



Control Number: 49931



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**DOCKET NO. 49931**

**APPLICATION OF COMMUNITY  
WATER SERVICE, INC. AND  
PATTERSON WATER SUPPLY, LLC  
FOR SALE, TRANSFER, OR MERGER  
OF FACILITIES AND CERTIFICATE  
RIGHTS IN DALLAS AND DENTON  
COUNTIES**

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**PUBLIC UTILITY COMMISSION**

**OF TEXAS**



**ORDER NO. 6  
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the September 4, 2019, application of Community Water Service, Inc. and Patterson Water Supply, LLC for approval of the sale, transfer, or merger of facilities and certificate rights in Dallas and Denton counties. The applicants seek approval for the sale of all of Community Water's facilities and the transfer of the associated water service area held under certificate of convenience and necessity (CCN) number 10091 to Patterson Water Supply. On February 13, 2020, Commission Staff recommended that the transaction proceed in this docket. The administrative law judge (ALJ) grants that the transaction between applicants may proceed and be consummated.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Community Water is a domestic for-profit corporation registered with the Texas secretary of state under file number 16401700.
2. Community Water owns two public water systems (PWS) registered with the Texas Commission on Environmental Quality (TCEQ) under PWS numbers 0610041 and 0570044.
3. Community Water operates, maintains, and controls facilities that provide water service in Dallas and Denton counties under CCN number 10091.
4. Patterson Water Supply is a domestic limited liability corporation registered with the Texas secretary of state on July 17, 2019, under filing number 801820571.

5. Patterson Water Supply controls facilities that provide water service under CCN number 13248 in Denton, Tarrant, and Wise Counties

**Application**

6. On September 4, 2019, Community Water and Patterson Water Supply filed an application for approval to sell all of Community Water's water facilities and transfer all customers and service area held under CCN number 10091 to Patterson Water Supply.
7. On September 18 and November 18, 2019, the applicants supplemented the application.
8. Upon completion of the transaction, the requested area will be merged into Patterson Water Supply's existing CCN number 13248 and Community Water's CCN number 10091 will be cancelled.
9. The portion of the requested area that includes the Rocky Point Community subdivision (PWS number 0610041) is in Denton county and comprises approximately 277 acres and 119 current customers, and is located 0.8 miles southwest of downtown Lakewood Village and is generally bounded on the north by Easy Street; on the east by Garza Lane; on the south by Sheriff Avenue; and on the west by Lake Lewisville.
10. The portion of the requested area that includes the Danieldale subdivision (PWS number 0570044) is in Dallas county and comprises approximately 60 acres and 225 current customers, and is located 4.5 miles northwest of downtown Lancaster and is generally bounded on the north by West Danieldale Road; on the east by Interstate Highway 35; on the south by West Wintergreen Road; and on the west by Connor Street.
11. In Order No. 3 filed on December 5, 2019, the ALJ found the application administratively complete.

**Notice**

12. On December 11, 2019, Patterson Water Supply filed the affidavit of its President, Mark Patterson, attesting that notice was provided to all current customers of the Rocky Point Community subdivision and Danieldale subdivision, neighboring utilities, and affected parties on December 9, 2019.

13. On December 12, 2019, Patterson Water Supply filed a copy of the notice mailed on December 9, 2019, and an updated list of the neighboring utilities and other affected parties that were provided notice.
14. In Order No. 4 filed on January 7, 2020, the ALJ found notice sufficient.

**Evidentiary Record**

15. On March 20, 2020, the parties filed an agreed motion to admit evidence.
16. In Order No. 5 filed on April 6, 2020, the ALJ admitted the following evidence into the record: (a) the application filed on September 4, 2019; (b) Community Water Service Inc. and Patterson Water Supply's response to Order No. 1 filed on September 18, 2019; (c) Community Water and Patterson Water Supply's supplement to the application filed on November 18, 2019; (d) Commission Staff's supplemental recommendation on administrative completeness filed on December 4, 2019; (e) Community Water and Patterson Water Supply's proof of notice and supporting documentation filed on December 11 and 12, 2019; (f) Commission Staff's recommendation on notice filed on December 30, 2019; and (g) Commission Staff's recommendation on the transaction and all attachments filed on February 13, 2020.

