

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: SB2110 by Johnson (Relating to the provision of natural gas by and rates charged by certain gas utilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2110, As Introduced : a negative impact of (\$1,206,139) 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>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$735,365)
2025	(\$470,774)
2026	(\$470,774)
2027	(\$470,774)
2028	(\$470,774)

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 2023</i>
2024	(\$735,365)	4.0
2025	(\$470,774)	4.0
2026	(\$470,774)	4.0
2027	(\$470,774)	4.0
2028	(\$470,774)	4.0

Fiscal Analysis

The bill would modify the Utilities Code to eliminate the presumption of just and reasonable rates for certain gas utilities. The bill would enable a gas utility to establish a rebuttable presumption by filing with the Railroad Commission (RRC) executed agreements containing gas transportation rates for two or more similarly situated customers of the gas utility.

If a complaint is filed with the RRC by certain purchasers, the bill would require that the RRC establish an interim rate that would be applied to the complainant in circumstances where certain transmission pipeline purchasers file a complaint with the RRC. This interim rate would be applied to the complainant until the RRC

enters an order establishing the rate to be charged or otherwise disposing of the complaint. The bill would prohibit a gas utility from retaliating against a complainant.

The bill would amend penalty language related to violations that are recoverable to include compensatory damages and would define discriminatory conduct prohibited by Section 104.104 as grounds for action under sections of the Business and Commerce Code by the consumer protection division of the Office of the Attorney General.

Methodology

Based upon information reported by the Railroad Commission, it is assumed that additional activities related to rate schedules, tariffs, and statement of intent rate proceedings would result from the provisions of the bill. Commission staff estimate that at least sixty additional rate-setting applications requiring a decision by Commission Order would be received each fiscal year. In order to accommodate the additional work from anticipated complaints and resulting rate setting, the agency anticipates needing four FTEs. Two of these FTEs, Research Specialist IVs, would process and review rate schedules and tariffs as well as respond to increased call volumes, email inquiries, and information requests related to rate schedules and tariffs. The other two FTEs, Financial Examiner IVs, would establish a process for complaints received, evaluate complaints, manage complaint-related proceedings to resolve the complaints and to set interim rates, and would participate in cost of service and market-based rate setting proceedings. The salary and benefit expenses for these positions are estimated to be \$390,765 in fiscal year 2024 and \$410,774 each fiscal year after. Ongoing operating expenses are estimated to be \$60,000 per fiscal year. RRC estimates a one-time cost related to modifications necessary to the Gas Tariff and eFile systems of \$284,600 in fiscal year 2024 based on 1,423 hours of programming to add additional data fields being necessary at a cost of \$200 per hour.

Based on information provided by the Office of the Attorney General, costs associated with implementing the provisions of the bill could be absorbed within existing resources.

Technology

RRC anticipates one time cost necessary to modify the Gas Tariff and eFile systems to add additional data fields would total \$284,600 in fiscal year 2024. This estimate is based upon existing contract rates with vendors performing implementation and maintenance services at the RRC.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 455 Railroad Commission

LBB Staff: JMc, SZ, MW, EJ, HGR, AF