



## Filing Receipt

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**DOCKET NO. 52852**

<b>APPLICATION OF TERRA</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>SOUTHWEST, INC. AND UNDINE</b>	<b>§</b>	
<b>DEVELOPMENT, LLC FOR SALE,</b>	<b>§</b>	<b>OF TEXAS</b>
<b>TRANSFER, OR MERGER OF</b>	<b>§</b>	
<b>FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN DENTON COUNTY</b>		

**COMMISSION STAFF’S RECOMMENDATION ON THE TRANSACTION**

**I. INTRODUCTION**

On November 16, 2021, Terra Southwest, Inc. (Terra) and Undine Development, LLC (Undine), (collectively, Applicants), filed an application for approval of the sale, transfer, or merger of facilities and certificate of convenience and necessity (CCN) rights in Denton County.

On November 3, 2022, the administrative law judge (ALJ) filed Order No. 18 requiring the Staff (Staff) of the Public Utility Commission of Texas (Commission) to request a hearing or file a recommendation on approval of the sale and transaction by December 2, 2022. Therefore, this pleading is timely filed.

**II. RECOMMENDATION ON APPROVAL OF THE TRANSACTION**

Staff has reviewed the application, as amended, and supplemental information and, as supported by the attached memoranda by Patricia Garcia of the Infrastructure Division and Ethan Blanchard of the Rate Regulation Division, recommends 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. Additionally, based upon its review, Staff recommends 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.

**III. REQUEST FOR EXTENSION**

Under 16 TAC § 22.4(b), Staff may request that the time allowed for filing any documents be extended for good cause. Staff’s analysis of the application and subsequent recommendation on approval of the transaction is based on Undine’s proposal to use phased-in rates. Should the ALJ

rule that phased-in rates are not permissible under TWC § 13.3011, Staff will need to confer with the parties and potentially revisit its analysis of the application. Accordingly, should the ALJ rule that phased-in rates are not permissible under TWC § 13.3011, Staff respectfully requests that the deadline to request a hearing or file a final recommendation on approval of the sale be extended to December 20, 2022.

#### **IV. CONCLUSION**

For the reasons detailed above, if the ALJ finds that phased-in rates are permissible under TWC § 13.3011, Staff respectfully requests the entry of an order permitting the proposed transaction to proceed. If the ALJ find that phased-in rates are not permissible under TWC § 13.3011, Staff respectfully requests that its deadline to request a hearing or file a final recommendation on approval of the sale be extended to December 20, 2022.

Dated: November 30, 2022

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS  
LEGAL DIVISION**

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Division Director

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**DOCKET NO. 52582**

**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 November 30, 2022, in accordance with the Order Suspending Rules, issued in Project No. 50664.

/s/ Ian Groetsch  
Ian Groetsch

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Ian Groetsch, Attorney  
Legal Division

**FROM:** Patricia Garcia, Infrastructure Analysis Section Director  
Infrastructure Division

**DATE:** November 16, 2022

**RE:** Docket No. 52852 – *Application of Terra Southwest, Inc. and Undine Development, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Denton County*

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### **1. Introduction**

On November 16, 2021, Undine Development, LLC (Undine Development) and the Terra Southwest, Inc. (Terra Southwest) filed an application for sale, transfer, or merger (STM) of facilities and certificate rights and dual certification with the Town of Little Elm (Little Elm) in Denton County, Texas, under 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. The application will be amended to substitute Undine Texas, LLC (Undine Texas) as the purchasing utility. As a result, my evaluation assumes that Undine Texas will be the acquiring entity of the water service area, facilities, and customers. I refer to Undine Texas and Terra Southwest as the Applicants.

Specifically, Undine Texas, certificate of convenience and necessity (CCN) No. 13260, seeks approval to amend its CCN to add uncertificated area and to acquire facilities and transfer all of the water service area from Terra Southwest under water CCN No. 11608. Additionally, Undine Texas is requesting dual certification with a portion of Little Elm's certificated service area under water CCN No. 11202.

