

By: Geren

H.B. No. 1587

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of certain classes of retail public water utilities.

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

SECTION 1. Section 13.002, Water Code, is amended by amending Subdivisions (4-b) and (4-c) and adding Subdivision (4-d) to read as follows:

(4-b) "Class B utility" means a public utility that provides retail water or sewer utility service through 2,300 ~~[500]~~ or more taps or connections but fewer than 10,000 taps or connections.

(4-c) "Class C utility" means a public utility that provides retail water or sewer utility service through 500 or more taps or connections but fewer than 2,300 ~~[500]~~ taps or connections.

(4-d) "Class D utility" means a public utility that provides retail water or sewer utility service through fewer than 500 taps or connections.

SECTION 2. Section 13.046, Water Code, is amended by adding Subsection (d) to read as follows:

(d) At the time the utility commission approves the acquisition of a nonfunctioning retail water or sewer utility service provider under Section 13.301, the utility commission shall:

(1) determine the duration of the temporary rates for

1 the retail public utility, which must be for a reasonable period;  
2 and

3 (2) rule on the reasonableness of the temporary rates  
4 under Subsection (b) if the utility commission did not make a ruling  
5 before the application was filed under Section 13.301.

6 SECTION 3. Section 13.183(c), Water Code, is amended to  
7 read as follows:

8 (c) To ensure that retail customers receive a higher  
9 quality, more affordable, or more reliable water or sewer service,  
10 to encourage regionalization, or to maintain financially stable and  
11 technically sound utilities, the regulatory authority, by rule or  
12 ordinance, as appropriate, may adopt specific alternative  
13 ratemaking methodologies for water or sewer rates [~~based on factors~~  
14 ~~other than rate of return and those specified in Section 13.185~~].  
15 Overall revenues determined according to an alternative ratemaking  
16 methodology adopted under this section must provide revenues to the  
17 utility that satisfy the requirements of Subsection (a). The  
18 regulatory authority may not approve rates under an alternative  
19 ratemaking methodology unless the regulatory authority adopts the  
20 methodology before the date the rate application was  
21 administratively complete.

22 SECTION 4. Section 13.187(a-1), Water Code, is amended to  
23 read as follows:

24 (a-1) A utility may not make changes in its rates except by  
25 sending by mail or e-mail a statement of intent to each ratepayer  
26 and to the regulatory authority having original jurisdiction at  
27 least 35 days before the effective date of the proposed change. The

1 utility may send the statement of intent to a ratepayer by e-mail  
2 only if the ratepayer has agreed to receive communications  
3 electronically. The effective date of the new rates must be the  
4 first day of a billing period, and the new rates may not apply to  
5 service received before the effective date of the new rates. The  
6 statement of intent must include:

7 (1) the information required by the regulatory  
8 authority's rules;

9 (2) a billing comparison regarding the existing water  
10 rate and the new water rate computed for the use of:

11 (A) 5,000 [~~10,000~~] gallons of water; and

12 (B) 10,000 [~~30,000~~] gallons of water;

13 (3) a billing comparison regarding the existing sewer  
14 rate and the new sewer rate computed for the use of 5,000 [~~10,000~~]  
15 gallons, unless the utility proposes a flat rate for sewer  
16 services; and

17 (4) a description of the process by which a ratepayer  
18 may intervene in the ratemaking proceeding.

19 SECTION 5. Sections [13.1871](#)(a), (b), and (d), Water Code,  
20 are amended to read as follows:

21 (a) Except as provided by Sections 13.18715 and [~~Section~~]  
22 [13.1872](#), this section applies only to a Class B utility.

