

By: Kolkhorst

S.B. No. 1977

A BILL TO BE ENTITLED

# 1 AN ACT

2 relating to the recovery and reimbursement of certain expenses by  
3 an electric utility or a water and sewer utility in a rate  
4 proceeding.

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

6 SECTION 1. Section 33.023, Utilities Code, is amended by  
7 adding Subsection (c) to read as follows:

8           (c) For purposes of Subsection (b), the electric utility may  
9 not reimburse the governing body of a municipality for any legal  
10 expenses that the regulatory authority determines were incurred due  
11 to the municipality:

14 (2) engaging in:

15 (A) an act intended to harass, delay, or  
16 needlessly increase the expense incurred for participating in the  
17 proceeding; or

18 (B) conduct not in the public interest.

19 SECTION 2. Section 36.061, Utilities Code, is amended by  
20 adding Subsections (b-1), (b-2), and (b-3) to read as follows:

21                   (b-1) For purposes of Subsection (b)(2), the regulatory  
22 authority may not allow as a cost or expense legal expenses incurred  
23 by an electric utility for participating in a rate proceeding under  
24 this title that exceed a total of:

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(1) \$500,000; and

(2) 50 percent of the legal expenses incurred by the  
entity to participate in the proceeding that exceed

(b-2) For purposes of Subsection (b)(2), the regulatory authority may not allow as a cost or expense legal expenses incurred by an electric utility for participating in a rate proceeding under title that the regulatory authority determines are attributable to the following conduct by the utility:

(1) filing a frivolous or groundless discovery motion;

or

(2) engaging in:

(A) an act intended to harass, delay, or  
ase the expense incurred for participating in the

(B) conduct not in the public interest.

(b-3) Notwithstanding Subsection (b-1), the regulatory utility shall allow as a cost or expense legal expenses incurred electric utility in a rate proceeding under this title in any - if the expenses were:

(1) attributable to conduct described by Subsection  
party to the rate proceeding who was a non-utility  
and

(2) reasonable.

25 SECTION 3. Section 13.084, Water Code, is amended to read as  
26 follows:

27 Sec. 13.084. AUTHORITY OF GOVERNING BODY; COST

1 REIMBURSEMENT. (a) The governing body of any municipality or the  
2 commissioners court of an affected county shall have the right to  
3 select and engage rate consultants, accountants, auditors,  
4 attorneys, engineers, or any combination of these experts to  
5 conduct investigations, present evidence, advise and represent the  
6 governing body, and assist with litigation on water and sewer  
7 utility ratemaking proceedings. The water and sewer utility  
8 engaged in those proceedings shall be required to reimburse the  
9 governing body or the commissioners court for the reasonable costs  
10 of those services and shall be allowed to recover those expenses  
11 through its rates with interest during the period of recovery.

12 (b) For purposes of Subsection (a), the water and sewer  
13 utility may not reimburse the governing body of a municipality for  
14 any legal expenses that the regulatory authority determines were  
15 incurred due to the municipality:

16 (1) filing a frivolous or groundless discovery motion;  
17 or

18 (2) engaging in:

19 (A) an act intended to harass, delay, or  
20 needlessly increase the expense incurred for participating in the  
21 proceeding; or

22 (B) conduct not in the public interest.

23 SECTION 4. Section 13.185, Water Code, is amended by  
24 amending Subsection (h) and adding Subsections (h-1) and (h-2) to  
25 read as follows:

26 (h) The regulatory authority may not include for ratemaking  
27 purposes:

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1 (1) legislative advocacy expenses, whether made  
2 directly or indirectly, including legislative advocacy expenses  
3 included in trade association dues:

4 (2) costs of processing a refund or credit under this  
5 subchapter; [or]

6 (3) any expenditure found by the regulatory authority  
7 to be unreasonable, unnecessary, or not in the public interest,  
8 including executive salaries, advertising expenses, [legal  
9 expenses,] and civil penalties or fines; or

13 (A) \$500,000; and

16        (h-1) An expense is not considered to be in the public  
17 interest under Subsection (h)(4) if the expense is attributable to  
18 the following conduct by the utility:

19 (1) filing a frivolous or groundless discovery motion;

20 or

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1                   (1) attributable to conduct described by Subsection  
2    (h-1) by a party to the ratemaking proceeding who was a non-utility  
3    intervenor; and  
4                   (2) reasonable.

5                   SECTION 5. The changes in law made by this Act apply only to  
6    a rate proceeding under Title 2, Utilities Code, or Chapter 13,  
7    Water Code, as applicable, that begins on or after the effective  
8    date of this Act. A rate proceeding that begins before the  
9    effective date of this Act is governed by the law in effect on the  
10   date the rate proceeding began, and the former law is continued in  
11   effect for that purpose.

12                  SECTION 6. This Act takes effect September 1, 2025.