

## **BILL ANALYSIS**

Senate Research Center  
80R1522 CBH-D

S.B. 727  
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4/16/2007  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Chapter 13 (Water Rates and Services), Water Code, authorizes the governing body of a municipality to regulate the rates and services of a water and sewer utility which is located within the municipality's jurisdictional limits, but does not extend such authority to a municipality's extraterritorial jurisdiction. This regulatory oversight ensures that the rates are "fair, just, and reasonable" and that the services are "adequate and efficient." Currently, the rates and services of utilities located within a city's extraterritorial jurisdiction are regulated by the Texas Commission on Environmental Quality (TCEQ). This can cause discrepancies in quality of water, service, and rates between homeowners in the city limits and the city's extraterritorial jurisdiction. Additionally, without regulatory oversight, it can be difficult for a city to plan for future growth if utilities in a city's extraterritorial jurisdiction do not conform to a city's standards.

As proposed, S.B. 727 extends a municipality's regulatory authority over water and sewer rates to a utility located within the municipality's extraterritorial jurisdiction. Additionally, this bill authorizes ratepayers to appeal any city regulatory decision to TCEQ if they so desire.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 13.042(a), (b), (e), and (f), Water Code, as follows:

(a) Provides that, subject to the limitations imposed in this chapter and for the purpose of regulating rates and services so that those rates may be fair, just, and reasonable and the services adequate and efficient, the governing body of each municipality has exclusive original jurisdiction over all water and sewer utility rates, operations, and services provided by a water and sewer utility within its extraterritorial jurisdiction.

(b), (e), and (f) Makes conforming changes.

SECTION 2. Amends Section 13.043(b), Water Code, to authorize ratepayers of a utility under the jurisdiction of a municipality inside the corporate limits and extraterritorial jurisdiction of the municipality to appeal the decision of the governing body of such a utility affecting their water, drainage, or sewer rates to the Texas Commission on Environmental Quality (TCEQ).

SECTION 3. Amends Sections 13.082(a) and (b), Water Code, to require municipalities to continue to regulate each kind of local utility service inside their boundaries and extraterritorial jurisdiction until TCEQ has assumed jurisdiction over the respective utility pursuant to this chapter. Makes conforming changes.

SECTION 4. Amends Section 13.083, Water Code, to require a municipality regulating its water and sewer utilities under this chapter to require from those utilities all necessary data to make a reasonable determination of rate base, expenses, investment, and rate of return within the municipal boundaries and extraterritorial jurisdiction.

SECTION 5. Amends Section 13.139(b), Water Code, to make conforming changes.

SECTION 6. Makes application of this Act prospective.

SECTION 7. Effective date: September 1, 2007.