**System Compliance—Texas Water Code (TWC) § 13.301(e)(3); 16 Texas Administrative Code (TAC) §§ 24.227(a), 24.239(1)(3)(A), (j)(5)(A)**

17. The water system for the Rocky Point Community, PWS number 0610041, has an outstanding TCEQ violation regarding capacity.
18. Patterson Water Supply will replace the pump and motor for the well that services PWS number 0610041 within 24 months, which will provide drinking water to the Rocky Point Community that meets the requirements of Texas Health and Safety Code, Chapter 341 and the applicable TCEQ rules.
19. The water system for the Danieldale subdivision, PWS number 0570044 is TCEQ-approved and is capable of providing drinking water that meets the requirements of Texas Health and Safety Code, Chapter 341 and the applicable TCEQ rules.
20. Patterson Water Supply's currently owned PWS that provides water service to the Vacation Village subdivision in Denton county has an outstanding TCEQ violation regarding capacity.

21. Patterson Water Supply is actively working with the TCEQ to resolve the violation concerning the Vacation Village subdivision.
22. Patterson Water Supply's PWSs, other than the Vacation Village subdivision, have no outstanding violations and are capable of providing drinking water that meets the requirements of Texas Health and Safety Code, Chapter 341 and the applicable TCEQ rules.
23. The applicants have demonstrated a compliance status that is adequate for approval of the application.

**Adequacy of Existing Service—TWC § 13.246(c)(1); 16 TAC §§ 24.227(d)(1), 24.239(j)(5)(B)**

24. The customers of the Danieldale subdivision, PWS number 0570044, are currently receiving adequate and continuous water service from Community Water.
25. The customers of the Rocky Point Community, PWS number 0610041, are not currently receiving adequate and continuous water service from Community Water.
26. The Rocky Point Community's and the Danieldale subdivision's PWSs are restricted from adding new connections.

**Need for Additional Service—TWC § 13.246(c)(2); 16 TAC §§ 24.227(d)(2), 24.239(j)(5)(C)**

27. There are 344 customers in the requested area; therefore, there is a need for service.
28. Patterson Water Supply has received no new requests for service and is not requesting to add additional uncertificated area.
29. This application is to transfer only existing facilities, customers, and service area.

**Effect of Approving the Transaction and Granting the Amendment—TWC §§ 13.246(c)(3); 16 TAC §§ 24.227(d)(3), 24.239(j)(5)(D)**

30. The proposed transaction will transfer ownership of the requested area to Patterson Water Supply.
31. The proposed transaction will allow Patterson Water Supply to increase capacity in the requested area in order serve existing customers adequately and continuously.
32. Community Water and Patterson Water Supply are the only utilities affected by the proposed transaction.

**Ability to Serve: Managerial and Technical—TWC §§ 13.241(a), 13.246(c)(4), 13.301(b), (e)(2); 16 TAC §§ 24.227(a), (d)(4), 24.239(2), (j)(5)(E)**

33. Patterson Water Supply has sufficient capacity to serve the customers of the requested area once the new pump and motor are installed for PWS number 0610041.
34. Patterson Water Supply employs one individual who holds a Class B operator's license, one who holds a Class C operator's license, and one who holds a Class D operator's license that will operate the PWSs of the requested area.
35. Patterson Water Supply has been in operations for more than ten years and will continue to improve upon the adequacy of service for the customers of the requested area.
36. Patterson Water Supply has the managerial and technical capability to provide adequate and continuous service to the requested area.