Based on the mapping review by Tracy Montes, Infrastructure Division:

The requested area includes 867 current customers and approximately 1,339.4 acres, comprised of:

- 0.4 acres of uncertificated area;
- 1,321 acres of transferred area from Terra Southwest, CCN No. 11608; and
- 18 acres of dual certificated area with Town of Little Elm, CCN No. 11202.

The result of the application will be the addition of approximately 1,339.4 acres to Undine Texas, CCN No. 13260, and the subtraction of approximately 1,321 acres from Terra Southwest, CCN No. 11608.

Approximately 1,321.4 acres will be single certification with Undine Texas, CCN No. 13260; and 18 acres will be dually certificated between Undine Texas, CCN No. 13260, and the Town of Little Elm, CCN No. 11202.

The application indicates that the total acreage being requested is approximately 1,326 acres. Based on the mapping review by Tracy Montes, Infrastructure Division, it was determined the requested area is approximately 1,339.4 acres.

## **2. Notice**

Prior to notice being provided Central States Water Resources, Inc. (Central States Water Resources) submitted a motion to intervene. Their request was denied by the Administrative Law Judge (ALJ) on December 7, 2021. On May 3, 2022, Central States Water Resources submitted a renewed motion to intervene and motion to abate along with a District Court Judgement. On May 12, 2022, the ALJ again denied the motion to intervene and motion to abate requested by Central States Water Resources.

Undine Development provided notice consistent with 16 TAC § 24.239(c)<sup>1</sup>. The deadline to intervene was April 12, 2022; a customer filed a letter with comments in the docket but did not request to intervene or a hearing. The customer is concerned about the rate increase being proposed by Undine Development after the transfer is complete. The application amendment to substitute Undine Texas in place of Undine Development allows for a phased in rate.

The Administrative Law Judge determined additional notice was not necessary following the filing of the revised application making the substitution of Undine Texas as the applicant Undine Teas.

## **3. Factors Considered**

Under TWC §§ 13.241, 13.246, and 13.301 and 16 TAC §§ 24.11(e), 24.227, and 24.239, 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), 13.301(e)(3)(A); 16 TAC §§ 24.227(a) and (e)(1), 24.239(h)(3)(A), (h)(5)(A), and (h)(5)(I)).***

Terra Southwest has a Texas Commission on Environmental Quality (TCEQ) approved public water system (PWS) registered as East Ponder Estates, PWS ID No. 0610161 and Hilltown Addition, PWS ID: 0610112. The last TCEQ compliance investigation of the East Ponder Estates system was on July 1, 2019. East Ponder Estates does not have any violations listed in the TCEQ database. The Hilltown Addition system has active violations

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<sup>1</sup> Order No. 7. Finding Notice Sufficient and Establishing Procedural Schedule (Mar. 24, 2022).

in the TCEQ database. Undine Texas has indicated they will be making upgrades at the water system. These upgrades will address the violations.

The Commission's complaint records, which date back to 2017, show 41 informal complaints against Terra Southwest. 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 is to transfer East Ponder Estates and Hilltown Addition to Undine Texas. The customers are currently receiving water service from Terra Southwest's water systems. At this time, Terra Southwest 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), 24.239(h)(5)(c)).***

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

There will be no effect on landowners as the area is currently certificated.

There will be no effect on any retail public utility servicing the proximate area. All retail public utilities in the proximate area were provided notice of the transaction taking place in this application and did not request to intervene.

**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 system operations.

Undine Texas has the managerial and technical ability to provide adequate service in the requested area. Undine Texas has many TCEQ approved PWS. The Commission's complaint records, which date back to 2017, show 100 informal complaints against Undine Texas. All the complaints have been closed by the Commission's Customer Protection Division.

**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)).***

Terra Southwest is currently serving customers and has sufficient capacity. Obtaining service from an adjacent retail public utility would likely increase costs to customers even more than what is proposed in this application because new facilities will need to be constructed. At the minimum, an interconnect would need to be installed in order to connect to a neighboring retail public utility. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

***3.7. 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 concluded that Undine Texas has the necessary financial ability.

