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DOCKET NO. 52502

APPLICATION OF TEXAS WATER	§	PUBLIC UTILITY COMMISSION
SYSTEMS, INC. AND UNDINE	§	
DEVELOPMENT, LLC FOR SALE,	§	OF TEXAS
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN GREGG, HENDERSON,	§	
SMITH, AND UPSHUR COUNTIES	§	

COMMISSION STAFF’S REVISED RECOMMENDATION ON THE TRANSACTION

I. INTRODUCTION

On September 2, 2021, Texas Water Systems, Inc. (TWS) and Undine Development, LLC (Undine) (jointly, Applicants) filed an application for approval of the sale, transfer, or merger of facilities and certificate of convenience and necessity (CCN) rights in Gregg, Henderson, Smith, and Upshur Counties. On August 26, 2022, the application was amended to replace Undine Development, LLC with Undine Texas, LLC (Undine) as the applicant.

On April 24, 2023, the administrative law judge (ALJ) filed Order No. 22, requiring the Staff (Staff) of the Public Utility Commission of Texas (Commission) to request a hearing or file a final recommendation on approval of the sale and CCN amendment by May 4, 2023. Therefore, this pleading is timely filed.

II. RECOMMENDATION ON THE TRANSACTION

As detailed in the attached memoranda of Patricia Garcia of the Infrastructure Division and Jorge Ordonez of the Rate Regulation Division, Staff recommends that the transaction be approved to proceed. Staff’s review indicates that the proposed transaction satisfies the relevant statutory and regulatory criteria, including those factors identified in Texas Water Code (TWC) Chapter 13 and 16 Texas Administrative Code (TAC) Chapter 24. Staff further contends that Undine has demonstrated it possesses the financial, technical, and managerial capability to provide continuous and adequate service to the area subject to the proposed transaction. Therefore, Staff recommends that the transaction will serve the public interest and should be allowed to proceed without a public hearing.

In addition, Staff recommends that the Applicants be ordered to file documentation demonstrating that the transaction has been consummated and that the disposition of any remaining deposits have been addressed as required under 16 TAC §§ 24.109(m)-(n).

If the Commission enters an order permitting the transaction to proceed, such approval expires 180 days from the date of the Commission's written approval of the sale. If the sale is not effectuated within that period, and unless the Applicants request and receive an extension from the Commission, the approval is void and the Applicants must re-apply for approval of the sale.

III. CONCLUSION

For the reasons detailed above, Staff respectfully requests that an order be issued allowing the proposed transaction to proceed.

Dated: May 4, 2023

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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DOCKET NO. 52502

CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on May 4, 2023, in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/Ian Groetsch
Ian Groetsch

Public Utility Commission of Texas

Memorandum

TO: Ian Groetsch, Attorney
Legal Division

FROM: Patricia Garcia, Infrastructure Analysis Section Director
Infrastructure Division

DATE: May 4, 2023

RE: Docket No. 52502 - *Application of Texas Water Systems, Inc. and Undine Texas, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Gregg, Henderson, Smith, and Upshur Counties*

1. Introduction

On September 2, 2021, Undine Development, LLC (Undine Development) and Texas Water Systems, Inc. (TWS) filed an application for the sale of facilities and certificate rights and dual certification with Pritchett Water Supply Corporation (Pritchett WSC) and Crystal Systems Texas, Inc. (Crystal Systems) in Gregg, Henderson, Smith, and Upshur Counties, Texas. The application is subject to Texas Water Code (TWC) §§ 13.242 through 13.250 and § 13.301 and 16 Texas Administrative Code (TAC) §§ 24.225 through 24.237 and § 24.239. On August 26, 2022, a revised application was submitted to substitute Undine Texas, LLC (Undine Texas) as the applicant. As a result, my evaluation assumes that Undine Texas will be the acquiring entity. Collectively, I refer to Undine Texas and TWS as the Applicants.

Undine Texas, certificate of convenience and necessity (CCN) No. 13260, seek approval to acquire facilities and transfer portions of water service areas from TWS under water CCN No. 12473. Additionally, Undine Texas requests to amend the CCN to add uncertificated areas and for dual certification with Pritchett WSC, CCN No. 10478, and Crystal Systems, CCN No. 10804.

