

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 26, 2003**

**TO:** Honorable Phil King, Chair, House Committee on Regulated Industries

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB3394** by Hamilton (Relating to the methodology of computing municipal franchise compensation payments for electric utilities in a region for which customer choice has been delayed.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would clarify that the franchise fee methodology set forth in Section 33.0085, Public Utility Regulatory Act, does not apply to an electric utility operating in a power region for which the Public Utility Commission (PUC) has delayed retail competition (i.e., Entergy Gulf States, Inc. and Southwestern Electric Power Company). Instead, these utilities would be required to pay franchise fees as provided by the franchise agreement between the utility and the municipality.

The bill would take effect immediately if it receives a two-thirds vote in each house; otherwise, it would take effect September 1, 2003.

The PUC assumes that it may receive inquiries or comments regarding changes in franchise fees as a result of implementation of the bill; however, the agency anticipates it could respond to such inquiries with existing agency resources.

The cities that would be affected by the provisions of the bill would experience a revenue gain. The City of Beaumont estimates that requiring utilities to pay the city based on the gross receipts method instead of on a kilowatt basis would result in an annual revenue increase of \$450,000, which is about an 8 percent increase over current franchise fees received. The City of Vidor would receive an additional \$24,000 per year in restored revenue. Other cities in the affected power regions would receive a restoration of revenue comparable to the size of the city.

**Local Government Impact**

The positive fiscal impact would vary by municipality depending on the gross receipts of the energy provider for each affected municipality.

**Source Agencies:** 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel

**LBB Staff:** JK, JRO, DLBa