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

Attachment K

6.D. Regulatory Assessment Fees with TCEQ

CSWR-Texas is committed to ensuring that the amount of any outstanding Regulatory Assessment Fees owed by the seller, if any, will be paid upon completion of the proposed acquisition.

6.E. Annual Report filings with Commission

CSWR-Texas is committed to ensuring that the most recent available Annual Report for the seller will be filed with the Commission, to the extent it has not already been filed, upon competition of the proposed acquisition.

10. Capital Improvement Plan

Capital improvements cannot begin until CSWR-Texas receives approval to purchase the system, acquires the system, and takes over operations. Once CSWR-Texas begins operating the facility, it is estimated it will take approximately 14 months to fully evaluate the repairs and improvements needed. Following the evaluation, CSWR-Texas estimates it will begin construction within approximately 15 months and that construction will be completed within approximately 9 months after commencing.

15. Support for Proposed Authorized Acquisition Rates under TWC § 13.3011 and 16 TAC § 24.240(d)(1)-(6).

The Company seeks to apply its existing rates pursuant to TWC § 13.3011 and 16 TAC § 24.240 and provides the following information in support pursuant to 16 TAC § 24.240(d)(1)-(6).

A. Billing Comparison for usage of 5,000 and 10,000 gallons at existing rates and the requested authorized acquisition rates.

See Attachment C-1.

B. Financial projections comparing expected revenues under existing rates and the requested authorized acquisition rates.

See Attachment C-1.

C. Documentation from the most recent base rate case in which the rates that the transferee is requesting to use as authorized acquisition rates were approved can be found at:

A comprehensive rate filing package is available at the following address:

https://interchange.puc.texas.gov/search/filings/?UtilityType=A&ControlNumber=54565&ItemMatch=Equal&DocumentType=ALL&SortOrder=Ascending

Digital copies of the Company's rate filing package can be made available upon request.

D. Affiliate Relationship

CSWR-Texas confirms that CSWR-Texas and the transferee in this docket are not and have never been affiliates in the five-year period before the proposed acquisition.

E. Additional explanation supporting the request to charge authorized acquisition rates

The proposed authorized acquisition rates are just and reasonable for the customers of the acquired system and for the transferee because these rates reflect the Company's most recently approved cost of service in Docket No. 54565, as approved by the Commission on March 7, 2024. The systems included in Docket No. 54565 were overwhelmingly small residential community-based systems, similar to the system at issue in this proceeding, and operation of the acquired utility is expected to be similar to operations at other small, community-based systems served by CSWR-Texas. On that note, CSWR-Texas rates are more current, reflect more current costs of providing service, and capture the Commission's most recent determinations as to a reasonable rate of return, operating costs, depreciation rates, cost allocations and rate design. Therefore, proposed authorized acquisition rates reasonably reflect the cost of providing service to customers

of the acquired utility and would ensure that customers are taking service under rates that are consistent with the rates charged to similar water or sewer systems.

Finally, it is important to note that the acquired utility has a history of TCEQ compliance issues that have resulted in challenging to ensuring that customers are receiving continuous and adequate service. CSWR-Texas has a well-established track record of acquiring and rehabilitating systems with similar compliance concerns and then operating them under rates that have been recently deemed just and reasonable by the Commission.

Because the proposed authorized acquisition rates are just and reasonable, approving the requested rates as part of this proceeding serves the public interest and should not change how the Commission evaluates the proposed transaction.

F. Miscellaneous Fees

CSWR-Texas is also requesting to have its miscellaneous fees from its tariffs from its most recent approved rate proceeding in Docket No. 54565 adopted in present matter. Because the fees are just and reasonable, approving the fees as part of this proceeding serves the public interest and should not change how the Commission evaluates the proposed transaction

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 several past alleged violations and additional issues that needs to be addressed. See Attachment I to this Application.

A preliminary engineering report was commissioned by CSWR-Texas to assess the current state of the system and determine whether any immediate improvements are necessary and the cost of those improvements. See Attachment J. If it is authorized to acquire the system, CSWR-Texas intends to invest the capital required to make any upgrades, renovations, and repairs necessary to comply 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 is responsible for computing, printing, sending monthly bills to customers, and collecting payments. To ensure efficient customer service with regards to billing, CSWR-Texas collaborates with Nitor Solutions, which handles all customer inquiries regarding billing, bill adjustments, payment plans, complaints, and services provided. This partnership enables CSWR-Texas to maintain a streamlined billing operation while ensuring customers have access to timely support.