Based on the mapping review by Tracy Montes, Infrastructure Division, the digital mapping data submitted on September 2, 2021 (Item 1) and December 23, 2021 (Item 18), in addition to the revised maps submitted on September 23, 2022 (Item 70) are sufficient. In addition, the approximate total acreage for the requested area includes 10,619 acres (sum of 10,631 acres minus 12 acres to be decertified) with approximately 1,116 total customer connections to Undine Texas, CCN No. 13260, as follows:

- Transfer portions from TWS (CCN 12473) that includes 5,669 acres and approximately 930 customers;
- Decertify portions from TWS (CCN 12473) that include 12 acres with no customers;

- Add uncertificated areas that include 4,921 acres and approximately 186 customers;
- Obtain dual certification with portions of Pritchett WSC (CCN 10478) that include 8 acres and 2 customers; and
- Obtain dual certification with portions of Crystal Systems (CCN 10804) that include 21 acres and 6 customers.

2. Notice

Undine Development provided notice consistent with 16 TAC § 24.239(c). The deadline to intervene was March 28, 2022; there were no motions to intervene, protests, or opt-out requests received.

On December 28, 2022, Order No. 16, the ALJ withdrew the finding that notice was sufficient when the amended application was submitted and required revised notice to be sent to customers. Undine Texas provided revised notice on February 15, 2023. The intervention deadline date was March 27, 2023; there were no motions to intervene, protests, or opt-out requests received.

3. Factors Considered

Under TWC § 13.301(e) and 16 TAC § 24.239(h), the Commission must consider certain factors when granting or amending a water or sewer CCN. These factors are addressed below.

3.1. *Consideration of the adequacy of service currently provided to the requested area and system compliance (TWC §§ 13.246(c)(1) and 13.301(e)(3)(A); 16 TAC §§ 24.227(a) and (e)(1) and 24.239(h)(3)(A), (h)(5)(A), and (h)(5)(I)).*

TWS has several public water systems (PWS) approved by the Texas Commission on Environmental Quality (TCEQ). This application proposes the transfer of 9 PWS and subdivisions, listed below.

Table 1- List of PWS & Subdivisions Proposed for Transfer

PWS ID	Name of PWS	Subdivisions Served
2300015	Brookshires Camp Joy Water System	Camp Joy
1070176	Cape Tranquility System	Cape Tranquility
2300021	Country Club Estates	Country Club Estates
2300020	Friendship Water System	Friendship
0920031	Garden Acres System	Garden Acres
2120081	Garden Valley Resort	Garden Valley Resort
2120034	Mount Sylvan Water System	Mount Sylvan
2300026	Rosewood Water System	Rosewood/Harmony
2120104	Stallion Lake Ranch	Stallion Lake Ranch

Some of the public water systems have violations listed in the TCEQ database. The Applicants submitted documentation indicating compliance had been achieved in some of these systems. There is a plan in place to resolve a capacity violation of the Cape Tranquility System. As there is no potential for growth in the areas served by these systems, TWS will be submitting a request for an alternate capacity requirement exception to the TCEQ. The Commission's complaint records, which date back to 2017, show 10 complaints against TWS. All the complaints have been closed by the Commission's Customer Protection Division.

3.2. *Consideration of the need for additional service in the requested area (TWC § 13.246(c)(2); 16 TAC §§ 24.227(e)(2) and 24.239(h)(5)(B)).*

The purpose of the transaction will be to transfer the water systems and subdivisions listed in Table 1 as well as certain currently uncertificated areas to Undine Texas. Customers are currently receiving water service from TWS's water systems in each of the requested areas. At this time, TWS does not have any additional requests for service in the requested area.

3.3. *Consideration of the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already servicing the proximate area (TWC § 13.246(c)(3); 16 TAC §§ 24.227(e)(3) and 24.239(h)(5)(c)).*

Undine Texas will be the certificated entity for the requested areas and be required to provide continuous and adequate service to the requested areas.

There will be no change for landowners in the affected areas because Undine Texas will be acquiring TWS's existing systems serving those areas. Landowners in the currently uncertificated areas will have a water service provider available when this application receives final approval.

In the dually certificated areas customers will have an option to select their provider as the dually certificated utilities and Undine Texas will have access to provide service to customers. There will be no effect on any other retail public utility servicing the proximate area.

3.4. *Consideration of the managerial and technical ability of the applicant to provide adequate service (TWC §§ 13.241(a) and (b), 13.246(c)(4), and 13.301(b) and (e)(2); 16 TAC §§ 24.227(a) and (e)(4), and 24.239(f) and (h)(5)(D)).*

TCEQ rule, 30 TAC § 290.46(e), Minimum Acceptable Operating Practices for Public Drinking Water Systems, requires the operation of a public water system by trained and licensed personnel. The production, treatment, and distribution facilities at the public water system must be operated at all times under the direct supervision of a water works operator who holds an applicable, valid license issued by the TCEQ executive director. The licensed operator of a public water system may be an employee, contractor, or volunteer. Undine Texas will have qualified TCEQ licensed operators licensed in water to run the acquired systems.

