



TEXAS MUNICIPAL LEAGUE

President Leonard Reed, Mayor, Willis
Executive Director Bennett Sandlin

July 10, 2012

MEMORANDUM

TO: Members of the TML Legislative Policy Subcommittee on Utility Rate Case Lobbying and Substantive Rate Case Issues

Gregory L. Wortham, Mayor, Sweetwater (Chair)
Carl Robinson, City Representative, El Paso
Roger E. Gordon, City Attorney, Woodcreek
Tina Paez, Deputy Director, Regulatory Affairs, Houston
Ron Fletcher, City Councilmember, Buda
Greg Vick, City Manager, Elgin
Gary Cox, Police Chief, Cibolo

FROM: TML Staff

SUBJECT: Subcommittee Meeting

Thank you again for agreeing to serve as a member of the Subcommittee on Utility Rate Case Lobbying and Substantive Rate Case Issues.

At the July 9 meeting, the Subcommittee voted to recommend that TML do the following in relation to utility rate case lobbying:

- **Oppose** legislation that would erode municipal authority to participate in utility rate cases.
- Create an informal utility rate case legislation "task force" to which the League and all city-related ratemaking lobby groups each appoint one member.
- Consult with the task force for recommendations relating to utility rate case legislation, so long as none of those recommendations conflict with any other provision in the 2013 TML Legislative Program.

The Subcommittee also voted to recommend that TML do the following in relation to substantive water rate case issues:

- **Seek introduction and passage** of legislation that would provide for the mandatory appearance and participation by an investor-owned water utility that seeks a rate increase in a city or the city's extraterritorial jurisdiction at a municipal hearing as a condition of the utility's rate case expense reimbursement.
- **Seek introduction and passage** of legislation that would authorize a city to impose mandatory fire protection standards on investor-owned water utilities that provide service in a city or the city's extraterritorial jurisdiction.

- **Support** legislation that would improve a city's ability to acquire the assets of an investor-owned water utility operating within a city or the city's extraterritorial jurisdiction.
- **Support** legislation that would make beneficial amendments to the current process of dual certification of an area in a city or the city's extraterritorial jurisdiction that is served by an investor-owned water utility.
- **Support** beneficial amendments to the investor-owned utility water ratemaking process, including amendments that would provide: (1) that proposed rates do not go into effect until the entry of a final order from a regulatory authority; (2) that a rate case must be completed within no more than 250 days after the rate case is filed with the appropriate regulatory authority; and (3) for municipal rate case reimbursement in relation to the sale, transfer, or merger of an investor-owned water utility that provides service in a city or the city's extraterritorial jurisdiction.
- **Support** legislation that would require a prudence review of a purchase water contract of an investor-owned water utility that provides service in a city or the city's extraterritorial jurisdiction entered into since the utility's last rate case.
- **Oppose** legislation that would erode current municipal authority over investor-owned water utilities that provide service in a city or the city's extraterritorial jurisdiction.
- Reiterate to the National League of Cities the importance of repealing or making beneficial amends to 26 U.S.C. 1926b, which prohibits a city from encroaching into a federally-indebted water supply corporation's service area.

This memo will serve as the subcommittee's report to the full committee.

The members of the Utilities and Transportation Committee will meet in combination to form the General Government Committee for the final time at **10:00 a.m. on Friday, August 24, 2012**, at the Hilton Austin Airport.

If you have any questions or comments, please call Scott Houston at (512) 231-7400.

We look forward to seeing you on August 24.

cc: TML President Leonard Reed, Mayor, Willis
 TML President-Elect John Monaco, Mayor, Mesquite
 Municipal Intergovernmental Liaisons
 Lindsey Baker, Denton
 Texas Coalition for Affordable Power Leadership
 Texas Coalition of Cities for Utility Issues Leadership
 Atmos and Oncor Cities Steering Committees Leadership
 Herrera and Boyle, P.C., legal counsel for Atmos Texas Municipalities, Atmos
 West Texas Cities, Alliance of Xcel Municipalities, Cities Advocating
 Reasonable Deregulation, Alliance of Texas-New Mexico Power
 Municipalities, Texas Coast Utilities Coalition