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 address customer service issues quickly and efficiently. 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 who can quickly answer customer questions. Finally, CSWR-Texas will 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 may 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 currently owns and operates numerous systems in Texas and in each of the dockets in which the Company was granted the authority to operate these systems, the Commission has determined the Company has adequate experience and qualifications in order to provide continuous and adequate service.

In addition, 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 approximately 850 public drinking water and wastewater systems in Arizona, Missouri, Texas, Arkansas, Louisiana, Kentucky, Mississippi, North Carolina, South Carolina, Florida, and Tennessee through which they provide safe and reliable utility service to hundreds of thousands of customers.

Since March 2015, affiliates in Arizona, Missouri, Texas, Arkansas, Louisiana, Kentucky, Mississippi, North Carolina, South Carolina, Florida, and Tennessee have designed, permitted and completed construction—with the approval of state drinking water and wastewater regulatory authorities—of over \$156 million in 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 over \$319 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 has 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 has also committed to make debt capital available at reasonable rates if CSWR-Texas is unable to obtain debt financing from non-affiliated commercial sources.

Again, the Public Utility Commission of Texas has already determined that the affiliated group has financial, technical, and managerial ability necessary to provide service to the public. 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. Also, the Kentucky Public Service Commission has 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 and wastewater utility systems and make necessary investments in those 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 systems to ensure they are in compliance with all environmental regulations; and
- the purchase price reflects the lowest agreeable negotiated price between the parties.

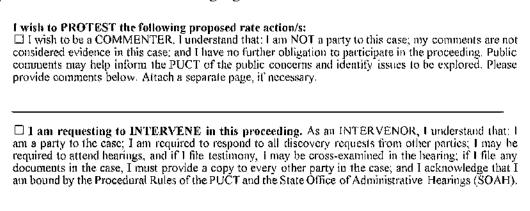
In summary, CSWR-Texas and its affiliates have the financial, technical, and managerial ability to acquire, own, and operate the system in a manner that fully complies with applicable health, safety, and environmental protection laws and regulations and provides reliable, safe, and adequate service to customers. CSWR-Texas is prepared to invest capital required to remedy all outstanding and future issues in the systems. It also 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.

22.B Date of application to transfer permit submitted to TCEQ.

CSWR-Texas is currently in the process of applying for a permit transfer with the TCEQ and will supplement this application as soon as the Company has the appropriate documentation.

33. Additional Information Supporting Proposed Acquisition Adjustment

1. As explained in prior notices recommended by Commission Staff in STM proceedings (e.g., Docket No. 56390) where the notice distinguishes between a protest and an intervention request, to participate as a party in this proceeding, a person must move to intervene. Submission of a protest does not meet the intervention requirements. Any comments filed under a protest, are not considered evidence and the protesting person has no further obligation to participate in the proceeding. A request to intervene, if granted, obligates the intervenor to respond to discovery requests from other parties, attend hearings, be subject to cross-examination if the party files testimony, and serve any filed documents on other parties. Staff's recommended language is included below:

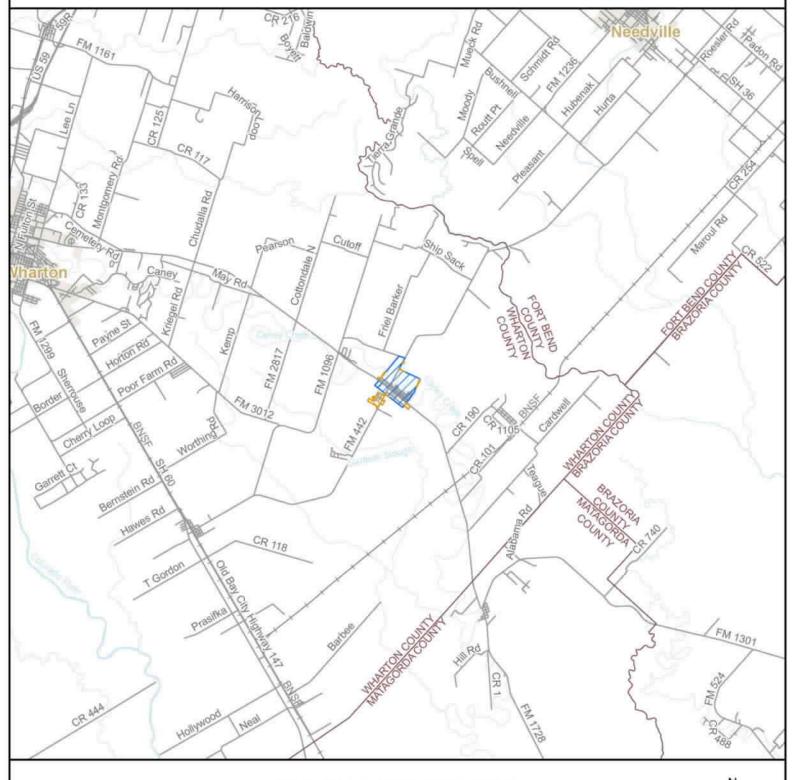


- See Attachment C.
- 3. See Attachment C.

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

Attachment L

Transfer Boling MWD (CCN No. 20302) to CSWR - Texas Utility Operating Company, LLC (CCN No. 21120) and Amend (CCN No. 21120) in Wharton County



General Location Sewer Map



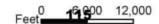
Legend



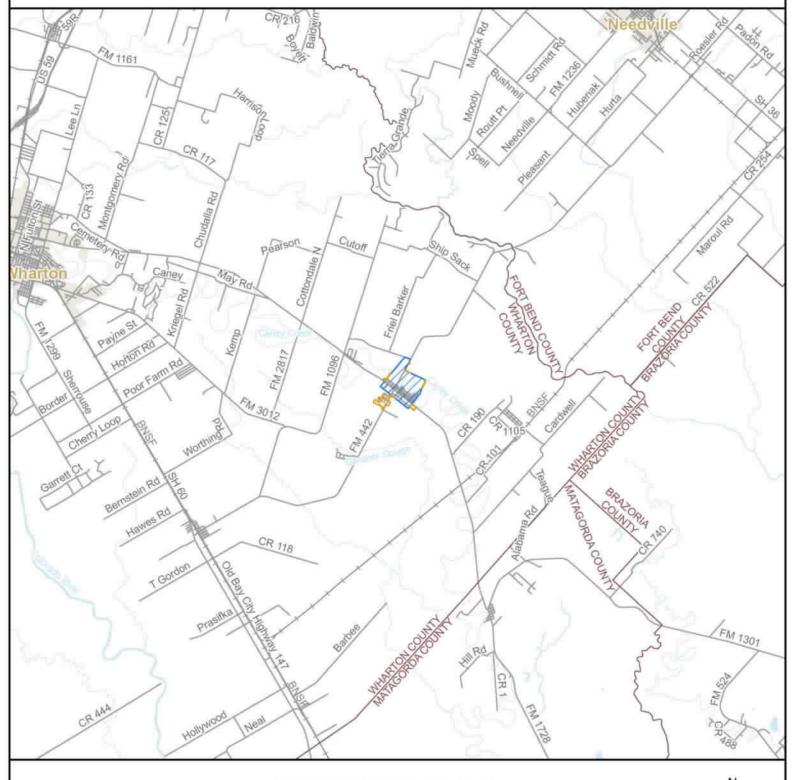
Requested Area to Transfer

Requested Area to Amend (Add)

Created by: AMD Date Created: 08/26/2024



Transfer Boling MWD (CCN No. 10706) to CSWR - Texas Utility Operating Company, LLC (CCN No. 13290) and Amend (CCN No. 13290) in Wharton County



General Location Water Map



Legend



Requested Area to Transfer Requested Area to Amend (Add)



Attachment M

Transfer Boling MWD (CCN No. 20302) to CSWR - Texas Utility Operating Company, LLC (CCN No. 21120) and Amend (CCN No. 21120) in Wharton County



Transfer Boling MWD (CCN No. 10706) to CSWR - Texas Utility Operating Company, LLC (CCN No. 13290) and Amend (CCN No. 13290) in Wharton County



Attachment M-1 is Confidential and will be provided pursuant to the Protective Order, and in native file-format.

Attachment N is being filed separately in native file-format

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 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

The following files are not convertible:

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Requested Area to Amend (Add).dbf
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Please see the ZIP file for this Filing on the PUC Interchange in order to access these files.

Contact centralrecords@puc.texas.gov if you have any questions.