Undine Texas has the managerial and technical ability to provide adequate service in the requested areas. Undine Texas has many TCEQ-approved PWS. The Commission's Customer Protection Division has evaluated and closed 130 complaints at this time. The three open complaints were received in April 2023.

Undine Texas indicated that there are open violations in the TCEQ database which mostly stem from inspections performed by the TCEQ after the purchase of under-capitalized systems. Undine Texas further states that many of these violations, which may have existed for a long period before Undine Texas submitted the application for transfer to the Commission, are not made official by the TCEQ until after the system is acquired by Undine Texas. Undine Texas states they are actively working on resolving the violations that have been identified by the TCEQ at each of their water and wastewater systems. Undine Texas has an open violation at the Commission, SIR2021120009, for violations related to compliance with their rate tariff. The investigation is on hold as a formal complaint was filed in Docket 53373 over the same issue.

3.5. *The applicants' demonstration that regionalization or consolidation with another retail public utility is not economically feasible when construction of a physically separate water or sewer system is required to provide service to the requested area. (TWC § 13.241(d); 16 TAC § 24.227(b)).*

The construction of a physically separate system is not necessary for Undine Texas to serve the requested area. Therefore, concerns of regionalization or consolidation do not apply.

3.6. *Consideration of the feasibility of obtaining service from an adjacent retail public utility (TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5) and 24.239(h)(5)(E)).*

TWS is currently serving customers and has sufficient capacity for all systems except the Cape Tranquility System. As stated above in subsection 3.1, TWS will be submitting a request for an alternate capacity requirement exception to the TCEQ as no additional growth is possible in the area served by that system. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

3.7. *An application for a certificate of public convenience and necessity or for an amendment to a certificate must contain: a capital improvements plan, including a budget and estimated timeline for construction of all facilities necessary to provide full service to the entire proposed service area (TWC § 13.244(d)(3)).*

Undine Texas is proposing to make improvements to the TWS's water systems. The proposed capital improvements are expected to exceed \$100,000, therefore the need for firm capital commitment under 16 TAC § 24.11(e)(5) is required.

3.8. *Consideration of the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service (TWC §§ 13.246(c)(6) and 13.301(b); 16 TAC §§ 24.227(a) and (e)(6), 24.11(e), and 24.239(f) and (h)(5)(F)).*

The Rate Regulation Division is addressing this factor in a separate memo and has determined that Undine Texas has the required financial ability.

- 3.9. *Requirement of the applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided (TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(f), 24.239(f)).*

The Rate Regulation Division is addressing this factor in a separate memo and has determined that a bond or other financial assurance is not needed.

- 3.10. *Consideration of the environmental integrity and the effect on the land to be included in the certificated area (TWC § 13.246(c)(7) and (9); and 16 TAC §§ 24.227(e)(7) and (9) and 24.239(h)(5)(G)).*

The environmental integrity of the land will not be affected as no additional construction is needed to provide service to the requested area.

- 3.11. *Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8) and 24.239(h)(5)(H)).*

If the transaction occurs, I expect that service will improve and costs to customers (consumers) will be lower compared to service and costs if the transaction does not occur. Undine Texas is a large and growing utility. This scale gives them the ability to operate their systems and comply with regulatory requirements more efficiently than smaller utilities.

As originally filed, the TWS and area proposed for acquisition would have become a part of Undine Development. Undine Development is a much smaller utility than Undine Texas that has rates similar to Undine Texas plus a pending application for approval of a system improvement charge that would substantially increase rates to customers of its currently owned system.

As shown in Attachment 1 (confidential) of my memorandum, Undine Texas's evaluation shows that many of the public water systems requesting to be transferred to Undine Texas need extensive water capital upgrades. As a result, if TWS is not acquired, the current owner will need to make upgrades and those upgrades would support a substantial increase of TWSs' rates if it remains a standalone utility. Attachment 2 (confidential) of my memorandum shows Undine Texas's financial projections using TWS's rates and Undine Texas's phased-in rates that were approved by the Commission in their last comprehensive rate case, Docket No. 50200. Attachment 2 shows that with the upgrades, TWS would operate at a substantial loss without a rate increase. It is important to note the authorized rate of return of 6.7%¹ was approved in their last comprehensive rate case.

