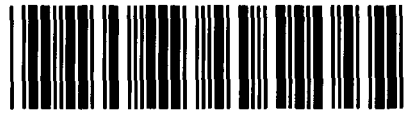


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RECEIVED

APPLICATION OF NERRO SUPPLY § PUBLIC UTILITY COMMISSION
 LLC AND UNDINE TEXAS 2019 DEC 3 11:44
 ENVIRONMENTAL, LLC FOR SALE § OF TEXAS
 TRANSFER, OR MERGER OF §
 FACILITIES AND CERTIFICATE §
 RIGHTS IN CHAMBERS, HARRIS §
 AND WALKER COUNTIES §

JOINT MOTION TO ADMIT EVIDENCE AND PROPOSED ORDER APPROVING SALE/TRANSFER TO PROCEED

COME NOW, Undine Texas Environmental, LLC (Undine) and Nerro Supply, LLC (Nerro) (collectively, the Applicants), together with the staff of the Public Utility Commission of Texas (Commission Staff) (collectively, the Parties), and file this Joint Motion to Admit Evidence and Proposed Order Approving Sale/Transfer to Proceed. In support thereof, the Parties show the following:

I.

BACKGROUND

On March 27, 2019, Applicants filed an application with the Public Utility Commission of Texas (Commission) for sale, transfer, or merger of facilities and certificate rights in Chambers, Harris, and Walker Counties.

On July 23, 2019, Undine provided responses to Staff's first request for information.

On August 8, 2019, Undine provided proof of notice and supporting documentation.

On August 26, 2019, Undine provided responses to Staff's second request for information.

On August 27, 2019, Undine provided supplemental proof of notice and supporting documentation.

On September 12, 2019, the Administrative Law Judge issued Order No. 6 Finding Notice Sufficient and Establishing Procedural Schedule.

On October 24, 2019, Staff filed its recommendation on transaction.

Order No. 6 also required the Parties to submit a joint motion to admit evidence and proposed order approving sale and allowing transaction to proceed and directed the Parties to file an agreed notice of approval by December 9, 2019. Therefore, this pleading is timely filed.

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II.

JOINT MOTION TO ADMIT EVIDENCE

The Parties move to admit the following evidence into the record of this proceeding:

- (1) The Application, filed on March 27, 2019 (AIS Item No. 1);
- (2) Undine's responses to Staff's first request for information, filed on July 23, 2019 (AIS Item No. 25);
- (3) Undine's proof of notice and supporting documentation, filed on August 8, 2019 (AIS Item No. 28);
- (4) Undine's responses to Staff's second request for information, filed on August 26, 2019 (AIS Item No. 33);
- (5) Undine's supplement to its proof of notice, filed on August 27, 2019 (AIS Item No. 35);
- (6) Commission Staff's recommendation requesting the entry of an order permitting the proposed transaction to proceed, and attachments thereto, filed October 24, 2019 (AIS Item No. 38).

III.

CONCLUSION

The Parties respectfully request that the Commission authorize the proposed transaction to proceed.

Respectfully submitted,

DuBois, Bryant & Campbell, LLP

By: 

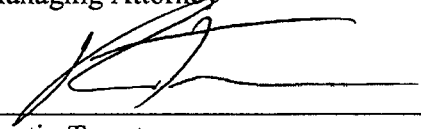
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CERTIFICATE OF SERVICE

I certify by my signature above, that a copy of this document will be served on all parties of record on the 9th of December 2019, in accordance with 16 TAC § 22.74.

DOCKET NO. 49382

**APPLICATION OF NERRO SUPPLY, § PUBLIC UTILITY COMMISSION
LLC AND UNDINE TEXAS §
ENVIRONMENTAL, LLC FOR SALE, § OF TEXAS
TRANSFER, OR MERGER OF §
FACILITIES AND CERTIFICATE §
RIGHTS IN CHAMBERS, HARRIS §
AND WALKER COUNTIES §**

JOINT PROPOSED ORDER
APPROVING SALE/TRANSFER TO PROCEED

This Order addresses the March 27, 2019 application of Nerro Supply, LLC (Nerro) and Undine Texas Environmental, LLC (Undine) (collectively, the Applicants), for sale, transfer, or merger of facilities and certificate rights in Chambers, Harris, and Walker Counties. Specifically, Undine, holder of Certificate of Convenience and Necessity (CCN) No. 20816, seeks approval to acquire facilities and to transfer a portion of Nerro’s sewer CCN 20366. The requested area includes service area within the Bayridge Sewer Treatment Plant (Bayridge Subdivision and Oaks at Houston Point) in Chambers County; Greens Bayou Fabrication Yard in Harris County; and HUI Enterprises, Inc. (Wildwood Shores) in Walker County. The total requested area is approximately 637 acres and has 394 existing customers. The area is currently certificated to Nerro’s sewer CCN 20366. There is no uncertificated area to be transferred.

