

1-1 By: Paddie, et al. (Senate Sponsor - Hancock) H.B. No. 2263
1-2 (In the Senate - Received from the House April 11, 2019;
1-3 April 15, 2019, read first time and referred to Committee on
1-4 Business & Commerce; April 30, 2019, reported favorably by the
1-5 following vote: Yeas 9, Nays 0; April 30, 2019, sent to printer.)

1-6 COMMITTEE VOTE

1-7	Yea	Nay	Absent	PNV
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			

1-17 A BILL TO BE ENTITLED
1-18 AN ACT

1-19 relating to the sale of electric power to certain public customers.
1-20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-21 SECTION 1. Section 52.133(d), Natural Resources Code, is
1-22 amended to read as follows:
1-23 (d) The commissioner, the owner of the soil under Subchapter
1-24 F, or the commissioner acting on behalf of and at the direction of
1-25 an owner of the soil under Subchapter F, the board, or a board for
1-26 lease may negotiate and execute contracts or any other instruments
1-27 or agreements necessary to convert that portion of the royalty
1-28 taken in kind into other forms of energy, other than ~~[including]~~
1-29 electricity.
1-30 SECTION 2. Section 53.026(b), Natural Resources Code, is
1-31 amended to read as follows:
1-32 (b) The commissioner or the commissioner acting on behalf of
1-33 and at the direction of the board or a board for lease may negotiate
1-34 and execute a contract or any other instrument or agreement
1-35 necessary to convert that portion of the royalty taken in kind to
1-36 other forms of energy, other than ~~[including]~~ electricity.
1-37 SECTION 3. Section 53.077(b), Natural Resources Code, is
1-38 amended to read as follows:
1-39 (b) The commissioner, each owner of the soil under this
1-40 subchapter, or the commissioner acting on behalf of and at the
1-41 direction of the owner of the soil under this subchapter may
1-42 negotiate and execute a contract or any other instrument or
1-43 agreement necessary to convert that portion of the royalty taken in
1-44 kind to other forms of energy, other than ~~[including]~~ electricity.
1-45 SECTION 4. Section 182.022, Tax Code, is amended by adding
1-46 Subsection (d) to read as follows:
1-47 (d) Notwithstanding any other provisions of this chapter, a
1-48 tax under this chapter may not be imposed on the gross receipts from
1-49 the sale of electricity to a public school district customer.
1-50 SECTION 5. Section 35.102, Utilities Code, is transferred
1-51 to Subchapter A, Chapter 101, Utilities Code, redesignated as
1-52 Section 101.009, Utilities Code, and amended to read as follows:
1-53 Sec. 101.009 [35.102]. STATE AUTHORITY TO SELL OR CONVEY
1-54 ~~[POWER OR]~~ NATURAL GAS. (a) In this section:
1-55 (1) "Commissioner" means the commissioner of the
1-56 General Land Office.
1-57 (2) "Public retail customer" means a retail customer
1-58 that is an agency of this state, a state institution of higher
1-59 education, a public school district, a political subdivision of
1-60 this state, a military installation of the United States, or a
1-61 United States Department of Veterans Affairs facility.

(b) The commissioner, acting on behalf of the state, may sell or otherwise convey ~~[power or]~~ natural gas generated from royalties taken in kind as provided by Sections 52.133(f), 53.026, and 53.077, Natural Resources Code, directly to a public retail customer ~~[regardless of whether the public retail customer is also classified as a wholesale customer under other provisions of this title]~~.

(c) ~~[(b)]~~ To ensure that the state receives the maximum benefit from the sale of ~~[power or]~~ natural gas generated from royalties taken in kind, the commissioner shall use all feasible means to sell that ~~[power or]~~ natural gas first to public retail customers that are military installations of the United States, agencies of this state, institutions of higher education, or public school districts. The remainder of the ~~[power or]~~ natural gas, if any, may be sold to public retail customers that are political subdivisions of this state or to a United States Department of Veterans Affairs facility.

SECTION 6. Section 104.2545(d), Utilities Code, is amended to read as follows:

(d) In this section, "public retail customer" has the meaning assigned by Section 101.009 ~~[35.101]~~.

SECTION 7. (a) The heading to Subchapter D, Chapter 35, Utilities Code, is repealed.

(b) Sections 35.101, 35.103, 35.104, 35.105, and 35.106, Utilities Code, are repealed.

SECTION 8. The General Land Office or an entity operating under a contract with the General Land Office may continue to provide retail electric service in accordance with Subchapter D, Chapter 35, Utilities Code, as that subchapter existed before the effective date of this Act, under the terms of an agreement with a customer entered into before the effective date of this Act, only until the date the agreement expires. An agreement described by this section may be extended to a date not later than January 1, 2024.

SECTION 9. The change in law made by this Act does not affect taxes imposed before the effective date of this Act, and the law in effect before the effective date of this Act is continued in effect for purposes of the liability for and collection of those taxes.

SECTION 10. (a) As soon as practicable after January 1, 2024, the Public Utility Commission of Texas, for an electric utility regulated under Chapter 36, Utilities Code, shall provide for the adjustment of the electric utility's billing of a public school district customer to reflect any decrease in the utility's tax liability to this state if the decrease is attributable to the exemption in Section 182.022(d), Tax Code, as added by this Act. An adjustment must be made effective at the same time as the decrease of tax liability or as soon after that decrease occurs as is reasonably practicable. The Public Utility Commission of Texas is not required to provide for an adjustment if the commission enters an order for the utility under Subchapter C or D, Chapter 36, Utilities Code, that accounts for any decrease in the utility's tax liability attributable to the exemption in Section 182.022(d), Tax Code, as added by this Act. An adjustment is not a rate case under Subchapter C or D, Chapter 36, Utilities Code.

(b) As soon as practicable after January 1, 2024, a retail electric provider, as defined by Section 31.002, Utilities Code, shall adjust the billing of a public school district customer to reflect any decrease in the retail electric provider's tax liability to this state if the decrease is attributable to the exemption in Section 182.022(d), Tax Code, as added by this Act. An adjustment must be made effective at the same time as the decrease of tax liability or as soon after that decrease occurs as is reasonably practicable.

SECTION 11. (a) Except as provided by Subsection (b) of this section, this Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this

3-1 Act takes effect September 1, 2019.
3-2 (b) Section [182.022](#)(d), Tax Code, as added by this Act,
3-3 takes effect January 1, 2024.

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