Attachment 3 of my memorandum are excerpts from the tariff of Undine Texas that was in force when the application in this docket was filed on September 2, 2021.² Attachment 4

¹ *Application of Undine Texas, LLC and Undine Texas Environmental, LLC for Authority to Change Rates*, Docket No. 50200 (Nov. 5, 2020).

² Since the filing of the application in the current docket, Undine Texas filed an application for a pass-through rate change for three subdivisions it serves. *Application of Undine Texas, LLC for a Pass Through Rate Change*, Tariff Control No. 53209 (pending).

of my memorandum is a comparison of the rates of TWS (not including Camp Joy) and Undine Texas at the comparison volumes of 2,000 gallons, 5,000 gallons, and 10,000 gallons. Attachment 5 is a comparison of the rates of TWS and Undine Texas at the comparison volumes of 2,000 gallons, 5,000 gallons, and 10,000 gallons at the Camp Joy water system. Attachment 6 of my memorandum shows usage characteristics of TWS customers not including Camp Joy, at the monthly consumption of 6,000 gallons. Attachment 7 of my memorandum shows usage characteristics of TWS customers at the Camp Joy water system at the monthly consumption of 6,000 gallons.

It is important to note that the rates, including the rate design, for Undine Texas were recently approved by the Commission in Docket No. 50200. However, a concern that I have is that Undine Development currently owns only one system, a moderately sized system in the Austin area that has much different cost characteristics than the TWS PWS. Such a combination appears unlikely to be able to achieve the regulatory efficiencies of the acquisition of the TWS water system by Undine Texas, including use of their rates that are based on the costs to operate a large number of systems.

The Applicants will meet all of the statutory requirements of TWC Chapter 13 and the Commission's Chapter 24 rules that are applicable to their application. Approving this application is necessary for the service, accommodation, convenience and safety of the public.

4. Recommendation

Based on the above analysis and once the application is amended to substitute Undine Texas as the acquiring entity, I recommend that the Commission find that the transaction will serve the public interest and that the applicants be allowed to proceed with the proposed transaction. There are deposits held by TWS for some of the customers that will be transferred to Undine Texas. I further recommend that a public hearing on the application is not necessary.

Public Utility Commission of Texas

Memorandum

TO: Ian Groetsch
Legal Division

FROM: Jorge Ordonez
Rate Regulation Division

DATE: May 4, 2023

RE: Docket No. 52502 – *Application of Texas Water Systems, Inc. and Undine Development, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Gregg, Henderson, Smith, and Upshur Counties*

On September 2, 2021, Texas Water Systems, Inc. (TWS), CCN No. 12473 (water), and Undine Development, LLC (Undine Development), CCN No. 12407 (water), filed an application for the sale, transfer, or merger of facilities and certificate rights in Gregg, Henderson, Smith, and Upshur Counties under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code (TAC) § 24.239.

On August 26, 2022, TWS and Undine Development filed an amended application requesting the substitution of Undine Texas, LLC (Undine Texas), CCN No. 13260 (water), as the acquiring utility in place of Undine Development.

An owner or operator of a retail public utility must have the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service areas, as established by 16 TAC § 24.11. Undine Texas must demonstrate that it meets one of the five leverage tests under 16 TAC § 24.11(e)(2) as well as the operations test under 16 TAC § 24.11(e)(3).

Leverage test

Undine Texas filed a guaranty stating that Undine Group, LLC is capable, available, and willing to cover any temporary cash shortages or operating expense shortfalls.¹

My analysis is based on financial statements ending December 31, 2020. These financial statements contain an unqualified auditor's opinion from Plante & Moran, PLLC stating that the financial statements present fairly, in all material respects, the financial position of Undine Group, LLC as of December 31, 2020.²

Undine Texas provided the financial statements of Undine Group, LLC, which demonstrates debt-to-equity ratio of 0.06.³ Based upon my review of the financial statements of Undine Group, LLC, I

¹ Application, 52502 Highly Sensitive Exhibit A to Application at 36 of 38 (Aug. 31, 2022).

² Application, 52502 Highly Sensitive Exhibit A to Application at 6 of 38 (Apr. 29, 2022).

³ *Id.*, at 7 of 38. The calculations for which can be found in Confidential Attachment JO-1.

recommend a finding that Undine Group, LLC meets the leverage test specified in 16 TAC § 24.11(e)(2)(A). Therefore, I recommend a finding that—through its affiliate—Undine Texas meets the leverage test as specified in 16 TAC § 24.11(e)(2)(E).

