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DOCKET NO. 54429

APPLICATION OF PALO DURO	§	PUBLIC UTILITY COMMISSION
SERVICE COMPANY DBA TRINITY	§	
RIVER ESTATES AND CITY OF	§	OF TEXAS
HUDSON OAKS FOR SALE,	§	
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN PARKER COUNTY	§	

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

**I.
INTRODUCTION**

On December 6, 2022, Palo Duro Service Company dba Trinity River Estates and the City of Hudson Oaks (collectively, Applicants) filed an application for approval of the sale, transfer, or merger of facilities and certificate rights in Parker County.

On June 30, 2023, 2023, the administrative law judge (ALJ) filed Order No. 9, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) and Applicants to file a joint motion to admit evidence and proposed order approving sale and allowing the transaction to proceed by September 19, 2023. Therefore, this pleading is timely filed.

**II.
JOINT MOTION TO ADMIT EVIDENCE**

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

- A. The application for sale, transfer, or merger of facilities and certificate rights, filed on December 6, 2022 (AIS Item Nos. 1);
- B. Applicant’s supplement to application, filed on January 6, 2023 (AIS Item No. 5);
- C. Applicant’s supplement to application, filed on February 15, 2023 (AIS Item No. 6);
- D. Staff’s recommendation on administrative completeness and notice and proposed procedural schedule and request to restyle the docket, filed on March 8, 2023 (AIS Item No. 7);
- E. Applicant’s supplement to application, filed on April 6, 2023 (AIS Item No. 9);

- F. Staff's recommendation on sufficiency of notice, filed on April 20, 2023 (AIS Item No. 10);
- G. Applicant's supplement to application, filed on May 22, 2023 (AIS Item No. 13);
- H. Staff's supplemental recommendation on sufficiency of supplemental notice, filed on June 5, 2023 (AIS Item No. 15);
- I. Applicant's supplement to application, filed on June 19, 2023 (AIS Item No. 19);
- J. Applicant's supplement to application, filed on June 23, 2023 (AIS Item No. 21);
- K. Applicant's supplement to application, filed on July 6, 2023 (AIS Item No. 24);
- L. Staff's second supplemental recommendation on sufficiency of notice and proposed procedural schedule, filed on July 28, 2023 (AIS Item No. 25); and
- M. Staff's recommendation on the transaction, filed on August 28, 2023 (AIS Item No. 28).

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.

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.

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

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[REPRESENTATIVE OF PALO DURO

SIGNATURE BLOCK]

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CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document will be provided to all parties of record via electronic mail on September 19, 2023 in accordance with the Second Order Suspending Rules, issued in Project No. 50664.

/s/ Kevin Pierce
Kevin Pierce

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RIVER ESTATES AND CITY OF	§	OF TEXAS
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TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN PARKER COUNTY	§	

JOINT PROPOSED ORDER APPROVING SALE AND TRANSFER TO PROCEED

This Order addresses the application of Palo Duro Service Company dba Trinity River Estates (Palo Duro) and the City of Hudson Oaks (Hudson Oaks) (collectively, Applicants) for the sale, transfer, or merger of facilities and certificate rights, and the amendment of certificate rights in Parker County. Applicants seek approval to acquire facilities and to transfer a portion of Palo Duro’s water service area under its certificate of convenience and necessity (CCN) No. 12200 to City of Hudson Oaks CCN No. 12273. 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. Palo Duro Service Company, Inc. dba Trinity River Estates is a for-profit corporation duly organized under the laws of the State of Texas.
2. Hudson Oaks is a Type A general law municipal corporation.
3. Hudson Oaks operates, maintains, and controls facilities for providing water service under CCN No. 12273 in Parker County.

Application

4. On December 6, 2022, Palo Duro and Hudson Oaks filed an application for the approval of the sale, transfer or merger of facilities and certificate rights, and the amendment of certificate rights in Parker County.
5. The sale and transfer affect approximately 68.5 acres and 29 total customer connections in Parker County, Texas.
6. The area subject to this transaction is located approximately 1.5 miles southwest of downtown Hudson Oaks, Texas, and is generally bounded on the north by East Bankhead

Highway; on the east by the intersection of East Bankhead Highway and Bankhead Court; on the south by Annetta Center Point Road; and on the west by Center Point Road.

7. Applicants agreed to the sale and transfer 68.5 acres of Palo Duro's water service area under water CCN No. 12200. Hudson Oaks will amend the water CCN number 13260 to incorporate the 0.1 acres of water service area previously under water CCN number 12200 and an additional 68.4 acres of decertified area.
8. In Order No. 3 issued on March 9, 2023, the administrative law judge (ALJ) found the application and amended application, as supplemented, administratively complete.

Notice

9. On July 6, 2023, Hudson Oaks filed the affidavit of Hayden Brodowsky, Director of Operations, attesting that notice was provided to all current customers, landowners, neighboring utilities, and affected parties on June 9, 2023, including owners in the proposed area of a tract of land of at least 25 acres.
10. In Order No. 9, filed on August 1, 2023, the ALJ found the notice of the application sufficient.

