



## **Filing Receipt**

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

**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,<sup>1</sup> 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 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 Commission 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. 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.

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<sup>1</sup> 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 was 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 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.
17. In Order No. 10 filed on July 18, 2023, the ALJ admitted the following supplemental evidence into the record:
  - a. Hearthstone Water, Inc.'s proof of closing, including attachment A, filed confidentially, and attachment B, filed on May 26, 2023; and
  - b. Commission Staff's recommendation regarding sufficiency of closing documents and proposed procedural schedule filed on June 15, 2023.

**Sale**

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 closed.
19. On May 26, 2023, Hearthstone filed proof that the transactions had closed.

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 is not necessary for approval of the proposed transaction.

**Adequacy of Managerial and Technical Capability**

26. 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.
27. 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.
28. Hearthstone has demonstrated adequate managerial and technical capability for providing continuous and adequate service to the requested area.

**Informal Disposition**

29. More than 15 days have passed since the completion of notice provided in this docket.
30. No person filed a protest or motion to intervene.
31. The applicants, Horseshoe Bend, Lone Star, and Commission Staff are the only parties to this proceeding.

32. No party requested a hearing and no hearing is needed.
33. Commission Staff recommended approval of the application, as supplemented.
34. This decision is not adverse to any party.

## **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,<sup>2</sup> and Commission rules.
4. Notice complies with 16 TAC § 22.55.
5. Hearthstone, together with Horseshoe Bend and Lone Star, completed the transaction within the time required by 16 TAC § 24.243.
6. It is not necessary for Hearthstone, together with Horseshoe Bend and Lone Star, to provide a bond or other financial assurance under TWC § 13.302(c).
7. Hearthstone, together with Horseshoe Bend and Lone Star, has demonstrated that the application meets the requirements of TWC § 13.302 and 16 TAC § 24.243.
8. 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).
9. Hearthstone, together with Horseshoe Bend and Lone Star, provided proof of closing for its proposed transaction that satisfies Commission requirements under 16 TAC § 24.243(i).
10. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

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<sup>2</sup> Tex. Gov't Code §§ 2001.001–.903.

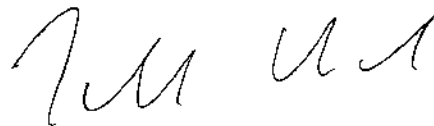
### III. Ordering Paragraphs

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

1. The Commission 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.
2. The names under which CCN numbers 10263 and 13279 were issued 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 25th day of July 2023.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**JEFFREY J. HUHN**  
**ADMINISTRATIVE LAW JUDGE**