Operation Test

An affiliated interest may provide a written guaranty of coverage of temporary cash shortages if the affiliated interest also satisfies the leverage test, as required by 16 TAC § 24.11(e)(3).

Undine Group, LLC provided a written guaranty and also satisfied the leverage test. Therefore, I recommend a finding that Undine Texas meets the operations test specified in 16 TAC § 24.11(e)(3).

Planned Capital Improvements and Purchase Price

An applicant proposing service to a new CCN area must provide documentation of adequate funding for the purchase of an existing system plus any improvements necessary to provide continuous and adequate service to the existing customers per 16 TAC § 24.11(e)(5)(A).

The applicant has filed documentation demonstrating adequate cash funding of the purchase price and planned system improvements for the TWS water system.⁴ Therefore, I recommend a finding that Undine Texas satisfies the requirements of 16 TAC § 24.11(e)(5)(A).

Recommendation

Because Undine Texas meets the financial tests, I do not recommend that the Commission require additional financial assurance.

Consequently, I recommend a finding that Undine Texas demonstrates the financial and managerial capability needed to provide continuous and adequate service to the area subject to this application. My conclusions are based on information provided by Undine Texas before the date of this memorandum and may not reflect any changes in Undine Texas's status after this review.

⁴ Supplement Response to Staff RF1 1-1 (Feb. 1, 2022).

Attachment 3:
UNDINE TEXAS, LLC WATER TARIFF RATE
PAGES

SECTION 1.0 -- RATE SCHEDULE

Section 1.01 – Rates

Rate Year 1

Effective Date: August 1, 2020

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallage Charge</u>
5/8"	<u>\$37.81</u> (Includes 0 gallons)	<u>\$2.02</u> per 1000 gallons from 0 to 6,000 gallons
3/4"	<u>\$56.72</u>	<u>\$2.94</u> per 1,000 gallons from 6,001 to 15,000 gallons
1"	<u>\$94.53</u>	<u>\$5.25</u> per 1,000 gallons from 15,001 gallons to 25,000 gallons
1 1/2"	<u>\$189.05</u>	<u>\$7.79</u> per 1,000 gallons from 25,001+ gallons
2"	<u>\$302.48</u>	
3"	<u>\$567.15</u>	
4"	<u>\$983.06</u>	
Other (Unmetered)	<u>\$60.50</u>	

Rate Year 2

Effective Date: August 1, 2021

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallage Charge</u>
5/8"	<u>\$44.37</u> (Includes 0 gallons)	<u>\$2.21</u> per 1000 gallons from 0 to 6,000 gallons
3/4"	<u>\$66.56</u>	<u>\$3.13</u> per 1,000 gallons from 6,001 to 15,000 gallons
1"	<u>\$110.93</u>	<u>\$5.44</u> per 1,000 gallons from 15,001 gallons to 25,000 gallons
1 1/2"	<u>\$221.85</u>	<u>\$7.98</u> per 1,000 gallons from 25,001+ gallons
2"	<u>\$354.96</u>	
3"	<u>\$665.55</u>	
4"	<u>\$1,153.62</u>	
Other (Unmetered)	<u>\$70.99</u>	

Rate Year 3

Effective Date: August 1, 2022

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallage Charge</u>
5/8"	<u>\$50.93</u> (Includes 0 gallons)	<u>\$2.41</u> per 1000 gallons from 0 to 6,000 gallons
3/4"	<u>\$76.40</u>	<u>\$3.33</u> per 1,000 gallons from 6,001 to 15,000 gallons
1"	<u>\$127.33</u>	<u>\$5.64</u> per 1,000 gallons from 15,001 gallons to 25,000 gallons
1 1/2"	<u>\$254.65</u>	<u>\$8.18</u> per 1,000 gallons from 25,001+ gallons
2"	<u>\$407.44</u>	
3"	<u>\$763.95</u>	
4"	<u>\$1,324.18</u>	
Other (Unmetered)	<u>\$81.49</u>	

Rate Case Expenses

Monthly Rate Case Expense Surcharge\$1.12 per month
 Effective Date: August 1, 2020. The rate case expense surcharge will be collected for 36 months or until the full \$244,178.13 of rate case expenses related to Docket No. 50200 is collected, whichever occurs first.

