

By: Perry

S.B. No. 740

A BILL TO BE ENTITLED

AN ACT

relating to certain proceedings by the Public Utility Commission of Texas regarding water or sewer service.

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

SECTION 1. Section 13.183, Water Code, is amended by amending Subsection (c) and adding Subsection (c-1) to read as follows:

(c) To ensure that retail customers receive a higher quality, more affordable, or more reliable water or sewer service, to encourage regionalization, or to maintain financially stable and technically sound utilities, the regulatory authority, by rule or ordinance, as appropriate, may adopt specific alternative ratemaking methodologies for water or sewer rates to allow for more timely and efficient cost recovery. Appropriate alternative ratemaking methodologies are the introduction of new customer classes, the cash needs method, and phased and multi-step rate changes. The regulatory authority may also adopt system improvement charges that may be periodically adjusted to ensure timely recovery of infrastructure investment. If the utility commission is the appropriate regulatory authority, the utility commission shall 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 utility commission determines that a complete application for a system improvement charge has been

1 filed. The utility commission may extend the deadline for not more
2 than 15 days for good cause. The utility commission by rule shall
3 establish a schedule that requires all utilities that have
4 implemented a system improvement charge approved by the utility
5 commission to make periodic filings with the utility commission to
6 modify or review base rates charged by the utility. Overall
7 revenues determined according to an alternative ratemaking
8 methodology adopted under this section must provide revenues to the
9 utility that satisfy the requirements of Subsection (a). The
10 regulatory authority may not approve rates under an alternative
11 ratemaking methodology unless the regulatory authority adopts the
12 methodology before the date the rate application was
13 administratively complete.

14 (c-1) An application for a system improvement charge under
15 Subsection (c) may not be considered complete by the utility
16 commission unless, to substantiate each claimed eligible cost of a
17 utility's eligible plant that is not already included in the
18 applying utility's rates, the application includes:

- 19 (1) receipts;
20 (2) invoices;
21 (3) contracts; or
22 (4) other documentation of eligible costs.

23 SECTION 2. Section 13.301(1), Water Code, is amended to
24 read as follows:

25 (1) Notwithstanding any other provision of this section or
26 Section 13.302, the utility commission by rule shall adopt a [an
27 expedited] process to expedite an application for the acquisition

1 of the stock or ownership interest under Section 13.302, or of
2 assets under this section, of a utility in receivership under
3 Section 13.412, a utility in supervision under Section 13.4131, or
4 a utility in temporary management under Section 13.4132, and, if
5 applicable, its certificated service area, by a Class A or Class B
6 utility. The applicant must have been appointed as a temporary
7 manager or supervisor for the utility by the utility commission or
8 commission or have been appointed as a receiver for the utility at
9 the request of the utility commission or commission before filing
10 the application [~~that allows a person appointed by the utility~~
11 ~~commission or commission under Section 13.4132 as a temporary~~
12 ~~manager of a utility, utility in receivership, or utility in~~
13 ~~supervision, who is also an operator of a Class A or Class B utility~~
14 ~~to apply for utility commission approval of the person's~~
15 ~~acquisition of the stock, ownership interest, or assets of the~~
16 ~~temporarily managed and operated utility, utility in receivership,~~
17 ~~or utility in supervision, its facilities, and, if applicable, its~~
18 ~~certificated service area]. The [~~expedited~~] process must:~~

19 (1) waive public notice requirements regardless of
20 whether the person elects to charge initial rates in accordance
21 with Section 13.3011 or use a voluntary valuation determined under
22 Section 13.305;

23 (2) require approval of the acquisition transaction if
24 the transaction is considered to be in the public interest; and

25 (3) provide that:

26 (A) the person's appointment is considered
27 sufficient to demonstrate adequate financial, managerial, and

1 technical capability for providing continuous and adequate service
2 to the service area to be acquired and any areas currently
3 certificated to the person; and

4 (B) all used and useful invested capital and just
5 and reasonable operations and maintenance costs incurred by the
6 person during the person's appointment as temporary manager and
7 operator of the utility, utility in receivership, or utility in
8 supervision to be acquired are considered to be a regulatory asset
9 for the person and are recoverable in the person's next
10 comprehensive rate proceeding or system improvement charge
11 application.

