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APPLICATION OF PK-RE § BEFORE THE STATE OFFICE
DEVELOPMENT COMPANY, INC. §
d/b/a OAK SHORES WATER SYSTEM §
AND UNDINE DEVELOPMENT LLC § OF
FOR SALE, TRANSFER, OR MERGER §
OF FACILITIES AND CERTIFICATE §
RIGHTS IN TRAVIS COUNTY § ADMINISTRATIVE HEARINGS

**UNDINE'S RESPONSE TO COMMISSION STAFF'S
SECOND REQUEST FOR INFORMATION**

Undine Development LLC ("Undine") files this Response to the Second Request for Information ("RFI") filed by Public Utility Commission ("Commission") Staff. The discovery request was received by Undine on January 18, 2017 and parties reached an agreement to extend the due date to February 9, 2017. Therefore, these responses are timely filed. Pursuant to 16 Tex. Admin. Code § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Pursuant to the Protective Order, counsel for Undine 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. The materials so designated contain competitively sensitive business operations and financial information that has not been publicly disclosed.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
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ATTORNEYS FOR UNDINE DEVELOPMENT LLC

113

CERTIFICATE OF SERVICE

I hereby certify that on February 9, 2017, true and correct copy of the foregoing document has been served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.



GEORGIA N. CRUMP

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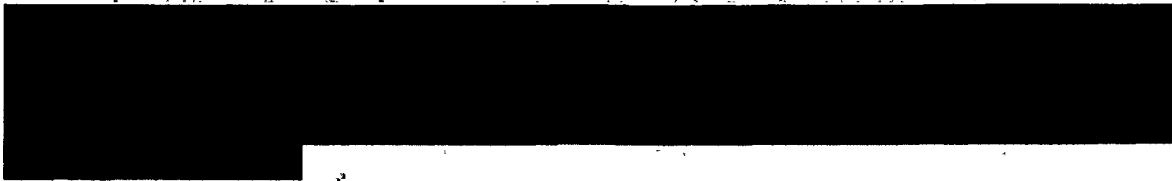
Undine's Response to Commission Staff's Second RFI

Staff 2-1. Provide a copy of the projected financial statements (balance sheet, cash flow, and income statement) for five years from 2017 to 2021 for Undine Utility, LLC.

Response

The organizational chart for Undine was provided in Undine's confidential response to Greenshores RFI 1-1.

CONFIDENTIAL RESPONSE:



Prepared by: Mike Ashfield
Sponsored by: To Be Determined

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Undine's Response to Commission Staff's Second RFI

Staff 2-2. Provide a copy of the projected financial statements (balance sheet, cash flow, and income statement) for five years from 2017 to 2021 for Undine Development, LLC.

Response

Undine Development, LLC was created in 2016. The purchase of the PK-RE system that is the subject of this proceeding will be its first acquisition. Unless and until that purchase is closed, there will be no projected financial statements for Undine Development, LLC. There are no responsive documents to date.

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Undine's Response to Commission Staff's Second RFI

Staff 2-3. Please provide the accounting journal entries in the buyer's (Undine Development's) books to record the sale transaction. The accounting journal entries should show the acquisition adjustment amount and associated account number and name.

Response

Undine Development intends to record the purchase of the utility according to NARUC accounting guidelines. Under the Commission's rule, 16 TAC § 24.31(e), the treatment of any acquisition adjustment is to be determined in a ratemaking proceeding. Therefore, at the time of its next rate case after acquisition, Undine Development will determine the ratemaking treatment that it will request for any such acquisition adjustment, in accordance with the Commission's rules.

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Undine's Response to Commission Staff's Second RFI

Staff 2-4. If Undine is planning to obtain loans to fund the acquisition costs of the system, please provide a copy of documentation of the proposed or existing loan for this transaction.

Response

Undine Development, LLC intends to close on the financing to fund the acquisition costs of the system on or around March 1, 2017. Prior to closing the transaction that is the subject of this docket, Undine will finance a portion of the acquisition with [REDACTED]. In addition, Undine expects to have in place equity financing up to \$80,000,000 and a cash balance of \$5,000,000. The documents related to this financing are in the process of being developed, and are not currently available. Undine will supplement this response when the documents become available.

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Undine's Response to Commission Staff's Second RFI

Staff 2-5. Please refer to page 5 of the application. Question No. 11.C, which states: "Describe the source and availability of funds required to make the planned or required improvements, if any, to meet the minimum requirements of the TCEQ and PUC and ensure continuous and adequate service." The Applicant responded: "Undine Development, LLC is funded through personal equity and bank financing. Additional funding information will be provided upon request." Please provide the following information:

- a. Provide the name of the bank which will provide financing;
- b. Provide the amount of the approved credit line of Undine Development, LLC and its owner, if any;
- c. List whose personal equity is mentioned in the above statement; and
- d. Provide evidence that funds are available to invest in "personal equity."

Response

- a. [REDACTED]
- b. Undine Development, LLC intends to close on the financing to fund the acquisition costs of the system on or around March 1, 2017. Prior to closing the transaction that is the subject of this docket, Undine will finance a portion of the acquisition with [REDACTED]. In addition, Undine expects to have in place equity financing up to \$80,000,000 and a cash balance of \$5,000,000. The documents related to this financing are in the process of being developed, and are not currently available. Undine will supplement this response when the documents become available.
- c. [REDACTED]
- d. The above-mentioned individuals have invested approximately a total of [REDACTED] into Undine Development, LLC in order to begin the process of acquiring PK-RE. The documents related to this financing are in the process of being developed, and are not currently available. Undine will supplement this response when the documents become available.

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