

SUBJECT: Requiring gas utilities to provide certain services to school districts

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 6 ayes — R. Lewis, Hawley, Driver, West, Williams, Woolley

0 nays

3 absent — Crabb, Merritt, Wilson

WITNESSES: None

BACKGROUND: A natural gas utility is required to transport natural gas produced on state lands to a state agency if existing pipeline capacity is available. However, a gas utility may refuse to perform this service to school district facilities even if existing capacity is available.

DIGEST: CSHB 2308 would amend the Utilities Code to require gas utilities to transport natural gas produced on state lands to a school district's facilities and buildings if existing pipeline capacity was available on an existing facility of the utility. Utilities could not refuse to transport gas purchased by the school district or to transport an average of 10 million British thermal units or more per day of gas taken as a royalty in kind.

The utility would have to negotiate a contract with the General Land Office (GLO) to set the rates for these services. If the parties could not agree to a contract rate, the bill would allow the Texas Railroad Commission (TRC) to determine a fair and reasonable rate for the service.

The bill would take effect September 1, 1999.

SUPPORTERS SAY: School districts may realize savings from buying gas produced on state lands, and a quarter of the price they pay for the gas will go to the Permanent School Fund. State agencies also benefit from such a provision.

Utilities' experience with state agencies has shown that providing service under this bill would not be an undue burden. The bill contains safeguards to ensure that utilities would not be forced to operate at a loss. It would not

require utilities to install new pipelines nor to transport an uneconomically small quantity of gas.

CSHB 2308 would require utilities to enter into contracts with GLO that would set the rate that the school district would pay. Utilities already are entering into contracts with GLO for service to state agencies. If GLO and the utilities could not agree on a rate, the TRC would be able to set a fair and reasonable rate.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The original bill would have amended a different section of the Utilities Code to include school districts among the entities that gas utilities must serve if pipeline capacity exists. The substitute would add details to this requirement by creating a new section of the code.

The companion bill, SB 1797 by Duncan, passed the Senate on April 22 and was reported favorably by the House Energy Resources Committee on April 27 and sent to the Local and Consent Calendars Committee.