

By: Buckingham

S.B. No. 2070

A BILL TO BE ENTITLED

AN ACT

relating to limitations on the use of municipal electric utility system revenues by certain municipalities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 552, Local Government Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. LIMITATIONS ON USE OF MUNICIPAL ELECTRIC UTILITY SYSTEM REVENUES BY CERTAIN MUNICIPALITIES

Sec. 552.161. DEFINITION. In this subchapter, "revenues" means the total amount of revenue received as rates for wholesale or retail electric utility services by a municipal electric utility system. The term does not include revenues from pass-through fuel charges or power supply adjustment revenues.

Sec. 552.162. APPLICABILITY. This subchapter applies only to a municipality with a population of less than 850,000 that owns an electric utility system with 400,000 or more customers.

Sec. 552.163. LIMITATIONS ON USE OF REVENUE. (a) Notwithstanding any other law, the governing body of a municipality may use the revenues from the municipality's electric utility system only for:

(1) paying the direct costs of operating the system as described by Subsection (b); and

(2) transferring sums to the municipality as provided by Section 552.164.

1 (b) The direct costs of operating the electric utility
2 system include only:

3 (1) the cost of operating and maintaining the system,
4 including the cost of salaries and wages, employee benefits,
5 vehicle purchases, vehicle maintenance, rents, legal services, and
6 facility maintenance;

7 (2) payments on indebtedness incurred by or on behalf
8 of the system that is secured by revenues of the system;

9 (3) the cost of replacing reserves required by
10 agreements entered into by the governing body of the municipality
11 in connection with the issuance of bonds or other indebtedness
12 incurred by or on behalf of the system;

13 (4) the cost of funding reserves considered necessary
14 by the governing body of the municipality to maintain the financial
15 and operational integrity of the system;

16 (5) the cost of funding a rate stabilization fund to
17 minimize the impact of rate increases on customers of the system;

18 (6) the cost of capital improvements or equipment for
19 the system; and

20 (7) required payments relating to the system to
21 governmental entities other than the municipality.

22 Sec. 552.164. TRANSFER OF REVENUE. The governing body of
23 the municipality may transfer annually to the general fund of the
24 municipality a sum not to exceed 12 percent of the amount of the
25 annual revenues of the municipality's electric utility system, as
26 reported in the municipality's audited financial statements for the
27 preceding fiscal year.

1 Sec. 552.165. ACCOUNTING SYSTEM; REPORTS. The governing
2 body of the municipality shall establish and maintain a discrete
3 system of accounts, books, financial statements, and reports for
4 the municipal electric utility system that is separate from the
5 accounts of the municipality and the municipality's other
6 utilities, departments, and agencies.

7 SECTION 2. (a) Subchapter I, Chapter 552, Local Government
8 Code, as added by this Act, applies only to revenues received by a
9 municipal electric utility system on or after September 1, 2019.
10 Revenues received by a municipal electric utility system before
11 September 1, 2019, are governed by the law applicable to the
12 revenues immediately before that date, and that law is continued in
13 effect for that purpose.

14 (b) Not later than September 1, 2018, the governing body of
15 a municipality shall establish the accounting system required by
16 Section 552.165, Local Government Code, as added by this Act.

17 SECTION 3. This Act takes effect September 1, 2017.