

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 15, 2009

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

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

IN RE: SB545 by Fraser (Relating to the creation of a distributed solar generation incentive program and to encouraging the use of solar energy devices.), **As Engrossed**

Since the fee on electric customers for the Distributed Solar Generation Incentive Program would be established by Public Utility Commission rule under the provisions of the bill which has not been issued, there would be an indeterminate revenue gain to the state. Similarly, there would also be an indeterminate fiscal impact to the state from the amount of interest generated by the LoneSTAR loan program because the terms and amount of the loans that would be distributed are unknown.

The bill would require the Public Utility Commission (PUC) to establish a distributed solar generation incentive program to be implemented by electric utilities in order to increase the amount of distributed solar generation, utility-scale solar generation, and energy storage installed in the state in a cost-effective, market-neutral, and nondiscriminatory manner. The bill would require that the PUC distributed solar generation program include a cost recovery factor to ensure timely and reasonable cost recovery for electric utility expenditures. The PUC would be required to ensure that all fees collected for this purpose are used for the solar program, with the exception that utilities would be authorized to retain 2.5 percent of the revenue for administering the program. The bill would direct the PUC to set the amount of the rebate for solar systems and to adjust that amount periodically to maximize the solar generation installation. Absent of any specifications in the bill, it is assumed that revenues collected would be deposited to the credit of the General Revenue Fund.

The bill would authorize the PUC to direct up to 70 percent of the revenue from the fees to utility-scale solar generation and energy storage projects if the Commission determines they are more cost-effective or beneficial to the grid. The bill would require rebates for these projects not exceed \$1 per watt. The bill would authorize the PUC to use competitive bidding or a reverse auction to award projects to maximize the installed generation.

The bill would require the PUC to create a "Made in Texas" renewable energy credit to provide incentives for generation equipment that is wholly produced or substantially transformed by a Texas workforce and to conduct education efforts to inform customers of the availability of such products.

The bill would also authorize the PUC to establish an advisory committee to assist the Commission in selecting utility-scale solar and energy storage projects and permits.

The bill would require the Commission, in conjunction with the Electric Reliability Council of Texas (ERCOT), to prepare and make available a study that identifies areas where utility-scale, non-wind generation may be installed with minimal transmission upgrades.

The bill would require the Commission to establish a methodology for determining the fair market value of distributed generation and to post the prices on its Power-to-Choose website. The bill would require the PUC to adopt rules relating to billing requirements for a retail electric provider that is purchasing surplus energy. The bill would also require the PUC to post on its website information on retail electric provider's offers to purchase surplus energy and on marketers to purchase renewable energy credits.

The bill would establish a pilot revolving loan fund under the LoanSTAR program for school districts to install solar panels. The bill would require the State Energy Conservation Office, housed with the Comptroller of Public Accounts, to allocate \$4 million for this program. The program would expire September 1, 2011. For the purposes of this analysis, it is assumed that funding for the pilot program would be paid from GR-Dedicated Oil Overcharge Account No. 5005.

Based on information provided by the PUC, it is assumed that it could absorb the costs associated with implementing the duties and responsibilities of the bill within its current resources. According to the analysis of the Comptroller, revenues for the distributed solar generation program and interest on the LoanSTAR program cannot be determined because rules and terms for these programs have not been established.

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

The bill would take effect immediately upon receiving a two-thirds vote of members elected to each house. Otherwise, the bill would take effect September 1, 2009.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, SD, MW, ES, JRO