

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 1, 2003

TO: Honorable Dennis Bonnen, Chair, House Committee on Environmental Regulation

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1960 by Chisum (Relating to authorizing the Texas Commission on Environmental Quality to enter into voluntary emissions reduction agreements with owners of stationary sources or groups of stationary sources.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would allow the Texas Commission on Environmental Quality (TCEQ) to enter into voluntary emissions reductions agreements with investor-owned utilities owning stationary sources. The bill would create incentives for owners of stationary sources to make reductions in emissions. Entities would enter into an enforceable agreement with the TCEQ to make reductions which are substantially more than that required by law. In return, the TCEQ would be restricted from requiring installation of emission control equipment to control those emissions by law except in limited circumstances. The bill would also prohibit the agency from applying SIP-based control measures to participating facilities unless there were no other options for meeting the federal air quality standards.

The bill would add an incentive for investor-owned electric utilities operating outside the Electric Reliability Council of Texas (ERCOT) region. Those utilities would be able to get cost recovery for the investments they make to comply with the voluntary emission reduction agreement.

The bill would require the Public Utility Commission (PUC) to approve a cost recovery rider to the utility's existing rates to recover all air quality improvement costs incurred in implementing an approved voluntary emissions reductions agreement, including an appropriate return on investment consistent with the level established in the utility's last rate case. The bill would also specify how the cost recovery rider is allocated between type and class of customer.

It is expected that additional workload resulting from the bill's passage at the TCEQ and the PUC could be absorbed within the respective agency's existing resources.

Local Government Impact

No significant fiscal implication to units of local government owning their own utilities is anticipated, since the bill provides for cost recovery for all air quality improvement costs.

Source Agencies: 369 Council on Environmental Technology, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality, 601 Department of Transportation, 712 Texas Engineering Experiment Station, 716 Texas Engineering Extension Service

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