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**APPLICATION OF THE TOWN OF
LAKESIDE AND THE CITY OF FORT
WORTH FOR SALE, TRANSFER, OR
MERGER OF FACILITIES AND
CERTIFICATE RIGHTS IN TARRANT
COUNTY**

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**PUBLIC UTILITY COMMISSION

OF TEXAS**

**ORDER NO. 11
APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of the Town of Lakeside and the City of Fort Worth for approval of the sale, transfer, or merger of facilities and certificate rights in Tarrant County. The applicants seek approval to sell and transfer a portion of Lakeside's facilities and certificated service area under certificate of convenience and necessity (CCN) number 10073 to Fort Worth, to amend Fort Worth's CCN number 12311 to include the facilities and area previously included in Lakeside's CCN number 10073, and to decertify a portion of Lakeside's CCN number 10073 that is dually certificated with Fort Worth's CCN number 12311. The administrative law judge (ALJ) approves the sale and transfer and authorizes the transaction between Lakeside and Fort Worth to proceed and be consummated.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicants

1. Fort Worth is a municipality located in Tarrant, Denton, Parker, Wise, and Johnson counties.
2. Fort Worth operates, maintains, and controls facilities for providing retail water service under CCN number 12311 in Tarrant, Denton, Parker, and Wise counties.
3. Fort Worth owns a public water system, which is registered with the Texas Commission on Environmental Quality (TCEQ) under public water system identification number 2200012.
4. Lakeside is a municipality located in Tarrant County.

5. Lakeside operates, maintains, and controls facilities for providing retail water service under CCN number 10073 in Tarrant County.
6. Lakeside owns a public water system, which is registered with the TCEQ under public water system identification number 2200028.

Application

7. On September 23, 2021, Lakeside and Fort Worth filed the application at issue in this proceeding.
8. In the application Lakeside and Fort Worth seek approval of the sale and transfer of a portion of Lakeside's facilities and certificated service area under CCN number 10073 to Fort Worth, the amendment of Fort Worth's CCN number 12311 to include the facilities and area previously included in Lakeside's CCN number 10073, and the decertification of a portion of Lakeside's CCN number 10073 that is dually certificated with Fort Worth's CCN number 12311.
9. Fort Worth filed supplemental information on September 30 and November 18, 2021.
10. Fort Worth amended its application and filed supplemental information on December 2, 2021.
11. The area subject to this transaction has 71 existing customer connections and is comprised of the following: an approximately 25-acre tract of land to be sold and transferred from Lakeside to Fort Worth, an approximately 44-acre tract of land to be sold and transferred from Lakeside to Fort Worth, and an approximately 71-acre tract of land to be decertified from Lakeside's CCN number 10073 (collectively, the requested area).
12. The requested area is located approximately one mile east of downtown Lakeside, Texas, and is generally bounded on the north by Lake Worth; on the east by Lake Worth; on the south by Lake Worth; and on the west by Farm-to-Market Road 1886 and Buffalo Road.
13. In Order No. 3 filed on January 10, 2022, the ALJ found the application administratively complete.

Notice

14. In an affidavit filed by Fort Worth on February 16, 2022, Christopher P. Harder, director of the Fort Worth water department, attested to the mailing of notice of the application to all current customers, neighboring utilities, and affected parties on January 6, 2022.
15. On February 8, 2022, the applicants filed a publisher's affidavit attesting to the publication of notice in the *Fort Worth Star-Telegram*, a newspaper of general circulation in Tarrant County, on January 6 and 9, 2022.
16. In Order No. 5 filed on April 18, 2022, the ALJ found notice sufficient.

Evidentiary Record

17. In Order No. 10 filed on June 27, 2022, the ALJ admitted the following evidence into the record of this proceeding: (a) the application, and all attachments, filed on September 23, 2021; (b) Fort Worth's supplemental maps and digital mapping data filed on September 30, 2021; (c) Fort Worth's supplemental maps and digital mapping data filed on November 18, 2021; (d) Fort Worth's application amendment and supplemental maps and digital mapping data filed on December 2, 2021; (e) Commission Staff's supplemental recommendation on administrative completeness and notice filed on December 22, 2021; (f) Fort Worth's proof of notice filed on February 8, 2022; (g) Fort Worth's supplemental proof of notice filed on February 16, 2022; (h) Commission Staff's recommendation on sufficiency of notice filed on April 18, 2022; (i) Commission Staff's recommendation on approval of the transaction filed on April 25, 2022; and (j) Commission Staff's response to Order No. 7 filed on June 24, 2022.

