

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 24, 2023

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB2627 by Schwertner (Relating to funding mechanisms to support the construction and operation of electric facilities.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2627, As Passed 2nd House : a negative impact of (\$1,438,582) through the biennium ending August 31, 2025.

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:

| <i>Fiscal Year</i> | <i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i> |
|--------------------|---|
| 2024 | (\$719,291) |
| 2025 | (\$719,291) |
| 2026 | (\$719,291) |
| 2027 | (\$719,291) |
| 2028 | (\$719,291) |

All Funds, Five-Year Impact:

| <i>Fiscal Year</i> | <i>Probable (Cost) from General Revenue Fund 1</i> | <i>Change in Number of State Employees from FY 2023</i> |
|--------------------|--|---|
| 2024 | (\$719,291) | 7.0 |
| 2025 | (\$719,291) | 7.0 |
| 2026 | (\$719,291) | 7.0 |
| 2027 | (\$719,291) | 7.0 |
| 2028 | (\$719,291) | 7.0 |

Fiscal Analysis

The bill would amend the Utilities Code to establish the Texas Energy Fund and related funding mechanisms to support the construction, maintenance, and modernization of dispatchable electric generating facilities.

The bill would allow the Public Utility Commission of Texas (PUC) to provide loans for maintenance, modernization, or construction of certain dispatchable electric generating facilities in the Electric Reliability Council of Texas (ERCOT) power region through the Texas Energy Fund. The fund would consist of money transferred by law or at PUC's discretion; dedicated revenue; investment and interest earnings; and gifts, grants, and donations. Funds could be used by PUC without further appropriation to provide zero-interest loans.

The bill would direct PUC to provide a completion bonus grant for the construction of such facilities that begins before December 1, 2024 and meets certain interconnection deadlines. ERCOT will be responsible for ensuring the facilities are fully interconnected to the ERCOT power region

The bill would require that each recipient of a loan for new construction deposit into an escrow account held by the Comptroller an amount that is five percent of the estimated construction costs for the facility for which the loan was provided.

The bill provides criteria for evaluating loan applications and provides for receivership in the event a generating facility defaults on their loan.

This bill would establish the Texas Energy Fund as a special fund in the state treasury to be administered and used by the Commission and consists of money transferred or deposited, revenue from fees' assessment, or taxes imposed by the state. The bill would provide that the fund and its accounts are kept and held by the Texas Treasury Safekeeping Trust Company on behalf of the Commission.

The bill would create the Texas Energy Fund Advisory Committee to oversee the fund and subjects the Advisory Committee to the Sunset Act and abolishment on September 1, 2035 unless continued as provided by Chapter 325, Government Code.

The bill takes effect on the date on which the constitutional amendment (SJR93) proposed by the 88th Legislature, Regular Session, 2023, providing for the creation of the Texas energy fund and the authorization of other funding mechanisms to support the construction and operation of electric generating facilities takes effect. If that amendment is not approved by the voters, this bill has no effect.

Methodology

PUC anticipates, and this estimate assumes, that the Commission will require 7.0 additional full time equivalent (FTE) positions to implement the provisions of the bill. An Attorney III (\$90,000 per year with estimated benefits of \$27,297) would be needed for rulemaking and legal issues. Two Financial Examiners IV-V (\$75,000 per year with estimated benefits of \$22,748) would be needed to provide rate regulation. Two Engineers III (\$75,000 per year with estimated benefits of \$22,748) would be needed to support construction and operation of electric generating facilities. An Accountant IV (\$55,000 per year with estimated benefits of \$16,682) would be needed to manage the fund. Lastly, a Project Manager V (\$90,000 per year with estimated benefits of \$27,297) would be needed in market analysis to review potential company fiscal statements to determine viability of a loan repayment.

Note: This legislation would create or recreate a dedicated account in the General Revenue Fund, create or recreate a fund either in, with, or outside of the Treasury, or dedicate or rededicate a revenue source. The dedication included in this bill, unless created by a constitutional amendment, would be subject to funds consolidation review by the current Legislature.

Technology

PUC anticipates a technology impact of \$14,000 per year.

Local Government Impact

The fiscal implications of the bill cannot be determined.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas

LBB Staff: JMc, SZ, JBel, SMAT, GDZ, SD