

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 8, 2009

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

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

IN RE: HB3405 by Swinford (Relating to the creation of a solar generation incentive program.), **As Introduced**

General Revenue gains resulting from the required cost recovery mechanism would be offset by costs associated with incentive rebates provided by utilities; however, the costs cannot be estimated because the number of utilities that would participate in the program and the number of incentive rebates provided by utilities cannot be estimated.

The bill would require the Public Utility Commission (PUC) to establish a solar generation incentive program to be implemented by electric utilities, municipally owned electric utilities, and electric cooperatives. The bill would also require the PUC to adopt a mechanism for cost recovery for electric utilities expenditures through a nonbypassable fee of not less than \$0.000636 per kilowatt hour. The bill would establish incentive rebate levels, authorize the collection by a utility of up to 5 percent of the awarded incentives for administrative costs, and would prohibit electric utilities from providing incentives after the 10th anniversary of the date on which the Commission establishes the program.

Based on the assessment of the Comptroller of Public Accounts, this analysis assumes that the revenue generation of the \$.636 per megawatt hour nonbypassable fee would be similar to the \$.65 per megawatt hour nonbypassable fee currently collected by the PUC for other purposes. Absent of any specification in the bill, this analysis assumes that revenues collected would be deposited to the credit of the General Revenue Fund and that an initial delay in revenue collections would be realized in the first year due to the program starting in January of 2010. Accordingly, it is assumed that revenues would be generated in the amount of \$97,150,000 in fiscal year 2010 and \$145,000,000 during each subsequent year for the purposes of this analysis.

Since the cost recovery mechanism would be established by PUC rule and expenditures would be dependent upon both the number of utilities participating and the number of incentive rebates provided by utilities, costs associated with providing incentive rebates cannot be estimated.

Based on information provided by the PUC, it is assumed that administrative costs to the agency associated with implementing the provisions of the bill could be absorbed within existing resources.

The PUC would be required to adopt rules to implement the program by January 1, 2010.

The bill would take effect immediately upon adoption, if it received the requisite two-thirds majority votes in both houses of the Legislature. If not, the bill would take effect September 1, 2009.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Although it is assumed that the bill would have an impact on municipalities that own electric utilities, that impact cannot be estimated.

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

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