



## **Filing Receipt**

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<b>APPLICATION OF PALO DURO</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>SERVICE COMPANY, INC. AND THE</b>	<b>§</b>	
<b>CITY OF HUDSON OAKS FOR SALE,</b>	<b>§</b>	<b>OF TEXAS</b>
<b>TRANSFER, OR MERGER OF</b>	<b>§</b>	
<b>FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN PARKER COUNTY</b>	<b>§</b>	

**ORDER NO. 16**  
**APPROVING SALE AND TRANSFER TO PROCEED**

This Order addresses the application of Palo Duro Service Company, Inc. and the City of Hudson Oaks for approval of the sale, transfer, or merger of facilities and certificate rights in Parker County. The applicants seek approval of the following: (1) the sale and transfer of 0.1 acres of Palo Duro’s singly-certificated service area under its certificate of convenience and necessity (CCN) number 12200 to Hudson Oaks; (2) the sale and transfer of 68.4 acres of Palo Duro’s service area under CCN number 12200 to Hudson Oaks, which is dually-certificated with Hudson Oaks; (3) the amendment of Palo Duro’s CCN number 12200 to remove the 68.5 acres of service area; and (4) the amendment of Hudson Oaks’ CCN number 12273 to add the 0.1 acres. The administrative law judge (ALJ) approves the transaction between Palo Duro and Hudson Oaks and the transaction may be completed.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. Palo Duro is a Texas corporation registered with the Texas secretary of state under file number 143729200.
2. Palo Duro holds CCN number 12200 which obligates it to provide retail water service in its certificated service area in Parker, Tarrant, and Wise counties.
3. Palo Duro owns a public water system registered with the Texas Commission on Environmental Quality (TCEQ) as Trinity River Estates, under identification number 1840099.

4. Hudson Oaks is a type A general law municipal corporation.
5. Hudson Oaks holds CCN number 12273 which obligates it to provide retail water service in its certificated service area in Parker County.

**Application**

6. On December 6, 2022, the applicants filed the application at issue in this proceeding.
7. In the application, the applicants seek approval of the following transaction:
  - a. the sale and transfer of 0.1 acres of Palo Duro's singly-certificated service area under its CCN number 12200 to Hudson Oaks;
  - b. the sale and transfer of 68.4 acres of Palo Duro's service area under CCN number 12200 to Hudson Oaks, which is dually-certificated with Hudson Oaks;
  - c. the amendment of Palo Duro's CCN number 12200 to remove the 68.5 acres of service area; and
  - d. the amendment of Hudson Oaks' CCN number 12273 to add the 0.1 acres.
8. The applicants filed supplemental information on January 6 and February 15, 2023.
9. The requested area includes:
  - a. 0.1 acres of area that is singly-certificated under Palo Duro's CCN number 12200;
  - b. 68.4 acres of area under Palo Duro's CCN number that is dually-certificated with Hudson Oaks; and
  - c. 29 customer connections.
10. The requested area 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.
11. In Order No. 3 filed on March 9, 2023, the ALJ found the application, as supplemented, administratively complete.

**Notice**

12. On April 6, 2023, Hudson Oaks filed the affidavit of Hayden Brodowsky, director of operations of Hudson Oaks, attesting that notice was provided to current customers of Palo Duro, neighboring utilities, and affected parties on April 6, 2023.
13. On April 6, 2023, Hudson Oaks filed a publisher's affidavit attesting to the publication of notice in the *Weatherford Democrat*, a newspaper of general circulation in Parker County, on March 14 and 21, 2023.
14. In Order No. 4 filed on April 21, 2023, the ALJ found the notice sufficient.
15. In Order No. 5 filed on May 18, 2023, the ALJ required a clarification regarding the notice.
16. In Order No. 6 filed on June 6, 2023, the ALJ rescinded the finding that notice was sufficient.
17. On June 19, 2023, Hudson Oaks filed the affidavit of Ms. Brodowsky attesting that notice was provided to Sonna Warvell and Davoil Inc. dba Davestates on June 9, 2023.
18. On June 23, 2023, Hudson Oaks filed a map of the CCN area to be transferred overlaid with parcels for landowners with property containing 25 acres.
19. On July 6, 2023, Hudson Oaks filed the affidavit of Ms. Brodowsky attesting that notice was provided to Sonna Warvell and Davoil Inc. dba Davestates on June 9, 2023, and provided a clarification regarding landowners with tracts of land in the requested area that are at least 25 acres and are wholly or partially within the requested area and a map overlaid with a Parker County appraisal district map.
20. In Order No. 9 filed on August 1, 2023, the ALJ found the notice, as supplemented, sufficient.

**Evidentiary Record**

21. In Order No. 10 filed on September 26, 2023, the ALJ admitted 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;
  - b. The applicants' supplement to the application filed on January 6, 2023;

- c. The applicants' supplement to the application filed on February 15, 2023;
  - d. Commission Staff's supplemental recommendation on administrative completeness and notice and proposed procedural schedule and request to restyle the docket filed on March 8, 2023;
  - e. The applicants' proof of notice filed on April 6, 2023;
  - f. Commission Staff's recommendation on sufficiency of notice filed on April 20, 2023;
  - g. The applicants' supplemental proof of notice filed on May 22, 2023;
  - h. Commission Staff's supplemental recommendation on sufficiency of supplemental notice filed on June 5, 2023;
  - i. The applicants' supplemental proof of notice filed on June 19, 2023;
  - j. The applicants' supplemental proof of notice filed on June 23, 2023;
  - k. The applicants' supplemental proof of notice filed on July 6, 2023;
  - l. Commission Staff's second supplemental recommendation on sufficiency of notice and proposed procedural schedule filed on July 28, 2023; and
  - m. Commission Staff's recommendation on the transaction, and all attachments, filed on August 28, 2023.
22. In Order No. 13 filed on January 22, 2024, the ALJ admitted Commission Staff's response to Order No. 12, including attachments, filed on January 10, 2024, into the record of this proceeding.
23. In Order No. 14 filed on February 12, 2024, the ALJ admitted the following evidence into the record of this proceeding:
- a. Hudson Oaks' response to Order No. 11 filed on October 11, 2023; and
  - b. Hudson Oaks' response to Order No. 12 filed on December 11, 2023.

