HOUSE
RESEARCH
ORGANIZATION bill analysis 5/4/2013

HB 2532
Workman
(CSHB 2532 by Dale)

SUBJECT: Regulation of propane distribution system retailers

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 9 ayes — Keffer, Crownover, Canales, Craddick, Dale, Lozano, Paddie, R. Sheffield, Wu

1 nays — Burnam

1 absent — P. King

WITNESSES: For — Barton Prideaux, Texas Community Propane, Ltd.; *(Registered, but did not testify:* Randall Wilburn, West Travis County MUD No. 5)

Against — None

On — *(Registered, but did not testify:* Mark Evarts, Railroad Commission of Texas; James Osterhaus, Railroad Commission of Texas; William Van Hoy, Texas Propane Gas Association)

DIGEST: CSHB 2532 would require a distribution system retailer to charge a customer a just and reasonable rate for propane gas that could not exceed the allowable spot price plus an allowable markup.

A propane dealer could charge customers reasonable and customary service fees for connection, disconnection, account maintenance, late fees, and reconnection fees. The allowable service fees would be:

- $12.50 to maintain an active account in which more than 99 gallons were used in the prior 12-month period;
- $17.50 for an active account in which fewer than 99 gallons were used in the prior 12-month period;
- $15 for a late payment, where the bill was provide 15 days prior to the due date;
- $25 to disconnect or terminate service from an active or delinquent account;
- $65 for standard next available reconnect service for an active or delinquent account;

- $125 for accelerated reconnect service;
- $30 for a dishonored or canceled payment received;
- $75 to initiate service to a new customer; and
- $225 plus charges for estimated amount of gas consumed and damages for attempted unauthorized gas consumption or diversion.

Dealer requirements and responsibilities. Propane dealers could adjust fee limits based on 12-month changes in the Consumer Price Index beginning with a base period of December 2012.Dealers could pass through to a customer certain taxes and assessments that began or increased after January 1, 2013.

A propane dealer could not disconnect a customer's service on a weekend, holiday, or during an extreme weather emergency, and the dealer would have to make all reasonable efforts to prevent interruptions in service. In the event of a qualified interruption, the propane retailer would be required to document its details and notify the RRC if there was the possibility of hazard.

Propane dealers would have to promptly investigate a written complaint, provide a response, and a keep record of the investigation process. They also would have to provide a disclosure notice to homeowners with consumer rights, areas served, and any agreements that benefited a third party.

Railroad Commission. The RRC could impose a sanction on a propane dealer, such as a customer refund for a violation of allowable rates and fees. The RRC would be required to set up a toll-free phone line for customers to notify the commission of a service interruption or alleged cases of the dealer over-charging for service. The commission would be required to investigate complaints.

The RRC could assume temporary receivership of a propane dealer if they could not restore service within a certain amount of time. And, among other things, the commission could impose sanctions on a propane dealer, such as issuing customers refunds for a violation of allowable rates and fees. The commission would be required to adopt rules necessary to implement this chapter (chapter 141) of the Utilities Code.

The bill would take effect September 1, 2013.

SUPPORTERS SAY:

CSHB 2532 would provide clear responsibilities and market-based rate structures for propane dealers and ensure fair, transparent, continuous service to customers. Interested parties, including propane dealers and consumer advocates, agree that the bill would allow propane companies to operate under reasonable regulation and give consumers the expectation of reasonable, transparent services and billing practices.

The bill also would grant the RRC the proper authority to oversee propane dealers, impose sanctions, such as ordering refunds of overcharges, and put a company into temporary receivership if it failed to meet its obligations.

OPPONENTS SAY:

CSHB 2532 could do more to provide penalties that would hold negligent companies accountable and prevent service failures from ever happening.

NOTES:

The Legislative Budget Board estimates that the bill would require the Railroad Commission to hire four full-time-equivalent employees to assume ratemaking responsibilities and oversight required by the bill. This would have a negative impact $347,518 per year on general revenue.