Compliance

18. Lakeside's public water system is registered with the TCEQ under public water system identification number 2200028.
19. Lakeside's public water system had violations associated with its public water system, which have since been resolved.
20. The Commission's complaint records, which date back to 2017, show one complaint against Fort Worth.

21. Fort Worth's public water system is registered with the TCEQ under public water system identification number 2200012.
22. Fort Worth has been under an enforcement action by the TCEQ for non-compliance with rules, orders, or state statutes.
23. Fort Worth has two violations associated with its public water system, which have since been resolved.
24. The Commission's complaint records, which date back to 2017, show 80 complaints against Fort Worth.
25. Fort Worth does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
26. Fort Worth demonstrated a compliance status that is adequate for approval of the transaction.

Adequacy of Existing Service

27. Lakeside currently provides retail water service to 71 customer connections in the requested area and such service has been continuous and adequate.

Need for Additional Service

28. There is no evidence in the record indicating a need for additional service.

Effect of Approving the Transaction and Granting the Amendment

29. Fort Worth will become the sole certificated entity for the requested area and will be obligated to provide continuous and adequate water service to the requested area.
30. Fort Worth intends to replace existing small diameter water pipes with infrastructure to provide sufficient water pressure and fire protection for the requested area.
31. There will be no effect on landowners in the requested area because the requested area is currently certificated.
32. All retail public utilities in the proximate area were provided notice of the transaction and none filed protests, adverse comments, or sought to intervene in this proceeding.
33. There will be no effect on any retail public utility servicing the proximate area.

Ability to Serve: Managerial and Technical

34. Fort Worth employs TCEQ-licensed operators who are responsible for the operations of its public water system.
35. Fort Worth 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. Fort Worth has the technical and managerial capability to provide continuous and adequate service to the requested area.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

37. Fort Worth is an adjacent retail public utility and is capable of providing continuous and adequate service to the requested area. Obtaining service from another adjacent retail public utility would likely increase costs to customers.
38. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

39. It will not be necessary for Fort Worth to construct a physically separate water system to serve the requested area.
40. 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.

Ability to Serve: Financial Ability and Stability

41. Fort Worth has a debt-to-equity ratio that is less than one, satisfying the leverage test.
42. Fort Worth demonstrated it has sufficient cash available to cover any projected operations and maintenance shortages in the first five years after completion of the transaction, satisfying the operations test.
43. Capital improvements needed to provide continuous and adequate service to the requested area will be paid for through Fort Worth's budgeting process, which includes Fort Worth's projected net income, cash reserves, ability to issue debt, and taxing authority.

44. Fort Worth 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

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

Environmental Integrity and Effect on the Land

46. There will be minor and temporary effects on environmental integrity and the land as new water mains and service lines are installed.

Improvement in Service or Lowering Cost to Consumers

47. Customers in the requested area who are currently served by Lakeside will pay lower rates after approval of the transaction.
48. Reliability and quality of water service is expected to improve under Fort Worth's management.

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 Texas Administrative Code (TAC) § 24.239(c).
2. After consideration of the factors in TWC § 13.246(c), Fort Worth demonstrated that it can render continuous and adequate service to every customer within the requested area, as required by TWC § 13.251.
3. Lakeside and Fort Worth demonstrated adequate financial, managerial, and technical capability for providing continuous and adequate service to the requested area as required by TWC §§ 13.241(a) and 13.301(b).
4. Lakeside and Fort Worth demonstrated that the sale and transfer of a portion of Lakeside's water facilities and certificated service area under CCN number 10073 to Fort Worth 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 Lakeside and Fort Worth may proceed and be consummated.
2. As soon as possible after the effective date of the transaction, but no 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. Lakeside and Fort Worth have 180 days to complete the transaction.
4. Under 16 TAC § 24.239(m), if the transaction is not consummated within this period, or an extension has not been granted, this approval is void and Lakeside and Fort Worth will have to reapply for approval.
5. The applicants are advised that the facilities and certificated service area under CCN number 10073 that are subject to this transaction will continue to be held by Lakeside until the sale and transfer transaction is completed in accordance with the Commission's rules.
6. The applicants must file monthly updates regarding the status of the closing of the transaction 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 30th day of June 2022.

PUBLIC UTILITY COMMISSION OF TEXAS



**ISAAC TA
ADMINISTRATIVE LAW JUDGE**