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APPLICATION OF NERRO SUPPLY	§	PUBLIC UTILITY COMMISSION
INVESTORS, LLC AND UNDINE	§	
TEXAS, LLC FOR SALE, TRANSFER	§	OF TEXAS
OR MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN	§	
MONTGOMERY COUNTY	§	

**JOINT MOTION TO ADMIT EVIDENCE AND
PROPOSED ORDER APPROVING SALE AND TRANSACTION TO PROCEED**

On June 19, 2020, Nerro Supply Investor, LLC (Nerro) and Undine Texas, LLC (Undine) (collectively, Applicants) filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Montgomery County. Specifically, Applicants seek to sell and transfer all of Nerro’s water service area and assets under Certificate of Convenience and Necessity (CCN) number 10336 to Undine’s CCN number 13260 and the cancelation of Nerro’s CCN. The requested area includes approximately 282 acres and 240 connections. In addition, Undine seeks to amend its water service area under CCN number 13260 to add nine acres of uncertificated land.

On August 25, 2021, the administrative law judge (ALJ) filed Order No. 15, requiring the Applicants and the Staff (Staff) of the Public Utility Commission of Texas (Commission) (collectively, the parties) to file a Joint Motion to Admit Evidence and Proposed Order Approving the Sale by September 17, 2021. Therefore, this pleading is timely filed.

I. MOTION TO ADMIT EVIDENCE

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

- A. The application for the sale, transfer, or merger and all attachments, filed on June 19, 2020 (Interchange Item Nos. 1-7);
- B. Applicants’ First Amendment to Application, filed on July 7, 2020 (Interchange Item No. 11);

- C. Applicants' Response to Order No. 2, filed on August 19 and 20, 2020 (Interchange Item Nos. 14-16);
- D. Commission Staff's Supplemental Recommendation on Administrative Completeness and Proposed Procedural Schedule, filed on September 18, 2020 (Interchange Item Nos. 17)
- E. Applicants' Response to Staff's First Request for Information, filed on October 9, 2020 (Interchange Item Nos. 20 and 21);
- F. Applicant's proof of notice, filed on November 18, 2020 (Interchange Item Nos. 25 and 26);
- G. Commission Staff's Recommendation on Sufficiency of Notice, filed on November 30, 2020 (Interchange Item No. 27);
- H. Undine's First Supplemental Response to Staff's First Request for Information, filed on December 7 and 8, 2020 (Interchange Item Nos. 30 and 31);
- I. Commission Staff's Recommendation on the Transaction, filed on December 28, 2020 (Interchange Item No. 32); and
- J. Commission Staff's Response to Order No. 15, filed on September 3, 2021 (Interchange Item No. 54).

II. PROPOSED ORDER APPROVING SALE AND ALLOWING TRANSACTION TO PROCEED

The attached Agreed Proposed Order Approving Sale and Transaction to Proceed would authorize Undine to acquire Nerro's facilities, transfer all of Nerro's water CCN number 10336 to Undine's water CCN number 13260. The total area to be added to Undine's CCN is approximately 291 acres and 240 connections, which includes nine acres of uncertificated land. The Parties request that the Commission adopt the findings of fact, conclusions of law, and ordering paragraphs in the attached Proposed Order.

III. CONCLUSION

The Parties respectfully request that the items listed above be admitted into the record of this proceeding as evidence and that the Order proposed by the Parties be adopted.

Dated: September 14, 2021

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
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APPLICATION OF NERRO SUPPLY § PUBLIC UTILITY COMMISSION
INVESTORS, LLC AND UNDINE §
TEXAS, LLC FOR SALE, TRANSFER § OF TEXAS
OR MERGER OF FACILITIES AND §
CERTIFICATE RIGHTS IN §
MONTGOMERY COUNTY §

**PROPOSED ORDER APPROVING SALE AND
ALLOWING TRANSACTION TO PROCEED**

This Order addresses the application of Undine Texas, LLC (Undine) and Nerro Supply Investors, LLC (Nerro) for the sale, transfer, or merger of facilities and certificate rights in Montgomery County. The applicants seek approval to sell and transfer all of Nerro’s water service area and assets under Certificate of Convenience and Necessity (CCN) number 10336 to Undine’s CCN number 13260. The requested area includes approximately 282 acres and 240 connections. In addition, Undine seeks to amend its water service area under CCN number 13260 to add nine acres of uncertificated land for a total of 291 acres. The administrative law judge (ALJ) approves the sale and authorizes the transaction between Nerro and Undine to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Nerro is a Texas for-profit corporation registered with the Texas secretary of state under file number 802143247.
2. Undine is a Delaware for-profit corporation registered with the Texas secretary of state under file number 802339329.
3. Nerro provides water service under CCN number 10336 and owns four public water systems registered with the Texas Commission on Environmental Quality (TCEQ) under permit numbers:

