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DOCKET NO. 52427

APPLICATION OF PATTERSON	§	PUBLIC UTILITY COMMISSION
WATER SUPPLY LLC AND MYRA	§	
WATER SYSTEM FOR SALE,	§	OF TEXAS
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN COOKE COUNTY	§	

ORDER NO. 9
APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Patterson Water Supply LLC and Myra Water System for approval of the sale, transfer, or merger of facilities and certificate rights in Cooke County. The applicants seek approval to sell and transfer all of Myra's facilities and certificated water service area under certificate of convenience and necessity (CCN) number 12514 to Patterson, the cancellation of Myra's CCN number 12514, and the amendment of Patterson's CCN number 13248 to include the area previously included in Myra's CCN number 12514. The administrative law judge (ALJ) approves the sale and transfer and authorizes the transaction between Patterson and Myra to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Myra is a general partnership.
2. Myra operates, maintains, and controls facilities for providing retail water service in Cook County under CCN number 12514.
3. Myra owns and operates a public water system that is registered with the Texas Commission on Environmental Quality (TCEQ) under identification number 0490019.
4. Patterson is a Texas limited liability company registered with the Texas secretary of state under file number 0801820571.

5. Patterson operates, maintains, and controls facilities for providing retail water service in Dallas, Denton, Jack, Montague, Parker, Tarrant, and Wise counties under CCN number 13248.
6. Patterson owns and operates several public water systems registered with the TCEQ: (1) Vacation Village, identification number 0610052; (2) Perrin Water System, identification number 1190005; (3) Sunset Water System, identification number 1690007; (4) Crazy Horse Ranch Water, identification number 1840024; (5) Cooley Point, identification number 2200117; (6) Hills of Briar Oaks, identification number 2490049; (7) Daniieldale Community Water Service, identification number 0570044; and (8) Rocky Point Community, identification number 0610041.

Application

7. On August 13, 2021, Patterson and Myra filed the application at issue in this proceeding.
8. In the application, the applicants seek approval to sell and transfer all of Myra's facilities and water service area under CCN number 12514 to Patterson, to cancel Myra's CCN number 12514, and to amend Patterson's CCN number 13248 to include the area previously included in Myra's CCN number 12514.
9. On November 19 and December 16, 2021, and February 15 and March 8, 2022, the applicants filed supplemental information.
10. The requested area includes approximately 982 acres and 116 current connections.
11. The requested area is located approximately three miles east-southeast of downtown Muenster, Texas, and is generally bound on the north by Tonkawa Creek, on the east by County Road 327, on the south by County Road 308, and on the west by Brushy Elm Creek.
12. In Order No. 5 filed on December 17, 2021, the ALJ found the application, as supplemented, administratively complete.

Notice

13. On February 15, 2022, the applicants filed the affidavit of Mark Patterson, president of Patterson, attesting that notice was provided to current customers, neighboring utilities, and affected parties on December 20, 2021.

14. In Order No. 7 filed on March 1, 2022, the ALJ found the notice sufficient.

Evidentiary Record

15. On April 1, 2022, Commission Staff filed an agreed motion to admit evidence on behalf of the parties.
16. In Order No. 8 filed on April 12, 2022, the ALJ admitted the following evidence into the record: (a) the applicants' application for sale, transfer, or merger of facilities filed on August 13, 2021; (b) the applicants' response to Order No. 1 filed on November 19, 2021; (c) the applicants' response to Commission Staff's memorandum filed on December 16, 2021; (d) Commission Staff's third supplemental recommendation on administrative completeness and notice and proposed procedural schedule filed on December 17, 2021; (e) re-filing the letter to customers and affidavit of notice filed on February 15, 2022; (f) Commission Staff's recommendation on sufficiency of notice filed on February 25, 2022; (g) the applicants' response to Commission Staff's first request for information filed on March 8, 2022; and (h) Commission Staff's recommendation on approval of sale filed on March 11, 2022.

System Compliance

17. The last TCEQ compliance investigation of Myra's public water system, identification number 0490019, was on October 29, 2020. No violations or concerns were noted as a result of that investigation.
18. The Commission's complaint records, which date back five years, show two complaints against Myra.
19. Patterson has been under enforcement actions by the TCEQ in the past five years for non-compliance with rules, orders, or state statutes. However, Patterson has taken action to resolve the violations underlying the TCEQ enforcement actions.
20. The Commission's complaint records, which date back five years, show 13 complaints against Patterson.
21. There is no evidence that Patterson has a history of continuing mismanagement or misuse of revenues as a utility service provider.

