



Control Number: 47639



Item Number: 48

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APPLICATION OF GULF COAST §
UTILITY COMPANY, INC. AND §
UNDINE TEXAS ENVIRONMENTAL, §
LLC FOR SALE, TRANSFER OR §
MERGER OF SEWER FACILITIES §
AND CERTIFICATE RIGHTS IN §
BRAZORIA COUNTY §

2019 MAY 28 PM 3:09
PUBLIC UTILITY COMMISSION
PUBLIC UTILITY COMMISSION
FILING OFFICE TEXAS

NOTICE OF APPROVAL

This Notice of Approval addresses the application of Gulf Coast Utility Company, Inc. and Undine Texas Environmental, LLC for the sale, transfer, and merger of facilities and certificate rights in Brazoria County. The Commission approves the sale of Gulf Coast’s sewer system assets and the transfer of 531 acres and 530 current customers in its sewer service area to Undine Texas.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Gulf Coast was a domestic for-profit corporation registered with the Texas secretary of state on December 31, 2002, under file number 800158242.
2. Gulf Coast converted to a domestic limited liability company on January 24, 2012, under file number 801539345.
3. Gulf Coast owns and operates facilities to provide sewer service under CCN number 20668.
4. Undine Texas Environmental, LLC (formerly known as EMCAD Water and Wastewater, LLC) is a domestic limited liability company registered with the Texas secretary of state on April 15, 2013, under file number 801768069.
5. Undine Texas owns and operates facilities to provide sewer service under CCN numbers 20816 in Parker and Tarrant counties, 20832 in Johnson County, and 21019 in Johnson and Tarrant counties.

6. In June of 2016, Undine Texas, LLC acquired control of EMCAD Water and Wastewater in Docket No. 45745,¹ in which the Commission determined that EMCAD's parent, Undine Texas, LLC possesses the financial, managerial, and technical capability to provide continuous and adequate service.

Application

7. On September 22, 2017, Gulf Coast and Undine Texas filed an application for approval of the sale, transfer, or merger of facilities and certificates rights in Brazoria County.
8. On October 26, 2017, applicants' clarified that assets, area, and CCN number 20668 would be transferred to Undine Texas in this proceeding.
9. The sale and transfer includes: (a) the Southwood Estates subdivision having 245 acres and 530 customers; (b) the Spring Crossing subdivision having 286 acres and 0 current customers; and (c) Southwest Estates wastewater treatment plant, permit number TX0093823, and associated Texas Commission on Environmental Quality (TCEQ) water quality discharge permit number WQ0012780001.
10. The area comprising the Southwood Estates subdivision is located approximately 2 miles east of downtown Arcola, Texas, and is generally bounded on the north by Croix Road, on the east by Old Airline Road, on the south by State Highway 6, and on the west by Savannah Parkway; and the area comprising the Spring Crossing subdivision is located approximately 6 miles south southeast of downtown Arcola, Texas, and is generally bounded on the north by County Road 1125, on the east by State Highway 288, on the south by County Road 5346, and on the west by Airline Road South.
11. In Order No. 2 issued on October 26, 2017, the administrative law judge (ALJ) found the application administratively complete.
12. On December 17, 2018, Undine Texas filed an amendment to the application that to request, in lieu of a new CCN, that Undine Texas' CCN No. 20816 be amended to include the requested area.

¹ *Application of Undine Texas, LLC for Approval to Purchase the Voting Stock in EMCAD Water and Wastewater, LLC*, Docket No. 45745, Notice of Approval (June 8, 2016).

Notice

13. Notice of the application appeared in the October 6, 2017, issue of the *Texas Register*.
14. On November 13, 2017, Undine Texas mailed notice of the application to current customers, neighboring systems, and cities.
15. On November 9 and 16, 2017, Undine Texas caused notice of the application to be published in *The Facts*, a newspaper of general circulation in Brazoria County.
16. On November 22, 2017, Peter T. Gregg, counsel for Undine Texas filed confirmation of published and mailed notice, including tear sheets, copy of notice, a confidential list of recipients, and maps.
17. In Order No. 3 issued on December 5, 2017, the ALJ found the notice sufficient.

Sale

18. In Order No. 4 issued on January 23, 2018, the ALJ approved the transaction to proceed.
19. In Order Nos. 5, 6, and 7, issued on July 13, August 21, and October 5, 2018, respectively, the ALJ extended the time to complete the transaction, for good cause, at the request of applicants.
20. On November 20, 2018, Undine Texas filed notice that the sale had closed, along with the attached executed agreement for the sale and transfer of the requested area and indicating that customer deposits had been transferred to Undine.
21. In Order No. 8 issued December 17, 2018, the ALJ found the closing documents were sufficient.

