

BILL ANALYSIS

C.S.H.B. 551
By: Turner
Regulated Industries
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The System Benefit Fund (SBF) was established as a critical part of legislation to deregulate Texas' electricity markets. The purpose of the Fund was to help ease the transition into the deregulated electricity market. This was to be accomplished by helping low-income Texans afford electric services through a rate discount and weatherization funds. The Fund was also intended to fund customer education in order to facilitate increased competition.

At its peak the Fund was successful in helping hundreds of thousands of Texans afford electricity. In 2003 enrollment guidelines were tightened, eliminating nearly fifty percent of low-income customers from the program. The majority of funds collected by the non-bypassable fee were not appropriated by the 79th Legislature, effectively sweeping the money designated for the SBF programs into the General Revenue Fund. Hundreds of thousands of low-income Texans (including seniors living on fixed incomes) face serious economic hardship because of the cost of their electricity.

The Committee Substitute of House Bill 551 will prevent the System Benefit Fund money from being diverted from the programs created to help hundreds of thousands of low-income rate-payers in deregulated electricity markets. Money in the Fund can only be appropriated for the purposes of the Fund. Moreover, the System Benefit Fund will establish the discount as a range from 10 to 20 percent. A new purpose is added to assist non-profit nursing homes in which more than 50% of their residents are Medicaid eligible. Only five percent of the SBF monies will be able to be appropriated for this new purpose. This bill will also strengthen the enrollment rules and establish reporting requirements for enrollment. Lastly, this bill will amend the eligibility to cover households and expand eligibility to include resident's participating in federal housing assistance, the free or reduced-price lunch program, or telephone lifeline service.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 and SECTION 2 of this bill.

ANALYSIS

SECTION 1: Amends Section 39.903 Subsections (a), (e), (h), (j), and (l) and adds Subsection (e-1), Utilities Code.

- Amends Subsection (a) by eliminating usage of the money in the Fund for anything other than the purposes outlined within the Code.
- Amends Subsection (e) by restricting the purposes for which money in the Fund may be appropriated. This subsection is also amended to allow the discount to fall within a range from 10 to 20 percent. Furthermore, this subsection adds a rate reduction for nursing homes as a purpose for which money in the Fund can be appropriated. Lastly, it eliminates reimbursement to the Health and Human Services Commission for expenses incurred in implementing integrated eligibility as a purpose for which the fund can be used.
- Adds Subsection (e-1) to direct the PUC to develop rules to establish a program to assist non-profit nursing homes by providing an electric rate discount. The money is to be distributed among the nursing homes so that each receives an equal percentage reduction from their electricity bill. The discount each nursing home receives cannot exceed 20 percent of its electricity bill and the Commission may not spend more than 5% of the annual income of the Fund (including administrative costs). Only non-

profit nursing homes in which at least half of the residents are Medicaid-eligible are eligible to receive this discount.

- Amends Subsection (h) to eliminate language that allows the 65 cent rate to be adjusted. It also eliminates language that allows the minimum 10 percent rate to be reduced.
- Amends Subsection (j) to require each appropriate governmental entity to assist in the adoption and implementation of rules for automatic enrollment. It furthermore requires each agency to enter into a memorandum of understanding with the PUC establishing their duties. It requires each entity to give the PUC any information necessary required for implementation of automatic enrollment. It also requires the Commission to prepare a report each calendar quarter with information concerning the enrollment of customers eligible for the reduced rates. The Commission shall compile this information into a published report on January 1st of each odd-numbered year and distribute the information to the Legislature and the electric utility restructuring legislative oversight committee.
- Amends Subsection (l) to expand the definition of who constitutes a "low-income electric customer" to households in which someone (A) receives food stamps from HHSC or medical assistance from a state agency; (B) receives federal housing assistance; (C) has a child enrolled in the national school lunch program for free or reduced-price lunches; or (D) receives telephone lifeline service.

SECTION 2: Requires the PUC to adopt the rules required in Section 39.903 no later than January 1, 2008.

SECTION 3: Effective Date: September 1, 2007.

EFFECTIVE DATE

September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

SECTION 1 of C.S.H.B. 551 is amended by making the following changes:

C.S.H.B. 551 does not establish the System Benefit Fund as a trust fund outside of the state treasury. Makes conforming changes.

C.S.H.B. 551 removes the changes to Subsection (b) which directed the PUC to establish rules for collecting fees and crediting the account.

C.S.H.B. 551 establishes the rate reduction for nursing homes as a purpose within the list of purposes already established in statute rather than as a program to be considered separately from the strategies in Subsection (e).

C.S.H.B. 551 removes Subsection (e-2) which eliminated the customer education program on September 1, 2009.

C.S.H.B. 551 removes SECTION 2 of the original, which directed the PUC to spend at least \$12 Million in Fiscal Year 2008 and at least \$12 Million in Fiscal Year 2009 on customer education.