



## Filing Receipt

**Received - 2023-02-21 12:05:01 PM**

**Control Number - 52797**

**ItemNumber - 144**

**DOCKET NO. 52797**

**APPLICATION OF CONROE RESORT UTILITIES, LLC AND UNDINE TEXAS, LLC AND UNDINE TEXAS ENVIRONMENTAL, LLC FOR SALE, TRANSFER, OR MERGER OF FACILITIES AND CERTIFICATE RIGHTS IN MONTGOMERY COUNTY**      §      **PUBLIC UTILITY COMMISSION OF TEXAS**

**COMMISSION STAFF’S CLARIFICATION**

**I. INTRODUCTION**

On November 8, 2021, Conroe Resort Utilities, LLC (Conroe) 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 Montgomery County. On August 25, 2022, the application was amended to replace Undine Development, LLC with Undine Texas, LLC (Undine Texas) and Undine Texas Environmental, LLC (Undine Texas Environmental) as the applicants.

On February 8, 2023, the administrative law judge (ALJ) filed Order No. 18, requiring parties to clarify two issues by February 21, 2023. Therefore, this pleading is timely filed.

**II. CLARIFICATION**

In Order No. 14, the ALJ instructs parties to clarify two issues. The first is whether there are any violations, resolved or unresolved, associated with Undine Texas or Undine Texas Environmental in the Commission’s or Texas Commission on Environmental Quality’s (TCEQ) databases. In its review of the application, as amended, Staff evaluated Conroe’s compliance history and discovered that while there were two violations noted as a result of the TCEQ’s last compliance investigation, both violations have since been resolved.<sup>1</sup> Staff also noted that, at least since 2017, there have been no complaints against Conroe Resorts.<sup>2</sup> Beyond this inquiry, Staff cannot confirm whether there are any other violations, resolved or unresolved, involving Undine Texas’ or Undine Texas Environmental’s other systems. For the sake of efficiency and due to a lack of resources, for STM transactions, Staff focuses its review of seller’s compliance history and

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<sup>1</sup> Commission Staff’s Final Recommendation, Attachment 1 at 2 (Oct. 21, 2022).

<sup>2</sup> *Id.*

is unable to check all of the buyer's compliance history, especially when the buyer owns and operates multiple public water systems and wastewater treatment plants, like in this case. Thus, Staff can only confirm that there are no active violations listed in the TCEQ database for Conroe Resorts.

The ALJ next asks whether Undine Texas and Undine Texas Environmental are able to satisfy the leverage test while relying on a guaranty agreement between Undine Development and Undine Group, LLC. Staff notes that when Undine Development, LLC originally filed this application, it included a guaranty agreement between Undine Development, LLC and Undine Group, LLC. However, in August of 2022, the application was amended to substitute Undine Development, LLC with Undine Texas, LLC and Undine Texas Environmental.<sup>3</sup> On February 21, 2023, Undine supplemented its application to include guaranty agreements between Undine Group, LLC and Undine Texas<sup>4</sup> and Undine Group, LLC and Undine Texas Environmental.<sup>5</sup> Accordingly, Staff can confirm that Undine satisfies the leverage test.

### III. CONCLUSION

Staff respectfully requests that the foregoing information be taken into consideration by the ALJ.

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<sup>3</sup> See Applicant's Application Amendment (Aug. 25, 2022).

<sup>4</sup> Financial Assurance Supplement (Undine Texas, LLC) (Feb. 21, 2023).

<sup>5</sup> Financial Assurance Supplement (Feb. 21, 2023).

Dated: February 21, 2023

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

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**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 February 21, 2023, in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

*/s/ Ian Groetsch*  
Ian Groetsch