LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 1, 2009

TO: Honorable Jim Keffer, Chair, House Committee on Energy Resources

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

IN RE: **HB3375** by Deshotel (Relating to energy efficiency measures and technologies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3375, As Introduced: a negative impact of ($920,000) through the biennium ending August 31, 2011.

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
2010	($560,000)
2011	($360,000)
2012	($360,000)
2013	($360,000)
2014	($360,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2009
2010	($560,000)	4.0
2011	($360,000)	4.0
2012	($360,000)	4.0
2013	($360,000)	4.0
2014	($360,000)	4.0

Fiscal Analysis

This bill would amend the Government Code and the Utilities Code to establish programs that meet the legislative goal of reducing per capita energy consumption by 25 percent before 2025, using consumption in 2006 as the baseline.

This bill would add Section 447.015 to the Government Code, requiring the State Energy Conservation Office (SECO) to establish an energy efficiency resources credit program designed to provide incentives for the implementation or installation of energy efficiency measures and technologies. SECO could establish interim reduction goals as a means to monitor progress. Retail electric providers (REP), electric cooperatives, gas utilities, and investor-owned or municipally-owned utilities would earn or purchase program credits as established by the bill. SECO would be required, by rule and as established in the bill, to identify the eligible means and methods for earning credits and to prohibit duplicative accounting of credits in all energy efficiency credit programs.

SECO, in consultation or contract with the Clean Energy Applications Center at the Houston Advanced Research Center or other similar entity, would be required to initiate and supervise outreach to inform the public of the credit program. The bill would require SECO to monitor the energy savings in an ongoing study on the program's effectiveness. The agency would establish, by rule, administrative penalties for program violations. Penalties could not exceed $10,000 for each violation. The Comptroller’s office indicates that the number of administrative penalties imposed and the amount of each penalty cannot be estimated; therefore, the fiscal effect cannot be determined.

This bill would take effect September 1, 2009.

Methodology

The Comptroller's office indicates that 4 additional FTEs for every fiscal year starting in fiscal 2010 totaling $360,000 out of the General Revenue Fund would be required for the implementation or installation of the energy efficiency measures efficiency resources credit program to provide incentives and to establish studies on the effectiveness of measures for which credits may be earned. In fiscal 2010, an additional administrative cost of $200,000 out of the General Revenue Fund reflects additional funds that would be necessary for contracting services.

Local Government Impact

The bill would require each retail electric provider, investor-owned electric utility, municipally owned utility, electric cooperative, or gas utility to earn or purchase energy efficiency resource credits through the program. To earn credits, an entity would have to install or implement eligible energy efficiency measures, earning one credit for each megawatt-hour or unit of natural gas saved, and could trade credits in a market established by the office.

A program established by the commission would allow each electric utility to provide incentives sufficient for retail electric providers and competitive energy service providers to acquire additional cost-effective energy efficiency for customers that would be equal to a fixed percentage of statewide electric energy sales. The fiscal impact to local governmental entities that own utilities could be significant, and would vary depending on an entity’s available resources to implement a program, and the amount of recoverable costs through an energy efficiency cost recovery program.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas

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