

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

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

**April 8, 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.),  
**As Introduced**

**No significant fiscal implication to the State is anticipated.**

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 "utility commission," which is not defined by the bill, must 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 by the "utility commission" must provide that the IOU's revenue may not increase or decrease more than five percent. The bill also would stipulate that to be able to petition for a periodic rate adjustment under the provisions established by the bill, an IOU should not have filed a request for a periodic increase within the last 12 months, nor have filed four petitions for a periodic rate adjustment since its last regular rate application filed under Water Code, Section 13.187 (a).

The TCEQ does not expect that it would incur significant costs in implementing the provision of the bill. This estimate also assumes that another regulatory authority with jurisdiction over rates and services of an IOU, or "utility commission," likewise, would not 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

**LBB Staff:** UP, SZ, TL, ED