

## **BILL ANALYSIS**

Senate Research Center  
81R23018 SMH-F

H.B. 3550  
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Natural Resources  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Current law authorizes the Texas Commission on Environmental Quality (TCEQ) to allow a respondent in an enforcement case to pay an administrative penalty in installments over a period of up to 12 months if the respondent is a qualified small business. This bill would change the 12-month limit to 36 months, giving TCEQ greater flexibility for small businesses that may not have the resources to come into compliance at the rate of larger businesses.

This bill addresses many provisions within the Water Code, including penalty payment plans, the discontinuation of the Concho River Watermaster Program, the Investor Owned Utility rate hearing provision, duties of the executive director of TCEQ, certificates of convenience and necessity, and the Clean Rivers Program.

H.B. 3550 amends current law relating to the powers and duties of TCEQ and related entities.

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the Texas Commission on Environmental Quality is modified in SECTION 1 (Section 5.1175, Water Code), SECTION 4 (Section 13.242, Water Code), and SECTION 6 (Section 26.0135, Water Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 5.1175, Water Code, as follows:

Sec. 5.1175. PAYMENT OF PENALTY BY INSTALLMENT. (a) Authorizes, rather than requires, the Texas Commission on Environmental Quality (TCEQ) by rule to allow a person who, rather than a small business that, owes a monetary civil or administrative penalty imposed for a violation of law within TCEQ's jurisdiction or for a violation of a license, permit, or order issued or rule adopted by TCEQ to pay the penalty in periodic installments. Requires that the rule provide a procedure for a person, rather than a qualified small business, to apply for permission to pay the penalty over time.

(b) Deletes existing text of Subsection (b), relating to the required manner of classifying small businesses. Redesignates Subsection (c) as Subsection (b). Prohibits the period over which the penalty may be paid from exceeding 36 months, rather than 12 months.

SECTION 2. Amends Section 13.043(h), Water Code, to authorize TCEQ or the executive director of TCEQ (executive director) to establish interim rates to be in effect until a final decision is made in an appeal filed under Subsection (a) (relating to appealing a decision of the governing body to TCEQ), (b) (relating to ratepayers who are authorized to appeal the decision of the governing body), or (f) (relating to authorizing a certain retail public utility to appeal to TCEQ a certain decision). Deletes existing text authorizing TCEQ to establish interim rates to be in effect until a final decision is made on a motion by the executive director or by the appellant under Subsection (a), (b), or (f) of this section.

SECTION 3. Amends Sections 13.187(f), (i)-(l), (n), and (o), Water Code, as follows:

(f) Deletes existing text requiring that a hearing, if more than half of the ratepayers of the utility receive service in a county with a population of more than 2.5 million, be held at a location in that county.

(i) Authorizes the regulatory authority or the executive director, pending final action in a rate proceeding, to order the utility to deposit all or part of the rate increase received or to be received into an escrow account with a financial institution approved by the regulatory authority.

(j) Makes a conforming change.

(k) Prohibits the proposed rate, except as provided by Subsection (d-1) (relating to authorization of a local regulatory agency to suspend the effective date of a rate change), from being suspended for longer than 250 days, rather than 150 days, by TCEQ or the executive director. Makes a conforming change.

(l) Makes a conforming change.

(n) Makes a conforming change.

(o) Makes a conforming change.

SECTION 4. Amends Section 13.242(c), Water Code, to authorize TCEQ by rule to allow a municipality or utility or water supply corporation to render retail water or sewer service without a certificate of public convenience and necessity if the municipality has given notice under Section 13.255 (Single Certification in Incorporated or Annexed Areas), rather than Section 13.255 of this code, that it intends to provide retail water or sewer service to an area or if the utility or water supply corporation has less than 15 potential connections and is not within the certificated area of another retail public utility.

SECTION 5. Amends Section 13.248, Water Code, to provide that contracts between retail public utilities designating areas to be served and customers to be served by those retail public utilities, when approved by TCEQ or the executive director after public notice, rather than public notice and hearing, are valid and enforceable and are incorporated into the appropriate areas of public convenience and necessity.