Evidentiary Record

11. On September ____, 2023, the parties filed a joint motion to admit evidence.
12. 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 December 6, 2022 (AIS Item Nos. 1);
 - B. Applicant's supplement to application, filed on January 6, 2023 (AIS Item No. 5);
 - C. Applicant's supplement to application, filed on February 15, 2023 (AIS Item No. 6);
 - D. Staff's recommendation on administrative completeness and notice and proposed procedural schedule and request to restyle the docket, filed on March 8, 2023 (AIS Item No. 7);
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- H. Staff's supplemental recommendation on sufficiency of supplemental notice, filed on June 5, 2023 (AIS Item No. 15);
- I. Applicant's supplement to application, filed on June 19, 2023 (AIS Item No. 19);
- J. Applicant's supplement to application, filed on June 23, 2023 (AIS Item No. 21);
- K. Applicant's supplement to application, filed on July 6, 2023 (AIS Item No. 24);
- L. Staff's second supplemental recommendation on sufficiency of notice and proposed procedural schedule, filed on July 28, 2023 (AIS Item No. 25); and
- M. Staff's recommendation on the transaction, filed on August 28, 2023 (AIS Item No. 28).

Adequacy of Existing Service and System Compliance

- 13. Palo Duro holds Texas Commission on Environmental Quality (TCEQ) approved Public Water System (PWS) No. 1840099, registered as Trinity River Estates.
- 14. No additional construction is necessary for Hudson Oaks to serve the requested area.
- 15. The last TCEQ compliance investigation of the Palo Duro system was on August 23, 2022. Trinity River Estates has several violations listed in the TCEQ database.
- 16. The Commission's complaint records, which date back five years, show 4 complaints against Palo Duro, which have been reviewed and closed.

Need for Service

- 17. There is no need for additional service, as the existing customers are currently receiving water service from the Palo Duro water system.
- 18. The Palo Duro water system is currently in operation.

Effect of Approving the Transaction and Granting the Amendment

- 19. Hudson Oaks will be the certificated entity for the requested area and be required to provide continuous and adequate service to the requested area.
- 20. There will be no effect on landowners in the area that is currently uncertificated. Those landowners in the area not currently receiving service from Hudson Oaks will be able to request water service from Undine.
- 21. 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.

Ability to Serve: Managerial and Technical

22. Hudson Oaks has a sufficient number of licensed operators and the managerial and technical capability to provide adequate and continuous service to the requested service area.
23. The Commission's complaint records, which date back five years, show no complaints against Undine.
24. Hudson Oaks demonstrated a compliance history that is adequate for approval of the sale to proceed.

Ability to Serve: Financial Ability and Stability

25. Hudson Oaks has a debt-to-equity ratio greater than 1.24, meeting the leverage test.
26. Hudson Oaks demonstrated that an affiliated interest is capable, available, and willing to cover temporary cash shortages.
27. Hudson Oaks has sufficient cash available to cover any projected operations and maintenance shortages in the first five years of operations after completion of the transaction and possesses the cash and leverage ability to pay for capital improvements and necessary equity investments, satisfying the operations test.
28. Hudson Oaks demonstrated has demonstrated the financial capability and stability to provide continuous and adequate service to the requested area.

Financial Assurance

29. There is no need to require Hudson Oaks to provide a bond or other financial assurance to ensure continuous and adequate service.

Feasibility of Obtaining Service from Adjacent Retail Public Utility

30. The feasibility of obtaining service from an adjacent retail public utility was not considered because Palo Duro was adequately serving the existing customers and its facilities offer sufficient capacity.
31. It is not feasible to obtain service from an adjacent retail public utility.

Regionalization or Consolidation

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

Environmental Integrity and Effect on the Land

33. 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

34. Hudson Oaks, using the water system already in place, will continue to provide water service to the existing customers in the area.

II. Conclusions of Law

The Commission makes the following conclusions of law.

1. Public notice of the application was provided as required by Texas Water Code (TWC) §§ 13.246 and 13.301(a)(2) and 16 TAC § 24.239 (c).
2. After consideration of the factors in TWC § 13.246(c), Hudson Oaks has demonstrated adequate financial, managerial, and technical capability for providing adequate and continuous service to the requested area as required by TWC §§ 13.301(b) and 16 TAC § 24.239(e).
3. It is not necessary for Hudson Oaks to provide bond or other financial assurance under TWC §§ 13.246(d) and 13.301(c).
4. The applicants have demonstrated that the sale and transfer of Palo Duro's certificated service area and existing facilities under CCN No. 12200 to Hudson Oaks and amend uncertificated area to CCN No. 12273 will serve the public interest and is necessary for the service, accommodation, convenience, or safety of the public. TWC §§ 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 Commission approves the sale and transfer of Palo Duro's water facilities and service area held under water CCN number 12200 to Hudson Oaks, and the amendment of Hudson Oaks water CCN number 12273 to include the area previously included in Palo Duro's water CCN number 12200 and remove the area from CCN number 12200.
2. The Commission approves the amendment of Hudson Oaks water CCN number 12273 to add 68.4 acres of uncertificated area.

3. 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.
4. The applicants have 180 days to complete the transaction.
5. 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.
6. The applicants are advised that the requested area and associated facilities will remain under CCN number 12200 and will be held by Palo Duro until the final order or notice of approval is issued in this matter, in accordance with Commission rules.
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