

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 6, 2011

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

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

IN RE: SB15 by Fraser (Relating to state energy policy and the planning of energy development and utilization.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB15, As Introduced: a negative impact of (\$502,000) through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$351,000)
2013	(\$151,000)
2014	(\$151,000)
2015	(\$151,000)
2016	(\$151,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2012	(\$351,000)
2013	(\$151,000)
2014	(\$151,000)
2015	(\$151,000)
2016	(\$151,000)

Fiscal Analysis

The bill would amend the Utilities code to add Title 6, to be known as the Energy Policy Act, add Subchapter J, Report on Reserves and Emissions Reductions Plan, and amend Section 39.904.

The bill would create the Texas Energy Policy Council (Council) which would consist of 11 members from various state agencies, members of the Legislature and members from other entities as identified in Section 300.003(b) as added by the bill. The bill would require that the Council meet at least quarterly in even-numbered years and annually in odd-numbered years. The State Energy Conservation Office (SECO) would be designated as the state agency responsible for administering the council. Staff at SECO would assist the Council in carrying out its duties.

The bill would require the Council to submit to the Legislature on December 1st of each even-

numbered year a statewide energy policy plan which would include a 20-year planning horizon and be updated to reflect changing conditions. The Council, in developing the plan, would be required to encourage cooperation and coordination between public and private entities; promote a diverse portfolio of clean, reliable and competitively-priced energy sources; promote research, pilot projects and market-based incentives; develop policies to prevent supply interruptions and infrastructure failure; examine the environmental impact of energy exploration, production and use; and make recommendations for increasing public awareness of energy use issues and energy efficiency.

The bill would require the Railroad Commission, by December 1, 2011, to submit a report to the Public Utilities Commission on coal and gas reserves in the state. The report would include the following information relating to natural gas and coal reserves: proven and probable reserves as of November 1, 2011; estimates of proven and probable reserves for each of the next 15 years; and estimates of prices for each of the next 15 years. The Comptroller of Public Accounts would be required to provide, upon request by the Railroad Commission, information and forecasts related to development of the required report.

The bill would require the Public Utilities Commission, by August 1, 2012, to publish a report on electric energy generation, including an air pollution reduction plan. The air pollution reduction plan would be designed to maintain electric grid reliability; ensure availability of electric energy at reasonable rates; increase the state's ability to comply with state and federal clean air standards in nonattainment and near-nonattainment areas; reduce the use of water for electricity generation; and increase the use of existing natural gas combined cycle electric generating facilities in the state. The plan would also identify the electric generating facilities of the state that produced the greatest amounts of air pollution during the proceeding five years and recommend retirement of at least 4,000 megawatts of generation capacity from those facilities.

Methodology

The cost of the bill is anticipated to be \$502,000 for the 2012-13 biennium. SECO reported anticipated costs of \$151,000 each fiscal year, including salary and benefits for 1.0 full-time-equivalent position to provide administrative support for the Council and policy analysis for the statewide energy policy plan (plan). Additional costs reported by SECO include professional fees and services to assist with research of policy initiatives for inclusion in the plan and other associated expenses.

The Public Utilities Commission (PUC) assumed costs for consultant services to assist with analysis for development of the electric energy generation report required under Section 2.01 of the bill. The PUC estimates that hiring a consultant for this purpose would require \$200,000 in fiscal year 2012. This estimate is based on the cost of past studies and the comparative complexity of the study required by the bill.

It is assumed that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality

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