LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 2, 2003

TO: Honorable Phil King, Chair, House Committee on Regulated Industries

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB1271** by Armbrister (relating to incentives to encourage gas utilities to invest in new infrastructure.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would allow gas utilities to file tariffs reflecting an adjustment to its base rates to recover the cost of new investment made in the preceding calendar year to provide gas utility service. Only utilities that have filed a rate case within the preceding two years would be allowed to implement this rate adjustment and that the factors used to calculate the rate adjustment be the same as the factors reflected in the most recent rate order issued by, or settlement agreement approved by, the regulatory authority. The bill would require that the regulatory authority (municipality or Railroad Commission) be given at least 60 days notice of the increase prior to implementation of the rate adjustment. The regulatory authority would also review annual reports of each utility to justify that the rates are reasonable.

A utility implementing a rate adjustment as provided by the bill would be required to file an annual report describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year. The utility also would be required to file with the regulatory authority an annual earnings monitoring report demonstrating the utility's earnings during the preceding calendar year. If the report shows earnings have exceeded a prescribed level, the gas utility would be required to file a statement with that report stating the reasons why it believes the rates are not unreasonable.

The bill also would provide for the agency to recover from gas utility implementing a tariff or rate schedule for the utilities' proportionate share of the Railroad Commission's costs related to the administration of the interim rate adjustment mechanism.

It is estimated that additional workload resulting from the passage of the bill would not result in significant costs to the Railroad Commission, and that any costs incurred by the Commission could be recovered from a gas utility.

Local Government Impact

Municipalities regulating gas utilties also could experience an increased workload as a result of the bill's passage. Due to the number of rate cases such entities could be expected to examine, the fiscal implications to local governments are not expected to be significant.

Source Agencies: 455 Railroad Commission
LBB Staff: JK, JRO, TL