

AN ACT

relating to the enforcement of drought contingency plans by water and sewer utilities and the Public Utility Commission of Texas.

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

SECTION 1. Section 13.041(a), Water Code, is amended to read as follows:

(a) The utility commission may regulate and supervise the tariffs and business of each water and sewer utility within its jurisdiction, including ratemaking and other economic regulation. The commission may regulate water and sewer utilities within its jurisdiction to ensure safe drinking water and environmental protection. The utility commission and the commission may do all things, whether specifically designated in this chapter or implied in this chapter, necessary and convenient to the exercise of these powers and jurisdiction. The utility commission may consult with the commission as necessary in carrying out its duties related to the regulation of water and sewer utilities.

SECTION 2. Section 13.042(a), Water Code, is amended to read as follows:

(a) Subject to the limitations imposed in this chapter and for the purpose of regulating rates and services so that those rates may be fair, just, and reasonable and the services adequate and efficient, the governing body of each municipality has exclusive original jurisdiction over all water and sewer utility rates,

1 tariffs, operations, and services provided by a water and sewer
2 utility within its corporate limits.

3 SECTION 3. Section 13.136, Water Code, is amended by
4 amending Subsection (a) and adding Subsection (a-1) to read as
5 follows:

6 (a) Every utility shall file with each regulatory authority
7 tariffs showing all rates that are subject to the original or
8 appellate jurisdiction of the regulatory authority and that are in
9 force at the time for any utility service, product, or commodity
10 offered. Every utility shall file with and as a part of those
11 tariffs all rules and regulations relating to or affecting the
12 rates, utility service, product, or commodity furnished, including
13 the utility's drought contingency plan required by the commission.

14 (a-1) Notwithstanding Subsection (a), a provision of a
15 drought contingency plan does not constitute a rate as defined by
16 Section 13.002.

17 SECTION 4. Sections 13.250(b) and (d), Water Code, are
18 amended to read as follows:

19 (b) Unless the utility commission issues a certificate that
20 neither the present nor future convenience and necessity will be
21 adversely affected, the holder of a certificate or a person who
22 possesses facilities used to provide utility service shall not
23 discontinue, reduce, or impair service to a certified service area
24 or part of a certified service area except for:

25 (1) nonpayment of charges for services provided by the
26 certificate holder or a person who possesses facilities used to
27 provide utility service;

(2) nonpayment of charges for sewer service provided by another retail public utility under an agreement between the retail public utility and the certificate holder or a person who possesses facilities used to provide utility service or under a utility commission-ordered arrangement between the two service providers;

(3) noncompliance with a drought contingency plan;

(4) nonuse; or

(5) [~~(4)~~] other similar reasons in the usual course of business.

(d) Except as provided by this subsection, a retail public utility that has not been granted a certificate of public convenience and necessity may not discontinue, reduce, or impair retail water or sewer service to any ratepayer without approval of the regulatory authority. Except as provided by this subsection, a utility or water supply corporation that is allowed to operate without a certificate of public convenience and necessity under Section 13.242(c) may not discontinue, reduce, or impair retail water or sewer service to any ratepayer without the approval of the regulatory authority. Subject to rules of the regulatory authority, a retail public utility, utility, or water supply corporation described in this subsection may discontinue, reduce, or impair retail water or sewer service for:

(1) nonpayment of charges;

(2) noncompliance with a drought contingency plan;

(3) nonuse; or

(4) [~~(3)~~] other similar reasons in the usual course of

1 business.

2 SECTION 5. Section 11.1272, Water Code, is amended by
3 amending Subsections (c), (d), and (e) and adding Subsection (c-1)
4 to read as follows:

5 (c) A [~~By May 1, 2005, a~~] drought contingency plan required
6 by commission rule adopted under this section must include:

7 (1) specific, quantified targets for water use
8 reductions to be achieved during periods of water shortages and
9 drought; and

10 (2) reasonable procedures for the enforcement of
11 mandatory water use restrictions, including fines, water rate
12 surcharges, restriction of service, discontinuation of service, or
13 any other penalty.

14 (c-1) The entity preparing the drought contingency plan
15 shall establish the targets and enforcement procedures required
16 under Subsection (c).

17 (d) The commission, the utility commission, and the board by
18 joint rule shall identify quantified target goals for drought
19 contingency plans that wholesale and retail public water suppliers,
20 irrigation districts, and other entities may use as guidelines in
21 preparing drought contingency plans. Goals established under this
22 subsection are not enforceable requirements.

23 (e) The commission, the utility commission, and the board
24 jointly shall develop and update at least once every five years
25 model drought contingency programs for different types of water
26 suppliers that suggest best management practices for accomplishing
27 the highest practicable levels of water use reductions achievable

1 during periods of water shortages and drought for each specific
2 type of water supplier.

3 SECTION 6. This Act takes effect immediately if it receives
4 a vote of two-thirds of all the members elected to each house, as
5 provided by Section 39, Article III, Texas Constitution. If this
6 Act does not receive the vote necessary for immediate effect, this
7 Act takes effect September 1, 2025.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 2662 passed the Senate on April 30, 2025, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 2662 passed the House on May 20, 2025, by the following vote: Yeas 128, Nays 19, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor