

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

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 29, 2011**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

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

**IN RE: SB555** by Watson (Relating to the regulation of LP-gas utility companies.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB555, Committee Report 1st House, Substituted: a negative impact of (\$538,170) through the biennium ending August 31, 2013.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$277,335)
2013	(\$260,835)
2014	(\$260,835)
2015	(\$260,835)
2016	(\$260,835)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$277,335)	3.0
2013	(\$260,835)	3.0
2014	(\$260,835)	3.0
2015	(\$260,835)	3.0
2016	(\$260,835)	3.0

**Fiscal Analysis**

The bill would designate as an “LP-gas utility” a person who owns or operates facilities for compensation that supply liquified petroleum (LP) gas to 10 or more residential end users who do not own or operate the distribution piping system and who are contractually obligated to use the person owning or operating the system as a sole source provider of LP gas. The bill would bring these licensees within the scope of the Railroad Commission’s rate-setting authority for the first time. The bill would give the Railroad Commission exclusive original jurisdiction over the distribution of LP-gas within areas outside a municipality and areas inside a municipality that surrender their jurisdiction to the commission. In addition, the Railroad Commission would have exclusive original jurisdiction over transmission, transportation, delivery or sale of LP-gas throughout the State.

## **Methodology**

The Railroad Commission estimates that passage of the bill would result in 15-20 LP-gas providers being brought within the agency's rate setting jurisdiction. These entities would have their rates set by a regulatory authority in the same way that natural gas utilities have their rates set by regulatory authorities. Currently, LP-gas licensees are subject to Commission jurisdiction only for licensing and safety. Under current law LP-gas licensees have not been subject to rate regulation in Texas.

An addition of 15-20 gas utilities to the current population of gas utilities that are rate-regulated is expected to impact the Railroad Commission's Gas Services Division and Office of General Counsel Division. Increased workload would be required to prepare and administer training to LP-gas licensees, to conduct audits of LP-gas licensees, to participate in LP-gas regulatory cases as technical examiners and expert witnesses, to administer tariffs, and to create LP-gas policy and rule recommendations for the Commission, as appropriate. This estimate assumes that the Railroad Commission would require a total of 3.0 additional FTEs to regulate LP-gas rates subject to regulation under the bill, 2.0 of which would be needed in the Gas Services Division and 1.0 of which would be needed in the Office of General Counsel. Costs relating to these staff would total an estimated \$277,335 in fiscal year 2012 and \$260,835 per fiscal year thereafter. This estimate assumes such costs would be paid out of the General Revenue Fund as shown in the table above.

## **Local Government Impact**

A municipality with an LP-gas service provider that would be regulated and within the municipality's jurisdiction as a result of the bill's passage could result in costs to such municipalities if any of the estimated 15-20 LP-gas utilities affected by the bill would be located within the boundaries of a municipality. The additional workload relating to rate regulation that such a municipality would experience and associated costs would depend upon the number of LP-gas providers in a municipality's jurisdiction and the number of rate change cases that would arise. Because most LP-gas providers affected by the bill would likely be located outside municipalities, many municipalities would not be affected by the bill.

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** JOB, SZ, ZS, TL