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DOCKET NO. 53765

APPLICATION OF CRYSTAL SYSTEMS	§	PUBLIC UTILITY COMMISSION
TEXAS, LLC AND UNDINE TEXAS,	§	
LLC FOR SALE, TRANSFER, OR	§	OF TEXAS
MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN SMITH	§	
COUNTY	§	

**JOINT MOTION TO ADMIT EVIDENCE AND
PROPOSED ORDER APPROVING THE SALE AND TRANSFER TO PROCEED**

COME NOW Crystal Systems Texas, Inc. (Crystal Systems) and Undine Texas, LLC (Undine) (collectively, the Applicants), together with the staff of the Public Utility Commission of Texas (Staff) and the Office of Public Utility Counsel (OPUC) (collectively, the Parties), and file this Joint Motion to Admit Evidence and Proposed Order Approving the Sale and Transfer to Proceed. In support thereof, the Parties show the following:

I. Background

On July 1, 2022, Crystal Systems and Undine filed an application with the Public Utility Commission of Texas (Commission) for sale, transfer, or merger of facilities and certificate rights in Smith County. Applicants filed supplemental application information on September 12, 14, 16, 21, and 22, October 6 and 31, November 9, and December 5, 2022; and January 23, March 23 and 24, April 26, and June 16 and 26, 2023.

Applicants seek approval to acquire facilities and to transfer all of Crystal Systems' water service area under water CCN No. 10804 to Undine. The application reflects a requested area of approximately 10,528 acres and 2,234 current customer connections.

On July 20, 2022, the Office of Public Utility Counsel (OPUC) moved to intervene in this proceeding.

On November 17, 2022, the administrative law judge (ALJ) filed Order No. 7, finding the application, as supplemented, administratively complete.

On August 1, 2023, the ALJ filed Order No. 15, establishing a deadline of August 24, 2023, for the Parties to file joint proposed findings of fact and conclusions of law. Therefore, this pleading is timely filed.

II. Joint Motion to Admit Evidence

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

- (a) The application for sale, transfer, or merger of facilities and certificate rights, filed on July 1, 2022 (AIS Item Nos. 1-8);
- (b) Undine's supplement to the application, filed on September 12, 2022 (AIS Item No. 17);
- (c) Undine's supplement to the application, filed on September 12, 2022 (AIS Item Nos. 18-19);
- (d) Undine's supplement to the application, filed on September 14, 2022 (AIS Item Nos. 20-21);
- (e) Undine's supplement to the application, filed on September 16, 2022 (AIS Item No. 22);
- (f) Undine's supplement to the application, filed on September 21 and 22, 2022 (AIS Item Nos. 23 and 25);
- (g) Undine's supplement to the application, filed on October 6, 2022 (AIS Item No. 26);
- (h) Undine's supplement to the application, filed on October 31, 2022 (AIS Item No. 30);
- (i) Undine's supplement to the application, filed on November 9, 2022 (AIS Item Nos. 33-34);
- (j) Staff's supplemental recommendation on administrative completeness and notice and proposed procedural schedule, filed on November 16, 2022 (AIS Item No. 35);
- (k) Undine's response to Order No. 7, filed on December 5, 2022 (AIS Item Nos. 37-38);
- (l) Undine's supplemental response to Order No. 7, filed on January 23, 2023 (AIS Item No. 391);
- (m) Staff's recommendation on notice, filed on February 13, 2023 (AIS Item No. 394);
- (n) Staff's recommendation on the transaction, filed on March 8, 2023 (AIS Item Nos. 401-402);
- (o) Undine's supplement to the application, filed on March 23 and 24, 2023 (AIS Item Nos. 405-406);
- (p) Undine's supplement to the application, filed on April 26, 2023 (AIS Item No. 410);

- (q) Undine's supplement to the application, filed on June 16, 2023 (AIS Item Nos. 415-416);
- (r) Applicants' response to Order No. 14, filed on June 26, 2023 (AIS Item Nos. 417-418); and
- (s) Staff's response to Order No. 14, filed on June 26, 2023 (AIS Item Nos. 419-420).