**Feasibility of Obtaining Service from Adjacent Retail Public Utility—TWC § 13.246(c)(5); 16 TAC §§ 24.227(d)(5), 24.239(j)(5)(F)**

37. Community Water is currently serving customers in the requested area and has sufficient capacity once the new pump and motor are installed for PWS number 0610041; therefore, it is not feasible to obtaining service from another adjacent retail public utility.
38. Utilities within a two-mile radius of the requested area were noticed and no protests were received regarding the proposed transaction.

**Ability to Serve: Financial Ability and Stability—TWC §§ 13.241(a), 13.246(c)(6), 13.301(b); 16 TAC §§ 24.11(e), 24.227(a), (d)(6), 24.239(2), (j)(5)(G)**

39. Patterson Water Supply has a debt to equity ratio of 0.25, which satisfies the leverage test of less than one.
40. Patterson Water Supply's projected operating revenues are sufficient to cover the projected operations and maintenance expense for the first five years after the completion of the proposed sale and transfer, meeting the operations test.
41. Patterson Water Supply has the financial ability and financial stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

**Financial Assurance—TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 24.227(e), 24.239(h)**

42. There is no need to require Patterson Water Supply to provide a bond or other financial assurance to ensure continuous and adequate service to the requested area.

**Environmental Integrity—TWC § 13.246(c)(7); 16 TAC §§ 24.227(d)(7), 24.239(1)(5)(H)**

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

**Effect on the Land—TWC § 13.246(c)(9); 16 TAC § 24.227(d)(9)**

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

**Improvement of Service or Lowering Cost to Consumers—TWC § 13.246(c)(8); 16 TAC § 24.227(d)(8), 24.239(1)(5)(I)**

45. Patterson Water Supply will improve service to the requested area by increasing the capacity of PWS number 0610041.
46. All customers will be charged the same rates as they were charged before the transaction.
47. Patterson Water Supply intends to file, with the Commission, a rate increase for the requested area within 12 months from the date of approval of the proposed transaction in order to align the rates of current customers within the requested area with the rates paid by Patterson Water Supply's existing customers.

**Regionalization or Consolidation—TWC §§ 13.241(d); 16 TAC § 24.227(b)**

48. No new physically separate water system will be constructed as a result of the transaction; therefore, regionalization or consolidation is not applicable.

## **II. Conclusions of Law**

The Commission makes the following conclusions of law.

1. Notice of the application was provided in compliance with TWC §§ 13.246 and 13.301(a)(2), and 16 TAC § 24.239.
2. After consideration of the factors in TWC § 13.246(c), Patterson Water Supply has demonstrated adequate financial, managerial, and technical capability to provide continuous and adequate service to the requested area. TWC § 13.301(b).
3. The applicants have demonstrated that the sale of Community Water's water systems and the transfer of the requested area held under CCN number 10091 to Patterson Water Supply will service the public interest and is necessary for the services, accommodation, convenience, and safety of the public. TWC § 13.301(d), (e).

### III. Ordering Paragraphs

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

1. The sale is approved, and the transaction between applicants may proceed and be consummated.
2. Under 16 TAC § 24.109(o), if the transaction is not consummated within 180 days following the date of this Order, or an extension is not granted, this approval is void and the applicants will have to reapply for approval.
3. The applicants are advised that the water facilities, requested area, and CCN will continue to be held by Community Water until the sale and transfer is complete in accordance with Commission rules.
4. In an effort to finalize this case as soon as possible, the applicants must file, within 30 days of this Order and every 30 days thereafter, updates regarding the status of the transaction until the transaction is complete.
5. Not later than 30 days after the effective date of the transaction, the applicants must file proof that the transaction has been consummated and customer deposits have been addressed in satisfaction of 16 TAC § 24.239(m).
6. Within 15 days following the filing of the applicants' proof that the transaction has been consummated and customer deposits 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 8th day of April 2020.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**CHRISTOPHER OAKLEY**  
**ADMINISTRATIVE LAW JUDGE**