

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 4, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1457 by Gooden (Relating to expenses considered to determine net income for purposes of a rate proceeding for an investor-owned water and sewer utility.), **As Introduced**

<p>No significant fiscal implication to the State is anticipated.</p>

The bill would amend Chapter 13 of the Water Code to specify that the Texas Commission on Environmental Quality (TCEQ) could only include 50 percent of reasonable and necessary expenses incurred by an investor-owned utility when determining a reasonable rate that provides a reasonable return on investment.

According to the analysis by TECQ, Section 13.183 of the Water Code requires TCEQ to set rates for water and sewer service to ensure that overall revenues will produce a reasonable return on invested capital for the investor-owned utility. Lower rates could result, but a diminished capability to recover 100 percent of reasonable and necessary expenses and earn a reasonable return on capital could provide a disincentive for investor-owned utilities to provide water and sewer services.

TCEQ would be required to amend and adopt rules to implement the provisions of the bill. TCEQ indicated no significant fiscal impact on the agency is anticipated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 582 Commission on Environmental Quality

LBB Staff: UP, SZ, TP