

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**March 29, 2009**

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

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

**IN RE: HB3366** by Rose (Relating to the rates charged by a water and sewer utility.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would prohibit the governing body of a retail public utility that files an appeal with the commission from recovering expenses incurred with a proceeding, including attorney's, consultant's, or expert witness fees, and other court costs.

The Texas Commission on Environmental Quality (TCEQ) would be allowed to set rates during the appeal process that would remain in effect for one year, and may order refunds or allow a surcharge to recover lost revenues. The established rates would remain in effect for one year from the date the appeal was filed, unless the commission determines a financial hardship exists.

The bill would allow a utility to consolidate systems into a single tariff if the regulatory authority determines all of the systems are substantially similar.

The bill would allow a utility to file an application with the TCEQ to request an increase in the utility's rates only once in a 36-month period, not to exceed 20 percent of the utility's rates at the time the application was filed. A utility would not be permitted to make a rate change unless a statement of intent is delivered to each ratepayer, the regulatory authority, and to the executive director. The regulatory authority would be required to hold a hearing regarding a rate increase if a complaint is received from an affected municipality, or from 10 percent of the ratepayers.

Any change in TCEQ workload resulting from the bill's passage is not expected to be significant.

**Local Government Impact**

The costs to local governmental entities that employ the utility method to set rates could incur significant costs, depending on the number of rate cases filed, and expenses incurred associated with a case.

The City of Austin reported the city has not had a rate case filed against it since 1989, but estimated that a rate case filed under the provisions of the bill would result in a loss of about \$500,000 in legal and administrative fees that would not be recoverable.

**Source Agencies:** 582 Commission on Environmental Quality

**LBB Staff:** JOB, WK, TL, TP