

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

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

**May 21, 2013**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

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

**IN RE: HB2532** by Workman (Relating to the regulation of propane distribution system retailers; authorizing a fee.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2532, As Passed 2nd House: a negative impact of (\$480,584) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	(\$240,292)
2015	(\$240,292)
2016	(\$240,292)
2017	(\$240,292)
2018	(\$240,292)

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

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund</b> 1	<b>Change in Number of State Employees from FY 2013</b>
2014	(\$240,292)	3.0
2015	(\$240,292)	3.0
2016	(\$240,292)	3.0
2017	(\$240,292)	3.0
2018	(\$240,292)	3.0

**Fiscal Analysis**

The bill would establish standards for distribution system retailers who supply propane gas to residential or commercial end users, bringing those entities under the ratemaking jurisdiction of the Railroad Commission. The bill would apply to systems that supply propane gas through a

contiguous piping system to at least 10 customers. The bill would not apply to retail or wholesale sale of propane gas.

Fees and rates charged by distribution system retailers would be regulated by statutory provisions set forth in the bill. In addition, the bill would prohibit the disconnection of service in certain circumstances. The bill would also provide for customer complaint handling. The Railroad Commission would be required to establish a toll-free number for customers to report service interruptions not caused by a distribution system retailer's refusal to serve. The Railroad Commission would be required to immediately investigate such reports, and the agency would be authorized to coordinate a refund to the customer, when applicable. The Railroad Commission also would be required to analyze spot prices (the average price for the two months preceding a billing month) and to post data on the agency's website.

The bill would require that each distribution system retailer submit to the Railroad Commission, on a quarterly basis, records of emergency and scheduled service interruptions lasting more than four hours and affecting more than two customers. If an entire distribution system experiences an interruption of service, the bill would authorize the Railroad Commission to assume temporary receivership of the system under certain conditions. The bill would provide for the Railroad Commission to request the Attorney General to bring suit for the appointment of a third-party receiver of a system. A court would appoint a receiver in certain circumstances.

The bill would provide for a performance guarantee (surety payment) to be posted with the Railroad Commission by each distribution system retailer in an amount equal to the lesser of \$3 multiplied by the number of gallons of aggregate storage capacity in all of the propane gas systems operated by the retailer or \$50,000. The Railroad Commission would have the ability to call the letter of credit, and would be required to verify and adjust the amount of the surety annually.

The bill would require propane distribution system retailers to record a notice of disclosure of the existence of the propane gas system in the real property records in each county in which the retailers own or operate propane gas systems, including a map of the location of the areas the retailer serves.

The bill would take effect on September 1, 2013.

## **Methodology**

The Railroad Commission reports that there are 74 propane distribution systems operated by 10 liquid propane (LP) gas licensees. This analysis assumes that those systems would have their rates set in the same way natural gas utilities have their rates set, which is by the Railroad Commission. Currently, LP-Gas licensees are subject to Railroad Commission jurisdiction only for licensing and safety.

The Railroad Commission would be expected to incur costs in assuming ratemaking jurisdiction for propane distribution systems upon passage of the bill. Costs would result from general ratemaking responsibilities, the establishment of a toll-free number, investigations by the Railroad Commission, handling customer complaints, refund coordination, the establishment of annual price ceilings, responsibilities related to the assumption of temporary receivership of systems (if applicable), monitoring ongoing activity, reviewing reports submitted to the agency by retail distribution systems, and handling financial assurance requirements established in the bill.

It is estimated that the Railroad Commission would need 3.0 FTEs to carry out the responsibilities the agency would assume upon passage of the bill. Positions added would include a financial analyst, a research specialist, and an auditor. Costs for the additional FTEs would total \$240,292 annually. This estimate assumes such costs would be paid out of the General Revenue Fund because the bill does not provide for the recovery of costs incurred by the Railroad Commission.

Any additional workload to the Office of the Attorney General is expected to be absorbed using existing agency resources.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated. This analysis assumes that any costs to counties in accepting the real property records and maps as required by the bill could be recovered by counties through the imposition of filing fees on propane distribution system retailers.

**Source Agencies:** 302 Office of the Attorney General, 455 Railroad Commission, 304 Comptroller of Public Accounts

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