SECTION 6. Amends Section 26.0135(h), Water Code, as follows:

(h) Deletes existing text requiring TCEQ to apportion, assess, and recover the reasonable costs of administering the water quality management programs under this section from users of water and wastewater permit holders in the watershed according to the records of TCEQ generally in proportion to their right, through permit or contract, to use water from and discharge wastewater in the watershed. Deletes existing text requiring that the rules ensure that program funds are equitably apportioned among basins and that the rules concerning the apportionment and assessment of reasonable costs provide for a recovery of not more than \$5,000,000 annually. Deletes existing text providing that costs recovered by TCEQ are to be deposited to the credit of the water resource management account and are authorized to be used only to accomplish the purposes of this section. Deletes existing text authorizing TCEQ to apply not more than 10 percent of the costs recovered annually toward TCEQ's overhead costs for the administration of this section and the implementation of regional water quality assessments. Deletes existing text requiring TCEQ, with the assistance and input of each river authority, to file a written report accounting for the costs recovered under this section with the governor, the lieutenant governor, and the speaker of the house of representatives on or before December 1 or each even-numbered year.

SECTION 7. Amends Section 49.321, Water Code, to authorize TCEQ or the executive director, after notice, rather than notice and hearing, to dissolve any district that is inactive for a period of five consecutive years and has no outstanding bonded indebtedness.

SECTION 8. Amends Section 49.324, Water Code, to authorize TCEQ or the executive director to enter an order dissolving the district if TCEQ or the executive director finds that the district has performed none of the functions for which it was created for a period of five consecutive years and that the district has no outstanding bonded indebtedness. Deletes existing text authorizing TCEQ to enter an order dissolving the district at the conclusion of the hearing if it finds that the district has performed none of its functions for a period of five consecutive years before the day of the proceeding and the district has no outstanding bonding indebtedness.

SECTION 9. Amends Section 49.326(a), Water Code, to require appeals from an order, rather than a TCEQ order, dissolving a district to be filed and heard in the district court of any of the counties in which the land is located.

SECTION 10. Amends Section 54.030(b), Water Code, to require that the resolution under this section also request that TCEQ approve the conversion of the district. Deletes existing text requiring that the resolution also request TCEQ to hold a hearing on the question of the conversion of the district.

SECTION 11. Amends Section 54.032, Water Code, as follows:

Sec. 54.032. CONVERSION OF DISTRICT: NOTICE. (a) Requires that notice of the conversion, rather than notice of the conversion hearing, be given by publishing notice in a newspaper with general circulation in the county or counties in which the district is located.

(b) Requires that the notice be published once a week for two consecutive weeks, rather than once a week for two consecutive weeks with the first publication to be made not less than 14 full days before the time set for the hearing.

(c) Requires that the notice notify all interested persons how they may offer comments for or against the proposal contained in the resolution. Deletes existing text requiring that the notice state the time and place of the hearing and notify all interested persons to appear and offer testimony for or against the proposal contained in the resolution. Makes nonsubstantive changes.

SECTION 12. Amends Section 54.033, Water Code, as follows:

Sec. 54.033. CONVERSION OF DISTRICT; FINDINGS. (a) Requires TCEQ or the executive director, if TCEQ or the executive director finds that conversion of the district into one operating under this chapter would serve the best interest of the district and would be a benefit to the land and property included in the district, to enter an order making this finding and requires the district to become a district operating under this chapter and provides that no confirmation election shall be required. Deletes existing text requiring that, after a hearing, if TCEQ finds that conversion of the district into one operating under this chapter would serve the best interest of the district and would be a benefit to the land and property included in the district, it enter an order making this finding, requiring that the district become a district operating under this chapter, and that no confirmation election is required.

(b)-(d) Makes conforming changes.

SECTION 13. Repealer: Section 49.322 (Notice of Hearing), Water Code.

Repealer: Section 54.031 (Establishing Date for Hearing), Water Code.

SECTION 14. Makes application of Section 13.187, Water Code, as amended by this Act, prospective.

SECTION 15. Effective date: September 1, 2009.