***3.8. 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 concluded that a bond or other financial assurance is not needed.

***3.9. 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.

***3.10. Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 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 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 Terra Southwest public water system and service area proposed for acquisition would have become a part of Undine Development. Undine Development is a much smaller utility than Undine Texas, has higher rates, and 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 the extensive water capital upgrades at the two water treatment plants being acquired in this application. As a result, if Terra Southwest is not acquired, the current owner will need to make upgrades and those upgrades would support a substantial increase of Terra Southwest's rates if it remains a standalone utility. Attachment 2 (confidential) of my memorandum shows Undine Texas's financial projections using Terra Southwest'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, Terra Southwest would operate at a substantial loss without a rate increase. It is important to note the authorized rate of return of 6.7%<sup>2</sup> was approved in Undine Texas's last comprehensive rate case.

Attachment 3 of my memorandum includes the rate page of the tariff of Undine Texas that was in force when the application in this docket was filed on November 16, 2021.<sup>3</sup> Attachment 4 of my memorandum is a comparison of the rates of Terra Southwest, Undine Development, and Undine Texas at the standard monthly comparison usage levels of 5,000 gallons and 10,000 gallons. This comparison also provides a comparison of the rates at a low usage of 2,000 gallons. The worksheet shows that the charges of Undine Texas are below those of Undine Development at those usage levels for phases 1 and 2. Undine Texas' monthly charge for phase 3 water rates is \$5.75 more for 2,000 gallons and lower for usage of 5,000 gallons and 10,000 gallons than Undine Development's charge for those volumes. Phase 3 would be implemented 3 years after the purchase is complete. By that time, Undine Development may have higher rates due to a new rate being approved by the Commission. Because of the different rate designs, customers of Undine Texas pay more than customers of Undine Development at low usage levels for phase 3. Customers of the Terra Southwest system will benefit from a phase-in of rates with the acquisition of the systems by Undine Texas whereas the rates of Undine Development have no phase-in of rates.

It is important to note that the rates, including the rate design, for Undine Texas was recently approved by the Commission in a comprehensive rate case, Docket No. 50200, on November 5, 2020, whereas the Undine Development system has not been subject to a comprehensive rate case at the Commission. In addition, Undine Development has a pending proposal for large system improvement charge of \$47.81 for water for a 3/4" meter. These charges would not apply to customers served by the Terra Southwest system but could potentially be included in consolidated rates in the future for all systems owned by Undine Development. A concern that I have is that Undine Development currently owns only one system, in Travis County (Austin area), serving approximately 223 connections that has much different cost characteristics than the Terra Southwest system, which is in Denton County (Dallas/Fort Worth area). The Terra Southwest public water

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<sup>2</sup> *Application of Undine Texas, LLC and Undine Texas Environmental, LLC for Authority to Change Rates*, Docket No. 50200 (Nov. 5, 2020).

<sup>3</sup> 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).

system is a better fit for Undine Texas, which already own systems in the Dallas/Fort Worth area and have consolidated rates for a large number of systems with over 10,000 connections. This better fit will likely result in lower rates in the long run for customers of the acquired systems.

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

#### **4. Recommendation**

Based on the above information, 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 no deposits held by Terra Southwest for the customers being served by the East Ponder Estates and Hilltown Addition water systems. I further recommend that a public hearing is not necessary.

# *Public Utility Commission of Texas*

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## **Memorandum**

**TO:** Ian Groetsch  
Legal Division

**FROM:** Ethan Blanchard  
Rate Regulation Division

**DATE:** September 28, 2022

**RE:** Docket No. 52852 – *Application of Terra Southwest, Inc. and Undine Development, LLC for Sale, Transfer, or Merger of Facilities and Certificate Rights in Denton County*

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### **1. Introduction**

On November 16, 2021, Undine Development, LLC., CCN No. 12407, and Terra Southwest, Inc., CCN No. 11608, filed an application for the sale and transfer of facilities and certificate rights in Denton County under the provisions of Texas Water Code § 13.301 and 16 Texas Administrative Code § 24.239.

