

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 26, 2021

TO: Honorable Joan Huffman, Chair, Senate Committee on Jurisprudence

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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB3, Committee Report 1st House, Substituted : a negative impact of (\$32,230,412) 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	(\$18,136,927)
2023	(\$14,093,485)
2024	(\$13,948,059)
2025	(\$13,805,457)
2026	(\$13,802,633)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$18,136,927)	132.2
2023	(\$14,093,485)	132.2
2024	(\$13,948,059)	132.2
2025	(\$13,805,457)	132.2
2026	(\$13,802,633)	132.2

Fiscal Analysis

The bill would require 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 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. The RRC would establish a classification system to be used for 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 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.

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 Railroad Commission (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 anticipates it will need a professional services contract for weatherization assessment reviews at a cost of \$1,600,000 in FY 2022 and \$800,000 thereafter for on-going reviews of incremental changes. The Commission 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. 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 128 FTEs per year, primarily for inspectors and support staff to ensure weatherization is occurring. This would result in a cost of \$17,646,319 in FY2022, \$13,619,503 in FY2023, \$13,474,077 in FY2024, \$13,328,651 in FY2025, and \$13,328,651 in FY2026 to handle the incremental changes of this bill.

The PUC anticipates that to complete a rulemaking project relating to weatherization standards, the agency would need to hire a consultant to review current best practices and make recommendations for unit-specific weatherization standards in the ERCOT region. PUC analysis assumes that this would be funded by the ERCOT system administration fee and that the PUC would enter into a three-party contract with ERCOT and the contractor selected through the State's Request For Proposal process. The PUC notes that ERCOT would not direct any of the work, but would provide input and funding to complete the rulemaking. The PUC estimates that a consulting contract for this purpose may cost up to \$750,000. The PUC estimates that 1.0 additional Program Specialist VII and 2.0 additional Attorney III positions would be necessary to fulfill the requirements of the bill. This would have a total annual cost of \$317,947. All other associated costs could be absorbed within existing resources.

Any potential costs to Texas Commission on Environmental Quality cannot be determined at this time.

Technology

The Railroad Commission 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 Commission 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 in FY 2022 is estimated to be \$3.1 million in FY 2022, \$0.8 million in FY 2023, \$0.7 million in FY 2024, \$0.6 million in FY 2025 and FY 2026.

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, 405 Department of Public Safety, 455 Railroad Commission, 473 Public Utility Commission of Texas, 575 TX Division of Emergency Management, 582 Commission on Environmental Quality, 601 Department of Transportation

LBB Staff: JMc, CMA, MB, RRE, SLE, SD