

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 13, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3857** by Lucio III (Relating to periodic rate adjustments by water and sewer utilities.),  
**Committee Report 1st House, Substituted**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would give the Texas Commission on Environmental Quality (TCEQ) or the regulatory authority with jurisdiction over the rates and services of an Investor Owned Utility (IOU), the authority to approve an upward or downward periodic tariff or rate schedule adjustment for nonfuel related items upon petition of an IOU. The periodic adjustment would be required to be based on changes in the parts of the IOU's invested capital used to serve its certificate of convenience and necessity (CCN). The periodic adjustment would be used to cover the costs of the production, transmission, storage, distribution, or provision of potable or recycled water to the public or the collection, transportation, treatment or disposal of sewage. The bill would require that the TCEQ adopt rules as necessary to implement the provisions of the added section of the Water Code proposed by the bill by September 1, 2015. The rules adopted must provide that the IOU's revenue may not increase or decrease more than five percent. The bill also would stipulate that a water and sewer utility would be prohibited from increasing rates more than once in a calendar year.

The bill would be effective on September 1, 2013.

The TCEQ does not expect that it would incur significant costs in implementing the provision of the bill.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality

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