Evidentiary Record

22. On January 16, 2019, the parties filed a motion to admit evidence.
23. In Order No. 9 issued on January 28, 2019, the ALJ admitted the following evidence into the record: (a) Gulf Coast and Undine Texas' application and attachments filed on September 22, 2017; (b) Commission Staff's recommendation regarding application completeness filed on October 23, 2017; (c) Applicants' proof of mailed and published notice filed on November 22, 2017; (d) Commission Staff's recommendation regarding sufficiency of notice filed November 30, 2017; (e) Undine Texas' responses to

Commission Staff's first request for information filed on January 5, 2018; (f) Commission Staff's recommendation that the transaction proceed filed on January 17, 2018; (g) Applicants' closing documentation filed on November 20, 2018; (h) Commission Staff's recommendation regarding closing documentation filed on December 12, 2018; (i) Undine Texas' amendment to the application filed on December 17, 2018; and (j) Applicants' signed consent forms with attached maps and certificate filed on December 21, 2018.

24. In Order No. 11 issued on May 17, 2019, the ALJ admitted the following evidence into the record: (a) Undine Texas' amended tariff and (b) Undine Texas' email consent to the amended tariff.

Adequacy of Existing Service—TWC § 13.301(d), 16 TAC § 24.239(j)(5)(B); TWC § 13.246(c)(1), 16 TAC § 24.227(d)(1)

25. The 530 current customers are served by a 0.40 million gallons per day sewer treatment facility, which exceeds the TCEQ standard of 300 gallons per day per connection at approximately 754 gallons per day per connection.

26. The existing sewer treatment facility is adequate to serve the 530 connections.

Need for Additional Service—TWC § 13.301(d), 16 TAC § 24.239(j)(5)(C); TWC § 13.246(c)(2), 16 TAC § 24.227(d)(2)

27. The 530 existing customers need continued sewer service.

Effect of Approving the Transaction and Granting the Amendment—TWC § 13.301(d), 16 TAC § 24.239(j)(5)(D); TWC § 13.246(c)(3), 16 TAC § 24.227(d)(3)

28. Granting the CCN amendment will enable Undine Texas to integrate the acquired sewer system into its overall sewer system and raise the standards for quality customer service.

29. The Commission received no protests or concerns from any other adjacent retail public utility regarding this transaction.

Ability to Serve: Financial Ability and Stability—TWC §§ 13.301(b), 16 TAC § 24.239(g), (j)(5)(G); TWC §§ 13.246(c)(6), 13.241(a), 16 TAC §§ 24.227(a), 24.227(d)(6)

30. Undine, LLC, Undine Texas' affiliate, has a debt-to-equity ratio of less than one.

31. Undine, LLC has no long-term debt.

32. Undine Texas has affirmed, through an affidavit of commitment by its affiliate, Undine, LLC, that Undine, LLC guarantees to cover any shortages for operations and investment in plant as the need arises.

Ability to Serve: Managerial and Technical—TWC §§ 13.301(b) and (e)(2), 16 TAC § 24.239(g), (j)(5)(E); TWC §§ 13.246(c)(4), 13.241(a), 16 TAC §§ 24.227(a), 24.227(d)(4)

33. Undine Texas will contract with one class-A and three class-C water operators and one class-A and one class-C wastewater treatment plant operators for the facilities.

The Feasibility of Obtaining Service from Adjacent Retail Public Utility—TWC § 13.301(d), 16 TAC § 24.239(j)(5)(F); TWC §13.246(c)(5), 16 TAC § 24.227(d)(5)

34. It is not feasible for an adjacent utility to provide service to the requested area because Undine Texas and Gulf Coast are the only entities affected by this application.

Environmental Integrity—TWC § 13.301(d), 16 TAC § 24.239(j)(5)(H); TWC § 13.246(c)(7), 16 TAC § 24.227(d)(7)

35. The environmental integrity of the land will not be affected because the requested areas are currently receiving service.

Effect on the Land Effect on Land—TWC § 13.246(c)(9), 16 TAC § 24.227(d)(9)

36. There will be no effect on the land because existing facilities will be used to provide sewer service in the requested areas.

Improvement of Service or Lowering Cost to Consumers—TWC § 13.301(d), 16 TAC § 24.239(j)(5)(I); TWC § 13.246(c)(8), 16 TAC § 24.227(d)(8)

37. The proposed transaction will enable the 530 current customers to enjoy stable sewer service from a system that is professionally operated and maintained.

38. The rates to customers will not change as a result of the transfer.

Certificate and Maps

39. Commission Staff emailed to Gulf Coast and Undine proposed maps and certificates on December 19, 2018 related to this docket.