22. Patterson demonstrated a compliance status that is adequate for approval of the transaction.

Adequacy of Existing Service

23. There are currently 116 water connections in the requested area that are being served by Myra through public water system number 0490019 and such service has been continuous and adequate.
24. Patterson has invested in the construction and installation of a new water line to ensure Myra's public water system can meet demand in the future and not suffer from the failure of aging infrastructure.

Need for Additional Service

25. There is a continuing need for service because Myra is currently providing service to 116 connections in the requested area.
26. There have been no specific requests for additional service in the requested area.

Effect of Approving the Transaction and Granting the Amendment

27. Approving the sale and transfer to proceed and granting the CCN amendment will obligate Patterson to provide continuous and adequate water service to current and future customers in the requested area.
28. Utilities within a two-mile radius were noticed and no protests or requests to intervene were filed in this docket.
29. This application is to transfer only existing facilities, customers, and service area; therefore, there will be no effect on any other retail public utility providing service in the proximate area
30. There will be no effect on landowners as the area is currently certificated.

Ability to Serve: Managerial and Technical

31. Patterson owns and operates multiple public water systems registered with the TCEQ, some which had outstanding violations from the TCEQ at the time Patterson acquired the systems.
32. Patterson has violations associated with the public water systems it owns in the TCEQ database, which are a result of mismanagement by the prior owners.

33. Patterson has been working with the TCEQ regional offices to resolve the violations at its public water systems.
34. Patterson employs or contracts with TCEQ-licensed water operators who will operate the public water system.
35. Patterson has access to an adequate supply of water and is capable of providing water that meets the requirements of chapter 341 of the Texas Health and Safety Code, chapter 13 of the Texas Water Code (TWC), and the TCEQ's rules.
36. Patterson has the technical and managerial capability to provide adequate and continuous service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

37. Myra is currently serving the existing customers in the requested area with existing facilities and there will be no changes to land uses or existing CCN boundaries as a result of the transaction.
38. Patterson has invested in the construction and installation of a new water line to ensure Myra's public water system can meet demand in the future and not suffer from the failure of aging infrastructure.
39. It is not feasible to obtain service from an adjacent retail public utility.

Ability to Serve: Financial Ability and Stability

40. Patterson has a debt-to-equity ratio that is less than one, satisfying the leverage test.
41. Patterson demonstrated it has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the transaction, satisfying the operations test.
42. Patterson has demonstrated the financial and managerial capability and stability to pay for the facilities necessary to provide continuous and adequate service to the requested area.

Financial Assurance

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

Environmental Integrity and Effect on Land

44. There will be minimal effect on environmental integrity and the land as a result of this transaction because no additional construction is needed to provide service to the requested area.

Improvement in Service or Lowering Cost to Consumers

45. Patterson will continue to provide water service to the existing customers in the area.
46. There will be no change in the quality or cost of service to customers.

Regionalization or Consolidation

47. It will not be necessary for Patterson to construct a physically separate water system to serve the requested area.
48. Because the requested area will not require construction of a physically separate water system, consideration of regionalization or consolidation with another retail public utility is not required.

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 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Patterson 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. Patterson demonstrated adequate financial, managerial, and technical capability to provide adequate and continuous service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. The applicants demonstrated that the sale and transfer of the facilities and service under CCN number 12514 from Myra to Patterson under water CCN number 13248 will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public, as required by TWC §§ 13.246(b) and 13.301(d) and (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 Myra and Patterson may proceed and be consummated.
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. Myra and Patterson 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 and no extension has been granted, this approval is void and Myra and Patterson will have to reapply for approval.
5. The applicants are advised that the Myra water system and service area under CCN number 12514 will be held by Myra until the sale and transfer transaction is complete in accordance with Commission rules.
6. In an effort to finalize this case as soon as possible, the applicants must file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
7. 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 14th day of April 2022.

PUBLIC UTILITY COMMISSION OF TEXAS

A handwritten signature in black ink, appearing to read "Christina Denmark", written over a horizontal line.

**CHRISTINA DENMARK
ADMINISTRATIVE LAW JUDGE**

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