

SUBJECT: Revising conditions for CCNs issued for certain municipal service areas

COMMITTEE: Natural Resources — favorable, without amendment

VOTE: 8 ayes — T. King, Harris, Bowers, Kacal, Lucio, Paul, Price, Wilson

0 nays

3 absent — Larson, Ramos, Walle

WITNESSES: For — Simon Sequeira, Quadvest

Against — (*Registered, but did not testify*: Amber Hausenfluck, City of McAllen)

On — (*Registered, but did not testify*: Tammy Benter, Public Utility Commission of Texas)

BACKGROUND: Water Code sec. 13.245 requires that a municipality with a population of 500,000 or more give its consent to the granting of a certificate of public convenience and necessity for a service area within the municipality's boundaries or extraterritorial jurisdiction before the Public Utility Commission of Texas is authorized to grant the certificate to a retail public utility. A municipality may require as a condition of the consent that all water and sewer facilities be designed and constructed in accordance with the municipality's standards for facilities.

DIGEST: HB 3476 would prohibit a municipality with a population of 500,000 or more from requiring, as a condition of consent to the granting of a certificate of public convenience and necessity (CCN) to a retail public utility, that all water and sewer facilities for a service area located in the municipality's extraterritorial jurisdiction be designed and constructed in accordance with the municipality's facility standards. If the service area was within the municipality's boundaries, the municipality could require as a condition of consent that a water or sewer facility be designed and constructed in accordance with its facility standards.

The Public Utility Commission of Texas (PUC) would be required to include as a condition of granting a CCN for a service area within the boundaries of a municipality with a population of 500,000 or more that all water and sewer facilities be designed and constructed in accordance with the municipality's facility standards. For a service area located in a municipality's extraterritorial jurisdiction, PUC would have to include as a condition of granting a CCN that all water and sewer facilities be designed and constructed in accordance with the Texas Commission on Environmental Quality's standards.

The bill would take effect September 1, 2021.

**SUPPORTERS  
SAY:**

HB 3476 would help address delays and costs associated with gaining the consent of certain municipalities for the granting of a certificate of public convenience and necessity (CCN) for retail public utilities in their extraterritorial jurisdiction by prohibiting municipalities from requiring that certain utility facilities meet their facility standards.

CCNs for service areas in the extraterritorial jurisdiction of municipalities with a population of more than 500,000 frequently are not handled in a timely manner, which can result in construction delays that affect service. In addition, requiring that a facility in a municipality's extraterritorial jurisdiction adhere to municipal standards can increase construction costs significantly, and these costs often are passed on to homeowners in the service area.

HB 3476 would address these concerns by prohibiting municipalities from requiring facilities in these areas meet the municipality's facility standards as a condition for the issuance of a CCN and would instead require such facilities to meet standards established by the Texas Commission on Environmental Quality. The commission's standards are sufficient to be used statewide, and a municipality should not be able to dictate construction terms outside of its boundaries when an effective statewide standard exists.

**CRITICS  
SAY:**

HB 3476 would limit municipalities' influence in how water and sewer facilities were designed and constructed in their extraterritorial jurisdictions. Local authorities in larger municipalities are best suited to set certain standards for a water or sewer facility, including for service areas within the municipality's extraterritorial jurisdiction. A uniform statewide standard would not adequately address the different needs and concerns of municipalities across the state. The effects of a water or sewer facility are local, and local authorities should retain their full right to consent to facilities in their jurisdiction.