearthstone, sellers, and Triton.

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 were the sole members of and the record and beneficial owners of all the issued and outstanding interests in Triton prior to the Transaction.
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 owned 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 prior to the Transaction.

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 (*i.e.*, the Transactions).

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 participated in the Transactions.
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.
17. In Order No. ____, filed on July ____, 2023, the ALJ admitted the following supplemental evidence into the record: (a) Hearthstone Water, Inc.'s Proof of Closing filed on May 26, 2023 (Item No. 26) and (b) Commission Staff's Recommendation Regarding Sufficiency of Closing Documents and Proposed Procedural Schedule filed on June 15, 2023 (Item No. 27).

Sale/Transaction

18. In Order No. 7 filed on April 27, 2023, the ALJ approved the Transactions to proceed and required Hearthstone to file proof that the Transactions had been consummated.
19. On May 26, 2023, Hearthstone filed proof of closing.
20. On June 15, 2023, Commission Staff recommended that the ALJ find the closing documents sufficient.

21. In Order No. 8 filed on June 16, 2023, the ALJ found the closing documents sufficient.

Adequacy of Financial Capability

22. 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.
23. 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.
24. Hearthstone, Horseshoe Bend, and Lone Star have demonstrated adequate financial capability for providing continuous and adequate service.
25. Additional financial assurance was found not necessary for approval to close the proposed transaction and is not necessary for the Transaction's final approval.

Adequacy of Managerial and Technical Capability

26. Horseshoe Bend and Lone Star personnel, including their licensed water operators, have continued to manage and operate the systems after the Transactions with Hearthstone closed.
27. The Transactions have not changed or altered 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.
28. 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.

III. Ordering Paragraphs

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

1. The Commission finally approves the transfer and assignment of 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 (*i.e.*, the Transactions).
2. The names under which CCN numbers 10263 and 13279 were issued will remain unchanged.
3. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the ____ day of July 2023.

PUBLIC UTILITY COMMISSION OF TEXAS

JEFFREY J. HUHNS
ADMINISTRATIVE LAW JUDGE

² Tex. Gov't Code §§ 11.001–.903.