System Name	PWSID
Hazy Hollow East Estates High Meadows Industrial Park	TX100013
Shady Brook Acres	TX100031
Spring Creek Valley Estates	TX1010213

4. Undine provides water service under CCN number 13260 and owns 68 public water systems registered with the TCEQ under permit numbers:

Subdivision Name	PWSID
Angle Acres	0200244
Bayou Colony	0200358
Bear Creek	0200359
Beaumont Place	0200360
Beechwood	0200361
Bell Manor	0200362
Bernard Oaks	0200363
Blue Sage Gardens	0200364
Brandi Estates	0200365
Brazos Oaks/Los Robles	0200366
Briar Meadows	0200410
Buffalo Creek	1260084
Castlewood	1010111
College Port	1610132
Colony Cove	0200324
Colony Trails	0200604
Coronado Country	0200275
Country Acres	0200274
Country Meadows	0200273
Crowley II Acres	1260012
Crystal Lake	0790510
Cypress Bend	1010119
Demi John Island	0200234
Demi John Place	0200185
Forest Manor	1010264
Greengate Acres	1010132
Heathergate	1011302
Highland Mobile Home Sub	1010285
Highland Ridge	1010157
Huffman Heights	1010700
John Dame	1260090
Joy Village	1700021
Kucera Farms	0200665
Lakewood Colony	1700029
Larkspur	0200339
Lee Ridge	0200506

Magnolia Bend	0200665
Mark V	0200432
Martin Creek	1260122
Meadowlake Estates	1010287
Mooreland	0200094
Peach Creek Oaks	1700051
Pioneer Trails	1700114
Porter Terrace	1700161
Reservoir Acres	1010197
Quail Valley Ranches Sec. IV	0200592
Riverside Ranch/723 Utility	0790425
Riverside Estates	0200058
Rock Creek Estates	1260082
Rosharon Road	0200346
Ryan Long 1	0200110
Ryan Long 2	0200108
San Bernard	0200460
Sanders View	1260086
Sandy Meadow	0200335
Snug Harbor	0200053
Southwood	0200403
Spanish Bit	1610102
Spring Crossing	0200666
Spring Forest	1700033
Springmont	1010255
Sweetgum Forest	1700113
Tall Cedars	1010219
Tejas Lakes	0790504
Urban Acres	1010252
Village Lakes	0200638
Wilco	0200083
Wolf Glen	0200370

Application

5. On June 19, 2020, Undine and Nerro filed the application at issue in this proceeding.
6. The applicants filed supplemental information on July 7, 2020 and August 19, 2020.
7. In the application, as supplemented, the applicants seek approval for the following transaction: (1) to sell and transfer all of Nerro's facilities and service area under CCN number 10336 to Undine under CCN number 13260; (2) the cancelation of Nerro's CCN

number 10336; and (3) the addition of nine acres of uncertificated land to Undine under CCN 13260.

8. The requested area is located approximately 6.5 miles south-southeast of downtown Cut and Shoot, Texas, and is generally bounded on the north by FM 2090; on the east by FM 1485; on the south by FM 3083; and on the west by FM 3083.
9. The total requested area includes 240 current customers and approximately 291 acres, 282 acres of which will be transferred from Nerro and the remaining nine acres is uncertificated land.
10. In Order No. 3 filed on September 22, 2020, the ALJ deemed the application, as supplemented, administratively complete.

Notice

11. On November 18, 2020, the applicants filed the affidavit of Carey A. Thomas, Senior Vice President of Undine, attesting that notice of the application was provided to all current customers, neighboring utilities, and affected parties on October 12, 2020.
12. On November 18, 2020, the applicants filed the affidavit of Bob Charlet, Publisher of the *Houston Business Journal*, attesting that notice was published on October 16, 2020 and October 23, 2020 in the *Houston Business Journal*, a newspaper of general circulation in Montgomery County.
13. In Order No. 5 filed on November 30, 2020, the ALJ found the notice sufficient.

