LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 19, 2023

TO: Honorable Craig Goldman, Chair, House Committee on Energy Resources

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2262** by Darby (relating to gas utility alternative gas expenses and infrastructure investments.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2262, Committee Report 1st House, Substituted : a negative impact of ($709,294) through the biennium ending August 31, 2025.

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:

Fiscal Year	**Probable Net Positive/(Negative) Impact to** *General Revenue Related Funds*
2024	($354,647)
2025	($354,647)
2026	($354,647)
2027	($354,647)
2028	($354,647)

All Funds, Five-Year Impact:

Fiscal Year	**Probable (Cost) from** *General Revenue Fund* 1	*Change in Number of State Employees from FY 2023*
2024	($354,647)	3.0
2025	($354,647)	3.0
2026	($354,647)	3.0
2027	($354,647)	3.0
2028	($354,647)	3.0

Fiscal Analysis

This bill would amend Chapter 104 of the Utilities Code by addition Section 104.061 as it relates to the Consideration of Alternative Gas Expenses and Infrastructure Investments. The bill would define alternative gases. The bill would allow the Railroad Commission (RRC) to draft rules to establish a certification process through which an organization could certify that an alternative fuel has lower carbon content than natural gas and to designate a gaseous fuel as an alternative gas. The bill would allow utilities to include alternative gases as defined by the provisions of the bill in its gas supply portfolio. The bill would require the RRC to allow a gas utility to recover costs or expenses related to the purchasing of alternative gases and infrastructure investments for alternative gases from customers when establishing the utility's rates if the expenditures were prudent, reasonable, and necessary.

Methodology

Based upon information provided by the Railroad Commission, this cost analysis assumes that the agency will need three FTEs to implement provisions of the bill. The agency anticipates that rate filing applications, including Statement of Intent filings and Interim Rate Adjustment filings, and cost of gas compliance filings for each participating natural gas utility will increase in size and complexity based on implementation of the bill. The first identified additional FTE, a Financial Analyst III, would review both types of applications to confirm costs were calculated and allocated correctly as well as to confirm that none of the relevant costs pose a reason to challenge the presumption of prudence identified in the bill. Any challenge to the prudence of the Company's related capital investment would result in additional activity in contested cases administered by the Hearings Division. The second identified additional FTE, an Administrative Law Judge II, would evaluate the contested cases within the statutorily required time frame. The final additional FTE, an Auditor IV, would conduct gas cost audits which would include gas costs related to alternative gas expenses. The total salary and benefit costs per fiscal year are estimated to be $309,648. In addition, the agency estimates $45,000 per fiscal year for related operating costs related to the bill.

Technology

No additional technology needs were identified as being generated by the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JMc, AF, MW, EJ, JBel