

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 2, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3244 by Goldman (Relating to the operation of certain infrastructure during a weather emergency; authorizing administrative penalties.), **As Introduced**

The fiscal implications to the state cannot be determined because the number and scope of increased penalties to be assessed under the provisions of the bill are unknown.

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

The bill would amend the Natural Resources Code to require the Railroad Commission (RRC) and the Public Utilities Commission (PUC) to establish certain new requirements for the RRC and PUC regarding critical natural gas facilities and entities. It would also create new rulemaking authority for the RRC with respect to the regulation of gas supply chain facilities.

The bill would increase the range of weather emergency preparedness violations for which the RRC could assess a penalty of up to \$1,000,000 a day. The bill would define that each day a violation occurs would constitute a separate offense. The bill would allow the RRC to not assess a penalty under the section if it deems the operator made reasonably prudent efforts to comply with RRC rules regardless of if the facility failed to operate during a weather emergency.

The bill would amend the Utilities Code to allow for certain information from the confidentiality of the work of the Electricity Supply Chain and Security Committee ("Committee") to be provided upon request to members of the Legislature. The bill would specify that the Committee may include a gas supply chain facility or a gas pipeline facility on the electricity supply chain map only after the committee provides notice to the impacted facility operators and provide an opportunity for a contested case hearing. The bill would direct the RRC to hold contested case hearings and issue a decision regarding whether the facility should be included on the electricity supply chain map based on applicable rules and provisions of relevant codes would be followed by the Committee.

The bill would repeal 86.044(h) of the Natural Resources Code relating to notification to the Office of the Attorney General by the RRC of certain violations and 186.008 of the Utilities Code relating to RRC emergency preparedness reports.

Based upon information provided by the Railroad Commission, it is assumed that the agency would need three new FTEs in its Hearings Division and changes to the existing Critical Infrastructure Designation and Exemption (CID/CIX) and Critical Infrastructure Inspection System (CIIS) to implement the provisions of the bill. There are over 6,000 facilities identified by RRC that may be eligible for notice and as such, could potentially request a contested case hearing before inclusion on the map under the provisions of this bill. It is estimated that 10.0 percent of the facilities may object to inclusion on the map during the five-year period after enactment of the bill, which could result in over 600 requests that the agency would manage. The three FTEs would assist RRC in activities related to providing notice to eligible facilities, conducting contested case hearings, and issuing related decisions. The estimated salary and benefit costs total \$306,579 in fiscal year 2024 and \$322,471 each fiscal year after. The estimated operating costs total \$45,000 per fiscal year. Costs

for anticipated changes to the CID/CIX and Critical Infrastructure Inspection System total \$212,333 in fiscal year 2024; \$53,000 in fiscal year 2025; \$42,400 in fiscal year 2026, \$31,800 in fiscal year 2027; and \$21,200 in fiscal year 2028.

Based on information provided by the Comptroller of Public Accounts, the fiscal impact to the state cannot be determined because the number and scope of increased penalties to be assessed under the provisions of the bill are unknown.

Based on information provided by the Office of the Attorney General and the Public Utility Commission of Texas, costs resulting from the implementation of the bill could be absorbed within existing resources.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 455 Railroad Commission, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality

LBB Staff: JMc, AF, MW, EJ, CSMI, HGR, JBEL, MOc, DKN