Evidentiary Record

14. On September 14, 2021, the parties jointly moved to admit evidence.
15. In Order No. 16 filed on _____, 2021, the ALJ admitted the following evidence into the record: (a) the application and all attachments filed on June 19, 2020; (b) the first amendment to application filed on July 7, 2020; (c) applicants' response to Order No. 2 filed on August 19 and 20, 2020; (d) Commission Staff's supplemental recommendation on administrative completeness and proposed procedural schedule filed on September 18, 2020; (e) applicants' response to Commission Staff's first request for information filed on October 9, 2020; (f) applicants' proof of notice filed on November 18, 2020; (g) Commission Staff's recommendation on sufficiency of notice filed on November 30, 2020; (h) Undine's first supplemental response to Commission Staff's first request for information filed on December 7 and 8, 2020; (i) Commission Staff's recommendation on

the transaction filed on December 28, 2020; and (j) Commission Staff's response to Order No. 15 filed September 3, 2021.

System Compliance

16. Nerro does not have any active violations listed in the TCEQ database.
17. Undine does not have any active violations listed in the TCEQ database and has demonstrated a compliance status that is adequate for approval of the sale.

Adequacy of Existing Service

18. Nerro currently provides retail water service to 240 existing customers in the requested area through its public water system, number 1700036, and such service has been continuous and adequate.
19. No additional construction is necessary for Undine to serve the requested area.

Need for Additional Service

20. There are currently 240 existing customers in the requested area that are receiving service and have an ongoing need for service.
21. There is no evidence of specific requests for additional service within the requested area.

Effect of Approving the Transaction and Granting the Amendment

22. Approving the transaction to proceed and granting the CCN amendment will obligate Undine to provide adequate and continuous service to existing and future customers in the requested area.
23. There will be no effect on landowners as the area is currently certificated. For the additional nine acres requested, landowners were noticed and will be able to request service from Undine. There will be no effect on any retail public utility serving the proximate area. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and only the San Jacinto River Authority intervened. The San Jacinto River Authority did not express any opposition to the sale of the requested area but asserted that Nerro must obtain consent from San Jacinto River Authority before it may complete the transaction. The San Jacinto River Authority withdrew its intervention on August 23, 2021.

Ability to Serve: Managerial and Technical

24. Undine has a sufficient number of TCEQ licensed operators and an experienced management team who will be responsible for the testing and operation of the public water system being transferred.
25. No additional construction is necessary for Undine to serve the requested area.
26. Undine has the managerial and technical ability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

27. The requested area is currently being served by Nerro.
28. Utilities within a two-mile radius were properly noticed and no protests were filed in this docket, but San Jacinto River Authority intervened and subsequently withdrew its intervention.
29. Nerro is currently serving the existing customers in the requested area with existing facilities and has sufficient capacity.
30. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. At a minimum, an interconnect would need to be installed in order to connect to a neighboring retail public utility.
31. It is not feasible to obtain service from an adjacent retail public utility.

Ability to Serve: Financial Ability and Stability

32. Undine's affiliate has a debt to equity ratio of less than one, meeting the leverage test.
33. Undine demonstrated that it has sufficient operating income and cash on hand to cover any projected operations and maintenance shortages in the next five years of operations after completion of the transaction, satisfying the operations test.
34. Undine has demonstrated the financial ability and financial stability necessary to provide continuous and adequate service to the requested area.

Financial Assurance

35. There is no need to require Undine to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

Environmental Integrity

36. There will be no effect on the land or environmental integrity because customers will continue to be served using existing infrastructure and no additional construction is necessary.

Improvement in Service or Lowering Cost to Consumers

37. There will be no change in the quality of service or cost of service to consumers as a result of the transaction.

Regionalization or Consolidation

38. Because the requested area will not require the construction of a physically separate water system, consideration of regionalization or consolidation with another retail public utility is not required.

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. Notice of the application was provided in compliance with Texas Water Code (TWC) §§ 13.246 and 13.301(a)(2), and 16 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Undine has demonstrated that it is capable of rendering adequate and continuous service to every customer within the requested area, as required by TWC § 13.251.
3. Undine demonstrated adequate financial, managerial, and technical capability to provide adequate and continuous service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. Undine and Nerro have demonstrated that the sale and transfer of Nerro's facilities and service area held under water CCN number 10336 to Undine will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public as required by TWC §§ 13.246(b) and 13.301(d) and (e).

III. Ordering Paragraphs

In accordance with these 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 applicants must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
3. The applicants have 180 days to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not consummated within this time period, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.
5. The applicants are advised that the requested area will be held by Nerro until the sale and transfer transaction is complete in accordance with Commission rules.
6. In an effort to finalize this case as soon as possible, the applicants must 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 applicants' 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, on the _____ day of _____, 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

ADMINISTRATIVE LAW JUDGE