

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 24, 2013

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1600 by Cook (Relating to the continuation and functions of the Public Utility Commission of Texas, to the transfer of certain functions from the Texas Commission on Environmental Quality to the Public Utility Commission of Texas, to the rates for water service, and to the functions of the Office of Public Utility Counsel; authorizing a fee.),
As Passed 2nd House

Estimated Two-year Net Impact to General Revenue Related Funds for HB1600, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2015.
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General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Water Resource Management</i> 153	Change in Number of State Employees from FY 2013
2014	(\$597,822)	5.0
2015	(\$597,822)	5.0
2016	(\$1,650,449)	17.0
2017	(\$1,650,449)	17.0
2018	(\$1,650,449)	17.0

Fiscal Analysis

The bill would amend the Utilities Code, Water Code, Local Government Code, and the Special District Local Laws Code relating to the continuation and operation of the Public Utility Commission (PUC), to the transfer of certain functions from the Texas Commission on

Environmental Quality (TCEQ) to the PUC, to the rates for water service, and to the functions of the Office of Public Utility Counsel (OPUC). The PUC is subject to the Sunset Act and will be abolished on September 1, 2013, unless continued by the Legislature. The bill would continue the PUC for 10 years and would take effect September 1, 2013.

The bill would authorize the PUC to issue emergency cease-and-desist orders to electric industry participants and defines notice and hearing requirements for such orders. The bill would require the PUC to adopt rules to provide for the renewal of registrations or certificates for holders of a Certificate of Operating Authority and holders of a Service Provider Certificate of Operating Authority. The bill would repeal Section 64.003 of the Utilities Code, which contains requirements for the PUC to promote customer awareness of changes in the telecommunications market.

The bill would require the PUC to review and approve the budget, performance measures, and proposals for obtaining debt financing or re-financing of debt of an entity certified under Section 39.151 of the Utilities Code. The Electric Reliability Council of Texas (ERCOT) is certified under this section. The bill would also require the PUC to set a fee range for the system administration fee and review the fee to ensure that the revenues generated closely match the revenue necessary to fund ERCOT's budget.

The bill would transfer responsibility for regulating water and wastewater rates, services, and certificates of convenience and necessity from TCEQ to the PUC, effective September 1, 2014. The bill would require the PUC and TCEQ to enter into a memorandum of understanding by August 1, 2014, to identify in detail the applicable powers and duties that are transferred and establish a plan for the execution of the transfer.

The bill would provide OPUC the authority to represent the interests of residential and small commercial customers in water and wastewater proceedings beginning September 1, 2013. The bill would also create three classes of water utilities based on the number of taps or connections and establish a different rate review procedure for each class. The bill would require the PUC and TCEQ to adopt rules, policies, and procedures to implement the modified ratemaking process included in the provisions of the bill no later than September 1, 2015.

The bill would take effect September 1, 2013.

Methodology

Based on information provided by the PUC and TCEQ, this analysis assumes the transfer of \$1,429,818 in General Revenue-Dedicated Water Resource Management Account funds and 20.0 full-time equivalents (FTEs) from TCEQ to the PUC beginning in fiscal year 2015 to transfer the authority outlined in the bill. This analysis also assumes that, in order to implement the modified ratemaking process required by the provisions of the bill, the PUC would require \$1,052,627 per year in General Revenue-Dedicated Water Resource Management Account funds and 12.0 FTEs, with a total salary cost of \$762,000. Additional expenses include \$30,480 in other personnel costs; \$33,528 in rent-machine costs; and estimated benefit costs of \$226,619 per year. This analysis assumes the modified ratemaking process would be implemented beginning in fiscal year 2016.

Based on information provided by OPUC, this analysis assumes that OPUC would require \$597,822 in General Revenue-Dedicated Water Resource Management Account funds each year and 5.0 FTEs to represent water and wastewater utility customers as provided by the provisions of the bill beginning in fiscal year 2014. Expenses include \$330,000 in annual salary costs; \$150,000

in professional services; \$2,500 in travel costs; \$17,180 in other operating expenses; and estimated benefit costs of \$98,142 each year.

Based on the analysis of the Sunset Advisory Committee, the PUC, TCEQ, the State Office of Administrative Hearings, and OPUC, it is assumed that the remaining duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. This analysis also assumes the transfer of \$184,000 in General Revenue-Dedicated Water Resource Management Account funds to the PUC from TCEQ in fiscal year 2015 to cover the cost of the contract with the State Office of Administrative Hearings for water and wastewater utility case hearings.

Technology

Based on information provided by the PUC and TCEQ, the provisions of the bill would have no significant technological impact. This analysis assumes any technological impacts associated with implementing the provisions of the bill could be accomplished utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 360 State Office of Administrative Hearings, 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel, 582 Commission on Environmental Quality

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