

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 7, 2009

TO: Honorable Burt R. Solomons, Chair, House Committee on State Affairs

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

IN RE: HB1464 by Kolkhorst (Relating to the right of certain municipalities to offer electric services within the service area of another certificate holder.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would add Section 37.103 to the Utilities Code to authorize certain municipalities to by ordinance provide for the municipality to offer retail electric service and related services in the corporate limits and extraterritorial jurisdiction of the municipality, regardless if the area is within an existing certificated service area of a holder of a certificate of convenience and necessity issued by the state. The municipality would be required to first hold an election to obtain approval from the municipality's voters. Upon approval, the municipality would be authorized to apply to the Public Utility Commission of Texas (PUC) for a certificate of convenience and necessity to provide retail electric service and related services to customers residing in the corporate limits and extraterritorial jurisdiction.

The PUC would be required to post a notice of and hold a hearing on the request. PUC would be required to revoke a certificate held by an existing certificate holder to the extent of any overlap with the applicable area. PUC by rule would be required to provide standards under which a municipality offering retail electric service and related services shall compensate the holder of a revoked certificate for resulting losses. PUC would be prohibited from requiring a municipality granted a certificate of convenience and necessity under the described circumstances to purchase electricity from a retail electric provider, power generation company, or exempt wholesale generator.

PUC estimates that any costs associated with implementing provisions of the bill could be absorbed within existing resources.

Local Government Impact

A municipality that chooses to take actions under Section 37.103 would incur costs associated with holding an election and with reimbursing, if required, a holder of a revoked certificate. It is assumed a municipality would pursue actions under Section 37.103 only if necessary resources are available and if the municipality would benefit from the actions.

Source Agencies: 473 Public Utility Commission of Texas

LBB Staff: JOB, KJG, DB