

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

Revision 1

March 23, 2011

TO: Honorable Byron Cook, Chair, House Committee on State Affairs

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

IN RE: HB1815 by Hilderbran (Relating to competition in the electric utility market of certain municipalities.), **As Introduced**

There would be an indeterminate fiscal impact to the state from the provisions of the bill.

The bill would amend Utilities Code to require a municipally owned utility to initiate customer choice within their retail service area not later than 365 days after receipt of notice that their service area contains three million square feet of state-owned office space. The bill amends Government Code to require the Texas Facilities Commission (TFC) to create a list of municipal utilities that meet the bill's provisions in September of each year and notify the Public Utility Commission (PUC) and any affected utilities. The bill would alter state requirements for the recovery of stranded costs through securitization by municipal utilities required to initiate customer choice due to the bill's provisions and provide the PUC the authority to enforce the initiation of customer choice by such utilities.

Based on current state office locations, Austin Energy, serving the City of Austin and Travis County, would be the only municipal utility impacted by the provisions of the bill. TFC is currently negotiating new contracts and rate structures with Austin Energy for state facilities located in Travis County. Based on recent discussions with the utility provider, TFC estimates that pending rate increases will bring Austin Energy prices up to a comparable level as competitive rates available outside of the Austin Energy service area. However, TFC anticipates that Austin Energy rates could continue to increase in fiscal year 2013 and beyond due to potential changes to fees outside the base rate calculations.

The Department of Transportation estimates that the bill's provisions could lead to a yearly utility cost increase, based on current energy usage within Travis County and the agency's negotiated competitive rates outside of the Austin Energy service area.

The PUC reported that they could meet the requirements of the bill with existing resources at no significant additional cost. Because of the number of variables being considered during utility rate negotiations and the general volatility of price structures in the industry, the potential fiscal impact to the state cannot be determined at this time.

Local Government Impact

The City of Austin and Austin Energy report that the municipal utility would experience increased costs of \$128,525,000 during fiscal year 2012 and \$23,865,000 during fiscal year 2013 from the requirements of the bill. This estimate includes one-time costs to connect to the Electric Reliability Council of Texas (ERCOT)'s retail market, ongoing costs to manage customer switching transactions, and increased staffing and operational needs to oversee operations in a competitive service area. The utility also reports anticipated resulting revenue losses of \$78,034,000 in fiscal year 2012 and \$80,334,000 in fiscal year 2013.

Source Agencies: 303 Facilities Commission, 405 Department of Public Safety, 473 Public Utility

Commission of Texas, 601 Department of Transportation, 696 Department of Criminal
Justice

LBB Staff: JOB, KJG, JI, KY, SD, RAN, MW