III. Joint Proposed Order Approving the Sale and Transfer to Proceed

The Parties move for the adoption of the attached Proposed Order Approving the Sale and Transfer to Proceed. The undersigned counsel for Undine represents that Crystal Systems has authorized them to file this Joint Motion to Admit Evidence on Crystal Systems' behalf.

IV. Conclusion

The Parties respectfully request that the Commission grant the Motion to Admit Evidence and adopt the attached Proposed Order Approving the Sale and Transfer to Proceed.

Dated: August 31, 2023

Respectfully submitted,

PUBLIC UTILITY COMMISSION OF TEXAS LEGAL DIVISION

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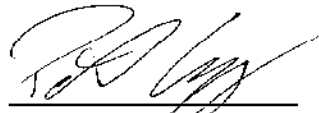
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CERTIFICATE OF SERVICE

As indicated by my signature above, I, Peter Gregg, 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 August 31, 2023 in accordance with the Order Suspending Rules, issued in Project No. 50664.

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APPLICATION OF CRYSTAL SYSTEMS	§	PUBLIC UTILITY COMMISSION
TEXAS, LLC AND UNDINE TEXAS,	§	
LLC FOR SALE, TRANSFER, OR	§	OF TEXAS
MERGER OF FACILITIES AND	§	
CERTIFICATE RIGHTS IN SMITH	§	
COUNTY	§	

JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Crystal Systems Texas, Inc. (Crystal Systems) and Undine Texas, LLC (Undine) (collectively, the Applicants), for the sale, transfer, or merger of facilities and certificate rights in Smith County. Applicants seek the sale of Crystal Systems' water system and the transfer of its water service area and its certificate of convenience and necessity (CCN) number 10804 to Undine. The administrative law judge (ALJ) grants that this sale is approved and the transaction between Applicants may proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. Crystal Systems is a for-profit corporation registered with the Texas secretary of state under file number 0051759500.
2. Undine Texas is a for-profit corporation registered with the Texas secretary of state under file number 802339315.
3. Undine Texas operates, maintains, and controls facilities for providing water service in multiple Texas counties under CCN No. 13260.

Application

4. On July 1, 2022, Crystal Systems and Undine, filed an application for the approval of the sale, transfer or merger of facilities and certificate rights in Smith County.
5. The applicants filed supplemental information on September 12, 14, 16, 21, and 22, October 6 and 31, and November 9, and December 5, 2022; and January 23, March 23 and 24, April 26, and June 16 and 26, 2023.

6. In the application, as supplemented, the applicants seek approval of the following transaction:
 - a. the sale and transfer to Undine of all the facilities and service area held by Crystal Systems under CCN number 10804;
 - b. the amendment of Undine's CCN number 13260 to include the facilities and certificated area being sold and transferred; and
 - c. the cancellation of Crystal Systems' CCN number 10804.
7. The requested area includes approximately 10,528 acres and 2,234 current customers.
8. The requested area is located within and surrounding the City of Hideaway, Texas, and is generally bounded on the north by County Road 477 aka John R. Bowdoin Road; on the east by County Road 411; on the south by County Road 46 aka Old New Harmony Road; and on the west by County Road 411.
9. In Order No. 7 issued on November 17, 2022, the administrative law judge (ALJ) found the application, as supplemented, administratively complete.

Notice

10. On December 5, 2022, Undine filed the affidavit of Carey A. Thomas, Authorized Representative of Undine, attesting that notice was provided to all current customers, landowners, neighboring systems, and affected parties on December 2, 2022.
11. On January 23, 2023, Undine also filed a publisher's affidavit attesting to the publication of notice in the *Tyler Morning Telegraph*, a newspaper of general circulation in Smith County, on November 23 and 30, 2022.
12. In Order No. 9, issued on February 15, 2023, the ALJ found the notice of the application sufficient.

