

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: HB2895 by Miller, Doug (Relating to rate proceedings before a regulatory authority regarding water utility rates.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would provide that in establishing a water utility's rates, a regulatory authority may authorize reduced rates for a minimal level of service to be provided to a class or classes of low-income or elderly customers to ensure that members of the class or classes may receive that level of service at affordable rates. The regulatory authority would also be required to allow a water utility to recover the cost of providing the reduced rates through charges to the utility's other customer classes.

The bill would expand utilities' inclusion of construction work in progress in setting rates without a finding of necessity to the financial integrity of the utility. The bill would delete language treating the inclusion of construction work in progress as an exceptional form of rate relief to be granted only on the demonstration by the utility by clear and convincing evidence that the inclusion is in the ratepayers' best interest and necessary to the financial integrity of the utility.

The bill would re-define the term "test year" for ratemaking purposes and limit "life-line rates" so that they would not be considered as an unreasonable preference or disadvantage nor constitute an unreasonable difference between classes of service to ratepayers.

The bill would require a regulatory authority to authorize certain nonservice charges to be included in a utility's tariff. The bill would apply to rate applications filed on or after January 1, 2012 and allow for former laws to govern and continue for filings before that time.

The bill's passage is not expected to result in significant costs to the Texas Commission on Environmental Quality.

Local Government Impact

Although some local governments that are rate payers of water utilities that serve a large number of low income and/or elderly customers may see an increase in water or sewer rates as a result of the bill's passage, additional costs to local governments are not expected to be significant.

Source Agencies: 582 Commission on Environmental Quality

LBB Staff: JOB, SZ, TL