

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 20, 2009**

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

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

**IN RE: SB541** by Watson (Relating to renewable energy and to incentives for Texas renewable energy jobs and manufacturing.), **As Engrossed**

**No significant fiscal implication to the State is anticipated.**

The bill would establish definitions of tier 1 and tier 2 renewable energy and create new goals for renewable energy generation capacity. The bill would require the Public Utility Commission to establish a credit-trading program for Tier 1 and Tier 2 renewable energy credits. The bill would authorize the Public Utility Commission (PUC) to establish alternative compliance payments for tier 1 and tier 2 renewable energy credits. The bill would authorize the PUC to suspend the Tier 2 goals if it determines that complying with the goals and a federal renewable portfolio standard would cause an undue burden to ratepayers in the state. The bill would direct the PUC to use the alternative compliance payment funds collected for the purpose of a solar rebate program that is not specified in the bill.

The bill would require the PUC to adopt rules necessary to track renewable energy storage technology and make it eligible for renewable energy credits. The bill would also require the PUC to create a "Made in Texas" renewable energy credit to provide incentives for generation equipment that is wholly produced or substantially transformed by a Texas workforce.

The bill would establish a goal for municipal utilities to increase the capacity from Tier 2 renewable energy or energy storage. The bill would require the municipal utilities to file an annual report with the State Energy Conservation Office concerning their efforts in meeting the goal.

The passage of the bill would require the PUC to conduct a major rulemaking to modify existing rules relating to renewable energy, adopt measures to support Tier 2 renewable energy development, adopt alternative compliance payments, and provide for incentives for renewable energy produced by Texas-made equipment and renewable energy storage. The PUC anticipates that the collection of Tier 2 alternative compliance payments could result in a revenue gain to GR beginning in Fiscal Year 2012.

The PUC indicates that any costs associated with implementing the provisions of the bill could be absorbed within the agency's existing resources.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 473 Public Utility Commission of Texas

**LBB Staff:** JOB, KJG, MW, ES, TP, JRO, SD