

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 21, 2011

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

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

IN RE: HB2399 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.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would allow a water utility to assess a construction and improvement charge to recover depreciation and return on investment on a project placed into service between two consecutive rate filings. Under current law, a utility is authorized to request a rate increase no more than once in a twelve-month period. The bill would authorize the addition of construction and improvement charges between rate increase requests. The bill would require the Texas Commission on Environmental Quality (TCEQ) to establish rules requiring the utility to file a tariff for the agency's Executive Director's approval establishing a just and reasonable manner for calculating the charge. The bill would also require the commission to establish rules that ensure that notice is provided to the TCEQ's Executive Director a minimum of 60 days before the effective date of the charge or increase to the charge and to provide that the Executive Director has authority to audit the charge annually.

The TCEQ reports that the bill's requirements would result in the need for an additional auditor to review an anticipated five additional rate increase applications per year. Because these rate cases are expected to be more complex in nature, the agency also expects to incur additional legal consulting fees. These costs are not expected to be significant to the TCEQ's budget, and it is assumed these costs could be absorbed using existing agency resources.

Local Government Impact

Utilities under the original jurisdiction of a municipality would be required to file for an increase with that municipality as a result of passage of the bill. If there is an increase in the number of filings under this provision filed by utilities operating within the corporate boundaries of a municipality, those municipalities could experience a slight increase in costs to review the applications and take actions on them. The fiscal implications to such municipalities are not expected to be significant.

Source Agencies: 582 Commission on Environmental Quality

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