

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 29, 2009

TO: Honorable Allan Ritter, Chair, House Committee on Natural Resources

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2741 by Miller, Doug (Relating to allowing a water and sewer utility to assess a utility facilities construction and improvement charge to recover certain costs associated with certain construction and improvement projects.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would provide an investor-owned utility (utility) the ability to charge a construction and improvement charge to recover the depreciation and return costs of a project related to a production, transmission, storage, distribution system, collection system, provision of potable or recycled water to the public or collection of, transportation, treatment, or disposal of sewage project that is completed and placed into service between two consecutive rate cases. The bill would require the Texas Commission on Environmental Quality (TCEQ) to adopt standards regarding the type of projects for which a utility may assess the surcharge and requires the utility to revise its tariff to establish the manner in which the surcharge will be assessed. The agency would be required to establish rules addressing notice to the executive director within 60 days of the utility's proposed inclusion of the charge. The notice would include the amount of the charge, proposed implementation date, a list of completed eligible projects and the related depreciation and return on investment for which the utility is seeking reimbursement, and a calculation of the annual amount of the project total increase in revenue. The agency's rules would also be required to address that the surcharge revenue collected is subject to an annual audit. Furthermore, the amount of the charge would be based on the amount necessary to ensure the rate of return on invested capital is the rate of return approved for the utility in its most recent rate or tariff change or the amount proposed by the utility in its most recent rate or tariff change if the application was approved by settlement.

The bill would require rulemaking by the TCEQ. However, the bill's passage is not expected to result in significant costs to the agency.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 582 Commission on Environmental Quality

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