**House Bill 2663-88th**

**By Representative Tepper**

**Bill Summary, Background and Purpose**

Lubbock Power & Light (LP&L) is the third largest municipally-owned utility in Texas and has been in operation for over one hundred years. Lubbock is unique in the fact that while it is one of 72 municipally-owned utilities in Texas, up until 2010 it competed with a regional investor-owned utility for customers on an alley-by-alley basis. In 2010, LP&L became the sole provider for the vast majority of Lubbock and therefore operates today in the same way as the other 71 cities who own a vertically integrated electric utility.

In May 2021, LP&L transferred 70% of its customers to the Electric Reliability Council of Texas (ERCOT) market from the Southwest Power Pool (SPP) market. In May 2023, LP&L is preparing to transfer the remaining 30% of customers to the ERCOT market pending regulatory approvals. It has been the stated goal of LP&L that once 100% of customers are migrated to the ERCOT market, it will be the first municipally-owned utility to move their customers to the retail competitive market in ERCOT since the passage of SB 7 in the 76th Regular Legislative Session (1999). This move was made official with irrevocable vote taken by the LP&L Electric Utility Board (EUB) and Lubbock City Council in February 2022.

Over the past few years, LP&L worked closely with ERCOT, Public Utility Commission (PUC), and various industry stakeholders to work through the logistics of being the first city to deregulate and join the competitive market. There are several areas that can only be appropriately modified through statutory changes. It is the goal of LP&L to not join the retail competitive market as an outlier, but to ensure it is treated in the same manner as the investor-owned utilities that have operated in this space for over 20 years.

Two changes are sought in Utilities Code Chapter 40. First, LP&L does not intend to serve as a retail electric provider after joining the competitive market, and therefore could not practically serve as the provider of last resort (POLR). Therefore, it is asking for the option to delegate the decision-making authority on the POLR to the PUC should it be necessary in the future. Post go-live of the competitive market in Lubbock, LP&L will serve as a transmission distribution service provider (TDSP) or “wires company” only. Second, LP&L does not intend to serve as a billing agent for electric customers once the transition to competition is complete and seeks to clarify that customers will receive a consolidated bill from their retail electric provider of choice that contains the LP&L TDSP charges.

**Section-By-Section Changes**

SECTION 1. Section 40.053, Utilities Code, Subsection (c): Changes shall to may regarding a municipally-owned utilities authority to designate a provider(s) of last resort. Inserts language stating that a municipally-owned utility that provides power to retail customers shall serve in the role of provider of last resort but allows a municipally-owned utility that does not provide power to retail customers to delegate the authority to designate the provider of last resort to the Public Utility Commission.

SECTION 1. Section 40.053, Utilities Code, Subsection (d): Inserts “municipally-owned utility or electric cooperative offering customer choice” terminology into statute to further define the providers (because municipally owned utilities and electric cooperatives are not, by definition, retail electric providers). Inserts requirement that if a municipally owned utility has delegated the authority to designate the provider of last resort to the Public Utility Commission, then the public utility commission has authority to set the rates of the provider of last resort.

SECTION 1. Section 40.053, Utilities Code, Subsection (e): Inserts “providers” to allow more than one to be designated should it be deemed appropriate by the governing body. Inserts language allowing a municipally-owned utility to delegate its decision making authority over provider of last resort to the Public Utility Commission.

SECTION 2.  Section 40.057, Utilities Code, Subsection (c): Deletes paragraph entirely and replaces with language that allows a municipally-owned utility that opts for customer choice and does not provide or sell electricity to retail customers to fully delegate all billing functions to the retail electric provider chosen by the retail customer.