

## **BILL ANALYSIS**

H.B. 149  
By: Phillips  
Natural Resources  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

When a retail water or sewer system becomes non-functional, another retail public utility provider can take over the non-functional system in order to avoid disruption of service to the customers of the system. Often, the rates charged by the non-functioning system are inadequate to properly provide the service and the infrastructure of the system is non-compliant with state regulated standards. However, there is not a streamlined process by which the price of service may be adjusted to reflect the actual costs to the provider which takes over the non-functional system. In these cases, the provider taking over the system is forced to charge inadequate rates and operate at a loss until the lengthy rate adjustment process is complete through the Texas Commission on Environmental Quality (TCEQ.) Additionally, the provider taking over the system may find its own system immediately out of compliance due to the emergency acquisition of the non-functional system and subject to fines from TCEQ.

H.B. 149 would direct TCEQ to adopt rules to provide for a streamlined rate adjustment process for retail public utility providers which take over a non-functioning retail water or sewer system. The provider would be allowed to charge a reasonable rate to customers immediately upon takeover of the non-functioning system. The bill would also direct TCEQ to allow a reasonable amount of time for the provider to bring the non-functioning system into compliance with commission rules.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTION 1 of this bill.

### **ANALYSIS**

SECTION 1. Subchapter C, Chapter 13, Water Code, is amended by adding Section 13.046, Water Code, that requires the Texas Commission on Environmental Quality (TCEQ) to adopt rules to establish a procedure that allows a retail public utility that takes over the provision of service for a nonfunctioning retail water or sewer utility service provider to charge a reasonable rate for the services provided to the customers of the nonfunctioning system and to recover service costs. The rules must provide for a streamlined process that the retail public utility that takes over a non-functioning system may use to apply to the commission for a ruling on the reasonableness of the rates the utility is charging. The process must allow for adequate consideration of costs for interconnection or other costs that may be incurred to bring the nonfunctioning system into compliance. The commission is also required to allow a reasonable amount of time for the provider to bring the non-functioning system into compliance with commission rules.

SECTION 2. Establishes the effective date of the bill as September 1, 2007.

### **EFFECTIVE DATE**

September 1, 2007