

## **BILL ANALYSIS**

Senate Research Center  
89R23865 ANG-F

H.B. 4384  
By: Darby (Birdwell)  
Natural Resources  
5/12/2025  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Gas local distribution companies (LDCs) currently must wait up to 18–20 months before recovering costs on new infrastructure investments through customer rates, which puts a financial strain on the LDC, as it must fund infrastructure investments without immediate cost recovery. During this waiting period, LDCs incur costs, but cannot recover them. This makes it more challenging for utilities to finance ongoing infrastructure improvements and this lag in cost recovery can slow down investment in safe and reliable gas distribution systems, which ultimately impacts consumers. H.B. 4384 would authorize LDCs to recover certain costs on new assets as a regulatory asset in order to mitigate regulatory lag, allowing LDCs to more efficiently reinvest in infrastructure improvements, and ensure that the state continues to have a safe and reliable gas distribution system.

H.B. 4384 amends current law relating to the recovery of certain costs associated with a gas utility's plant, facilities, or equipment placed in service.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 2 of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter G, Chapter 104, Utilities Code, by adding Section 104.302, as follows:

Sec. 104.302. RECOVERY OF CERTAIN COSTS FOR GROSS PLANT. (a) Defines "gross plant," "post in-service carrying costs," and "unrecovered gross plant."

(b) Authorizes a gas utility to defer for future recovery as a regulatory asset post in-service carrying costs, depreciation associated with the unrecovered gross plant, and ad valorem taxes associated with the unrecovered gross plant.

(c) Requires that a regulatory asset established under Subsection (b) be included in the Railroad Commission of Texas' (RRC) authorized cost recovery mechanism under Section 104.301 (Interim Adjustment for Changes in Investment).

(d) Requires the gas utility, on recovery in rates of a regulatory asset established by a gas utility under Subsection (b), to make appropriate accounting adjustments to reflect the recovery in rates.

(e) Requires RRC to review the costs included in a regulatory asset established by a gas utility under Subsection (b) in a general rate proceeding. Provides that the costs are subject to a refund with interest to the extent RRC by order disallows recovery in rates.

SECTION 2. Requires RRC to adopt rules to implement Section 104.302, Utilities Code, as added by this Act, not later than the 180th day after the effective date of this Act.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: upon passage or September 1, 2025.