

Texas Commission on Environmental Quality

Interoffice Memorandum

To: Commissioners **Date:** July 11, 2026

Thru: Laurie Gharis, Chief Clerk
Kelly Keel, Executive Director

From: *cm* Cari-Michel La Caille, Director
Office of Water

Docket No.: 2025-1920-RUL

Subject: Commission Approval for Proposed Rulemaking
Chapter 291, Utility Regulations
Senate Bills (SBs) 740 and 1169 Implementation
Rule Project No. 2026-009-291-OW

Background and reason(s) for the rulemaking:

The rulemaking is needed to implement SBs 740 and 1169, 89th Regular Texas Legislature, 2025 which amended Texas Water Code (TWC), Chapter 13.

Scope of rulemaking:

A.) Summary of what the rulemaking would do:

The Texas Commission on Environmental Quality (TCEQ or commission) proposes this rulemaking to implement SBs 740 and 1169, 89th Texas Legislature, 2025.

B.) Scope required by federal regulations or state statutes:

SB 740, effective September 1, 2025, amended TWC, §13.412 to specify that a receiver appointed under this section may be a person, a municipally owned utility, a county, a public utility agency, or a district or authority created under Section 52, Article 59, or Section 59, Article 16, Texas Constitution. SB 740 also amended TWC §13.4132 to specify that a municipally owned utility, county, water supply or sewer service corporation, public utility agency, or district or authority may be authorized to temporarily manage and operate a utility. SB 740 also amended TWC §13.4132 to specify that, for purposes of this section, a reference to a “person” includes a municipally owned utility, a public utility agency, or a district or authority created under Section 52, Article 59, or Section 59, Article 16, Texas Constitution. These amendments expand the types of entities eligible to serve as temporary managers or receivers for abandoned water and sewer utilities.

SB 1169, effective September 1, 2025, amended Chapter 572, Local Government Code, by adding Subchapter D which specifies that for the purposes of this subchapter, a reference in Chapter 13, Texas Water Code, to a person includes a public utility agency. SB 1169 also authorizes the commission to request that the Attorney General bring suit to appointment a public utility agency as a receiver in the manner provided by TWC §13.412. SB 1169 also authorizes the commission to authorize a public utility agency to temporarily manage and operate a utility or water supply or sewer supply corporation in the manner provided by TWC §13.4132. SB 1169 also amended TWC, §13.002 to add a new definition of “public utility agency” and amend the definitions of “retail public utility” and “water and sewer utility” by adding “public utility agency” to both definitions.

C.) Additional staff recommendations that are not required by federal rule or state statute:
None.

Statutory authority:

TCEQ proposes the amendments under TWC:

- §13.002, Definitions
- §13.412, Receivership
- §13.4132, Operation of Utility that Discontinues Operation or Is Referred for Appointment of Receiver

Effect on the:

TCEQ staff does not expect any significant effect from this implementation and the expected rulemaking on the regulated community, the public, or TCEQ programs.

A.) Regulated community:

The rulemaking does not create new requirements or obligations for the regulated community, but agency expectation is that expanding the allowable entities eligible to serve as temporary managers and receivers for abandoned water and sewer utilities will provide more options for regulated communities.

B.) Public: Ensures that retail customers receive a higher quality, more affordable, or more reliable water or sewer service.

C.) Agency programs: This rulemaking will provide additional options for TCEQ when it is called upon to coordinate and appoint an outside party to run a water or sewer utility.

Stakeholder meetings

No stakeholder meetings are planned for this rulemaking. The rules will undergo the required 30-day public comment period and a public hearing will be held.

Public Involvement Plan

N/A

Alternative Language Requirements

Spanish language documents are required for this statewide rulemaking.

Potential controversial concerns and legislative interest:

There are no anticipated controversial concerns.

Would this rulemaking affect any current policies or require development of new policies?

No.

What are the consequences if this rulemaking does not go forward? Are there alternatives to rulemaking?

The Water Supply Division has not identified alternatives to rulemaking.

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Key points in the proposal rulemaking schedule:

Anticipated Proposal Date: July 30, 2026

Anticipated Texas Register Publication Date: August 14, 2026

Anticipated Public Hearing Date: September 10, 2026

Anticipated Public Comment Period: August 15, 2026 to September 15, 2026

Anticipated Adoption Date: December 16, 2026

Agency Contacts:

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Ruth Takeda, Staff Attorney, Environmental Law Division

Gwen Ricco, Texas Register Rule/Agenda Coordinator, General Law Division

Attachments:

SB 740 (Enrolled)

SB 1169 (Enrolled)

cc: Chief Clerk, 2 copies
Executive Director's Office
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Jessie Powell
Kevin Patteson
Office of General Counsel
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