LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 3, 2005

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SB1232** by Fraser (Relating to certain powers of river authorities engaged in the distribution and sale of electric energy to the public, including the Lower Colorado River Authority.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 222, Water Code, to change the powers of a river authority created under Section 59, Article XVI, Texas Constitution from being authorized to develop and manage parks to being authorized only to manage existing parks. A park, recreational facility, or natural science laboratory for which construction has already begun that is being developed by the Lower Colorado River Authority (LCRA) would not be affected.

The bill would remove the power of a river authority to utlitize non-profit corporations to carry out various functions of the authority.

Chapter 152 of the Water Code would be repealed. Chapter 152 applies to river authorities engaged in distribution and sale of electric energy.

Under provisions of the bill, a corporation created by a river authority under Section 152.051, Water Code, would have to be dissolved not later than November 1, 2005, and any corporate assets or liaiblities would be assumed by the river authority.

Under provisions of the bill, unless authorized by other statute, a river authority that provides electric transmission services would be required to divest itself of any electric transmission facilities and arrange for the orderly transfer of any electric customer accounts to another provider not later than September 1, 2006. Except as otherwise required, a river authority that has issued revenue bonds, notes, or other obligations in connection with its electric transmission facilities would be prohibited from tranferring the facilities until the obligations are paid off unless the provider to whom the facilities would be transferred assumes the obligations or the holders of the obligations approve the transfer.

The bill would take effect September 1, 2005.

Local Government Impact

The fiscal impact would vary by applicable river authority. The LCRA is one of the authorities to which the bill would apply that provided information on the bill's impact.

The LCRA reports that eliminating its authority to develop new parks would not have a significant fiscal impact; however, the LCRA reports that elimination of its authority to utilize non-profit corporations and the dissolution of contracts would result in significant costs. The exact costs to the river authority as a result of implementing the bill were not provided. In its estimate of the impact of the bill, however, the LCRA stated that its Transmission Services Corporation (TSC) owns approximately $800 million of transmission assets throughout the state. TSC finances and owns transmission facilities utilizing tax-exempt bonds. LCRA has a contract with GenTex Power

Corporation, which sells 50 percent of the plant's output to LCRA's wholesale customers.

The LCRA indicates that under Chapter 152, its operation of fuel and energy risk management programs provides a savings of approximately $70 million per year to its customers, and that the repeal of the LCRA's authority under Chapter 152 would result in an increase in expenses to the LCRA, and in its estimation, impact the customers.

Source Agencies:

LBB Staff: JOB, WK, JB, DLBa