

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 14, 2003

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1039 by Van de Putte (Relating to demonstration and deployment of fuel cells for electric generation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1039, As Introduced: a negative impact of (\$240,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$120,000)
2005	(\$120,000)
2006	(\$120,000)
2007	(\$120,000)
2008	(\$120,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2003
2004	(\$120,000)	2.0
2005	(\$120,000)	2.0
2006	(\$120,000)	2.0
2007	(\$120,000)	2.0
2008	(\$120,000)	2.0

Fiscal Analysis

The bill would amend the Utilities Code to require electric utilities that are located in or that serve non-attainment areas to generate electricity using fuel cells as part of a demonstration and deployment program. The bill sets fuel cell generation capacity goals for calendar years 2005 through 2011.

The bill would require the Public Utility Commission (PUC) to establish goals for each electric utility, electric cooperative, and municipally owned utility that is proportional to its share of the electric generation load. The PUC also would be required to establish incentive levels, with different incentive levels for different sizes of fuel cells, that are necessary and sufficient to meet the generation capacity goals by the appropriate dates.

The bill would direct the Texas Council on Environmental Technology (TCET) to: provide

coordination and support for the Texas Consortium for Advanced Fuel Cell Research; monitor and evaluate the status of the fuel cell industry; develop legislative recommendations; and monitor and support the development and adoption of fuel cells for electricity generation.

The bill also directs the State Energy Conservation Office (SECO) within the Comptroller's Office to partner with U.S. Department of Energy to develop cooperative programs related to research and development of fuel cell technology in Texas.

Methodology

It is estimated that the TCET would require two additional FTEs and \$120,000 per year in additional funds to establish a fuel cell program upon passage of the bill. This estimate assumes that the TCET would require General Revenue funding, since it is not assumed that activities TCET would carry in the Utilities Code as prescribed in the bill would be eligible for funding from the Texas Emissions Reduction Plan Account No.5071, the TCET's current sole source of funding.

Additional costs incurred by the Comptroller (SECO) and the PUC as a result of the bill's passage are not expected to be significant.

Local Government Impact

The Texas Public Power Association estimated that municipally-owned electrical utilities subject to the provisions of the bill would incur incremental above-market costs of \$45.4 million to implement the bill from fiscal year 2005 to FY 2008. For FY 2005 the cost would be \$3.2 million, \$8.0 million in FY 2006, \$13.9 million in FY 2007, and \$20.3 million in FY 2008. These costs would be borne by the following cities, which are in non-attainment counties: Garland, Smithville, Bastrop, San Antonio, Luling, Lockhart, Austin, Farmersville, New Braunfels, Denton, Seguin, San Marcos, Robstown, Weatherford, Hempstead, Georgetown, Floresville, and Liberty.

Source Agencies: 304 Comptroller of Public Accounts, 369 Council on Environmental Technology, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality

LBB Staff: JK, JRO, TL, KG