

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 19, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2265** by Dukes (Relating to the regulation of propane utility companies.), As Introduced

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB2265, As Introduced: a negative impact of (\$2,501,930) through the biennium ending August 31, 2015.
--

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

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	(\$1,250,965)
2015	(\$1,250,965)
2016	(\$1,250,965)
2017	(\$1,250,965)
2018	(\$1,250,965)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund</b>
2014	(\$1,250,965)
2015	(\$1,250,965)
2016	(\$1,250,965)
2017	(\$1,250,965)
2018	(\$1,250,965)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2013</b>
2014	18.0
2015	18.0
2016	18.0
2017	18.0
2018	18.0

## **Fiscal Analysis**

The bill would designate liquid propane (LP) gas licensees who transmit, store, or distribute liquefied petroleum gas utilities, bringing the licensees within the scope of the Railroad Commission's rate-making authority. The bill would classify these licensees as "propane utilities," and amend the existing definition of a "gas utility" to include a "propane utility." The bill would not apply provisions to propane utilities that prohibit gas utilities from refusing to provide service to certain entities, such as governmental entities.

The bill would prohibit a natural gas or propane utility from disconnecting service during an extreme weather emergency, meaning a period when the temperature did not rise above freezing during the prior day and is not expected to rise above freezing during the next 24 hours.

The bill would have an effective date of September 1, 2013.

## **Methodology**

The Railroad Commission licenses LP-gas companies to operate in Texas, issuing licenses in 17 different LP-gas license categories to 4,889 companies. According to the Railroad Commission, based on the bill's proposed definition of the term "propane utility," 81 percent of all LP-gas licensees (3,949 of 4,889) would have their rates set by the Railroad Commission in the same way that natural gas utilities have their rates set by the Commission. The majority of licensees are expected to fall under the Railroad Commission's jurisdiction because the vast number of entities that provide propane service are located outside municipal jurisdictions.

According to the Railroad Commission, there are approximately 500,000 propane-fueled residences in the state; there are over 8,500 Texas vehicles powered by propane; and more than 80 percent of the state's forklifts are propane-powered.

The Railroad Commission would experience increased workload to prepare and administer training to certain propane licensees, conduct audits of propane licensees, participate in propane regulatory cases as technical examiners and expert witnesses, administer tariffs, and create propane policy and rule recommendations for the agency, as appropriate. It is estimated that the agency would require an additional 18.0 FTEs: 2.0 utility specialists; 12.0 auditors; 2.0 research specialists; 1.0 attorney; and 1.0 administrative assistant. Costs associated with those FTEs would total \$1,250,965 annually. This analysis assumes that the costs to implement the provisions of the bill would be paid out of the General Revenue Fund.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission

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