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Received - 2021-12-21 10:45:44 AM
Control Number - 52201
ItemNumber - 32

DOCKET NO. 52201

APPLICATION OF UTILITIES	§	PUBLIC UTILITY COMMISSION
INVESTMENT COMPANY, INC. AND	§	
UIC 13 LLC AND MONARCH	§	OF TEXAS
UTILITIES I L.P. FOR SALE,	§	
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN HARRIS, LIBERTY, AND	§	
CHAMBERS COUNTIES	§	

ORDER NO. 8
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Utilities Investment Company, Inc., UIC 13 LLC, and Monarch Utilities I LP for sale, transfer, or merger of facilities and certificate rights in Harris, Liberty, and Chambers counties. The applicants seek approval of the following: (1) to transfer a portion of the water service area, and associated facilities, held under Utilities Investment's water certificate of convenience and necessity (CCN) number 12671 to Monarch; (2) to transfer all facilities and water service area under UIC 13's CCN number 13242 to Monarch; (3) to transfer a portion of the sewer service area, and associated facilities, held under Utilities Investment's sewer CCN number 20765 to Monarch; (4) to transfer all of the facilities and sewer service area under UIC 13's CCN number 21091 to Monarch; (5) to cancel UIC 13's water CCN number 13242 and sewer CCN number 21091; and (6) to amend Monarch's water CCN number 12983 and sewer CCN number 20899 to include the certificated service areas previously included in Utilities Investment and UIC 13's respective CCNs. The administrative law judge (ALJ) approves the sale and authorizes the transaction between Utilities Investment, UIC 13, and Monarch to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Monarch is a Texas limited partnership registered with the Texas secretary of state under filing number 800034797.

2. Monarch is an investor-owned utility that owns, operates, and controls facilities for providing water service under CCN number 12983 and sewer service under 20899 in Harris, Liberty, and Chambers counties.
3. Utilities Investment is a Texas corporation registered with the Texas secretary of state under filing number 142230500.
4. UIC 13 is a limited liability company registered with the Texas secretary of state under filing number 801915189.
5. Utilities Investment and UIC 13 are under common ownership.
6. Utilities Investment and UIC 13 own, operate, and control facilities for providing water service under water CCN numbers 12671 and 13242 in Chambers, Harris, and Liberty counties and sewer service under CCN numbers 20765 and 21091 in Harris County.
7. Utilities Investment and UIC 13 own and operate 15 public water systems in Harris County, which are registered with the Texas Commission on Environmental Quality (TCEQ) under public water systems identification numbers 1010931, 1012450, 1010706, 1011492, 1010640, 1011792, 1011253, 1011556, 1011734, 1012174, 1012995, 1013172, 1013316, and 1010283.
8. Utilities Investment owns and operates one public water system in Liberty County, which is registered with the TCEQ under public water system identification number 1460086.
9. Utilities Investment owns and operates one public water system in Chambers County, which is registered with the TCEQ under public water system identification number 0360111.
10. Utilities Investment and UIC 13 own and operate three sewer systems in Harris County, which are permitted by the TCEQ under Texas Pollutant Discharge Elimination System permit numbers WQ0013882001, WQ0012863001, and WQ0014172001.

Application

11. On June 13, 2021, the applicants filed the application at issue in this proceeding.
12. On June 17, 23, and 25 and July 1 and 14, 2021, the applicants supplemented the application.

13. In the application, as supplemented, the applicants seek approval of the following transaction: (1) transfer a portion of associated facilities and water service area held under Utilities Investment's water CCN number 12671 and all of its facilities and water service under UIC 13's CCN number 13242 to Monarch's water CCN number 12983; (2) to transfer a portion associated facilities and sewer service area held under Utilities Investment's sewer CCN number 20765 and all associated facilities and sewer service area under UIC 13's CCN number 21091 to Monarch's sewer CCN number 20899; and (3) subsequently cancel UIC 13's water CCN number 13242 and sewer CCN number 21091.
14. The requested area includes approximately 1,760.2 acres and 2,040 current customers.
15. The requested areas include 17 water subdivisions and 17 water systems, and 3 wastewater subdivisions and 3 wastewater systems. The requested service areas subject to this transaction are detailed in attachment A.
16. In Order No. 4 filed on July 30, 2021, the ALJ found the application administratively complete.

Intervention

17. On August 25, 2021, Cypress Hill Homeowners Association, Inc. filed a motion to intervene.
18. On October 12, 2021, Cypress Hill filed a motion to withdraw intervention.
19. In Order No. 6 filed on October 12, 2021, the ALJ granted Cypress Hill's motion to withdraw.

Notice

20. On August 2, 2021, the applicants filed the affidavit of Brian Bahr, director of rates and regulatory for Monarch, attesting that notice was provided to all current customers, neighboring utilities, and affected parties on July 26, 2021.
21. In Order No. 5 filed on August 31, 2021, the ALJ found the notice sufficient.

Evidentiary Record

22. On November 12, 2021, the parties jointly moved to admit evidence.

23. In Order No. 7 filed on November 19, 2021, the ALJ admitted the following evidence into the record: (a) the application of Utilities Investment, UIC 13, and Monarch, filed on June 1, 2021; (b) the applicants' supplemental information filed on June 17, 23, and 25 and July 1 and 14, 2021; (c) the applicants' proof of notice and supporting documentation filed on August 2, 2021; and (d) Commission Staff's recommendation on approval of sale filed on September 30, 2021.