SECTION 1.0 -- RATE SCHEDULE (Continued)

Additional Pass Through Charges

All Former Orbit Systems, Inc. Customers (see list on pages 1-4)

Brazoria County Groundwater Conservation District Production Fee \$0.03 per 1,000 gallons of water usage

723 Utility/Riverside Ranch Subdivision Only

North Fort Bend Water Authority Production Fee..... \$3.68 per 1,000 gallons of water usage
 $\$3.35 / (1 - 0.09) = \3.68
(Tariff Control No. 48190)

Forest Manor and Heathergate Subdivisions Only

City of Houston Groundwater Reduction Plan (GRP) Fee \$1.53 per 1,000 gallons of water usage
 $\$0.894 / (1 - 0.15) = \1.53
Tariff Control No. 50071)

Sweetgum Forest, Sweetgum Estates Customers Only

Aqua Texas, Inc. Regional Pass Through Gallonage Charge \$7.66 per 1,000 gallons of water usage
 $\$5.01 / (1 - 0.345546) = \7.66
(Tariff Control No. 50072)

Porter Terrace Customers Only

San Jacinto River Authority (SJRA) \$4.25 per 1,000 gallons of water usage
 $\$2.64 / (1 - 0.3789) = \4.25
(Tariff Control No. 49570)

Spring Forest Customers Only

San Jacinto River Authority (SJRA) \$3.82 per 1,000 gallons of water usage
 $\$2.64 / (1 - 0.3089) = \3.82
(Tariff Control No. 49570)

Greengate Acres Customers Only

North Harris County Regional Water Authority (NHCRWA)..... \$5.86 per 1,000 gallons of water usage
 $\$3.85 / 1 - 0.3435) = \5.86
(Tariff Control No. 49570)

Springmont Customers Only

North Harris County Regional Water Authority (NHCRWA)..... \$6.20 per 1,000 gallons of water usage
 $\$3.85 / (1 - 0.3789) = \6.20
(Tariff Control No. 49570)

Huffman Heights Customers Only

City of Houston Groundwater Reduction Plan (GRP) Fee \$1.23 per 1,000 gallons of water usage
 $\$0.945 / (1 - 0.2315) = \1.23
(Tariff Control No. 49570)

SECTION 1.0 -- RATE SCHEDULE (Continued)

Urban Acres Customers Only

City of Houston Groundwater Reduction Plan (GRP) Fee \$1.47 per 1,000 gallons of water usage
 $\$0.945 / (1 - 0.3552) = \1.47
(Tariff Control No. 49570)

Meadowlake Estates Subdivision Customers Only

City of Houston Groundwater Reduction Plan (GRP) Fee \$4.06 per 1,000 gallons of water usage
 $\$2.52 / (1 - 0.3789) = \4.06
(Tariff Control No. 49570)

Pioneer Trails Subdivision Customers Only:

Crystal Springs Wholesale Purchase Water Fee..... \$23.95 per connection *(Tariff Control No. 46849)* plus
\$8.38 per 1,000 gallons of water usage
 $\$5.206 / (1 - 0.3789) = \8.38
(Tariff Control No. 49570)

Cypress Bend Subdivision Customers Only:

North Harris County Regional Water Authority (NHCRWA)..... \$5.47 per 1,000 gallons of water usage
 $\$3.85 / (1 - 0.296) = \5.47
(Tariff Control No. 49346)

Castlewood Subdivision Customers Only:

City of Houston Groundwater Reduction Plan (GRP) Fee \$1.51 per 1,000 gallons of water usage
 $\$0.945 / (1 - 0.3727) = \1.51
(Tariff Control No. 50071)

Beaumont Place Subdivision Customers Only:

Harris County MUD No. 421 \$4.75 per 1,000 gallons of water usage
During the time of the emergency interconnect with Harris County MUD No. 421, Undine's
current gallonage charge will not apply.
(Tariff Control No. 47883)

Bell Manor Subdivision Customers Only:

Purchased Water Fees for Johnson County Special Utility District...\$2.51 per 1,000 gallons of water usage

Bear Creek Estates Subdivision Customers Only

Northern Trinity Groundwater Conservation District Water Production Fee...\$0.15 per 1,000 gallons of
water usage
 $\$0.125 / (1 - 0.15) = \0.15
(Tariff Control No. 48031)

All former Chuck Bell Water Systems, LLC Customers only except Bear Creek Estates in
Tarrant County

Prairielands Groundwater Conservation District Water Production Fee...\$0.24 per 1,000 gallons of water
usage

SECTION 1.0 -- RATE SCHEDULE (Continued)

FORM OF PAYMENT: The utility will accept the following forms of payment:

Cash X, Check X, Money Order X, Credit Card X, Other (specify) Online Payment or Automatic Bank Draft

THE UTILITY MAY REQUIRE EXACT CHANGE FOR PAYMENTS AND MAY REFUSE TO ACCEPT PAYMENTS MADE USING MORE THAN \$1.00 IN SMALL COINS. A WRITTEN RECEIPT WILL BE GIVEN FOR CASH PAYMENTS.