40. On December 21, 2018, Undine Texas and Gulf Coast filed signed consent forms concurring with the final maps and certificate.

41. On January 16, 2019, the proposed maps and certificates were filed as an attachment to the Commission Staff's submission of final documents.

Informal Disposition

42. More than 15 days have passed since completion of notice in this docket.
43. No person filed a protest or motion to intervene.
44. Commission Staff, Gulf Coast, and Undine Texas are the only parties to this proceeding.
45. Commission Staff recommended approval of the application.
46. No party requested a hearing and no hearing is necessary.
47. The decision is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. The Commission has jurisdiction over this application under Texas Water Code (TWC) §§ 13.041, 13.241, 13.244, 13.246, 13.251, and 13.301.
2. Gulf Coast and Undine Texas are retail public utilities as defined in TWC § 13.002(19) and 16 Texas Administrative Code (TAC) § 24.3(59).
3. Applicants provided notice of the application as required by TWC § 13.301(a)(2) and 16 TAC § 24.239(a) through (c).
4. The Commission processed the application in accordance with the TWC, the Administrative Procedure Act,² and Commission rules.
5. Gulf Coast and Undine Texas have demonstrated that the sale of Gulf Coast's sewer system assets and the transfer of Gulf Coast's sewer service area to Undine Texas is in the public interest in accordance with 16 TAC § 24.239(i).
6. Commission action on this application complied with the 120-day deadline required by 16 TAC § 24.239(j).
7. Applicants requested and received, for good cause, extensions of the 180-day time period for completion of the transaction in accordance with 16 TAC § 24.239(o).
8. The application meets the requirements of 16 TAC § 24.239.

² Tex. Gov't Code §§ 2001.001–.902.

9. After considering the factors in TWC § 13.246(c), Undine Texas has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested areas and its current service areas.
10. Undine Texas has demonstrated that the amendment to CCN number 20816 is necessary for the service, accommodation, convenience, or safety of the public as required by TWC § 13.246(b).
11. Under TWC § 13.257(r) and (s), Undine Texas is required to record a certified copy of the approved CCN and maps, along with a boundary description of the service areas, in the real property records of each county in which the service area or a portion of the service area is located, and submit to the Commission evidence of the recording.
12. The requirements for informal disposition in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

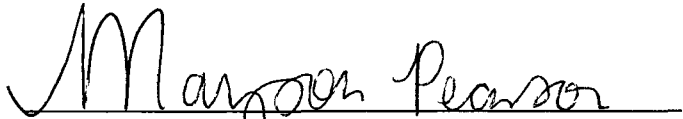
In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves the sale of Gulf Coast's sewer system assets and the transfer of its sewer service area to Undine Texas.
2. The Commission amends Undine Texas' CCN number 20816 to include the new boundaries, facilities, and certificate rights transferred from CCN number 20688.
3. The Commission approves the certificate and maps attached to this Notice of Approval.
4. Undine Texas must serve every customer and applicant for service within CCN number 20816, and such service must be continuous and adequate.
5. Within ten days of the date of this Notice of Approval, Commission Staff must provide a clean copy of the tariffs approved by this Notice of Approval to central records to be marked *Approved* and filed in the Commission's tariff books.
6. Undine Texas must comply with the recording requirements in TWC § 13.257(r) and (s) for the area in Brazoria County affected by the application.

7. Undine Texas must file in this docket proof of the recording no later than 45 days after the recording required by ordering paragraph 6.
8. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

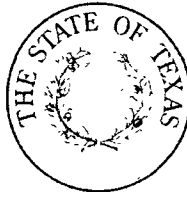
Signed at Austin, Texas the 20th day of May 2019.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in cursive script that reads "Mayson Pearson". The signature is written in black ink and is positioned above a horizontal line.

**MAYSON PEARSON
ADMINISTRATIVE LAW JUDGE**

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Public Utility Commission Of Texas