TWC § 13.301(e)(2) and 16 TAC § 24.239(h)(2) require consideration of the financial capability of the acquiring entities to provide continuous and adequate service to the service area being acquired and to any areas currently certificated to the acquiring entities; TWC § 13.246(c)(6) requires consideration of the financial ability of the acquiring entities to pay for the facilities necessary to provide continuous and adequate service; and TWC § 13.246(c)(6) and 16 TAC § 24.239(h)(5)(F) require consideration of the financial stability of the acquiring entities, including, if applicable, the adequacy of the acquiring entities' debt-equity ratios. These issues are addressed by 16 TAC § 24.11, which states in subsection (a) that the section establishes criteria to demonstrate that an owner or operator of a retail public utility has the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and proposed utility service area. Subsection (b) states that the section applies to new and existing owners or operators of retail public utilities that are required to provide financial assurance under TAC Chapter 16. Furthermore, subsection (c) states that financial assurance must be demonstrated by

compliance with subsection (d) or (e) of the section, with subsection (d) providing for an irrevocable stand-by letter of credit and subsection (e) providing a financial test.

The acquiring entities will submit information to demonstrate compliance with the financial test in 16 TAC § 24.11(e). Paragraph (1) states that an owner or operator may demonstrate financial assurance by satisfying the leverage and operations tests that conform to the requirements of the section, unless the commission finds good cause exists to require only one of these tests. Paragraph (4) requires as part of meeting these two tests that the owner or operator submit an affidavit meeting certain requirements and a copy of one of three types of financial information.

## **2. Leverage Test**

The leverage test is in 16 TAC § 24.11(e)(2) and requires the owner or operator to meet one or more of four criteria and subparagraph (E) allows the owner or operator to meet one or more of those four criteria by demonstrating that an affiliated interest is capable, available, and willing to cover temporary cash shortages. The acquiring entities will meet subparagraph (E) by filing a guaranty agreement between Undine Development, LLC and Undine Group, LLC which states that Undine Group, LLC is capable, available, and willing to cover temporary cash shortages of the acquiring entities.

The acquiring entities will meet the criterion in 16 TAC § 24.11(e)(2)(A), which requires that the owner or operator must have a debt-to-equity ratio of less than one, using long-term debt and equity or net assets. Financial statements of Undine Group, LLC that comply with 16 TAC § 24.11(e)(4)(B)(i) have been filed in the docket.<sup>1</sup> 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.<sup>2</sup>

Based upon my review of the financial statements of Undine Group, LLC, I calculated the debt-to-equity ratio to be equal to 0.18.<sup>3</sup> Because the ratio is less than one, Undine Group, LLC meets the leverage test specified in 16 TAC § 24.11(e)(2)(A). Therefore, Undine Development

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<sup>1</sup> Application, *Confidential Exhibit A – Financial Information*, item no. 41, at bates 37 (Apr. 29, 2022).

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

<sup>3</sup> *Id.*, at 8. The calculations for which can be found in confidential Attachment EB-1.

through their affiliate, Undine Group, LLC, meets the leverage test as specified in 16 TAC § 24.11(e)(2)(E).

### **3. Operations Test**

16 TAC § 24.11(e)(3) requires an owner or operator to demonstrate sufficient cash is available to cover any projected operations and maintenance shortages in the first five years of operations and also provides that an affiliated interest may provide a written guarantee of coverage of temporary cash shortages.

Undine's financial projections show that there are no projected cash shortages over the next five years.<sup>4</sup> Therefore, I recommend a finding that Undine meets the operations test specified in 16 TAC § 24.11(e)(3).

### **4. Capital Improvement Plan**

An applicant who is proposing service to a new CCN area requiring capital improvements in excess of \$100,000 must provide documents indicating funds are available for the purchase of an existing system plus any improvements, as required by 16 TAC § 24.11(e)(5)(A).

