

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 13, 2011**

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

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

**IN RE: HB3532** by Strama (Relating to the creation of a competitive solar schools incentive program.), **As Introduced**

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

The bill would require the Public Utility Commission (PUC) to develop and implement a program to increase the amount of distributed solar generation installed on property owned by school districts within the state. The bill would require the program to be transparent, cost effective, and limited in scope.

The bill would establish a solar schools incentive fund as a special trust fund held by the comptroller outside of the state treasury and administered by the program administrator for the payment of the incentives authorized by the bill, without the necessity of an appropriation. The fund consists of fees established by the bill, gifts or grants awarded for the purposes of the program, and interest and other income from investment of the money deposited to the credit of the fund. The bill would require the PUC to establish rules for the collection of the fees. The bill establishes the amounts for the fees assessed under the provisions of the bill. The bill also establishes that the fees are not to be assessed after the fifth anniversary of the date the program is established. The bill would require the PUC to report to the legislature each biennium on the progress of the program.

The bill establishes that the PUC shall distribute the incentives mandated by the provisions of the bill by administering quarterly reverse auctions, beginning as soon as possible and continuing for 20 quarters. The bill establishes qualifications for participation in the quarterly reverse auctions. The bill outlines the method by which the PUC will consider bids and establishes a bid price cap. The bill provides that the remaining funding after the quarterly reverse auctions shall be made available in the form of nonparticipating incentives on a first come first serve basis. If there is still funding remaining, it will be rolled forward and distributed evenly among the remaining quarters. The bill provides for measures that the commission shall take if funds are rolled forward in consecutive quarters. The bill establishes requirements for the distribution of the incentives and a deadline by which winning bidders must interconnect in order to receive the incentive.

The bill provides for third party ownership of distributed solar generation and specifies that the owner of the generation equipment is not an electric utility and is therefore not required to register with the PUC as a power generation company or self generator unless the PUC determines that registration is necessary to maintain the reliability of the distribution grid.

The bill would require the PUC to establish rules by which a retail electric provider and a transmission and distribution utility shall use money collected under the provisions of the bill to credit the electric service bill of a low-income electric customer for an amount equal to the customer's share of the fee.

The bill establishes that it is the goal of the legislature that municipally owned utilities and electric cooperatives administer incentive programs to increase the amount of distributed solar generation installed on property owned by school districts in the state, that customers of electric cooperatives and municipally owned utilities have access to incentives for the installation of distributed solar generation on property owned by school districts, and that electric cooperatives and municipally owned utilities

spend money to increase the amount of distributed solar generation at a total funding level consistent with the requirements for electric utilities under the provisions of the bill. The bill establishes that municipally owned utilities and electric cooperatives must report to the State Energy Conservation Office information regarding their efforts related to the provisions of the bill. The bill would establish that electric cooperatives or municipally owned utilities may recover the costs of implementing the provisions of the bill through a nonbypassable fee or another cost recovery mechanism. The bill provides that a municipally owned utility or electric cooperative may waive the provisions of the bill by opting in to the solar schools incentive program.

The bill would require that a retail electric provider offer service to a school district that has distributed renewable generation equipment installed on the district's property and purchase from the school surplus electricity generated by distributed renewable generation or credit the school district's electric services bill for surplus electricity generated by distributed renewable generation. The bill would require the commission to develop appropriate net metering policies and retail rate options for school districts served by electric utilities outside of ERCOT.

According to the analysis submitted by the PUC, implementing the program established by this bill would require the engagement of a third party contractor to administer the program and meet the associated reporting requirements at a cost of \$250,000 per year for the duration of the program. This cost is based on the PUC's experience with contracting for program administration activities and on the agency's assessment of the amount and complexity of the work being required. Based on the analysis of the PUC the rulemaking proceedings required by the provisions of the bill could be accomplished utilizing existing resources. This analysis assumes that the cost associated with the administration of the program could be paid by the newly created solar schools incentive fund located outside the Treasury.

### **Local Government Impact**

The provisions of the bill could have revenue and cost impacts on municipalities that own electric utilities. This analysis assumes that any costs would be offset by revenues generated under the provisions of the bill.

The provisions of the bill could have an indeterminate positive revenue impact for school districts that opt to participate in the program. Since the revenue impact would be determined by the decisions of individual school districts to participate in the program, the type of participation, either direct or through a third owner of solar generation equipment, and the dollar amount of incentives received the revenue impacts cannot be estimated.

**Source Agencies:** 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 701 Central Education Agency

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