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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 and wholesale solar generation incentive program and to encouraging the use of solar energy devices.), **Committee Report 2nd House, Substituted**

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 solar generation incentive program to be implemented by electric utilities, with the goal of achieving 3,000 megawatts of solar generation capacity by 2020, of which 1,000 MW would be distributed solar generation. The bill would require that the PUC adopt rules that include provisions for cost recovery for the solar generation program through a nonbypassable fee in the amount of $.00065 per kilowatt hour for residential and small commercial customers and $40 per month for industrial customers. 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. The bill would also require the PUC provide a higher rebate amount for solar generation manufactured wholly or substantially in the state, not to exceed 20 percent higher than the rebate applicable to other generation. 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 establish criteria for the PUC to consider in selecting projects if demand for rebates exceeds funds available. The bill would also require the PUC to reserve 25 percent of the rebates available for installation of distributed renewable generation for use by public school districts for the first 24 months of the program.

The bill would authorize a retail electric provider or any other person to own distributed generation and enter into a contract with the retail customer on whose property the distributed generation is located to lease the generation or to sell the output. The bill would authorize the PUC to establish reporting requirements for trading renewable energy credits.

The bill would require the PUC, 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 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 authorize the PUC to extend the program for an additional five years.

The bill would establish goals for a Solar Generation Incentive Program, to be administered by electric cooperatives and municipal utilities to increase the amount of solar generation installed in the state in a cost-effective, market-neutral and nondiscriminatory manner. The bill would require these entities to report their efforts to the State Energy Conservation Office (SECO) no later than September 1, 2012.

The bill would amend the Property Code to prohibit a property owners' association from restricting a property owner from installing a solar energy device, with the exception of certain instances included in the bill.

The bill would establish a revolving loan fund to be managed by SECO, patterned after the LoanSTAR program, to be used by school districts and religious organizations to install solar panels on schools or religious organization buildings. The bill would require SECO to allocate at least $75 million of the funds made available under the federal American Recovery and Reinvestment Act, subject to federal approval of this use of the funds, for this program. The bill would direct each school district that receives a program loan to pay for the principal of and interest on the loan primarily from the amount budgeted for the energy costs of the school at which the improvements are installed. The bill would require the program loan be paid over a 15-year term.

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 revolving loan program for solar energy improvements 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

This analysis assumes that there would be no significant fiscal impact to school districts because the bill would require the school to pay for the principal and interest of the loan within existing resources. No significant fiscal implication to units of local government is anticipated.

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

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