23 (b) A utility may not make changes in its rates except by  
24 sending by mail or e-mail a statement of intent to each ratepayer  
25 and to the regulatory authority having original jurisdiction at  
26 least 35 days before the effective date of the proposed change. The  
27 utility may send the statement of intent to a ratepayer by e-mail

1 only if the ratepayer has agreed to receive communications  
2 electronically. The effective date of the new rates must be the  
3 first day of a billing period, and the new rates may not apply to  
4 service received before the effective date of the new rates. The  
5 statement of intent must include:

6 (1) the information required by the regulatory  
7 authority's rules;

8 (2) a billing comparison regarding the existing water  
9 rate and the new water rate computed for the use of:

10 (A) 5,000 [~~10,000~~] gallons of water; and

11 (B) 10,000 [~~30,000~~] gallons of water;

12 (3) a billing comparison regarding the existing sewer  
13 rate and the new sewer rate computed for the use of 5,000 [~~10,000~~]  
14 gallons, unless the utility proposes a flat rate for sewer  
15 services; and

16 (4) a description of the process by which a ratepayer  
17 may file a complaint under Subsection (i).

18 (d) When the statement of intent is delivered, the utility  
19 shall file with the regulatory authority an application to change  
20 rates. The application must include information the regulatory  
21 authority requires by rule and any appropriate cost and rate  
22 schedules supporting the requested rate increase. [~~In adopting  
23 rules relating to the information required in the application, the  
24 utility commission shall ensure that a utility can file a less  
25 burdensome and complex application than is required of a Class A  
26 utility.~~] If the utility fails to provide within a reasonable time  
27 after the application is filed the necessary documentation or other

1 evidence that supports the costs and expenses that are shown in the  
2 application, the regulatory authority may disallow the  
3 nonsupported costs or expenses.

4 SECTION 6. Subchapter F, Chapter 13, Water Code, is amended  
5 by adding Section 13.18715 to read as follows:

6 Sec. 13.18715. CLASS C UTILITIES: STATEMENT OF INTENT TO  
7 CHANGE RATES; HEARING; DETERMINATION OF RATE LEVEL. (a) This  
8 section applies only to a Class C utility.

9 (b) A utility may not make changes in its rates except by  
10 complying with the procedures to change rates described by Section  
11 13.1871.

12 (c) Notwithstanding Section 13.1871(n), the utility may  
13 send the notice required by that subsection by mail or e-mail or may  
14 deliver a copy of the notice to the ratepayers.

15 SECTION 7. The heading to Section 13.1872, Water Code, is  
16 amended to read as follows:

17 Sec. 13.1872. CLASS D [€] UTILITIES: RATE ADJUSTMENT.

18 SECTION 8. Section 13.1872, Water Code, is amended by  
19 amending Subsection (a) and adding Subsection (c-1) to read as  
20 follows:

21 (a) This section applies only to a Class D [€] utility.

22 (c-1) A utility that chooses to comply with Section 13.1871  
23 as authorized under Subsection (c)(2) of this section may send the  
24 notice required by Section 13.1871(n) by mail or e-mail or may  
25 deliver a copy of the notice to the ratepayers.

26 SECTION 9. Subchapter F, Chapter 13, Water Code, is amended  
27 by adding Section 13.1873 to read as follows:

1       Sec. 13.1873. APPLICATION RULES. In adopting rules  
2 relating to the information required in an application for a Class  
3 B, Class C, or Class D utility to change rates, the utility  
4 commission shall ensure that a:

5           (1) Class B utility can file a less burdensome and  
6 complex application than is required of a Class A utility; and

7           (2) Class C or Class D utility can file a less  
8 burdensome and complex application than is required of a Class A or  
9 Class B utility.

10       SECTION 10. Section 13.258(a), Water Code, is amended to  
11 read as follows:

12       (a) Notwithstanding any other provision of this chapter, a  
13 Class A utility may apply to the utility commission for an amendment  
14 of a certificate of convenience and necessity held by a municipal  
15 utility district to allow the utility to have the same rights and  
16 powers under the certificate as the municipal utility district.

17       SECTION 11. The change in law made by this Act applies only  
18 to an application for an amendment of a certificate of public  
19 convenience and necessity filed on or after the effective date of  
20 this Act. An application filed before the effective date of this Act  
21 is governed by the law in effect on the date the application is  
22 filed, and the former law is continued in effect for that purpose.

23       SECTION 12. This Act takes effect September 1, 2019.