UNAFFILIATED THIRD PARTIES WHO ACCEPT AND PROCESS CREDIT CARD, AND ELECTRONIC PAYMENTS FOR UTILITY BILLS MAY REQUIRE PAYMENT OF AN ADDITIONAL CONVENIENCE CHARGE FOR THIS SERVICE.

REGULATORY ASSESSMENT 1.0%
 PUC RULES REQUIRE THE UTILITY TO COLLECT A FEE OF ONE PERCENT OF THE RETAIL MONTHLY BILL AND TO REMIT FEE TO THE TCEQ.

Section 1.02 - Miscellaneous Fees

TAP FEE \$1,200.00
 TAP FEE COVERS THE UTILITY'S COSTS FOR MATERIALS AND LABOR TO INSTALL A STANDARD RESIDENTIAL 5/8" or 3/4" METER. AN ADDITIONAL FEE TO COVER UNIQUE COSTS IS PERMITTED IF LISTED ON THIS TARIFF.

TAP FEE (Unique costs) Actual Cost
 FOR EXAMPLE, A ROAD BORE FOR CUSTOMERS OUTSIDE OF SUBDIVISIONS OR RESIDENTIAL AREAS.

TAP FEE (Large meter) Actual Cost
 TAP FEE IS THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR METER SIZE INSTALLED.

METER RELOCATION FEE Actual Relocation Cost, Not to Exceed Tap Fee
 THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS THAT AN EXISTING METER BE RELOCATED.

METER TEST FEE

THIS FEE WHICH **SHOULD REFLECT THE UTILITY'S COST MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO-YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY. THE FEE MAY NOT EXCEED \$25.**

- a) Residential \$25.00
- b) Commercial \$50.00

RECONNECTION FEE

THE RECONNECT FEE MUST BE PAID BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEEN DISCONNECTED FOR THE FOLLOWING REASONS (OR OTHER REASONS LISTED UNDER SECTION 2.0 OF THIS TARIFF):

- a) Non-payment of bill (Maximum \$25.00) \$25.00
- b) Customer's request that service be disconnected \$50.00
- c) After hours reconnection \$50.00

SECTION 1.0 -- RATE SCHEDULE (Continued)

TRANSFER FEE.....\$65.00

THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (EITHER \$5.00 OR 10% OF THE BILL)..... \$5.00 or 10%

PUC RULES ALLOW A ONE-TIME PENALTY TO BE CHARGED ON DELINQUENT BILLS. A LATE CHARGE MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE.....\$30.00

RETURNED CHECK CHARGES MUST BE BASED ON THE UTILITY'S DOCUMENTABLE COST.

CUSTOMER DEPOSIT RESIDENTIAL (Maximum \$50).....\$50.00

COMMERCIAL & NON-RESIDENTIAL DEPOSIT..... 1/6TH OF ESTIMATED ANNUAL BILL

GOVERNMENTAL TESTING, INSPECTION AND COSTS SURCHARGE:

WHEN AUTHORIZED IN WRITING BY PUC AND AFTER NOTICE TO CUSTOMERS, THE UTILITY MAY INCREASE RATES TO RECOVER INCREASED COSTS FOR INSPECTION FEES AND WATER TESTING. [16 TAC § 24.25(b)(2)(G)]

LINE EXTENSION AND CONSTRUCTION CHARGES:

REFER TO SECTION 3.0--EXTENSION POLICY FOR TERMS, CONDITIONS, AND CHARGES WHEN NEW CONSTRUCTION IS NECESSARY TO PROVIDE SERVICE.

PASS THROUGH ADJUSTMENT CLAUSE:

The utility may pass on only to those customers served by a system subject to the jurisdiction of any Regional Water Authority and/or any Groundwater Reduction Plan, any increase or decrease in its Underground Water District Pumpage Fee or Purchased Water Fee, thirty (30) days after noticing of any change to all affected customers and filing notice with the PUC as required by 16 TAC § 24.25(b)(2)(F). The charge per customer shall be calculated as follows:

(A x B) / C + L [(A x B) / C] = increase or decrease to existing gallonage rate,

Where:

- A = utility's annualized change in cost of water subjected to district's fee
- B = average number of gallons
- C = 1,000 gallons
- L = percentage systemwide line loss for the preceding 12 months, not to exceed 15%