12 SECTION 3. Subchapter H, Chapter 13, Water Code, is amended
13 by adding Section 13.3021 to read as follows:

14 Sec. 13.3021. SALES, TRANSFERS, AND MERGERS FOR CERTAIN
15 RETAIL PUBLIC UTILITIES. (a) The utility commission by rule shall
16 adopt an expedited process to authorize a municipally owned
17 utility, a county, a water supply or sewer service corporation, or a
18 district or authority created under Section 52, Article III, or
19 Section 59, Article XVI, Texas Constitution, to acquire the stock
20 or ownership interest under Section 13.302, or assets under Section
21 13.301, of a utility in receivership under Section 13.412, a
22 utility in supervision under Section 13.4131, or a utility in
23 temporary management under Section 13.4132, and, if applicable, its
24 certificated service area, in the manner provided by Sections
25 13.301 and 13.302.

26 (b) The municipally owned utility, county, water supply or
27 sewer service corporation, district, or authority must have been

1 appointed as a temporary manager or supervisor for the utility by
2 the utility commission or commission or as a receiver for the
3 utility at the request of the utility commission or commission
4 before filing an acquisition application under this section.

5 (c) The process must:

6 (1) be based on the expedited process adopted under
7 Section 13.301(1), except for any aspects of the process that
8 cannot be applied to an entity over which the utility commission
9 does not have original rate jurisdiction;

10 (2) waive public notice requirements;

11 (3) require approval of the acquisition transaction if
12 the transaction is considered to be in the public interest; and

13 (4) provide that the municipally owned utility's,
14 county's, water supply or sewer service corporation's, district's,
15 or authority's appointment is considered sufficient to demonstrate
16 adequate financial, managerial, and technical capability for
17 providing continuous and adequate service to the service area to be
18 acquired and any areas currently certificated to the municipally
19 owned utility, county, corporation, district, or authority.

20 SECTION 4. Section 13.412(g), Water Code, is amended to
21 read as follows:

22 (g) Notwithstanding Section 64.021, Civil Practice and
23 Remedies Code, a receiver appointed under this section may:

24 (1) be a person, a municipally owned utility, a
25 county, a water supply or sewer service corporation, or a district
26 or authority created under Section 52, Article III, or Section 59,
27 Article XVI, Texas Constitution; and

1 (2) seek approval from the utility commission and the
2 commission to acquire the water or sewer utility's facilities and
3 transfer the utility's certificate of convenience and necessity.
4 The receiver must apply in accordance with Subchapter H.

5 SECTION 5. Section 13.4132, Water Code, is amended by
6 amending Subsection (a) and adding Subsection (a-1) to read as
7 follows:

8 (a) The utility commission or the commission, after
9 providing to the utility notice and an opportunity to be heard by
10 the commissioners at a utility commission or commission meeting,
11 may authorize a willing person, municipally owned utility, county,
12 water supply or sewer service corporation, or district or authority
13 created under Section 52, Article III, or Section 59, Article XVI,
14 Texas Constitution, to temporarily manage and operate a utility if
15 the utility:

16 (1) has discontinued or abandoned operations or the
17 provision of services;

18 (2) has been or is being referred to the attorney
19 general for the appointment of a receiver under Section 13.412; or

20 (3) provides retail water or sewer utility service
21 through fewer than 10,000 taps or connections and violates a final
22 order of the commission by failing to:

23 (A) provide system capacity that is greater than
24 the required raw water or groundwater production rate or the
25 anticipated daily demand of the system;

26 (B) provide a minimum pressure of 35 pounds per
27 square inch throughout the distribution system under normal

1 operating conditions; or

2 (C) maintain accurate or properly calibrated
3 testing equipment or other means of monitoring the effectiveness of
4 a chemical treatment or pathogen inactivation or removal process.

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

10 SECTION 6. Section 13.183(c), Water Code, as amended by
11 this Act, applies only to an application for system improvement
12 charges received by the Public Utility Commission of Texas on or
13 after the effective date of this Act. An application for system
14 improvement charges received before the effective date of this Act
15 is governed by the law in effect on the date the application is
16 filed, and the former law is continued in effect for that purpose.

17 SECTION 7. This Act takes effect September 1, 2025.