LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 2, 2009

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

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

IN RE: **HB3706** by Coleman (Relating to the creation of a Tex Sun solar energy system rebate program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3706, As Introduced: an impact of $0 through the biennium ending August 31, 2011.

This bill would not make appropriations, but would establish the basis for an appropriation.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1
2010	($63,866,000)	$63,866,000
2011	($72,816,000)	$72,816,000
2012	($94,877,000)	$94,877,000
2013	($117,518,000)	$117,518,000
2014	($140,749,000)	$140,749,000

Fiscal Analysis

The bill would require electric utilities to include solar electric incentives as a targeted market transformation program. The bill establishes that incentives should be provided for solar electric generation systems of not more than 1,000 kilowatts installed with a warranty of five years.

The bill would require the Public Utility Commission (PUC) to ensure timely and reasonable cost recovery for customer solar electric rebates provided by utilities by establishing a nonbypassable distribution fee. The fee would be 35 cents per megawatt hour in the first two years and would increase by 10 cents each year after until reaching 65 cents. The bill would authorize the PUC to increase or decrease the incentives based on market conditions. The bill would prohibit fees from being imposed on low-income customers, transmission-level customers, and the customers of electric cooperatives and municipally owned utilities.

The bill would require the PUC to attempt to allocate to the Tex Sun program all amounts collected for the specified purposes each fiscal biennium and to hold a workshop twice a year to determine whether the incentive offers are encouraging customer investment and interconnection. The PUC would also be required to adopt rules by which transmission and distribution utilities (TDU) report the total amount of money available to the utility, the number of solar rebates allocated, the amount of money allocated, and the cumulative installed capacity. The bill would require funds collected from the program under Section 39.905 that are not used for market transformation purposes to be used for the purposes of this section in the subsequent fiscal year.

The bill would also establish parameters for interconnection of distributed renewable generation. The bill would require a TDU or electric utility to interconnect through a bidirectional meter and to credit the surplus generation at a retail rate.

The bill would take effect September 1, 2007, except for Section 2 which would take effect January 1, 2009. The bill would require the program to be implemented by January 1, 2008. Section 39.905 would expire December 31,2012.

Methodology

Absent of specification in the bill, the analysis reflected in the table above is based on the assumptions that the bill would amend the Utilities Code; that the General Revenue Fund would be the location were fees generated by the bill would be deposited; that required implementation dates would not be considered since they are outdated; that the program would operate through the end of fiscal year 2014 based on the fee structure established in the bill instead of December 31, 2012; and that the PUC would allocate all amounts collected each year to the Tex Sun program as directed by the bill. Based on information provided by the PUC, this analysis also assumes that the administrative duties and responsibilities of the PUC regarding establishment of the program and staffing functions could be accomplished by utilizing existing resources.

Based on the analysis of the Comptroller of Public Accounts (CPA), the fees collected by the PUC for the purposes of providing timely and reasonable cost recovery would be remitted to the General Revenue fund. The CPA based its estimates of revenue on a similar nonbypassable fee the PUC collects at a rate of 65 cents per megawatt hour from a similar population base. The CPA based its estimates for the Tex Sun fee on the Biennial Revenue Estimate for the 2010-11 from the Nonbypassable Utility Fee. The estimates were adjusted for implementation, the bill's fee structure, and for the exclusion of low-income customers.

Actual costs may vary from amounts reflected in the table above each fiscal to the extent that funds collected in a fiscal year may not be fully expended for market transformation purposes as required by the bill; however, it is assumed that any remaining revenues would be available to be used for the purposes of the bill in the subsequent fiscal year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

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