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DOCKET NO. 52201

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

**JOINT MOTION TO ADMIT EVIDENCE
AND PROPOSED NOTICE OF APPROVAL**

COME NOW Utilities Investment Company, Inc. (UIC) and UIC 13 LLC (UIC 13) and Monarch Utilities I L.P. (Monarch) (collectively, the Applicants), together with the Staff (Commission Staff) of the Public Utility Commission of Texas (Commission) (collectively, the Parties), and file this Joint Motion to Admit Evidence and Proposed Notice of Approval. In support thereof, the Parties would show the following:

I. BACKGROUND

On June 1, 2021, the Applicants filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Harris, Liberty, and Chambers counties under Texas Water Code (TWC) § 13.301 and 16 Texas Administrative Code (TAC) § 24.239. Monarch seeks to purchase a portion of the water and wastewater assets of UIC and UIC 13. The requested sale and transfer includes approximately 1,760.2 acres and 2,040 customers.

On June 2, 2022, Order No. 10 was issued, requiring the Parties to file a joint motion to admit evidence and proposed notice of approval by August 3, 2022. This pleading is therefore timely filed.

II. JOINT MOTION TO ADMIT EVIDENCE

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

1. The Applicants' proof of closing documents, filed on March 14, 2022 (Interchange Item No. 36);
2. Commission Staff's recommendation on the sufficiency of the closing documents, filed on May 31, 2022 (Interchange Item No. 39);
3. UIC's signed consent form concurring with Commission Staff's proposed final maps, certificates, and tariffs filed on July 20, 2022 (Interchange Item No. 41);
4. UIC 13's signed consent form concurring with Commission Staff's proposed final maps, certificates, and tariffs filed on July 20, 2022 (Interchange Item No. 42);
5. Monarch's signed consent forms concurring with Commission Staff's proposed final maps, certificates, and tariffs, filed on July 20 and July 22, 2022 (Interchange Item Nos. 43 and 44);
6. The CCN maps consented to by Monarch on July 20, 2022 (Interchange Item No. 43), by UIC on July 20, 2022 (Interchange Item No. 41), and by UIC 13 on July 20, 2022 (Interchange Item No. 42), included as *Attachment A* to this filing;
7. The CCN certificates consented to by Monarch on July 20, 2022 (Interchange Item No. 66), by UIC on July 20, 2022 (Interchange Item No. 41), and by UIC 13 on July 20, 2022 (Interchange Item No. 42), included as *Attachment B* to this filing; and
8. The proposed tariffs, consented to by Monarch on July 22, 2022 (Interchange Item No. 44), by UIC on July 20, 2022 (Interchange Item No. 41), and by UIC 13 on July 20, 2022 (Interchange Item No. 42), included as *Attachment C* to this filing.

III. JOINT PROPOSED NOTICE OF APPROVAL

The parties respectfully request that the Commission adopt the findings of fact, conclusions of law, and ordering paragraphs contained in the attached proposed notice of approval.

IV. CONCLUSION

The Parties respectfully request that the Commission grant the Joint Motion to Admit Evidence and adopt the attached Joint Proposed Notice of Approval.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that notice of the filing of this document was provided to all parties of record via electronic mail on August 3, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ William A. Faulk, III

William A. Faulk, III

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JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Notice of Approval addresses the application of Utilities Investment Company, Inc. (UIC) and UIC 13 LLC (UIC 13) and Monarch Utilities I L.P. (Monarch) (collectively, Applicants) for the sale, transfer, or merger of facilities and certificate rights in Harris, Liberty, and Chambers counties. The Commission approves the sale and transfer of a portion of UIC and UIC 13's facilities and assets under certificate of convenience and necessity (CCN) numbers 12671, 20765, 13242, and 21091 to Monarch and the amendment of Monarch's water number and sewer CCN numbers 12983 and 20899, to the extent provided in this Notice of Approval.

I. FINDINGS OF FACT

The Commission makes the following findings of fact.

Applicants

1. Monarch is a limited partnership registered with the Texas secretary of state under file 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 CCN number 20899 in Harris, Liberty, and Chambers counties.
3. UIC 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. UIC and UIC 13 are under common ownership.

6. UIC 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 number 20765 and 21091 in Harris County.
7. UIC and UIC 13 own and operate 15 public water systems (PWS) in Harris County, which are registered with the Texas Commission on Environmental Quality (TCEQ) under PWS identification numbers 1010931, 1012450, 1010706, 1011492, 1010640, 1011792, 1011253, 1011556, 1011734, 1012174, 1010112, 1012995, 1013172, 1013316, and 1010283.
8. UIC owns and operates one public water system in Liberty County registered with the TCEQ under PWS identification number 1460086.
9. UIC owns and operate one public water system in Chambers County, which is registered with the TCEQ under PWS identification number 0360111.
10. UIC and UIC 13 own and operate three public wastewater systems in Harris County registered with the TCEQ under PWS identification numbers WQ13882001, WQ12863001, and WQ14172001.

