

SUBJECT: Eligibility for and use of electric utility system benefit fund.

COMMITTEE: Regulated Industries — favorable, without amendment

VOTE: 5 ayes — P. King, Hunter, Turner, Baxter, Crabb
0 nays
2 absent — R. Cook, Hartnett

WITNESSES: For — Carol Biedrzycki, Texas Ratepayers' Organization to Save Energy; Randall Chapman, Texas Legal Services Center; John Fainter, Association of Electric Companies of Texas, Inc.; Michael Jewell, CPL Retail Energy, WTU Retail Energy, Direct Energy; A. R. Kampschafer, Community Services, Inc.; Frances Little, Hill Country Community Action Assn, Inc.; Vicki Oswalt, Reliant Energy, Inc.; Stella Rodriguez, Texas Association of Community Action Agencies; (*Registered but did not testify*: Travis Brown, Public Citizen; William Brown, AARP Texas State Office; Tim Morstad, Consumers Union; Paul O'Malley, TXU Energy; Phillip Oldham, Texas Coalition for Competitive Electricity; Joe Sanchez, AARP Texas)

Against — None

On — Lane Lanford, Jess Totten, Public Utility Commission; Arlene Wohlgemuth

BACKGROUND: The System Benefit Fund (SBF) was created in 1999 when the 76th Legislature enacted the Texas Electric Choice Act, which restructured the electric utility industry, and is administered by the Public Utility Commission (PUC). It provides discounts to low-income customers on electric bills, as well as energy efficiency programs and customer education about the newly deregulated electric market. The SBF also supports the school funding loss mechanism, a program that compensates the Texas Education Agency for the statewide net loss in the property values of electric generation facilities attributable to electric utility restructuring. The fund is a general revenue-dedicated account financed through non-bypassable fees assessed on electric customers' bills at a rate of up to 65 cents per megawatt hour.

Most SBF disbursements are used for the low-income discount program, which is authorized to provide a discount of between 10 percent and 20 percent for federal food stamp or Medicaid recipients and customers whose income is at or below 125 percent of the federal poverty level.

DIGEST:

CSHB 554 would specify that money in the SBF could be appropriated solely for the purposes laid out in the bill. These purposes would be:

- a 10-20 percent rate reduction in the electric bills of low-income consumers;
- consumer education programs, administrative expenses, and expenditures by the Office of the Public Utility Counsel relating to SBF programs;
- energy efficiency (weatherization) programs for low-income individuals; and
- the school funding loss mechanism.

In addition, the bill would allow for appropriations from the fund to educate residential and small business customers about the fund. This provision would expire on August 31, 2006.

The bill would expand eligibility for low-income electric customer programs by including customers who live in households where a person receives food stamps, Medicaid, or federal housing assistance. A household with a child enrolled in the federal free or reduced lunch program also would be eligible.

The bill would direct the PUC to establish the goal of enrolling at least 95 percent of customers eligible for reduced rates. By December 1 of each even-numbered year, the PUC would estimate the percentage of eligible customers receiving reduced rates. If this percentage were below the goal of 95 percent enrollment, the commission would use money in the fund to provide education and outreach until the goal was met. The commission would prepare quarterly and annual reports detailing the enrollment of eligible customers in the program and send the reports to members of the Legislature and members of the Electric Utility Restructuring Oversight Committee. The Health and Human Services Commission would help determine the number of individuals eligible for reduced rates.

The bill would take effect September 1, 2005.

**SUPPORTERS
SAY:**

HB 554 would strengthen the SBF and make sure this important program serves as many eligible families as possible. On average, customers save \$13 per month under the SBF, which they can allocate toward the purchase of other basic necessities. It is important for the Legislature to affirm its intent of making electricity in the restructured marketplace affordable for low-income Texans, and HB 554 would help accomplish this goal.

By designating the SBF exclusively for programs such as electric bill rate reductions, HB 554 would ensure that money from the fund is used for the purposes for which it was originally intended. Recent changes in the administration of the fund have led to a reduction in the number of people who obtain rate reductions. Due to a stricter interpretation of eligibility requirements and closer scrutiny of self-enrolled participants under the fiscal 2004-05 budget, the number of discount recipients decreased 60 percent in fiscal 2004. Also, the SBF's weatherization program has lost all of its funding. The bill would prevent SBF money from being diverted to serve other purposes in the state budget, maintaining the integrity of an assessment borne by all Texas ratepayers.

HB 554 would help ensure that the PUC enrolled the maximum number of eligible households in the program. The goal of enrolling 95 percent of eligible individuals would be an ambitious yet attainable standard for the PUC. The bill's reporting requirements would enable the Legislature to track the program's success and provide policymakers with the information necessary to refine the program in future years. Further, by spending funds to educate individuals about SBF benefits, HB 554 would expand awareness of the program among eligible families.

By specifically designating that the fund could provide between 10 and 20 percent rate discounts, the PUC would have the flexibility to provide the maximum amount of assistance while ensuring that the largest number of eligible families participate. Also, by slightly expanding eligibility, the bill would enable more low-income Texans to benefit from the program.

**OPPONENTS
SAY:**

Dedicating SBF money to rate reductions, weatherization, and other programs would not be the most effective use of these funds. Currently, the SBF is the only funding for low-income citizens that does not leverage any federal matching dollars. While discount program participation dropped dramatically last year, the cost of other programs, such as Medicaid, increased substantially. Use of these dollars for Medicaid would

generate a federal match of 1 to 2.5, money that would benefit low-income Texans. In any case, it would be unwise to limit the options of state budget writers by prioritizing these programs over other vital services in the state budget.

**OTHER
OPPONENTS
SAY:**

Eligibility for SBF programs should be expanded to include those who are severely ill or disabled. These individuals also face severe economic challenges yet might not be eligible for these programs under the guidelines in this bill.

NOTES:

According to the fiscal note, HB 554 would increase the number of customers eligible for the SBF rate reduction by 649,000 in fiscal 2006-07. This would result in a decrease in the SBF balance of \$191.3 million in fiscal 2006-07.