Intervention

13. The Office of Public Utility Counsel (OPUC) filed a motion to intervene in this proceeding on July 20, 2022, and in Order No. 2, issued on August 1, 2022, the ALJ granted the motion to intervene filed OPUC.

Evidentiary Record

14. On August ____, 2023, the parties filed a joint motion to admit evidence.
15. In Order No. __, issued on _____, 2023 the ALJ admitted the following evidence into the record:

- (a) The application for sale, transfer, or merger of facilities and certificate rights, filed on July 1, 2022;
- (b) Undine's supplement to the application, filed on September 12, 2022;
- (c) Undine's supplement to the application, filed on September 12, 2022;
- (d) Undine's supplement to the application, filed on September 14, 2022;
- (e) Undine's supplement to the application, filed on September 16, 2022;
- (f) Undine's supplement to the application, filed on September 21 and 22, 2022;
- (g) Undine's supplement to the application, filed on October 6, 2022;
- (h) Undine's supplement to the application, filed on October 31, 2022;
- (i) Undine's supplement to the application, filed on November 9, 2022;
- (j) Staff's supplemental recommendation on administrative completeness and notice and proposed procedural schedule, filed on November 16, 2022;
- (k) Undine's response to Order No. 7, filed on December 5, 2022;
- (l) Undine's supplemental response to Order No. 7, filed on January 23, 2023;
- (m) Staff's recommendation on notice, filed on February 13, 2023;
- (n) Staff's recommendation on the transaction, filed on March 8, 2023;
- (o) Undine's supplement to the application, filed on March 23 and 24, 2023;
- (p) Undine's supplement to the application, filed on April 26, 2023;
- (q) Undine's supplement to the application, filed on June 16, 2023;
- (r) Applicants' response to Order No. 14, filed on June 26, 2023; and
- (s) Staff's response to Order No. 14, filed on June 26, 2023.

Purchaser's Compliance History

- 16. Undine has not been under an enforcement action by the Commission, Texas Commission on Environmental Quality (TCEQ), Texas Health and Human Services, the Office of the Attorney General, or the United States Environmental Protection Agency in the past five years for non-compliance with rules, orders, or state statutes.
- 17. Undine does not have a history of continued mismanagement or misuse of revenue as a utility service provider.
- 18. Undine has demonstrated a compliance history that is adequate for approval of the

transaction to proceed.

Adequacy of Existing Service

19. There are currently 2,234 customers in the 10,528-acre requested area that are being served by Crystal Systems through TCEQ approved public water system (PWS) ID No. TX2120015, and such service has been continuous and adequate.
20. The Commission's complaint records, which date back to 2017, show one informal complaint against Crystal Systems. The complaint has been closed by the Commission's Customer Protection Division.
21. Crystal Systems has violations listed in the TCEQ database that have since been resolved.
22. No additional construction is necessary for Undine to serve the requested water service area.

Need for Service

23. There is no need for additional service, as the existing customers are currently receiving water service from the Crystal Systems water system.
24. There is no evidence in the record indicating a need for additional service..

Effect of Approving the Transaction and Granting the Amendment

25. Approving the sale and transfer to proceed and granting the CCN amendment will obligate Undine to provide continuous and adequate water service to current and future customers in the requested area.
26. There will be no effect on any other retail public utility servicing the proximate area.
27. A portion of the service area of the certificate of convenience and necessity (CCN) subject to this transaction falls within the sole jurisdiction of a municipality.
28. The Commission has sole jurisdiction over the service areas outside of Hideaway's municipality, which has approximately 2,000 connections.
29. The Applicants represents in their application that any rate increase requested in the application will not take effect until 12 months after the approval of the sales transaction by the Commission.
30. 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.

Ability to Serve: Managerial and Technical

31. Undine owns and operates numerous TCEQ-registered water systems in Texas.
32. Undine has a sufficient number of licensed operators to operate the facilities being transferred.
33. Undine has the technical and managerial capability to provide continuous and adequate service.