Application

11. On June 13, 2021, the Applicants filed the application at issue in this proceeding.
12. On June 17, 2021, June 23, 2021, June 25, 2021, July 1, 2021, and July 14, 2020, 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 currently held under UIC's water CCN number 12671 and all of its associated facilities and water service area under UIC 13's CCN number 13242 to Monarch's water CCN number 12983; (2) transfer a portion of associated facilities and sewer service area currently held under UIC's sewer CCN number 20765 and all of its 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 area consists of 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. (Cypress Hill) filed a Motion to Intervene.
18. On October 12, 2021, Cypress Hill filed a Motion to Withdraw.
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 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, 2022, the ALJ admitted the following evidence into the record:
 - (a) the application of UIC, UIC 13, and Monarch, filed on June 1, 2021;
 - (b) the Applicants' supplemental information filed on June 17, 2021, June 23, 2021, June 25, 2021, July 1, 2021, and July 14, 2020;
 - (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.

24. On August 3, 2022, the Parties filed a joint motion to admit evidence and proposed notice of approval.
25. In Order No. __, issued on _____, the ALJ admitted the following additional evidence into the record:
- (a) the Applicants' proof of closing documents, filed on March 14, 2022;
 - (b) Commission Staff's recommendation on the sufficiency of the closing documents, filed on May 31, 2022;
 - (c) UIC's signed consent form concurring with Commission Staff's proposed final maps, certificates, and tariffs filed on July 20, 2022;
 - (d) UIC 13's signed consent form concurring with Commission Staff's proposed final maps, certificates, and tariffs filed on July 20, 2022;
 - (e) Monarch's signed consent forms concurring with Commission Staff's proposed final maps, certificates, and tariffs, filed on July 20 and July 22, 2022;
 - (f) the CCN maps consented to by Monarch on July 20, 2022, by UIC on July 20, 2022, and by UIC 13 on July 20, 2022;
 - (g) the CCN certificates consented to by Monarch on July 20, 2022, by UIC on July 20, 2022, and by UIC 13 on July 20, 2022; and
 - (h) the proposed tariffs, consented to by Monarch on July 22, 2022, by UIC on July 20, 2022, and by UIC 13 on July 20, 2022.

Sale

26. In Order No. 8 filed on December 21, 2022, the ALJ approved the transaction to proceed and required the Applicants to file proof that the transaction had closed and that customer deposits had been addressed.
27. On January 13, 2022 and February 14, 2022, the Applicants filed status reports regarding efforts to complete the transaction.
28. On March 14, 2022, the Applicants filed notice that the sale had closed on December 17, 2021.

29. On March 14, 2022, the Applicants filed affidavits of closing attesting that customer deposits were transferred to Monarch.
30. On May 31, 2022, Commission Staff recommended that the closing documents be found sufficient.
31. In Order No. 10 filed on June 2, 2022, the ALJ found the closing documents sufficient.

System Compliance

32. UIC 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 Glenwood Mobile Home Subdivision.
33. Glenwood Mobile Home Subdivision has active violations with the TCEQ. The Applicants provided proof that plans have been submitted to 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 TCEQ on January 20, 2020. The water plant is currently being built by UIC and will be completed before the sale is complete.
34. Monarch has been subject to enforcement actions by the Commission, TCEQ, Texas Department of Health, the Office of the Attorney General, or the Environmental Protection Agency in the past five (5) years for non-compliance with rules, orders, or state statutes.
35. Monarch has either resolved the non-compliance issues or has entered into compliance agreements that are leading to resolution of the violations.
36. Monarch does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
37. Monarch demonstrated a compliance history that is adequate for approval of the proposed transaction.

Adequacy of Existing Service

38. A portion of UIC's existing water facilities and water customers are being transferred to Monarch.

39. All of UIC 13's existing water facilities and water customers are being transferred to Monarch.
40. A portion of UIC's existing sewer facilities and sewer customers are being transferred to Monarch.
41. All of UIC 13's existing sewer facilities and sewer customers are being transferred to Monarch.
42. 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 Glenwood Mobile Home Subdivision.
43. 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 water plant is currently being built by UIC and will be completed before the sale is complete.

Need for Additional Service

44. There are approximately 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 Amendment

45. Approving the transaction obligates Monarch to provide service to current and future customers in the requested area.
46. UIC, UIC 13, and Monarch are the only utilities affected by this sale and transfer.
47. 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.

Ability to Serve: Managerial and Technical

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

- 49. Monarch owns and operates 106 other PWS. Some of Monarch's other PWS have minor unresolved TCEQ violations that are unrelated to capacity and will not affect Monarch's ability to provide adequate service to the requested area.
- 50. 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 TWC, and the TCEQ's rules.
- 51. Monarch has the technical and managerial capability to provide continuous and adequate service to the requested area.

Ability to Serve: Financial Ability and Stability

- 52. Monarch has a debt-to-equity ratio of less than one and a debt-service ratio of greater than 1.25, satisfying the leverage test.
- 53. 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.
- 54. Monarch has demonstrated the financial capability and stability to provide continuous and adequate water service.