On October 24, 2019, Commission Staff recommended that the transaction proceed in this docket.

The Administrative Law Judge grants that the transaction proposed in this Application may proceed and be consummated.

I.

Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Nerro Supply, LLC is a for-profit corporation registered with the Texas secretary of state under file number 801380548 that provides sewer service in Texas under CCN No. 20366.

2. Undine Texas Environmental, LLC is a for-profit corporation registered with the Texas secretary of state under file number 801768069 that provides sewer service in Texas under CCN No. 20816.
3. Nerro Supply, LLC owns three wastewater systems (PWS) registered with the Texas Commission on Environmental Quality (TCEQ) under the following PWS numbers:

Nerro Utility Name	PWSID
Bayridge Sewer Treatment Plant	TX0042081
HUI Enterprises, Inc.	TX0122181
Greens Bayou Fabrication Yard	TX0100935

4. Undine Texas Environmental, LLC owns ten PWS registered with the TCEQ under the following PWS numbers:

Undine Utility Name	PWSID
Country Vista	0113573
Grand Ranch	0115991
Mayfair	0105872
Sugartree	0122271
Angle Acres WWTP	0088366
Beechwood WWTP	0079260
Greenshores on Lake Austin	N/A
Oak Shores WWTP	N/A
Southwood	0093823
Spring Crossing	N/A

Application

5. On March 27, 2019, Nerro and Undine filed an application for the approval of the sale, transfer or merger of facilities and certificate rights in Chambers, Harris, and Walker counties.
6. Undine, holder of Certificate of Convenience and Necessity (CCN) No. 20816, seeks approval to acquire facilities and to transfer a portion of Nerro's sewer CCN 20366.
7. The requested areas include:
 Bayridge Sewer Treatment Plant (Bayridge Subdivision and Oaks at Houston Point) in Chambers County; Greens Bayou Fabrication Yard in Harris County; and HUI Enterprises, Inc. (Wildwood Shores WWTP) in Walker County.

Bayridge Sewer Treatment Plant (Bayridge Subdivision and Oaks at Houston Point)

The two requested areas are located approximately 1.5 miles southwest of downtown Beach City, TX, and is generally bounded on the north by Tri City Beach Road; on the east by Jordan Road; on the south by Trinity Bay; and on the west by Cedar Point Road.

The requested area includes approximately 143 total acres and 116 current customers.

Greens Bayou Fabrication Yard

The requested area is located approximately 3.4 miles east/northeast of downtown Galena Park, TX, and is generally bounded on the north by Greens Bayou; on the east by Greens Bayou; on the south by Buffalo Bayou; and on the west by Industrial Road.

The requested area includes approximately 254 total acres and 148 current customers.

HUI Enterprises, Inc. (Wildwood Shores WWTP)

The requested area is located approximately 7.3 miles west of downtown New Waverly, TX, and is generally bounded on the north by .64 mile south of Pipkin Road; on the east by Forest Serve Road 222; on the south and west by Lake Paula (Reservoir at Lake Conroe).

The requested area includes approximately 240 total acres and 13 current customers.

8. The requested areas include approximately 637 acres and 394 current customers.
9. In Order No. 4, issued on July 18, 2019, the Administrative Law Judge (“ALJ”) deemed the Application administratively complete.

Notice

10. On August 6, 2019, Carey A. Thomas, Senior Vice President filed an affidavit on behalf of Undine, attesting that notice was provided to all Current Customers, Neighboring Utilities, and Affected Parties on July 26, 2019.
11. On August 27, 2019, Carey A. Thomas, Senior Vice President filed an affidavit on behalf of Undine, attesting that notice was provided to all Current Customers, Neighboring Utilities, Affected Parties and Nerro on August 27, 2019.
12. In Order No. 6, issued on September 12, 2019, the ALJ deemed the notice sufficient.

Evidentiary Record

13. On December 9, 2019, the parties jointly moved to admit evidence.
14. In Order No. __, issued on _____, 20__ the ALJ admitted the following evidence into the record: (a) the Application, filed on March 27, 2019 (b) Undine’s responses to Staff’s first request for information, filed on July 18, 2019; (c) Undine’s proof of notice and supporting documentation, filed on August 8, 2019; (d) Undine’s responses

to Staff's second request for information, filed on August 26, 2019; (e) Undine's supplement to its proof of notice, filed on August 27, 2019; (f) Commission Staff's recommendation requesting the entry of an order permitting the proposed transaction to proceed, and attachments thereto, filed October 24, 2019.

