

## **BILL ANALYSIS**

Senate Research Center  
89R15322 SCR-F

C.S.S.B. 740  
By: Perry  
Water, Agriculture and Rural Affairs  
3/8/2025  
Committee Report (Substituted)

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

C.S.S.B. 740 implements two recommendations made in the interim report of the Senate Committee on Water, Agriculture, and Rural Affairs to the 89th Legislature, both of which were requested by the Public Utility Commission of Texas (PUC) during invited testimony before the committee in September 2024.

Regarding the first recommendation, C.S.S.B. 740 is intended to reduce the time it takes the PUC to process applications for system improvement charges (SICs) by implementing a 60-calendar day time limit that runs from the day a completed SIC application is received. Incorporating feedback offered during drafting by the Office of Public Utility Counsel, the bill specifies that completed applications must include various materials justifying the SIC (i.e., receipts and invoices for associated infrastructure improvements, etc.) and authorizes the PUC to toll the deadline for 15 calendar days for good cause.

Regarding the second recommendation, existing law authorizes the PUC to expedite the sale, transfer, or merger (STM) of a small water system being acquired by a larger, regional water system in cases where the regional water system is an investor-owned utility (IOU) and has been appointed temporary manager of the small system by the PUC or the Texas Commission on Environmental Quality. C.S.S.B. 740 expands eligibility for the expedited STM to include all classes of regional water systems appointed as temporary managers (e.g., municipal water systems, public water supply corporations, river authorities, etc.), not solely IOUs.

The committee substitute: (1) adds a new subsection requiring the PUC to (a) complete rulemaking under C.S.S.B. 740 by September 1, 2026 and (b) adopt a standardize form for SIC applications; and (2) clarified that C.S.S.B. 740 will apply to SIC applications received on or after September 1, 2026.

Additional background information is available at pgs. 22-28 and 46-48 of the interim report.

C.S.S.B. 740 amends current law relating to certain proceedings by the Public Utility Commission of Texas regarding water or sewer service.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 (Section 13.183, Water Code) and SECTION 3 (Section 13.3021, Water Code) of this bill.

Rulemaking authority previously granted to the Public Utility Commission of Texas is modified in SECTION 2 (Section 13.301, Water Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 13.183, Water Code, by amending Subsection (c) and adding Subsection (c-1) and (c-2), as follows:

(c) Requires the Public Utility Commission of Texas (PUC), if the PUC is the appropriate regulatory authority, to enter a final order on a request for a system improvement charge

under this subsection not later than the 60th day after the date the PUC determines that a complete application for a system improvement charge has been filed. Authorizes the PUC to extend the deadline for not more than 15 days for good cause.

(c-1) Requires the PUC to by rule establish the information required for an application for a system improvement charge to be considered complete by the PUC under Section 13.183 (Fixing Overall Revenues), which is required to include the documentation listed in Subsection (c-2) and prescribe a standard form for an application to PUC for a system improvement charge under Subsection (c).

(c-2) Prohibits an application for a system improvement charge under Subsection (c) from being 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.

SECTION 2. Amends Section 13.301(l), Water Code, as follows:

(1) Requires the PUC, notwithstanding any other provision of Section 13.301 (Report of Sale, Merger, etc.; Investigation; Disallowance of Transaction) or Section 13.302 (Purchase of Voting Stock in Another Public Utility: Report), by rule to adopt a process to expedite an application for the acquisition of the stock or ownership interest under Section 13.302, or of assets under this section, of a utility in receivership under Section 13.412 (Receivership), a utility in supervision under Section 13.4131 (Supervision of Certain Utilities), or a utility in temporary management under Section 13.4132 (Operation of Utility That Discontinues Operation or is Referred for Appointment of Receiver), and, if applicable, its certificated service area, by a Class A or Class B utility. Requires the applicant to have been appointed as a temporary manager or supervisor for the utility by the PUC or the Texas Commission on Environmental Quality (TCEQ) or have been appointed as a receiver for the utility at the request of the PUC or TCEQ before filing the application. Requires that the process:

(1) waive public notice requirements regardless of whether the applicant, rather than the person, elects to charge initial rates in accordance with Section 13.3011 (Initial Rates for Certain Water or Sewer Systems After Purchase or Acquisition) or use a voluntary valuation determined under Section 13.305 (Voluntary Valuation of Acquired Utility or Facilities);

(2) makes no changes to this subdivision; and

(3) makes conforming changes to this subdivision.

Deletes existing text requiring the PUC, notwithstanding any other provision of this section, by rule to adopt a process that allows a person appointed by the PUC or TCEQ under Section 13.4132 as a temporary manager of a utility, utility in receivership, or utility in supervision, who is also an operator of a Class A or Class B utility to apply for PUC approval of the person's acquisition of the stock, ownership interest, or assets of the temporarily managed and operated utility, utility in receivership, or utility in supervision, its facilities, and, if applicable, its certificated service area.

SECTION 3. Amends Subchapter H, Chapter 13, Water Code, by adding Section 13.3021, as follows:

Sec. 13.3021. SALES, TRANSFERS, AND MERGERS FOR CERTAIN RETAIL PUBLIC UTILITIES. (a) Requires the PUC by rule to adopt an expedited process to authorize a municipally owned utility, a county, a water supply or sewer service corporation, or a district or authority created under Section 52 (Restrictions on Lending Credit or Making Grants by Political Corporations or Political Subdivisions; Authorized Bonds; Investment of Funds), Article III (Legislative Department), or Section 59 (Conservation and Development of Natural Resources; Development of Parks and

Recreational Facilities; Conservation and Reclamation Districts; Indebtedness and Taxation Authorized), Article XVI (General Provisions), Texas Constitution, to acquire the stock or ownership interest under Section 13.302, or assets under Section 13.301, of a utility in receivership under Section 13.412, a utility in supervision under Section 13.4131, or a utility in temporary management under Section 13.4132, and, if applicable, its certificated service area, in the manner provided by Sections 13.301 and 13.302.

(b) Requires the municipally owed utility, county, water supply or sewer service corporation, district, or authority 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 under this section.

(c) Requires that the process be based on the expedited process adopted under Section 13.301(l), 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 municipally owned utility's, county's, water supply or sewer service corporation's, district's, or authority'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 municipally owned utility, county, corporation, district, or authority.

SECTION 4. Amends Section 13.412(g), Water Code, as follows:

(g) Authorizes a receiver appointed under this section, notwithstanding Section 64.021 (Qualifications; Residence Requirement), Civil Practice and Remedies Code, to be a person, a municipally owned utility, a county, a water supply or sewer service corporation, or a district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution. Makes a nonsubstantive change.

SECTION 5. Amends Section 13.4132, Water Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Authorizes the PUC or TCEQ, after providing to the utility notice and an opportunity to be heard by the commissioners at a PUC or TCEQ meeting, to authorize a willing person, municipally owned utility, county, water supply or sewer service corporation, or district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, to temporarily manage and operate a utility if the utility meets certain requirements.

(a-1) Provides that, for the purposes of this section, a reference to a person includes a municipally owned utility, county, water supply or sewer service corporation, or district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

SECTION 6. (a) Requires the PUC to adopt the rules required by Section 13.183 (c-1), Water Code, as added by this Act, not later than September 1, 2026.

(b) Makes application of Section 13.183(c), Water Code, as amended by his Act, prospective.

SECTION 7. Effective date: September 1, 2025.