



# City of Denton

City Hall  
215 E. McKinney Street  
Denton, Texas  
www.cityofdenton.com

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## AGENDA INFORMATION SHEET

**DEPARTMENT:** Water Utilities

**CM/DCM/ACM:** Cassey Ogden

**DATE:** March 24, 2026

### **SUBJECT**

Consider adoption of an ordinance of the City of Denton ratifying and approving a settlement agreement between McCart St, LLC and the City of Denton, Texas concerning petitions for streamlined expedited release (Public Utility Commission of Texas Docket Nos. 58460 and 58462); directing the city manager or designee and the city's attorneys to effectuate as necessary and appropriate the terms of the settlement agreement; and declaring an effective date.

### **STRATEGIC ALIGNMENT**

This action supports Key Focus Area: Support Healthy and Safe Communities.

### **BACKGROUND**

The Public Utility Commission of Texas ("PUC") regulates Certificates of Convenience and Necessity ("CCNs") through the Texas Water Code. CCNs give certificate holders the right and obligation to provide continuous and adequate retail water or sewer service over a specified geographic area. The City of Denton holds a Water CCN (CCN No. 10195) and a Sewer CCN (CCN No. 20072) granted by the PUC.

The Texas Water Code allows for Streamlined Expedited Release from a CCN. Utilizing the Streamlined Expedited Release, certain landowners owning tracts of twenty-five acres or more may file a petition with the PUC for release of their property from a City's CCN, provided the landowner meets specific requirements. Once a petition for a Streamlined Expedited Release Petition is administratively complete, the tracts are released within sixty days, and there is no opportunity for a hearing. The tracts of land released from the City's CCN are no longer required to be served by the City, nor does the City maintain authority to serve in that area.

Intervening in petitions for Streamlined Expedited Release enables the City to seek compensation pursuant to the appraisal processes and procedures provided by PUC rules and the Texas Water Code. Intervening supports the City's efforts to protect and maintain the integrity of the City's water and sewer CCNs; the City's long-range water, sewer, drainage, and street planning; and the City's development standards within the City's Extraterritorial Jurisdiction.

During the appraisal process, the parties may mutually agree to hire an appraiser or hire their own. If the parties hire their own respective appraisers, they must do so at their own expense. The parties each also pay half the cost of an appraiser appointed by the PUC. The PUC appraiser determines compensation based on the appraisal(s) received by the parties. The Texas Water Code requires the use of the following factors when determining just and adequate compensation:

1. The amount of the retail public utility's debt allocable for service to the area in question;
2. The value of the service facilities of the retail public utility located within the area in question;
3. The amount of any expenditures for planning, design, or construction of service facilities that are allocable to service to the area in question;
4. The amount of the retail public utility's contractual obligations allocable to the area in question;
5. Any demonstrated impairment of service or increase of cost to consumers of the retail public utility remaining after the decertification;
6. The impact on future revenues lost from existing customers;
7. Necessary and reasonable legal expenses and professional fees; and
8. Other relevant factors.

On July 28, 2025, McCart St, LLC (“McCart”) filed two petitions for Streamlined Expedited Release with the PUC (Docket Nos. 58460 and 58462) seeking to release two properties with a total of approximately ninety-five and six-tenths (95.6) acres of land from the City’s CCNs.

The City owns and operates a sanitary sewer line immediately east of the McCart St, LLC property, which would serve the property described in PUC Docket No. 58462. The City planned for water and sewer service to the area in its 2023 Wastewater Master Plan and its 2024 Water Master Plan.

On October 21, 2025, the City Council authorized the City Manager or their designee to intervene in petitions for Streamlined Expedited Release filed by McCart St, LLC with the Public Utility Commission of Texas and any other streamlined expedited release petitions related thereto or involving nearby properties, which the City has done.

Docket No 58460 has not progressed through the release process. There have been multiple rulings that the petition is administratively incomplete, although McCart has been attempting to cure the issue.

In Docket No. 58462, however, the petition for expedited release was granted on January 12, 2026, by the PUC Administrative Law Judge.

On February 20, 2026, McCart’s attorney reached out to the City’s outside counsel to make a settlement offer for both properties.

Denton staff and McCart discussed settlement options and executed the Settlement Agreement pursuant to City Council direction

### **RECOMMENDATION**

Staff recommends approval of an ordinance ratifying and approving a settlement agreement between McCart St, LLC and the city of Denton, Texas concerning petitions for streamlined expedited release (Public Utility Commission of Texas Docket Nos. 58460 and 58462); directing the City Manager or designee and the City’s Attorneys to effectuate as necessary and appropriate the terms of the settlement agreement; and declaring an effective date.

### **PRIOR ACTION/REVIEW (Council, Boards, Commissions)**

Sep. 30, 2025: Council Closed Session Discussion

Oct. 18, 2025: Council approved City Manager to intervene in petitions for streamlined expedited release (Public Utility Commission of Texas Docket Nos. 58460 and 58462) filed by McCart St, LLC

with the Public Utility Commission of Texas and any other streamlined expedited release petitions related thereto or involving nearby properties; authorizing the City Manager to take those actions necessary to effectuate the intent and purposes of this ordinance; and providing an effective date.

Mar. 3, 2026: Council Closed Session Discussion

**EXHIBITS**

Exhibit 1: Agenda Information Sheet

Exhibit 2: Ordinance

Respectfully submitted:  
Stephen Gay, at 940-349-8086  
General Manager  
Water Utilities and Street Operations

For information concerning this acquisition, contact: Denis Qualls, 940-349-8783.

Legal point of contact: Christopher Mullins at 940-349-8114.