SECTION 1.0 -- RATE SCHEDULE (Continued)

PURCHASED WATER AND/OR DISTRICT FEE PASS THROUGH CLAUSE:

Changes in fees imposed by any non-affiliated third party water supplier or underground water district having jurisdiction over the Utility shall be passed through as an adjustment to the water gallonage charge according to the following formula:

$$AG=G + B/(1-L),$$

Where:

AG= adjusted gallonage charge, rounded to the nearest one cent;

G= approved gallonage charge (per 1,000 gallons);

B=change in purchased water/district gallonage charge (per 1,000 gallons);

L=system average line loss for preceding 12 months not to exceed 0.15

FRANCHISE FEE ASSESSMENT. Franchise fees levied by a municipality may be passed through to those customers inside the city generating the revenues upon which the franchise fee is calculated. Implementation of this pass through clause shall be subject to the notice and approval process of the city having original jurisdiction over these fees. Franchise fees may not be passed through or allocated to utility customers outside the municipality.

EASEMENTS. Pursuant to 16 TAC § 24.161(d), easements from customers may be required as a precondition of service when:

- (1) Where recorded public utility easements **on the service applicant's property do not** exist or public road right-of-way easements are not available to access the property of a service applicant, the public utility may require the service applicant or land owner to grant a permanent recorded public easement dedicated to the public utility to construct, install, maintain, inspect and test water and/or sewer facilities necessary to serve the applicant.

As a condition of service to a new subdivision, public utilities may require developers to provide permanent recorded public utility easements to and throughout the subdivision sufficient to construct, install, maintain, inspect, and test water and/or sewer facilities necessary to serve the **subdivision's anticipated service demands upon full occupancy.**

Attachment 4:
COMPARISON OF RATES AT 2,000, 5,000 AND
10,000 GALLONS

Does not include Camp Joy

Rate comparison - Water

Texas Water System

Meter Size	Current Rate	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons		
				Lowest	Highest	2,000	5,000	10,000
5/8"	\$42.00		\$3.00	1	1,000,000	\$48.00	\$57.00	\$72.00

13260 - rates for Undine Texas, LLC

Meter Size	Proposed	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons		
				Lowest	Highest	2,000	5,000	10,000
5/8"	\$50.93		\$2.41	0	6,000	\$55.75	\$62.98	\$78.71
			\$3.33	6,001	15,000			
Increase						\$7.75	\$5.98	\$6.71
						16.15%	10.49%	9.32%

Attachment 5:
CAMP JOY:
COMPARISON OF RATES AT 2,000, 5,000 AND
10,000 GALLONS

Rate comparison - Water

Texas Water System - Camp Joy only

Meter Size	Current Rate	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons		
				Lowest	Highest	2,000	5,000	10,000
5/8"	\$19.00	2000	\$2.00	2,001	8,000	\$19.00	\$25.00	\$35.00

13260 - rates for Undine Texas, LLC

Meter Size	Proposed	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons		
				Lowest	Highest	2,000	5,000	10,000
5/8"	\$50.93		\$2.41	0	6,000	\$55.75	\$62.98	\$78.71
			\$3.33	6,001	15,000			
				Increase		\$36.75	\$37.98	\$43.71
						193.42%	151.92%	124.89%

Attachment 6:
COMPARISON OF RATES AT 6,000 GALLONS
Does not include Camp Joy

Rate comparison - Water

Texas Water System

Meter Size	Current Rate	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons
				Lowest	Highest	6,000
5/8"	\$42.00	1000	\$3.00	1,001	1,000,000	\$57.00

13260 - rates for Undine Texas, LLC

Meter Size	Proposed	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons
				Lowest	Highest	6,000
5/8"	\$50.93		\$2.41	0	6,000	\$65.39

Increase \$8.39
14.72%

Attachment 7:

CAMP JOY:

COMPARISON OF RATES AT 2,000, 5,000 AND
10,000 GALLONS

Rate comparison - Water

Texas Water System - Camp Joy only

Meter Size	Current Rate	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons
				Lowest	Highest	6,000
5/8"	\$19.00	2000	\$2.00	2,001	8,000	\$27.00

13260 - rates for Undine Texas, LLC

Meter Size	Proposed	Including _____ # of gallons	Tiered Rates	Gallonage Range		Gallons
				Lowest	Highest	6,000
5/8"	\$50.93		\$2.41	0	6,000	\$65.39

Increase \$38.39
142.19%