The Texas Commission on Environmental Quality (TCEQ, agency, or commission) proposes the amendment to §§291.3, 291.142 and 291.143.

Background and Summary of the Factual Basis for the Proposed Rules

The commission proposes this rulemaking to implement Senate Bill (SB) 740 and SB 1169, 89th Texas Legislature, 2025.

SB 740, effective September 1, 2025, amended Texas Water Code (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 Subchapter D, a reference to a person includes a public utility agency as assigned by Chapter 13, TWC. SB 1169 also authorizes the commission to request that the Attorney General bring suit to appoint 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.

Section by Section Discussion

§291.3, Definitions of Terms

The commission proposes to add a new definition, "Public Utility Agency," to §291.3 based on the definition in TWC §13.002 as amended by SB 1169 and to renumber the subsequent definitions.

The commission proposes to amend the definitions in §291.3 of "retail public utility" and "water and sewer utility" by adding "public utility agency" to both definitions based on the definitions in Texas Water Code §13.002 as amended by SB 1169.

§291.142, Operation of Utility That Discontinues Operation or Is Referred for Appointment of a Receiver

The commission proposes to add new subsection (b) to §291.142 and to renumber the subsequent subsections because, for the purposes of this section, the definition of "person" in §291.3(9) now includes a municipally owned utility, county, water supply or sewer service corporation, public utility agency, or district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, in accordance with TWC, §§13.412(g) and 13.4132 as amended by SB 740.

§291.143, Operation of a Utility by a Temporary Manager

The commission proposes to add new subsection (b) to §291.143 and to renumber the subsequent subsections because, for the purposes of this section, the definition of "person" in §291.3(9) now includes a municipally owned utility, county, water supply or sewer service corporation, public utility agency, or district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, in accordance with Texas Water Code §§13.412(g) and 13.4132 as amended by SB 740.

Fiscal Note: Costs to State and Local Government

Kyle Girten, Analyst in the Budget and Planning Division, has determined that for the first five-year period the proposed rule is in effect, no fiscal implications are anticipated for the agency or for other units of state or local government as a result of administration or enforcement of the proposed rule.

Public Benefits and Costs

Mr. Girten determined that for each year of the first five years the proposed rules are in effect, the public benefit will be rule language that is consistent with state law, specifically SB 740 and SB 1169 from the 89th Regular Legislative Session (2025). The proposed rulemaking is not anticipated to result in fiscal implications for individuals or businesses during the first five-year period the proposed rule is in effect.

Local Employment Impact Statement

The commission reviewed this proposed rulemaking and determined that a Local Employment

Impact Statement is not required because the proposed rulemaking does not adversely affect a local economy in a material way for the first five years that the proposed rule is in effect.

Rural Communities Impact Assessment

The commission reviewed this proposed rulemaking and determined that the proposed rulemaking does not adversely affect rural communities in a material way for the first five years that the proposed rules are in effect. The amendments would apply statewide and have the same effect in rural communities as in urban communities.

Small Business and Micro-Business Assessment

No adverse fiscal implications are anticipated for small or micro-businesses due to the implementation or administration of the proposed rule for the first five-year period the proposed rules are in effect.

Small Business Regulatory Flexibility Analysis

The commission reviewed this proposed rulemaking and determined that a Small Business Regulatory Flexibility Analysis is not required because the proposed rule does not adversely affect a small or micro-business in a material way for the first five years the proposed rules are in effect.

Government Growth Impact Statement

The commission prepared a Government Growth Impact Statement assessment for this proposed rulemaking. The proposed rulemaking does not create or eliminate a government program and will not require an increase or decrease in future legislative appropriations to the agency. The proposed rulemaking does not require the creation of new employee positions, eliminate current employee positions, nor require an increase or decrease in fees paid to the agency. The proposed rulemaking amends an existing regulation, and it does not create, expand, repeal, or limit this regulation. The proposed rulemaking does not increase or decrease the number of individuals subject to its applicability. During the first five years, the proposed rule should not impact positively or negatively the state's economy.

Written comments concerning the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis may be submitted to the contact person at the address listed under the Submittal of Comments section of this preamble

Draft Regulatory Impact Analysis Determination

The commission reviewed this rulemaking in light of the regulatory analysis requirements of Texas Government Code (TGC) § 2001.0225 and determined that the rulemaking is not subject to § 2001.0225. A "Major environmental rule" means a rule with a specific intent to protect the environment or reduce risks to human health from environmental exposure, and that may adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, or the public health and safety of the state or a sector of the state.

First, the rulemaking does not meet the statutory definition of a "Major environmental rule" because its specific intent is not to protect the environment or reduce risks to human health from environmental exposure. The specific intent of the rulemaking is to implement legislation enacted in 2025 which amended sections 13.415(g) and 13.4132 of the TWC, to expand the types of entities TCEQ may appoint as temporary manager or receiver, allowing TCEQ to seek appointment of public utility agencies, municipally owned utilities, counties, water or sewer service corporations, or certain districts to serve as a receiver or temporary manager for an abandoned water or sewer utility.

Second, the rulemaking does not meet the statutory definition of a "Major environmental rule" because the rules will not adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, or the public health and safety of the state or a sector of the state. It is not anticipated that the cost of complying with the rules will be significant with respect to the economy as a whole or with respect to a sector of the economy; therefore, the amendments will not adversely affect in a material way the economy, a sector of the economy, competition, or jobs. It is also not anticipated that the amendments will adversely affect the environment or adversely affect the public health and safety of the state or a sector of the state.

Finally, the rulemaking does not meet any of the four applicability requirements for a "Major environmental rule" listed in TGC §2001.0225(a). Section 2001.0225 only applies to a major environmental rule, the result of which is to: 1) exceed a standard set by federal law, unless the rule is specifically required by state law; 2) exceed an express requirement of state law, unless the rule is specifically required by federal law; 3) exceed a requirement of a delegation agreement or contract between the state and an agency or representative of the federal government to implement a state and federal program; or 4) adopt a rule solely under the general powers of the agency instead of under a specific state law. This rulemaking does not meet any of the preceding four applicability requirements because this rulemaking: does not exceed any standard set by federal law for public drinking water systems; does not exceed any express requirement of state law; does not exceed a requirement of a delegation agreement or contract between the state and an agency or representative of the federal government; and is not based solely under the general powers of the agency, but under TWC §13.041, which establishes the utility commission's and commission's authority to adopt and enforce rules reasonably required in the exercise of powers and jurisdiction of each agency, including rules governing practice and procedure before the commission and the utility commission.

The commission invites public comment regarding the Draft Regulatory Impact Analysis Determination during the public comment period. Written comments on the Draft Regulatory Impact Analysis Determination may be submitted to the contact person at the address listed under the Submittal of Comments section of this preamble.

Takings Impact Assessment

The commission evaluated this rulemaking and performed a preliminary assessment of whether these rules constitute a taking under Texas Government Code, Chapter 2007.

The commission proposes these rules to implement SB 740 and 1169, 89th Legislative Session. (2025). SB 740 amended TWC §§13.412 and 13.4132 by specifying that a "person" for purposes of who may be appointed as temporary manager of a water or sewer utility that ceases operation or is referred for appointment of a receiver includes 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 1169 amended TWC, §13.002 by adding the new definition of “Public Utility Agency” and amending the definitions of “retail public utility” and “water and sewer utility” by adding “public utility agency” to both definitions. SB 740 also modified §§13.412 and 13.4132 through enactment of Subchapter D in Chapter 572 of the Texas Local Government Code. These amendments expand the types of entities eligible to serve as temporary managers or receivers for abandoned water and sewer utilities.

The commission’s analysis indicates that TGC, Chapter 2007, does not apply to these rules based upon exceptions to applicability in TGC§ 2007.003(b). The rulemaking is an action that is taken to fulfill obligations mandated under state law for all of the proposed rules. The rulemaking also relates to emergency orders that are issued in response to a real and substantial threat to public health and safety, that are designed to significantly advance the public health and safety purpose, and that do not impose a greater burden than is necessary to achieve the public health and safety purpose. TGC § 2007.003(b)(4) and (13).

First, the rulemaking is an action taken to fulfill obligations under state law. The entities defined as “person” for purposes of appointing a temporary manager have been expanded under the modification of TWC, §§13.412 and 13.4132.

Second, the rulemaking relates to emergency orders, which are actions taken in response to a real and substantial threat to public health because they ensure the continuity of operation of public drinking water systems through appointment of temporary managers for a water system. The rules effecting the broadened definition of “person” do not impose a greater burden than is necessary to achieve the public health and safety purpose of ensuring continued operation of public drinking water systems with appropriate governmental regulation by means of required emergency orders. TGC §2007.003(b)(13).

Further, the commission has determined that promulgation and enforcement of these rules would be neither a statutory nor a constitutional taking of private real property. Specifically, there are no burdens imposed on private real property under the rule because the rules neither relate to, nor have any impact on, the use or enjoyment of private real property, and there would be no reduction in property value as a result of these rules. The rules require compliance regarding an emergency order appointing a temporary manager or receiver as now established under state law, which is meant to ensure public health and safety. Therefore, the rules would not constitute a taking under TGC, Chapter 2007.

Consistency with the Coastal Management Program

The commission reviewed the proposed rules and found that they are neither identified in Coastal Coordination Act implementation rules, 31 TAC §505.11(b)(2) or (4), nor will they affect any action/authorization identified in Coastal Coordination Act implementation rules, 31 TAC §505.11(a)(6). Therefore, the proposed rules are not subject to the Texas Coastal Management Program (CMP).

Written comments on the consistency of this rulemaking may be submitted to the contact person at the address listed under the Submittal of Comments section of this preamble.

Announcement of Hearing

The commission will hold a hold a hybrid virtual and in-person public hearing on this proposal in Austin on September 10, 2026 at 2:00 p.m. CDT in Building E, Room 201S at the commission’s central office located at 12100 Park 35 Circle. The hearing is structured for the receipt of oral or written comments by interested persons. Individuals may present oral statements when called upon in order of registration. Open discussion will not be permitted during the hearing; however, commission staff members will be available to discuss the proposal 30 minutes prior to the hearing at 1:30 PM.

Individuals who plan to attend the hearing virtually and want to provide oral comments and/or want their attendance on record must register by September 8, 2026. To register for the hearing, please email *Rules@tceq.texas.gov* and provide the following information: your name, your affiliation, your email address, your phone number, and whether or not you plan to provide oral comments during the hearing. Instructions for participating in the hearing will be sent on September 9, 2026, to those who register for the hearing.

For the public who do not wish to provide oral comments but would like to view the hearing they may do so at no cost at:
https://events.teams.microsoft.com/event/648e7428-31b1-4bee-a5a4-ff44b63f7c8a@871a83a4-a1ce-4b7a-8156-3bcd93a08fba

Persons who have special communication or other accommodation needs who are planning to attend the hearing should contact Sandy Wong, Office of Legal Services at (512) 239-1802 or 1-800-RELAY-TX (TDD). Requests should be made as far in advance as possible.

Submittal of Comments

Written comments may be submitted to Gwen Ricco, MC 205, Office of Legal Services, Texas

Commission on Environmental Quality, P.O. Box 13087, Austin, Texas 78711-3087, or faxed to *fax4808@tceq.texas.gov*. Electronic comments may be submitted at: *https://tceq.commentinput.com/comment/search*. File size restrictions may apply to comments being submitted via the TCEQ Public Comments system. All comments should reference Rule Project Number 2026-009-291-OW. The comment period closes at 11:59 p.m. CDT on September 15, 2026. Please choose one of the methods provided to submit your written comments.

Copies of the proposed rulemaking can be obtained from the commission's website at *https://www.tceq.texas.gov/rules/propose_adopt.html*. For further information, please contact Iryna Kushnirsky, Emergency Response and Preparedness Section, (512) 239-1471.

SUBCHAPTER A: GENERAL PROVISIONS

§291.3

Statutory Authority

The rulemaking is proposed under Texas Water Code (TWC) §5.013, which establishes the general jurisdiction of the commission; TWC §5.102, which establishes the commission's general authority to perform any act necessary to carry out its jurisdiction; TWC §5.103, which establishes the commission’s authority to adopt any rules necessary to carry out its powers and duties; TWC §5.105, which establishes the commission's authority to establish and approve general policy by rule; TWC §5.507, which establishes the commission’s authority to issue an emergency order for operation of a utility that discontinues operation or is referred for appointment of a receiver; and TWC §13.041, which establishes the utility commission’s and commission’s authority to adopt and enforce rules reasonably required in the exercise of powers and jurisdiction of each agency, including rules governing practice and procedure before the commission and the utility commission.

The proposed rulemaking implements legislation enacted by the 89th Texas Legislature in 2025: TWC, §§13.412 and 13.4132, amended in Senate Bill (SB) 740; TWC, §13.002, amended in SB 1169; and TWC, §§13.412 and 13.4132, modified in SB 1169 by Texas Local Government Code, Chapter 572, Subchapter D.

§291.3. Definitions of Terms.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise.

(1) Affected county--A county to which Texas Local Government Code, Chapter 232, Subchapter B, applies.

(2) Agency--Any state board, commission, department, or officer having statewide jurisdiction (other than an agency wholly financed by federal funds, the legislature, the courts, the Texas Department of Insurance, Division of Workers' Compensation, and institutions for higher education) which makes rules or determines contested cases.

(3) Certificate of Convenience and Necessity--A permit issued by the Public Utility Commission of Texas which authorizes and obligates a retail public utility to furnish, make available, render, or extend continuous and adequate retail water or sewer utility service to a specified geographic area.

(4) Code--The Texas Water Code.

(5) Corporation--Any corporation, joint-stock company, or association, domestic or foreign, and its lessees, assignees, trustees, receivers, or other successors in interest, having any of the powers and privileges of corporations not possessed by individuals or partnerships, but shall not include municipal corporations unless expressly provided otherwise in the Texas Water Code.

(6) Customer--Any person, firm, partnership, corporation, municipality, cooperative, organization, or governmental agency provided with services by any retail public utility.

(7) Mandatory water use reduction--The temporary reduction in the use of water imposed by court order, government agency, or other authority with appropriate jurisdiction. This does not include water conservation measures that seek to reduce the loss or waste of water, improve the efficiency in the use of water, or increase the recycling or reuse of water so that a water supply is made available for future or alternative uses.

(8) Nonfunctioning system--A retail public utility under the supervision of a receiver, temporary manager, or that has been referred for the appointment of a temporary manager or receiver, pursuant to §291.142 of this title (relating to Operation of Utility That Discontinues Operation or Is Referred for Appointment of a Receiver) and §291.143 of this title (relating to Operation of a Utility by a Temporary Manager).

(9) Person--Any natural person, partnership, cooperative corporation, association, or public or private organization of any character other than an agency or municipality.

(10) Potable water--Water that is used for or intended to be used for human consumption or household use.

(11) Public utility--The definition of public utility is that definition given to "Water and sewer utility" in this section.

(12) Public Utility Agency--public utility agency created under Chapter 572, Local Government Code.

(13)[(12)] Purchased sewage treatment--Sewage treatment purchased from a source outside the retail public utility's system to meet system requirements.

(14)[(13)] Purchased water--Raw or treated water purchased from a source outside the retail public utility's system to meet system demand requirements.

(15)[(14)] Retail public utility--Any person, corporation, public utility, water supply or sewer service corporation, municipality, public utility agency, political subdivision, or agency operating, maintaining, or controlling in this state facilities for providing potable water service or sewer service, or both, for compensation.

(16)[(15)] Safe drinking water revolving fund--The fund established by the Texas Water Development Board to provide financial assistance in accordance with the federal program established under the provisions of the Safe Drinking Water Act and as defined in Texas Water Code, §15.602.

(17)[(16)] Service--Any act performed, anything furnished or supplied, and any facilities or lines committed or used by a retail public utility in the performance of its duties under the Texas Water Code to its patrons, employees, other retail public utilities, and the public, as well as the interchange of facilities between two or more retail public utilities.

(18)[(17)] Water and sewer utility--Any person, corporation, cooperative corporation, affected county, or any combination of those persons or entities, other than a municipal corporation, public utility agency, water supply or sewer service corporation, or [a] political subdivision of the state, except an affected county, or their lessees, trustees, and receivers, owning or operating for compensation in this state equipment or facilities for the production, transmission, storage, distribution, sale, or provision of potable water to the public or for the resale of potable water to the public for any use or for the collection, transportation, treatment, or disposal of sewage or other operation of a sewage disposal service for the public, other than equipment or facilities owned and operated for either purpose by a municipality or other political subdivision of this state or a water supply or sewer service corporation, but does not include any person or corporation not otherwise a public utility that furnishes the services or commodity only to itself or its employees or tenants as an incident of that employee service or tenancy when that service or commodity is not resold to or used by others.

(19)[(18)] Water use restrictions--Restrictions implemented to reduce the amount of water that may be consumed by customers of the system due to emergency conditions or drought.

(20)[(19)] Wholesale water or sewer service--Potable water or sewer service, or both, provided to a person, political subdivision, or municipality who is not the ultimate consumer of the service.

SUBCHAPTER J: ENFORCEMENT, SUPERVISION, AND RECEIVERSHIP

§291.42 and §291.43

Statutory Authority

The rulemaking is proposed under Texas Water Code (TWC) §5.013, which establishes the general jurisdiction of the commission; TWC §5.102, which establishes the commission's general authority to perform any act necessary to carry out its jurisdiction; TWC §5.103, which establishes the commission’s authority to adopt any rules necessary to carry out its powers and duties; TWC §5.105, which establishes the commission's authority to establish and approve general policy by rule; TWC §5.507, which establishes the commission’s authority to issue an emergency order for operation of a utility that discontinues operation or is referred for appointment of a receiver; and TWC §13.041, which establishes the utility commission’s and commission’s authority to adopt and enforce rules reasonably required in the exercise of powers and jurisdiction of each agency, including rules governing practice and procedure before the commission and the utility commission.

The proposed rulemaking implements legislation enacted by the 89th Texas Legislature in 2025: TWC §§13.002 and 13.4132, amended in Senate Bill (SB) 740; TWC §13.002, amended in SB 1169; and TWC §§13.412 and 13.4132, modified in SB 1169 by Texas Local Government Code Chapter 572, Subchapter D.

§291.142. Operation of Utility That Discontinues Operation or Is Referred for Appointment

of a Receiver.

(a) The commission or the executive director, after providing to the utility notice and an opportunity for a hearing, may authorize a willing person to temporarily manage and operate a utility that:

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

(2) is being referred to the attorney general for the appointment of a receiver under Texas Water Code (TWC), §13.412 for:

(A) having expressed an intent to abandon or abandoned operation of its facilities;

(B) having violated a final order of the commission;

(C) having allowed any property owned or controlled by it to be used in violation of a final order of the commission; or

(D) violates a final judgment issued by a district court in a suit brought by the attorney general under:

(i) TWC, Chapter 7;

(ii) TWC, Chapter 13;

(iii) Texas Health and Safety Code, Chapter 341; or

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

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

(B) provide a minimum pressure of 35 pounds per square inch throughout the distribution system under normal operating conditions; or

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

<u>(b) For the purposes of this section, the definition of "person" also includes a municipally owned utility, county, water supply or sewer service corporation, public utility agency, or district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.</u>

<u>(c)</u>[(b)] The commission or the executive director may appoint a person under this section by emergency order under Chapter 35 of this title (relating to Emergency and

Temporary Order and Permits; Temporary Suspension or Amendment of Permit Conditions). A corporation may be appointed a temporary manager.