Financial Assurance

- 55. 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

- 56. It is not feasible for an adjacent utility to provide service to the requested area because UIC and UIC 13's existing facilities possess sufficient capacity to provide continuous and adequate service.
- 57. 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.

Environmental Integrity and Effect on the Land

58. 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.
59. The proposed transaction will not adversely impact the environmental integrity of the land.

Improvement of Service or Lowering Cost to Consumers

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

Regionalization or Consolidation

62. 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.

Maps, Certificates, and Tariffs

63. On July 6, 2022, Commission Staff emailed the proposed maps, certificates, and tariffs to the UIC and UIC 13. On July 8, 2022, Commission Staff emailed the proposed maps, certificates, and tariffs to Monarch.
64. On July 20, 2022, UIC and UIC filed consent forms concurring with the proposed final maps, tariffs, and certificates.
65. On July 20, 2022, Monarch filed a consent form concurring with the proposed final map and certificates.
66. On July 21, 2022, Monarch filed a consent form concurring with the proposed tariffs emailed by Commission Staff on July 21, 2022.
67. On August 3, 2022, the proposed maps, tariffs, and certificates were included as attachments to the joint motion to admit evidence and proposed notice of approval.

Informal Disposition

68. More than 15 days have passed since completion of the notice provided in this docket.

- 69. No party filed a protest and the motion to intervene has been withdrawn.
- 70. Monarch, UIC, UIC 13, and Commission Staff are the only Parties to this proceeding.
- 71. No party requested a hearing, and no hearing is needed.
- 72. Commission Staff recommended approval of this application.
- 73. The decision is not adverse to any party.

II. CONCLUSIONS OF LAW

The Commission makes the following conclusions of law.

- 1. The Commission has authority over this proceeding under Texas Water Code (TWC) §§ 13.241, 13.244, 13.246, 13.251, and 13.301.
- 2. UIC, UIC 13, and Monarch are retail public utilities as defined by TWC § 13.002(19) and 16 TAC § 24.3(31).
- 3. UIC, UIC 13, and Monarch's application meets the requirements of TWC § 13.244.
- 4. The Commission processed the application as required by the TWC, the Administrative Procedure Act,¹ and Commission Rules.
- 5. UIC, UIC 13, and Monarch completed the sale within the time required by 16 TAC § 24.239(m).
- 6. UIC, UIC 13, and Monarch complied with the requirements of 16 TAC § 24.239(k) and (l) with respect to customer deposits.
- 7. After consideration of the factors in TWC § 13.246(c), Monarch demonstrated it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
- 8. Monarch has demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested areas as required by TWC § 13.241(a) and 16 TAC § 13.301(b).

¹ Tex. Gov't Code §§ 2001.001–.903.

9. Monarch has access to an adequate supply of water and is capable of providing drinking water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the TWC, and the TCEQ's rules, in accordance with TWC § 13.241(b) and 16 TAC § 24.227(a)(1).
10. It is not necessary for Monarch to provide a bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
11. The Applicants have demonstrated that the sale of UIC and UIC 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 of 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, accommodation, convenience, and safety of the public as required by TWC §§ 13.246(b) and 13.301(d) and (e).
12. Monarch must record a certified copy of its certificate granted and map approved by this Notice of Approval, along with a boundary description of the service area, in the real property records of Harris, Liberty, and Chambers counties within 31 days of receiving this Notice of Approval and submit to the Commission evidence of the recording as required by TWC § 13.257(r) and (s).
13. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

III. ORDERING PARAGRAPHS

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

1. The Commission approves the sale and transfer of a portion of UIC's facilities, assets, and service areas under CCN numbers 12671 and 20765 to Monarch's CCN numbers 12983 and 20899, as shown in the maps attached to this Notice of Approval.
2. The Commission approves the sale and transfer of a portion of UIC 13's facilities, assets, and service areas under CCN numbers 13242 and 21091 to Monarch's CCN numbers 12983 and 20899, as shown in the maps attached to this Notice of Approval.

3. The Commission amends Monarch's CCN numbers 12983 and 20899 to include the facilities and service areas identified in the application, as shown on the maps attached to this Notice of Approval.
4. The Commission approves the maps and tariff attached to this Notice of Approval.
5. The Commission issues the certificate attached to this Notice of Approval.
6. Monarch must provide service to every customer or applicant for service within UIC and UIC 13's service areas that requests water and wastewater service and meets the terms of Monarch's water and wastewater service, and such service must be continuous and adequate.
7. Monarch must comply with the recording requirements in TWC § 13.257(r) and (s) for the areas in Harris, Liberty, and Chambers counties affected by the application and must submit to the Commission evidence of recording no later than 31 days after receipt of this Notice of Approval.
8. Within ten days of the date of this Notice of Approval, Commission Staff must provide a clean copy of the tariff approved by this Notice of Approval to central records to be marked Approved and filed in the Commission's tariff books.
9. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas this ____ day of _____, 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

GREGORY R. SIEMANKOWSKI
ADMINISTRATIVE LAW JUDGE