

## **BILL ANALYSIS**

S.B. 740  
By: Perry  
Natural Resources  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The bill sponsor has informed the committee that timely and effective regulation of water and sewer services is essential for public health and infrastructure stability and that delays in utility rate adjustments and acquisitions can create financial strain on service providers and limit their ability to invest in system improvements. The bill sponsor has additionally informed the committee that the current regulatory procedures for water and sewer utilities can be time-consuming and inefficient, often creating delays that can prevent utilities from recovering necessary costs, leading to infrastructure deterioration. The bill sponsor has further informed the committee that the process for acquiring failing utility systems lacks clear timelines, causing uncertainty for municipalities and service providers.

S.B. 740 addresses these issues by establishing expedited processes for utility commission proceedings, including those for rate adjustments and system acquisitions. The bill sets clear deadlines for regulatory decisions and allows utilities to recover costs associated with infrastructure improvements. By streamlining the regulatory framework, the bill seeks to enhance service reliability and ensure that communities receive high-quality water and sewer services.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 and SECTION 4 of this bill.

### **ANALYSIS**

S.B. 740 amends the Water Code to require the Public Utility Commission of Texas (PUC), if the PUC is the appropriate regulatory authority regarding a request for a system improvement charge for water and sewer services, to enter a final order on the request not later than the 60th day after the date the PUC determines that a complete application for a system improvement charge has been filed. The bill authorizes the PUC to extend the deadline for not more than 15 days for good cause. The bill establishes that an application for a system improvement charge may not be considered complete by the PUC unless, to substantiate each claimed eligible cost of a utility's eligible plant that is not already included in the applying utility's rates, the application includes receipts, invoices, contracts, or other documentation of eligible costs. These provisions apply only to an application for system improvement charges received by the PUC on or after September 1, 2026. An application received before September 1, 2026, is governed by the law in effect on the date the application is filed, and the former law is continued in effect for that purpose.

S.B. 740 requires the PUC by rule to establish the information required for an application for a system improvement charge to be considered complete by the PUC, which must include the previously specified documentation, and to prescribe a standard form for an application to the PUC for such a charge. The PUC must adopt the rule not later than September 1, 2026.

S.B. 740 establishes that an application for a system improvement charge may not be considered complete by the PUC before the 30th day after the date the application is filed with the PUC. The bill requires the applicant, at the time such an application is filed, to provide a copy of the application to the Office of Public Utility Counsel (OPUC). The bill requires the PUC to allow OPUC to comment on the application not later than the 30th day after the date the application is filed and requires the PUC to provide to OPUC, at no cost and in electronic form, any data related to the application held by the PUC. Information provided to OPUC under the bill's provisions that is confidential and not subject to disclosure by the PUC under state public information law or other law is confidential and not subject to disclosure by OPUC.

S.B. 740 makes certain updates to the provision requiring adoption by the PUC of an expedited process for a Class A or Class B utility operator's acquisition of the stock, ownership interest, assets, and, if applicable, certificated service area of a utility in receivership, supervision, or temporary management. Whereas current law applies the process to an operator of a Class A or Class B utility who is appointed as a temporary manager of a utility, utility in receivership, or utility in supervision, the bill applies it to a Class A or Class B utility that has been appointed as a temporary manager or supervisor for the utility by the PUC or the Texas Commission on Environmental Quality (TCEQ) or has been appointed as a receiver for the utility at the request of the PUC or TCEQ before filing an application for the acquisition.

S.B. 740 additionally requires the PUC by rule to adopt an expedited process to authorize the following types of water and sewer service providers to acquire the voting stock, ownership interest, or assets of a utility in receivership, supervision, or temporary management and, if applicable, its certificated service area in the manner provided by applicable law relating to sales, transfers, and mergers:

- a municipally owned utility;
- a county;
- a water supply or sewer service corporation;
- a public utility agency created under Local Government Code provisions relating to the provision of water or sewer service by such an agency; or
- a district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

The bill requires the acquiring entity to have been appointed as a temporary manager or supervisor for the utility by the PUC or TCEQ or as a receiver for the utility at the request of the PUC or TCEQ before filing an acquisition application. The bill requires the process to satisfy the following criteria:

- be based on the expedited process adopted for acquisition by a Class A or Class B utility, except for any aspects of the process that cannot be applied to an entity over which the PUC does not have original rate jurisdiction;
- waive public notice requirements;
- require approval of the acquisition transaction if the transaction is considered to be in the public interest; and
- provide that the acquiring entity's appointment is considered sufficient to demonstrate adequate financial, managerial, and technical capability for providing continuous and adequate service to the service area to be acquired and any areas currently certificated to the acquiring entity.

S.B. 740 specifies that a receiver appointed for a water or sewer utility may be a person or one of the previously listed water and sewer service providers. The bill also specifies that a temporary manager appointed for a water or sewer utility may be any such provider, in addition

to a willing person as under current law, and that for purposes of provisions relating to that appointment, a reference to a person includes those providers.

**EFFECTIVE DATE**

September 1, 2025.