(d)[(c)] Abandonment includes, but is not limited to:

(1) failure to pay a bill or obligation owed to a retail public utility or to an electric or gas utility with the result that the utility service provider has issued a notice of discontinuance of necessary services;

(2) failure to provide appropriate water or wastewater treatment so that a potential health hazard results;

(3) failure to adequately maintain facilities or to provide sufficient facilities resulting in potential health hazards, extended outages, or repeated service interruptions;

(4) failure to provide customers adequate notice of a health hazard or potential health hazard;

(5) failure to secure an alternative available water supply during an outage;

(6) displaying a pattern of hostility toward or repeatedly failing to respond to the commission or the utility's customers; and

(7) failure to provide the commission or its customers with adequate information on how to contact the utility for normal business and emergency purposes.

(e)[(d)] This section does not affect the authority of the commission to pursue an enforcement claim against a utility or an affiliated interest.

§291.143. Operation of a Utility by a Temporary Manager.

(a) By emergency order under Texas Water Code (TWC), §5.507 and §13.4132, the commission or the executive director may appoint a person under Chapter 35 of this title (relating to Emergency and Temporary Orders and Permits; Temporary Suspension or Amendment of Permit Conditions) to temporarily manage and operate a utility that has discontinued or abandoned operations or the provision of services, or which has been or is being referred to the attorney general for the appointment of a receiver under TWC, §13.412.

(b) For the purposes of this section, the definition of "person" also includes a municipally owned utility, county, water supply or sewer service corporation, public utility agency, or district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(c)[(b)] A person appointed under this section has the powers and duties necessary to ensure the continued operation of the utility and the provision of continuous and adequate services to customers, including the power and duty to:

(1) read meters;

(2) bill for utility services;

(3) collect revenues;

(4) disburse funds;

(5) request rate increases if needed;

(6) access all system components;

(7) conduct required sampling;

(8) make necessary repairs; and

(9) perform other acts necessary to assure continuous and adequate utility service as authorized by the commission.

(d)[(c)] Upon appointment by the commission, the temporary manager will post financial assurance with the commission in an amount and type acceptable to the commission. The temporary manager or the executive director may request waiver of the financial assurance requirements or may request substitution of some other form of collateral as a means of ensuring the continued performance of the temporary manager.

(e)[(d)] The term of an emergency order issued to appoint a temporary manager may not exceed 360 days. The emergency order may be renewed:

(1) once for a period not to exceed 360 days, or

(2) if the utility is undergoing a sale, transfer, merger, consolidation, or acquisition required to be reported to the Public Utility Commission under Tex. Water Code §13.301, until the sale, transfer, merger, consolidation, or acquisition process is complete.

(f)[(e)] The temporary manager shall serve a term not to exceed 360 days, unless:

(1) specified otherwise by the commission;

(2) an extension is requested by the executive director or the temporary manager and granted by the commission under subsection (d) of this section;

(3) the temporary manager is discharged from his responsibilities by the commission; or

(4) a superseding action is taken by an appropriate court on the appointment of a receiver at the request of the attorney general.

(g)[(f)] Within 60 days after appointment, a temporary manager shall return to the commission an inventory of all property received.

(h)[(g)] Compensation for the temporary manager will come from utility revenues and will be set by the commission at the time of appointment. Changes in the compensation agreement can be approved by the executive director.

(i)[(h)] The temporary manager shall collect the assets and carry on the business of the utility and shall use the revenues and assets of the utility in the best interests of the customers to ensure that continuous and adequate utility service is provided. The temporary manager shall give priority to expenses incurred in normal utility operations and for repairs and improvements made since being appointed temporary manager.

(j)[(i)] The temporary manager shall report to the executive director on a monthly basis. This report shall include:

(1) an income statement for the reporting period;

(2) a summary of utility activities such as improvements or major repairs made, number of connections added, and amount of water produced or treated; and

(3) any other information required by the executive director.

(k)[(j)] During the period in which the utility is managed by the temporary manager, the certificate of convenience and necessity shall remain in the name of the utility owner; however, the temporary manager assumes the obligations for operating within all legal requirements.