System Compliance

24. Utilities Investment and UIC 13 have not been subject to any enforcement action by the Commission, TCEQ, the Texas Health and Human Services Commission, the Office of Attorney General, or the United States Environmental Protection Agency, with the exception of the Glenwood Mobile Home Subdivision.
25. Glenwood Mobile Home Subdivision has active violations with the TCEQ. The Applicants provided proof that plans have been submitted to the TCEQ to install a new water plant to serve the Glenwood Mobile Home Subdivision to address the violations. The plans for the new water plant were approved by the TCEQ on January 20, 2020. The water plant is currently being built by UIC and will be completed before the sale is complete..
26. Monarch has been subject to enforcement actions by the Commission, TCEQ, Texas Department of Health and Human Services, the Office of the Texas Attorney General, or the United States Environmental Protection Agency in the past five years for non-compliance with rules, orders, or state statutes.
27. Monarch has either resolved the non-compliance issues or has entered into compliance agreements that are leading to resolution of the violations.
28. Monarch does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
29. Monarch demonstrated a compliance history that is adequate for approval of the proposed transaction.

Adequacy of Existing Service

30. A portion of Utilities Investment's existing water facilities and water customers are being transferred to Monarch.

31. All of UIC 13's existing water facilities and water customers are being transferred to Monarch.
32. A portion of Utilities Investment existing sewer facilities and sewer customers are being transferred to Monarch.
33. All of UIC 13's existing sewer facilities and sewer customers are being transferred to Monarch.
34. As the existing facilities and service are adequate, there is no further construction necessary to provide service to the requested area with the exception of the Glenwood Mobile Home Subdivision.
35. The Applicants provided proof that plans have been submitted to the TCEQ to install a new water plant to serve the Glenwood Mobile Home Subdivision to address the violations. The plans for the new water plant were approved by the TCEQ on January 20, 2020. The water plant is currently being built by UIC and will be completed before the sale is complete.

Need for Additional Service

36. There are currently 2,040 current connections in the requested area that are receiving water service, sewer service, or both, who will continue to need service.

Effect of Approving the Transaction and Granting the Amendments

37. Approving the transaction will obligate Monarch to provide water and sewer service to current and future customers in the requested area.
38. Because no construction or changes in service are anticipated, the transaction will not affect landowners in the vicinity of the requested area or adjacent utilities.
39. Utilities Investment, UIC 13, and Monarch are the only utilities affected by this sale and transfer.

Ability to Serve: Managerial and Technical

40. The operations, maintenance, management, and customer services will be provided by Monarch through TCEQ-licensed operators who will operate the public water and sewer systems.

41. Monarch owns and operates 106 other public water systems. Some of Monarch's other public water systems have minor unresolved TCEQ violations that are unrelated to capacity and will not affect Monarch's ability to provide continuous and adequate service to the requested area.
42. Monarch has access to an adequate supply of water and is capable of providing water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the Texas Water Code (TWC), and the TCEQ's rules.
43. Monarch has the technical and managerial capability to provide continuous and adequate service to the requested areas.

Ability to Serve: Financial Ability and Stability

44. Monarch has a debt-to-equity ratio that is less than one and a debt-service ratio that is greater than 1.25, satisfying the leverage test.
45. Monarch has sufficient cash available to cover any projected operations and maintenance shortages during the first five years after the completion of the proposed sale and transfer, satisfying the operations test.
46. Monarch demonstrated the financial capability and stability to pay for the facilities necessary to provide continuous and adequate water and sewer service to the requested area.

Financial Assurance

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

Feasibility of Obtaining Service from Adjacent Retail Public Utility

48. It is not feasible for an adjacent utility to provide service to the requested area because Utilities Investment and UIC 13's existing facilities possess sufficient capacity to provide continuous and adequate service.
49. Utilities within a two-mile radius were noticed and no protests, adverse comments, or motions to intervene were filed by any adjacent retail public utility in this docket..

Regionalization or Consolidation

50. Because the requested area will not require construction of a physically separate water system or sewer system, it is not necessary to consider regionalization or consolidation with another retail public utility.

Environmental Integrity and Effect on the Land

51. The requested area will continue to be served by existing systems and facilities and no additional construction is needed, with the exception of the Glenwood Mobile Home Subdivision..
52. The proposed transaction will not adversely impact environmental integrity or the land.

Improvement in Service or Lowering Cost to Consumers

53. The service currently being provided to the requested area is not expected to change as a result of the transaction.
54. The rates charged to customers will not change as a result of the transaction.

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 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Monarch demonstrated that it is capable of rendering continuous and adequate water and sewer service to every customer within the requested area, as required by TWC § 13.251
3. Monarch 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. Utilities Investment, UIC 13 and Monarch demonstrated that the sale of Utilities Investment and UIC's 13's water and sewer facilities and the transfer of all of the service area under water CCN number 13242 and a portion of the service area under water CCN number 12671, and all the service area under sewer CCN number 21091 and a portion of the service area under sewer CCN number 20765 to Monarch will serve the public interest

and is necessary for the service, accommodations, 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 Utilities Investment, UIC 13, and Monarch 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 § 29.239(m), if the transaction is not consummated within this period, or an extension has not been granted, this approval is void and the applicants will have to reapply for approval.
5. The applicants are notified that the corresponding service area will remain under water CCN numbers 12671 and 13242, and sewer CCN numbers 20765 and 21091 and held by Utilities Investment and UCI 13 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 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 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 the 21st day of December 2021.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, appearing to read 'G. R. Siemankowski', written in a cursive style.

GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE