

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 25, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB3 by Schwertner (Relating to preparing for, preventing, and responding to weather emergencies and power outages; increasing the amount of administrative and civil penalties.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB3, As Passed 2nd House : a negative impact of (\$38,745,794) through the biennium ending August 31, 2023.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$23,630,443)
2023	(\$15,115,351)
2024	(\$15,467,788)
2025	(\$14,823,048)
2026	(\$15,320,224)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Probable Savings/(Cost) from Water Resource Management 153</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$23,630,443)	(\$1,358,639)	158.2
2023	(\$15,115,351)	(\$1,227,139)	158.2
2024	(\$15,467,788)	(\$1,227,139)	158.2
2025	(\$14,823,048)	(\$1,227,139)	158.2
2026	(\$15,320,224)	(\$1,227,139)	158.2

Fiscal Analysis

The bill would require the Department of Public Safety (DPS) to recruit public and commercial television and radio broadcasters, private commercial entities, state or local governmental entities, the public, and other appropriate persons to assist in developing and implementing the power outage alert system. DPS would also be required to confirm the accuracy of and issue power outage alerts through this system.

The bill would require the Texas Division of Emergency Management (TDEM) to create a list of suggested actions for state agencies and the public to take to prepare for storms.

The bill would require gas well operators to implement measures to prepare for a weather emergency, which the Railroad Commission (RRC) would establish by rule. The bill would require the RRC to adopt rules regarding measures gas pipeline facility operators must implement to prepare gas pipeline facilities for extreme weather conditions including designating which natural gas facilities and entities are critical during an energy emergency. The RRC would establish a classification system to be used by courts for violations of weather preparedness. The RRC would analyze gas supply chain facilities' emergency operations plans and submit reports not later than September 30th of even numbered years.

The bill would require the Public Utility Commission (PUC) to by rule require providers of generation service to implement measures to prepare the provider's generation assets for winter weather emergencies. The bill would require the PUC to adopt criteria for the content and activation of a power outage alert. It would also require inspection of generation assets in the ERCOT power region for compliance with the reliability standards. The PUC would analyze utilities' emergency operations plans and submit reports. The bill would also require additional work with ancillary services, staffing and mapping associated with the Texas Electric Supply Chain Security and Mapping Committee, additional rules relating to wholesale, indexed plans, a biennial report on weather emergency preparedness, and rules regarding water and wastewater billing during an extreme weather event.

The bill would require the Texas Commission on Environmental Quality (TCEQ) to review and approve all emergency preparedness plans that have been submitted from affected utilities. TCEQ would also be required to provide any utility with access to the agency's financial, managerial, and technical contractor to assist in complying with the applicable emergency preparedness plan submission deadline.

The bill would establish the Texas Electric Supply Chain Security and Mapping Committee, as well as the Texas Energy Disaster Reliability Council.

The bill would create the Critical Infrastructure Resiliency Fund (CIRF), which would be a special fund in the Treasury outside the General Revenue Fund and would be administered by TDEM for the purpose of providing grants for certain purposes. It would consist of legislative appropriations; any revenue dedicated for deposit to the fund; interest earned on funds in the account; money from gifts, grants, or donations; and money under TDEM's control that it designates for deposit to the fund. The bill would also amend the Water Code to authorize the Water Assistance Program, which is administered by the Texas Water Development Board (TWDB), to provide grants for projects to harden and weatherize water and wastewater systems in the state. In making grants, TWDB would be required to consider factors including the number of people who would benefit from the project, existing infrastructure and the need for the project, the potential benefit of the project for certain demographic populations, the equitable distribution of grants throughout the state, the existence of matching federal funds, and the total impact of the project on the state's resiliency. TWDB would be required to consult with TDEM in issuing grants.

Methodology

TDEM would coordinate with DPS and agencies participating in a blackout alert to update applicable plans, including ESFs 2 and 12 (Communications and Energy respectively) and Warning Support Annex. In efforts to adequately provide support to local jurisdictions TDEM has identified the need for one FTE to assist in the planning and preparedness functions needed to carry out the bill. TDEM indicates it would need a Planner III (\$65,000 per fiscal year), and a part-time Program Specialist V (\$13,000 per fiscal year). TDEM also notes a cost of \$69,295 in FY 2022 and \$52,669 in FY 2023 and beyond for other operating costs and employee supplies/travel, and \$25,366 per year in employee benefits. A cost of \$2,824 in FY 2025 is related to anticipated software upgrades. This results in a cost to General Revenue of \$172,661 in FY2022 and \$156,035 in FY 2023, FY 2024, and FY 2026 and \$158,859 in FY 2025.

