

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION
Revision 1

March 23, 2011

TO: Honorable Jim Keffer, Chair, House Committee on Energy Resources

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB2435 by Deshotel (Relating to rate adjustments by gas utilities.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would provide that in establishing a gas utility's rates, a regulatory authority may, and is encouraged to, approve a tariff or rate schedule in which the rate for gas utility service is adjusted based on changes in the gas utility's revenues, expenses, or investments.

The bill would affect the Railroad Commission as a regulatory authority of gas utilities. The Railroad Commission reports that by providing for rate changes based on one of three aspects of a utility's finances, the bill would give authority and encourage the Railroad Commission to approve a gas utility rate adjustment without a comprehensive review of all of the utility's revenues, investments, and expenses, as is current practice. The Railroad Commission reports that the process created by the bill would allow a utility to fragment its traditional rate case into separate applications for rate adjustments, potentially targeting those that are most likely to result in a rate increase. Under current law, the Railroad Commission evaluates a gas utility's revenues, expenses, and investments, and the relationships among them to determine an appropriate rate increase amount.

The Railroad Commission anticipates as many as an additional 25 gas utility applications would be filed in the first year following enactment of the bill, to establish rate adjustment mechanisms or to adjust rates, including both municipal appeal applications and non-municipal applications. This estimate assumes that the additional workload and costs related to these additional cases could be handled using existing agency resources.

Local Government Impact

According to the Railroad Commission, approximately 1,200 municipalities share jurisdiction over natural gas utility rates with the Railroad Commission. It is possible that municipal governments would be affected in the same way as the Railroad Commission, and as a result, municipalities may incur costs associated with additional rate cases upon passage of the bill. However, this estimate assumes those costs would not be significant.

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SZ, ZS, TL