System Compliance—Texas Water Code (TWC) § 13.301(e)(3)(A); 16 Texas Administrative Code (TAC) §§ 24.227(a), 24.239(j)(3)(A), (j)(5)(A)

15. Applicants have not been subject to any unresolved enforcement action by the TCEQ.

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

16. Nerro owns and operates three wastewater facilities and wastewater discharge permits to be transferred in this transaction that currently provide continuous and adequate service to its customers and does not have any unresolved violations from the TCEQ.

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

17. There are 394 existing connections in the areas to be transferred, therefore there is no need for additional service.

18. Undine has adequate financial, technical, and managerial capabilities to provide service in case there comes a need for additional service.

Adequacy of Applicant to Provide Service—TWC § 13.24(b), 13.246(c)(4),

19. Applicants currently meet the standards of the Commission based on the fact that there are no violations listed for either party. Undine will continue to meet the standards of the Commission taking into consideration that there is no additional construction necessary to serve the area.

20. A physically separate sewer system is not required to provide service to the requested area.

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

21. Nerro is currently serving the existing customers with three existing public wastewater facilities registered with the TCEQ and has sufficient capacity.

22. Utilities within a two-mile radius were noticed and no protests or requests to opt out were received regarding the proposed transaction.

23. The feasibility of an adjacent utility providing service to the requested area was not considered because the existing facilities possess sufficient capacity.

Ability to Serve: Financial Ability and Stability—TWC §§ 13.241(a), 13.246(c)(6), 13.301(b); 16 TAC §§ 24.11(e), 24.227(a), (d)(6), 24.23(g), (j)(5)(G)

24. Undine meets the leverage test with an effective debt service coverage ratio greater than 1.25.
25. Undine has demonstrated that it has the available cash levels to serve the requested service area.
26. Undine has demonstrated the financial capability and stability to provide continuous and adequate water service.

Financial Assurance—TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(e), 24.239(h)

27. Undine meets the leverage test with an effective debt service coverage ratio greater than 1.25
28. Undine's projected operating revenues are sufficient to cover the projected operations and maintenance expenses for the first five years after the completion of the proposed sale and transfer.
29. There is no need to require Undine to provide a bond or other financial assurance to ensure continuous and adequate service.

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

30. There is no effect on any retail public utility servicing the proximate area.
31. There will be no effect on landowners as the area is currently certified.

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

32. Undine has a sufficient number of licensed operators and the managerial and technical capability to provide adequate and continuous service to the requested service area.
33. Nerro and Undine have sufficient capability to serve the customers and no additional construction is necessary.

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

34. The proposed transaction will not adversely impact the environmental integrity of the land because the requested area is currently receiving service.

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

35. The effect on the land should be minimal as the requested area will continue to be served by existing systems and facilities and no additional construction is needed.

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

36. The proposed transaction will continue to provide the same level of water service as has already been provided to the existing customers in the area.
37. Rates will not change as a result of the approval of this Application.

II.

Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with TWC §§ 13.246 and 13.301(a)(2), and 16 TAC § 24.239.
2. After consideration of the factors in TWC § 13.246(c), Undine has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area. TWC § 13.301(b).
3. Nerro and Undine have demonstrated that the transferring a portion of Nerro's sewer CCN No. 20366 to Undine will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public. TWC § 13.301(d), (e).

III.

Ordering Paragraphs

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

1. The sale is approved and the transaction between Undine and Nerro may proceed and be consummated.

2. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, the Undine and Nerro shall file proof that the transaction has been consummated and customer deposits have been addressed.
3. Undine and Nerro have 180 days to complete the transaction.
4. Under 16 Texas Administrative Code § 24.109(o), if the transaction is not consummated within this 180-day period, or an extension is not granted, this approval is void and Undine and Nerro will have to reapply for approval.
5. Undine and Nerro are advised that the three corresponding service areas under the PWSID Numbers listed below will remain under CCN No. 20816 and held by Nerro until the sale and transfer transaction is complete in accordance with Commission rules.

Nerro Utility Name	PWSID
Bayridge Sewer Treatment Plant	TX0042081
HUI Enterprises, Inc.	TX0122181
Greens Bayou Fabrication Yard	TX0100935

6. In an effort to finalize this proceeding as soon as possible, Undine and Nerro shall continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
7. Within 15 days following the filing of the Undine's and Nerro's proof that the transaction has been consummated and customer deposits, if any, have been addressed, Commission Staff must file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

Signed at Austin, Texas the _____ day of _____ 20__.

PUBLIC UTILITY COMMISSION OF TEXAS

ADMINISTRATIVE LAW JUDGE