LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 26, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2263** by Darby (Relating to the authority of a natural gas local distribution company to offer energy conservation programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2263, As Introduced : a negative impact of ($723,628) 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	($361,814)
2025	($361,814)
2026	($361,814)
2027	($361,814)
2028	($361,814)

All Funds, Five-Year Impact:

Fiscal Year	**Probable (Cost) from** ***General Revenue Fund 1***	*Change in Number of State Employees from FY 2023*
2024	($361,814)	3.0
2025	($361,814)	3.0
2026	($361,814)	3.0
2027	($361,814)	3.0
2028	($361,814)	3.0

Fiscal Analysis

The bill would grant Railroad Commission (RRC) exclusive jurisdiction over energy conservation programs established by local distribution companies. The bill would allow local distribution companies to recover costs incurred from implementing energy conservation programs if they submit an application to the RRC for review and approval which contains certain information on their energy conservation programs at least every three years and the RRC approves cost recovery for their programs. The bill would require the RRC to determine cost recovery mechanisms for these implementation costs and to ensure that these costs are allocated to the appropriate customer classes.

The bill would direct the RRC to require annual reports containing certain information to be submitted to the RRC by local distribution companies which implement energy conservation programs under this subchapter.

The bill would require participating local distribution companies to reimburse the RRC for their proportionate share of the agency's costs related to reviewing and approving or denying cost recovery applications.

Methodology

Based on information provided by the Railroad Commission (RRC), this analysis assumes the cost for implementing the provisions of this bill would include $361,814 and 3.0 FTEs each fiscal year. According to the RRC, the first would be an Accountant VII which would design the cost recovery mechanisms and rulemaking, review applications from local distribution companies, and review the submitted annual energy conservation program reports. The second would be an Auditor IV which would verify compliance with the cost recovery mechanism described in the Commission's rulemaking. The final FTE would be an Administrative Law Judge II which would examine and recommend approval or denial of cost recovery applications filed pursuant to this subchapter that are referred to the agency's Hearings Division. Estimated salary, benefit, and payroll contribution expenses for these three positions would total $316,814 each fiscal year. Operating expenses would total $45,000 each fiscal year.

The fiscal implications of local distribution companies reimbursing the RRC cannot be determined because the timing and amounts of the proportionate share for each participating company that would reimburse RRC to mitigate program costs is unknown.

Technology

Railroad Commission does not anticipate additional technology needs resulting from the implementation of this bill.

Local Government Impact

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

Source Agencies: 455 Railroad Commission

LBB Staff: JMc, AF, MW, EJ