

AN ACT

relating to a certificate of public convenience and necessity to provide water or sewer service in an area incorporated or annexed by a municipality.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 13.255, Water Code, is amended by amending Subsections (c), (d), (e), (f), and (i) and adding Subsection (e-1) to read as follows:

(c) The utility commission by order shall grant single certification to the municipality. ~~[The utility commission shall also determine in its order the monetary amount that is adequate and just to compensate the retail public utility for any of the retail public utility's property the utility commission determines is being rendered useless or valueless by the single certification.]~~

If the municipality in its application has requested the transfer of specified property of the retail public utility to the municipality or to a franchised utility, the utility commission shall also determine in its order the adequate and just compensation to be paid, under the provisions of this section, for the transferred [such] property and ~~[pursuant to the provisions of this section, including an award for]~~ damages to or adverse effects on property remaining in the ownership of the retail public utility after single certification. The order of the utility commission shall not be effective to transfer property. A transfer of property

1 may be obtained under this section only by a court judgment rendered  
2 under Subsection (d) or (e). The grant of single certification by  
3 the utility commission takes effect on the date the municipality or  
4 franchised utility, as the case may be, pays adequate and just  
5 compensation pursuant to court order, or pays an amount into the  
6 registry of the court or to the retail public utility under  
7 Subsection (f). If the court judgment provides that the retail  
8 public utility is not entitled to any compensation, the grant of  
9 single certification takes effect when the court judgment becomes  
10 final.

11 (d) In the event the final order of the utility commission  
12 is not appealed within 30 days, the municipality may request the  
13 district court of Travis County to enter a judgment consistent with  
14 the order of the utility commission. In such event, the court shall  
15 render a judgment that:

16 (1) transfers to the municipally owned utility or  
17 franchised utility title to property to be transferred to the  
18 municipally owned utility or franchised utility as delineated by  
19 the utility commission's final order ~~[and property determined by~~  
20 ~~the utility commission to be rendered useless or valueless by the~~  
21 ~~granting of single certification]~~; and

22 (2) orders payment to the retail public utility of  
23 adequate and just compensation ~~[for the property]~~ as determined by  
24 the utility commission in its final order under Subsection (c).

25 (e) Any party that is aggrieved by a final order of the  
26 utility commission under this section may file an appeal with the  
27 district court of Travis County within 30 days after the order

1 becomes final. The hearing in such an appeal before the district  
2 court shall be by trial de novo on all issues. After the hearing, if  
3 the court determines that the municipally owned utility or  
4 franchised utility is entitled to single certification under the  
5 provisions of this section, the court shall enter a judgment that:

6 (1) transfers to the municipally owned utility or  
7 franchised utility title to property requested by the municipality  
8 to be transferred to the municipally owned utility or franchised  
9 utility and located within the singly certificated area [~~and~~  
10 ~~property determined by the court or jury to be rendered useless or~~  
11 ~~valueless by the granting of single certification~~]; and

12 (2) orders payment in accordance with Subsection (g)  
13 to the retail public utility of adequate and just compensation for  
14 the property transferred, and for the property remaining in the  
15 ownership of the retail public utility after single certification  
16 that is damaged or adversely affected, as determined by the court or  
17 jury.

18 (e-1) In determining whether and to what extent property  
19 remaining in the ownership of a retail public utility after single  
20 certification is damaged or adversely affected in an appeal under  
21 Subsection (e), a court or jury may only consider the factors  
22 described by Subsection (g).

23 (f) Transfer of property shall be effective on the date the  
24 judgment becomes final. However, after the judgment of the court is  
25 entered, the municipality or franchised utility may take possession  
26 of transferred [~~condemned~~] property pending appeal if the  
27 municipality or franchised utility pays the retail public utility

1 or pays into the registry of the court, subject to withdrawal by the  
 2 retail public utility, the amount, if any, established in the  
 3 court's judgment as just and adequate compensation. To provide  
 4 security in the event an appellate court, or the trial court in a  
 5 new trial or on remand, awards compensation in excess of the  
 6 original award, the municipality or franchised utility, as the case  
 7 may be, shall deposit in the registry of the court an additional sum  
 8 in the amount of the award, or a surety bond in the same amount  
 9 issued by a surety company qualified to do business in this state,  
 10 conditioned to secure the payment of an award of compensation  
 11 [~~damages~~] in excess of the original award of the trial court. On  
 12 application by the municipality or franchised utility, the court  
 13 shall order that funds deposited in the registry of the court be  
 14 deposited in an interest-bearing account, and that interest  
 15 accruing prior to withdrawal of the award by the retail public  
 16 utility be paid to the municipality or to the franchised utility.  
 17 In the event the municipally owned utility or franchised utility  
 18 takes possession of property or provides utility service in the  
 19 singly certificated area pending appeal, and a court in a final  
 20 judgment in an appeal under this section holds that the grant of  
 21 single certification was in error, the retail public utility is  
 22 entitled to seek compensation for any damages sustained by it in  
 23 accordance with Subsection (g) of this section.

24 (i) In the event that a municipality files an application  
 25 for single certification on behalf of a franchised utility, the  
 26 municipality shall be joined in such application by such franchised  
 27 utility, and the franchised utility shall make all payments

1 required in the court's judgment to adequately and justly  
2 compensate the retail public utility [~~for any taking or damaging of~~  
3 ~~property and~~] for the transfer of property to such franchised  
4 utility and for the property remaining in the ownership of the  
5 retail public utility after single certification that is damaged or  
6 adversely affected.

7         SECTION 2. The changes in law made by this Act apply only to  
8 a proceeding affecting a certificate of public convenience and  
9 necessity that commences on or after the effective date of this Act.  
10 A proceeding affecting a certificate of public convenience and  
11 necessity that commenced before the effective date of this Act is  
12 governed by the law in effect on the date the proceeding is  
13 commenced, and that law is continued in effect for that purpose.

14         SECTION 3. This Act takes effect September 1, 2025.

H.B. No. 1318

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President of the Senate

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Speaker of the House

I certify that H.B. No. 1318 was passed by the House on April 25, 2025, by the following vote: Yeas 112, Nays 19, 3 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1318 on May 23, 2025, by the following vote: Yeas 110, Nays 27, 1 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 1318 was passed by the Senate, with amendments, on May 19, 2025, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor