

- SUBJECT: Allowing a water district to generate electricity for its own use
- COMMITTEE: Natural Resources — committee substitute recommended
- VOTE: 6 ayes — Counts, T. King, Cook, Puente, Shields, Walker  
0 nays  
3 absent — Corte, Hamric, R. Lewis
- WITNESSES: (*On original version:*)  
For — John Grant, Colorado River Municipal Water District  
Against — Eric Craven and Jerry Stapp, Texas Electric Cooperatives
- BACKGROUND: The Colorado River Municipal Water District, created in 1949, encompasses 31 counties in West Texas and provides raw water to many cities, including Big Spring, Midland, Odessa, San Angelo, and Snyder.
- DIGEST: CSHB 2447 would allow the Colorado River Municipal Water District to:
- ! develop, generate, transmit, or distribute water power and electricity inside the district's boundaries for its own use;
  - ! buy electricity from any available source for use at a facility owned, operated, or maintained by the district;
  - ! enter into an agreement to acquire, install, build, finance, operate, make an addition to, or operate an electric energy generating, transmission, or distribution facility jointly with another person; or
  - ! sell or otherwise dispose of the district's interest in a jointly owned facility.

The bill would not affect the applicability of Utilities Code, Title 2, concerning the Public Utility Commission's regulations of utilities, to the district or to its actions.

This bill would take effect January 1, 2002.

SUPPORTERS  
SAY:

CSHB 2447 would enable the Colorado River Municipal Water District to operate in a more economical manner and reduce the price of water for its customers. Allowing the district to develop, generate, or buy electricity from any source also would ensure that even when all the generating facilities in the state were being used and there was no excess capacity, the district could continue to provide water to its customers without interruption. Only by ensuring a continuous supply of water to its customers can the district protect the health and safety of the public.

The district now provides water to more than 340,000 people and operates 25 pump stations in 14 counties. The pump stations use substantial amounts of electricity. The district is in the service area of four utilities and cooperatives and has to buy electricity from four different providers: Texas Utilities Electric, West Texas Utilities, the Concho Valley Electric Cooperative, and Coleman County Electric Cooperative. The district has little choice but to pay the rates set by the utilities, despite the fact that the district owns, operates, and maintains the electrical substations at 24 of its 25 pump stations.

In 1998, the district spent about \$6.2 million for electricity, 56 percent of its total operations and maintenance cost. Allowing the district greater freedom to develop electricity for its own use or buy it from any source would allow the district to reduce operating costs. Electricity costs must be passed on to customers, and the district estimates that for each \$100,000 it could save in operating costs, it would reduce overall water rates by about 1 cent per 1,000 gallons. In 1999, the average cost of raw water delivered to cities in the district was about 99 cents per 1,000 gallons.

The district is not proposing to become a retail electric utility and has no interest in trying to amend the law later to enter into the highly competitive market likely if deregulation occurs. The bill merely would allow the district to use electricity generated within its boundaries for its own use to reduce the cost of water to its own customers. Since there is not much excess generating capacity in the state, allowing the district to generate its own electricity also would free up electric power for others in times of need.

The bill would not take effect until January 1, 2002, so that if the 76th Legislature decides to restructure the electric utility market, the district would be able to take those changes into account when evaluating its options for developing or acquiring electricity.

OPPONENTS  
SAY:

It is unnecessary to give a water district, which was created for an entirely different purpose, the authority to generate its own electricity when local retail utilities are willing and able to sell that power. Even though the bill would limit the district to using any power it generated for its own use, the district might be tempted to try to amend the law in the future to enter the retail electricity market if deregulation occurs. A government entity with taxing authority that does not have to pay property taxes would have no business competing with the private sector.

The district probably would not be able to pass on any savings to its customers, because those same customers would have to absorb the substantial costs of building generating units.

NOTES:

The original bill differed substantially from the committee substitute. It would have allowed the district to develop, generate, and sell water power and electricity inside or outside of the district's boundaries. The original bill also would have specified that the district could buy electricity at wholesale for resale or for use at a facility inside the district's boundaries, while the substitute would specify that the district could buy electricity from any available source for use inside the district's boundaries. Also, the original bill called for immediate effect upon passage.

A related bill, SB 168 by Armbrister, would allow certain river authorities engaged in selling electricity to the public to provide transmission services and build transmission facilities within or outside of the river authority's boundaries. The authority could not, however, build transmission facilities to enable consumers to bypass the transmission or distribution facilities of their existing provider. SB 168 was reported favorably by the Senate Economic Development Committee on April 29 and placed on the Senate Intent Calendar.