

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 12, 2023

TO: Honorable Charles Schwertner, Chair, Senate Committee on Business & Commerce

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1873 by Schwertner (Relating to the applicability of certain gas pipeline laws to an affiliate of a gas utility.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1873, As Introduced : a negative impact of (\$2,295,571) 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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	(\$1,330,600)
2025	(\$964,971)
2026	(\$964,971)
2027	(\$964,971)
2028	(\$964,971)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from <i>General Revenue Fund</i> 1	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$1,330,600)	8.0
2025	(\$964,971)	8.0
2026	(\$964,971)	8.0
2027	(\$964,971)	8.0
2028	(\$964,971)	8.0

Fiscal Analysis

The bill would amend the Utilities Code to revise the definition of a gas utility to include affiliates of a gas utility and entities that provide gas sales or marketing services.

Methodology

The Railroad Commission (RRC) estimates that the provisions of the bill would result in approximately 45 new regulated gas utilities which amounts to a 20.0 percent increase in utilities regulated by the agency. Under regulation by the RRC, these utilities would be required to file tariffs and may participate in ratemaking proceedings. This fiscal analysis assumes that as a result, the RRC would need eight additional FTEs as well as changes to the agency's CASES and gas tariff systems for a total cost of \$1,330,600 in fiscal year 2024 and \$964,971 each fiscal year after.

FTEs identified as needed for the Market Oversight Division include two Financial Analyst IIIs, two Customer Service Representative IVs, and an Administrative Assistant IV. These positions would review and process an unknown but potentially large amount of additional tariffs and an unknown quantity of formal complaints and rate applications that may be filed. For the Office of General Counsel, an Attorney IV and a Legal Assistant IV would advise Commissioners and the Market Oversight Division on the extent and bounds of the expanded jurisdiction, conduct and complete rulemakings, participate in rate cases and formal complaint cases, assist with questions regarding the new tariff filings, and providing advice and interpretation on relevant laws, rules, and regulations. An Administrative Law Judge III would hear additional contested dockets in the Hearings Division. The estimated general revenue cost for salaries and benefits for these positions total \$802,400 in fiscal year 2024 and \$844,971 each fiscal year after. Operating expenses are estimated to total \$120,000 each fiscal year.

The RRC anticipates that the provisions of the bill would necessitate additional case types to be created in the Commission's CASES system for marketing company rate filings. In addition, the agency's tariff filing system would need changes to allow for the addition of a new utility classification for marketing companies and their respective rate schedules. The estimated one-time cost for these Information Technology changes is \$408,200 in fiscal year 2024 and is based upon previous and current contracting costs.

Any potential revenue generated from fees and fines cannot be estimated at this time.

Technology

The RRC estimates that changes to its CASES system and tariff filing system would have a one-time cost of \$408,200 in fiscal year 2024.

Local Government Impact

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

Source Agencies: 455 Railroad Commission

LBB Staff: JMc, SZ, MW, EJ