**Purchaser's Compliance History**

24. Hudson Oaks has not been under enforcement action by the Commission, TCEQ, Texas Health and Human Services, the Office of the Texas Attorney General, or the United States

Environmental Protection Agency in the past five years for non-compliance with rules, orders or state statutes.

25. The Commission's complaint records, which date back five years, show no complaints against Hudson Oaks.
26. Hudson Oaks does not have a history of continuing mismanagement or misuse of revenues as a utility service provider.
27. Hudson Oaks has demonstrated a compliance history that is adequate for approval of the transaction to proceed.

**Adequacy of Existing Service**

28. There are currently 29 connections in the requested area that are being served by Palo Duro through public water system number 1840099, and such service has been continuous.
29. The last TCEQ compliance investigation of the Palo Duro system was on August 23, 2022.
30. Palo Duro has unresolved violations listed in the TCEQ database.
31. Palo Duro is working with the TCEQ to address the outstanding violations.
32. Capital improvements are necessary for Hudson Oaks to continue providing continuous and adequate service to the requested area.
33. Hudson Oaks will make improvements to increase pressure tank capacity and storage tank capacity and has submitted the required plans and specifications to the TCEQ for the new pressure tank and storage tank.
34. The Commission's complaint records, which date back five years, show four complaints against Palo Duro, each of which have been reviewed and closed by the Commission's Consumer Protection Division.

**Need for Additional Service**

35. There are 29 customer connections in the requested area that are receiving service from Palo Duro and have an ongoing need for service.
36. This is an application to transfer only existing facilities, customers, and service area.

37. There is no evidence in the record indicating a need for additional service within the requested area.

**Effect of Approving the Transaction and Granting the Amendment**

38. Hudson Oaks will be the sole certificated water utility for the requested area.
39. Hudson Oaks will be required to provide continuous and adequate water service to current and future customers in the requested area.
40. Landowners in the requested area will be able to obtain water service from Hudson Oaks.
41. All retail public utilities in the proximate area were provided notice of the application and no protests or adverse comments were filed.
42. There will be no effect on any retail public utility providing service in the proximate area.

**Ability to Serve: Managerial and Technical**

43. Hudson Oaks employs or contracts with TCEQ-licensed operators who will operate the water system being transferred.
44. No additional construction is necessary for Hudson Oaks to provide service to the requested area.
45. Hudson Oaks 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**

46. Palo Duro is currently serving customers and has sufficient capacity.
47. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed; at a minimum, an interconnect would need to be installed to connect to a neighboring retail public utility.
48. It is not feasible to obtain service from an adjacent retail public utility.

**Regionalization or Consolidation**

49. It will not be necessary for Hudson Oaks to construct a physically separate water system to serve the requested area.

50. 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**

51. Hudson Oaks has a debt service coverage ratio greater than 1.25, satisfying the leverage test.
52. Hudson Oaks demonstrated it has sufficient cash available on hand to cover any projected operations and maintenance shortages during the first five years of operations following approval of the transaction, satisfying the operations test.
53. Hudson Oaks submitted documents indicating it possesses the funds necessary for the purchase of Palo Duro's water system and for the construction of capital improvements necessary for Hudson Oaks to continue providing continuous and adequate service to existing customers.
54. Hudson Oaks demonstrated the financial capability and stability to provide continuous and adequate service to the requested area.

**Financial Assurance**

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

**Environmental Integrity and Effect on the Land**

56. The environmental integrity and effect on the land will be temporary as capital improvements are made for Hudson Oaks to continue providing service to the requested area.

**Improvement in Service or Lowering Cost to Consumers**

57. Hudson Oaks, using the water system already in place, will continue to provide water service to the existing customers in the area.
58. The customers' rates will not change from the current rates for the Trinity River Estates subdivision.
59. Reliability and quality of water service is expected to improve under Hudson Oaks' 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).<sup>1</sup>
2. After consideration of the factors in TWC § 13.246(c), Hudson Oaks 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. Hudson Oaks 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. The applicants demonstrated that the sale and transfer of Palo Duro's facilities and service area to Hudson Oaks will serve the public interest and is necessary for the continued service, accommodation, convenience, or 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 transaction between Palo Duro and Hudson Oaks in this proceeding is approved and may be completed.
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 completed and customer deposits, if any, have been addressed.
3. The applicants have 180 days from the date of this Order to complete the transaction.

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<sup>1</sup> After this application was filed, 16 TAC § 24.239 was amended, effective March 29, 2023. Accordingly, all references and citations to 16 TAC § 24.239 in this Order are made to the version in effect at the time the application was filed.

4. Under 16 TAC § 24.239(m), if the transaction is not completed within this 180-day period and no extension has been granted, this approval is void and the applicants will have to reapply for approval.
5. CCN number 12200, and associated facilities and service area, will continue to be held by Palo Duro until the final order or notice of approval is issued in this matter, in accordance with Commission rules.
6. 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 completed.
7. Within 15 days following the filing of the applicants' proof that the transaction has been completed 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 on the 13th day of February 2024.**

**PUBLIC UTILITY COMMISSION OF TEXAS**



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**CHRISTINA DENMARK  
ADMINISTRATIVE LAW JUDGE**