Undine provided a list of planned capital expenditures.<sup>5</sup> Undine has provided loan approval documents demonstrating that funds are available for the purchase price.<sup>6</sup> Therefore, I recommend a finding that Undine meets the requirements specified in 16 TAC § 24.11(e)(5)(A).

### **5. Additional Financial Assurance**

TWC § 13.301(d) allows the Commission to require an applicant for a CCN or CCN amendment 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. Because the acquiring entities will meet the financial test in 16 TAC § 24.11(e), I do not recommend that the acquiring entities be required to provide additional financial assurance.

### **6. Conclusion**

After the filing of the financial guarantees between Undine Group, LLC and the acquiring entities and the filing of the affidavit required by 16 TAC § 24.11(e)(4)(A) signed by the acquiring entities attesting to the accuracy of the information provided, I recommend a finding that the

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<sup>4</sup> Application, Confidential- Attachment H- Financial Information, item no. 6, at bates 6 (Nov. 17, 2021)

<sup>5</sup> Application, *Confidential Applicant's Supplemental Information (Attachment A – Highly Sensitive)*, item no. 52, at bates 3 (Jun. 14, 2022).

<sup>6</sup> The calculations for which can be found in confidential Attachment EB-1.

acquiring entities demonstrate the financial capability needed to provide continuous and adequate service to the area subject to this application. My determinations are based on information for Undine Group, LLC as of the date specified above and therefore does not reflect any changes after that date.

Attachment 3:  
UNDINE TEXAS, LLC WATER TARIFF RATE  
PAGES

## SECTION 1.0 -- RATE SCHEDULE

Section 1.01 – RatesRate Year 1Effective 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 2Effective 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 3Effective 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 usage723 Utility/Riverside Ranch Subdivision OnlyNorth 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 OnlyCity 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 OnlyAqua 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 OnlySan 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 OnlySan 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 OnlyNorth 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 OnlyNorth 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 OnlyCity 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:

$$(A \times B) / C + L [(A \times B) / C] = \text{increase or decrease to existing gallonage rate,}$$

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

Terra Southwest 11608				Gallonge Range		Gallons		
Meter Size	Current Rate	Including ____ # of gallons	Tiered Rates	Lowest	Highest	2,000	5,000	10,000
5/8"	\$32.93	3000	\$2.50	3,001	1,000,000	\$32.93	\$37.93	\$50.43

**Rates:**

12407 - Undine Development, LLC				Gallonge Range		Gallons		
Meter Size	Proposed	Including ____ # of gallons	Tiered Rates	Lowest	Highest	2,000	5,000	10,000
5/8"	\$40.00		\$5.00	0	10,000	\$50.00	\$65.00	\$90.00

Increase      \$17.07      \$27.07      \$39.57  
 51.84%      71.38%      78.47%

**Phase 1**

13260 - Undine Texas, LLC				Gallonge Range		Gallons		
Meter Size	Proposed	Including ____ # of gallons	Tiered Rates	Lowest	Highest	2,000	5,000	10,000
5/8"	\$37.81		\$2.02	0	6,000	\$41.85	\$47.91	\$61.69
			\$2.94	6,001	15,000			

Increase      \$8.92      \$9.98      \$11.26  
 27.09%      26.32%      22.33%

**Phase 2**

13260 - Undine Texas, LLC				Gallonge Range		Gallons		
Meter Size	Proposed	Including ____ # of gallons	Tiered Rates	Lowest	Highest	2,000	5,000	10,000
5/8"	\$44.37		\$2.21	0	6,000	\$48.79	\$55.42	\$70.15
			\$3.13	6,001	15,000			

Increase      \$15.86      \$17.49      \$19.72  
 48.16%      46.12%      39.11%

**Phase 3**

13260 - Undine Texas, LLC				Gallonge Range		Gallons		
Meter Size	Proposed	Including ____ # of gallons	Tiered Rates	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      \$22.82      \$25.05      \$28.28  
 69.30%      66.05%      56.09%