

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 10, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB567 by Watson (Relating to rates for water service, to the transfer of functions relating to the economic regulation of water and sewer service from the Texas Commission on Environmental Quality to the Public Utility Commission of Texas, and to the duties of the Office of Public Utility Counsel regarding the economic regulation of water and sewer service.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB567, As Engrossed: an impact of \$0 through the biennium ending August 31, 2015.

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 Water Code relating to rates for water service and the regulation of water and wastewater service. The bill would transfer responsibility for regulating water and wastewater rates, services, and certificates of convenience and necessity from the Texas Commission on Environmental Quality (TCEQ) to the Public Utility Commission (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 the Office of Public Utility Counsel (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.

This analysis assumes the transfer of \$184,000 in General Revenue-Dedicated Water Resource Management Account funds to the PUC from TCEQ beginning 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 technology impact. This analysis assumes any technological impacts associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

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