Ability to Serve: Financial Ability and Stability

34. Undine's affiliate, Undine Group, LLC, has a debt-to-equity ratio of less than one, satisfying the leverage test.
35. Undine demonstrated that an affiliated interest is capable, available, and willing to cover temporary cash shortages.
36. Undine has sufficient cash available to cover all projected operations and maintenance shortages in the first five years of operations.
37. Undine demonstrated adequate financial and managerial capability to provide continuous and adequate service to the requested area.

Financial Assurance

38. There is no need to require Undine to provide a bond or other financial assurance to ensure continuous and adequate service.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

39. Crystal Systems is currently serving customer and such service has been continuous and adequate.
40. The feasibility of obtaining service from an adjacent retail public utility was not considered because Crystal Systems was adequately serving the existing customers and its facilities offer sufficient capacity.
41. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

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

Environmental Integrity and Effect on the Land

43. Granting the transaction will not adversely impact the integrity of the land because the requested area is already being served.

Improvement of Service or Lowering Cost to Consumers

44. Undine will continue to provide water service to Crystal Systems' existing customers in the requested area.
45. Reliability and quality of water service is expected to improve under Undine's management.
46. Undine requested authorization to charge the customers served by the public water systems being acquired its rates that are currently in force, which were approved in Docket No. 50017.¹
47. If authorization is granted, rates for customers in the requested area will be higher than the rates currently charged by Crystal Systems because Undine will charge its current water utility tariff's rates.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with Texas Water Code (TWC) §§ 13.246 and 13.301(a)(2) and 16 TAC § 24.239(c).²
2. After consideration of the factors in TWC § 13.246(c), Undine has demonstrated that it is capable of rendering continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
3. Undine has demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service in the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. Undine has demonstrated that the sale and transfer of all of Crystal Systems' facilities and service area to Undine will serve the public interest and is necessary for the continued service, accommodation, convenience, or safety of the public, as required by TWC §§ 13.301(d) and 13.246(b).

¹ Application Of Pure Utilities, LC And Undine Texas, LLC For Sale, Transfer, Or Merger Of Water Facilities And Certificate Rights In Liberty, Polk, San Jacinto, And Tyler Counties, and To Decertify A Part Of Pure Utilities, LC's Certificated Area and To Amend Uncertificated Water Service Area In Liberty And Polk Counties, Docket No. 50017, Order (March 4, 2021).

² After this application was filed, 16 TAC § 24.239 was amended, effective March 29, 2023. Accordingly, all reference and citation to 16 TAC § 24.239 in this Order are made to the version in effect at the time the application was filed.

5. The Commission has sole jurisdiction over the CCN service area that is outside Hideaway's municipality.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

1. The Commission approves the transaction between Undine and Crystal Systems in this proceeding and authorizes it to be completed as proposed.
2. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, the applicants must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
3. The applicants have 180 days to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not consummated within this 180-day period, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.
5. This Order does not transfer CCN number 10804 and the associated service area from Crystal Systems or authorized Undine to provide service in Crystal Systems' certificated area. Crystal Systems must provide continuous and adequate service in its certificated service area until a final order or notice of approval issued by the Commission transfers the requested water service area.
6. Undine is authorized to charge the customers outside Hideaway municipality the respective rates in the Tariff in Docket No. 50200. Undine will not charge additional rate increase for 12 months as stated in its application after the approval of the sales transaction by the Commission or when the sale is actually consummated, whichever occurs last..
7. In an effort to finalize this case as soon as possible, the applicants must continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
8. Within 15 days following the filing of the applicants' proof that the transaction has been consummated and customer deposits, if any, have been addressed, Commission

Staff must file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

Signed at Austin, Texas the _____ day of _____ 2023.

PUBLIC UTILITY COMMISSION OF TEXAS

ADMINISTRATIVE LAW JUDGE