By These Presents Be It Known To All That

Undine Texas Environmental LLC

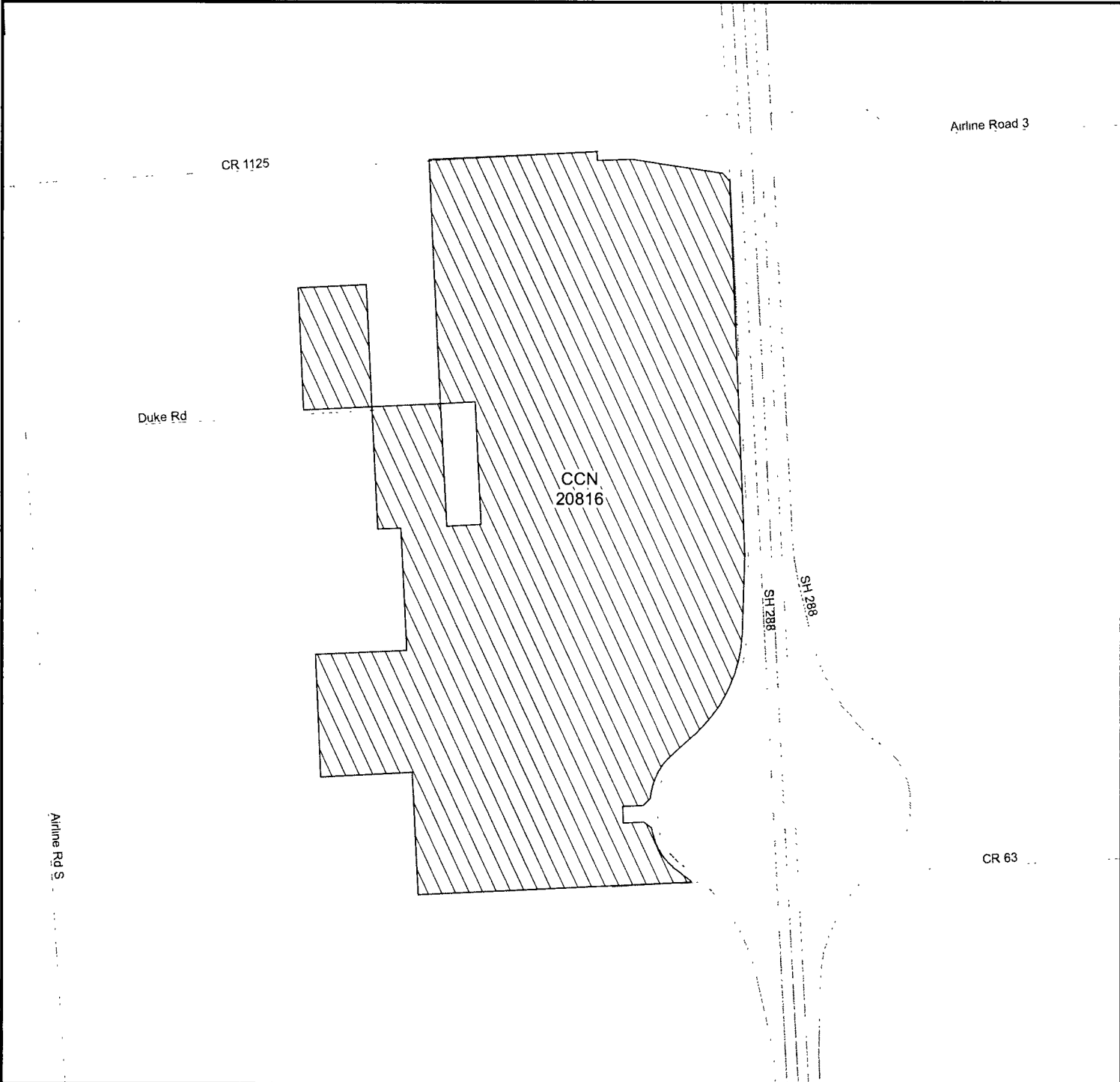
having obtained certification to provide sewer utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service, Undine Texas Environmental LLC, is entitled to this

Certificate of Convenience and Necessity No. 20816

to provide continuous and adequate sewer utility service to that service area or those service areas in Brazoria, Parker and Tarrant Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Docket No. 47639 are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of the Undine Texas Environmental LLC, to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this 20th day of May 2019.

Undine Texas Environmental, LLC
Portion of Sewer CCN No. 20816
PUC Docket No. 47639
Transferred all of Gulf Coast Utility Company, Inc., CCN No. 20688 in Brazoria County

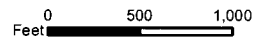


Public Utility Commission of Texas
1701 N. Congress Ave
Austin, TX 78701

Sewer CCN



20816 - Undine Texas Environmental LLC



Map by Komal Patel
Date created: Decmeber 12, 2018
Project Path: n:\finalmapping\
47639UndineTXSouthMap.mxd

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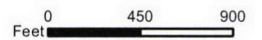
Undine Texas Environmental, LLC
 Portion of Sewer CCN No. 20816
 PUC Docket No. 47639
 Transferred all of Gulf Coast Utility Company, Inc., CCN No. 20688 in Brazoria County



Public Utility Commission of Texas
 1701 N. Congress Ave
 Austin, TX 78701

Sewer CCN

- 20816 - Undine Texas Environmental LLC
- 20403 - City of Pearland
- 20945 - Brazoria County MUD 21



Map by: Komal Patel
 Date created: Decmeber 12, 2018
 Project Path: n:\finalmapping\
 47639UndineTXNorthMap.mxd