

## **BILL ANALYSIS**

Senate Research Center  
83R7133 RWG-D

S.B. 410  
By: Watson  
Business & Commerce  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Austin is the largest city in the United States whose municipal electric utility is governed directly by its city council. Many local elected leaders, customers, and former managers of the utility believe that changing the governance through the appointment of an independent board to manage and oversee the city-owned electric utility is long overdue. Furthermore, approximately 15 percent of Austin Energy's customers reside outside of the municipal boundaries, and cannot vote in city elections.

The Austin City Council called for a study of alternate governance in 1994 and 1999, and the Electric Utility Commission, a citizen board appointed to review and analyze all policies and procedures of the electric utility, recommended changing to an independent board in 1996, 2002, and 2012. Furthermore, the Senate Committee on Business and Commerce Interim Report to the 83rd Legislature, Regular Session, 2013, recommended that "The City of Austin should consider transitioning Austin Energy to a board of directors governance structure with outside ratepayer representation instead of its city council governance structure." Most recently, on February 14, 2013, the Austin City Council unanimously adopted a resolution directing the city manager to draft an ordinance to create an independent board for Austin Energy.

On August 14, 2012, the *Austin American-Statesman* reported that the assistant city attorney told the Austin City Council that "state law allows [Austin] to establish an Austin Energy board whenever it chooses—but the City Charter would require that board to report to [the] city manager...rendering the change meaningless in practice."

In order to ensure that the City Council's action for governance reform is meaningful, S.B. 410 provides that provisions in the Austin City Charter are not an obstacle to the transfer of the management and control of Austin Energy to an independent governing board.

As proposed, S.B. 410 amends current law relating to the management and operation of certain municipally owned electric utilities.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 552.122, Local Government Code, by adding Subsection (c), to authorize a municipality with a population of less than 850,000 that is served by a municipally owned electric utility system with 400,000 or more customers, notwithstanding any other law, including a municipal ordinance or provision of a municipal charter, to transfer management and control of the municipality's electric utility system to a board of trustees appointed by the municipality's governing body.

SECTION 2. Effective date: upon passage or September 1, 2013.