

BILL ANALYSIS

H.B. 3610
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Natural Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Texas Water Code, Section 13.183, authorizes TCEQ ("the commission") to fix water rates for water and sewer utilities that will "permit the utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public over and above its reasonable and necessary operating expenses; and preserve the financial integrity of the utility."

The commission interprets the phrase "used and useful" to mean that any time invested capital is taken out of use, it is no longer "useful" and therefore prohibits water and sewer utilities from recovering the remaining depreciation as a cost of service. Water and sewer utilities constantly add and retire infrastructure for many reasons, such as compliance, system maintenance, growth and to meet system demands. Despite its invested capital being taken out of use, often times it has continued useful life for depreciation purposes. As a result, water and sewer utilities are prohibited from recovering any remaining depreciation on these assets as part of its cost of service.

Currently, all 49 other states allow gas, electric and water utilities to recover as part of their cost of service the remaining depreciation for assets previously used, but no longer in use. In Texas, gas and electric utilities are authorized to recover the remaining depreciation for these assets, but water and sewer utilities are prohibited.

H.B. 3610 provides that water and sewer utilities would be able to recover as a cost of service any remaining depreciation on retired assets and bring Texas into parity with all other 49 states and water and sewer utilities in parity with gas and electric utilities in Texas.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1. Section 13.131, Water Code, is amended by amending Subsection (c) as follows:

Subsection (c). Provides for the creation of an exception when fixing rates for Water and Sewer utilities to require the Commission to allow the remaining depreciation, consistent with the accounting treatment for other TCEQ and Texas PUC regulated electric and gas utilities.

SECTION 2. Provides the effective date of this act.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2009.