The RRC indicates it would need a professional services contract for weatherization assessment reviews. The RRC also anticipates it would need an IT solution to track gas well interruptions. The RRC estimates the professional services contract for weatherization assessment reviews having a cost of \$1,600,000 in FY 2022 and \$800,000 thereafter for on-going reviews of incremental changes. The RRC anticipates it will need to review operator plans to ensure the measures taken to continue operations are appropriate and adequate for different types of weather emergencies at a cost of \$1,800,000 in FY 2022 and \$900,000 annually thereafter. There are over 108,300 producing gas wells and over 425,000 miles of intrastate pipelines in Texas. The

number of gas processing plants and compressor stations is unknown. The RRC notes that it would need 130 FTEs per year, primarily for inspectors and support staff, to ensure weatherization is occurring. This would result in a cost of \$21,351,622 in FY 2022, \$13,853,156 in FY 2023, \$13,705,593 in FY 2024, \$13,558,029 in FY 2025 and FY 2026 to handle the incremental changes of the bill.

The PUC anticipates that the bill will require multiple complex rulemakings that will require legal and technical staffing beyond current PUC staffing levels. This includes rules on a power alert system; rules to designate natural gas facilities as critical; rules to increase the PUC's administrative penalty authority to \$1 million; rules to redefine "critical care residential customer" and "critical load industrial customer"; rules on municipal and cooperative customer outreach relating to involuntary load shedding procedures; rules on weather emergency preparedness and ERCOT inspections of generation and transmission facilities, including additional reporting; rules for TDU load shedding; rules for mapping the electricity supply chain and communication between critical infrastructure, the PUC, and ERCOT; rules to authorize wholesale, indexed plans under certain conditions; and rules to ensure adequate dispatchable generation. PUC has used experts in the past to assist with rules and projects where the scope and requisite knowledge needed exceeds that of staff and is better acquired through a third-party, expert professional services contract. Based on previous experience with economic electric market consultants and engineering consultants, the PUC anticipates that each of those contracts will cost \$500,000 each. The PUC believes that the economic services contract will be a one-time cost in the first year of the biennium, but the engineering support needed to produce the weatherization reports will be required each even number year to align with the requirements in the bill.

The PUC estimates that 1.0 additional Program Specialist VII; 3.0 additional Attorney III; 2.0 additional Attorney II; 1.0 Engineer IV; 1.0 Engineering Specialists VI; and 2.0 Economist IV positions would be necessary to fulfill the requirements of this bill. This would have a Salary and Wages cost of \$800,000, Other Operating Cost of \$15,000, and \$19,000 in technology expenses for the PUC's Dell laptop lease for a total annual direct cost of \$834,000. The total direct and indirect cost to implement the provisions of the bill is \$2,106,160 in FY 2022, \$1,106,160 in FY 2023 and FY 2025, and \$1,606,160 in FY 2024 and FY 2026.

TCEQ anticipates it will need 17 FTEs to implement the provisions of the bill. TCEQ anticipates it would need 3 Natural Resource Specialist IIs, 3 Natural Resource Specialist IIIs, and 1 Natural Resource Specialist V for the Water Supply Division, 9 Natural Resource Specialist IIs for the Office of Compliance and Enforcement, and 1 General Engineering Specialist III for the Water Supply Division. TCEQ anticipates that these FTEs, including the computers and vehicles necessary for them, would cost \$1,358,639 in FY 2022 and \$1,227,139 in FY 2023-26 from General Revenue-Dedicated Account 153.

If funds are appropriated to the Critical Infrastructure Resiliency Fund, TWDB would have costs because it would need an additional 25 FTEs to oversee the Water Assistance Program. TWDB's cost estimate of \$3.4 million in FY 2022 and \$3.1 million in FY 2023-26 is based on the Legislature appropriating an assumed \$400.0 million in 2022-23 to implement the bill's provisions. At this time, the fiscal impact of this fund cannot be determined because the amount and timing of any appropriations, gifts, grants, and donations are unknown.

Technology

The RRC anticipates it would need to develop new online systems to track gas well and pipeline preparedness and forced production interruptions. The systems would allow operators to submit the necessary data for RRC staff to review and create reports. The systems would track the data and compare data submitted to determine those that did not produce during a weather emergency lasting less than 30 days. This cost is estimated to be \$3.2 million in FY 2022, \$0.9 million in FY 2023, \$0.7 million in FY 2024, \$0.6 million in FY 2025 and FY 2026.

The PUC anticipates it would need to increase its Dell laptop lease for the 10 additional FTEs. The PUC estimates that this would cost \$1,900 per employee per year, or \$19,000 per year.

Local Government Impact

The bill would require municipally-owned utilities to weatherize generating facilities to comply with new PUC

rules, which the PUC anticipates would have a significant impact on local governments. However, the fiscal implications of the bill cannot be determined at this time.

Source Agencies: 212 Office of Court Admin, 300 Trusteed Programs - Gov, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 405 Department of Public Safety, 455 Railroad Commission, 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel, 575 TX Division of Emergency Management, 580 Water Development Board, 582 Commission on Environmental Quality, 601 Department of Transportation

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