

## **BILL ANALYSIS**

C.S.H.B. 3693  
By: Straus  
Regulated Industries  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The Texas Utilities Code requires certain activities by electric utilities to achieve energy efficiency and conservation in Texas.

Continued growth in peak demand for electricity in Texas, particularly in the short term, could result in electric generation shortages. Texas' population is growing at nearly 2% per year and the economy is expanding at an even greater rate, nearly 4% annually. This is causing a growth in demand for electricity. The Electric Reliability Council of Texas (ERCOT) reports that peak demand on the ERCOT system increased by about 2.5% per year between 1990 and 2006. The current forecast is for peak demand to increase by 2.3% annually from 2007 through 2012.

ERCOT has established a reserve margin of electric generation capacity to provide a cushion for peak demand times. However, with continued growth in Texas, it is possible that peak demand could exceed the margin and possibly result in blackouts. The energy efficiency mechanisms proposed in C.S.H.B. 3693 are intended to provide near-term reductions in consumption and demand that should protect the reserve margin and avoid crises during the peak. C.S.H.B. 3693 enhances existing energy efficiency programs, enables more customer demand management, updates building energy codes, and requires state agencies to purchase more efficient equipment and appliances. These measures should result in reductions in electricity consumption sufficient to avoid short-term peak demand problems and also avoid some new costs for power plants and power lines.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 8 (Section 2306.187, Government Code) of this bill.

It is the committee's opinion that rulemaking authority is expressly granted to the State Energy Conservation Office in SECTION 9 (Section 388.003(b-1)-(b-2), Health and Safety Code) and SECTION 22(a) (Transition provisions) of the bill.

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission in SECTION 19 (Section 39.905(b), Utilities Code) of the bill.

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission in SECTION 20 (Section 39.9051, Utilities Code) of the bill.

### **ANALYSIS**

This bill has thirteen major subject areas:

**School districts electric consumption:** Requires the board of trustees of a school district to establish a goal to reduce their annual electric consumption by five-percentage each state fiscal year for six years after the effective date of this Act. Requires the Public Utility Commission (PUC) to provide information to school districts on ways they may finance the installation of solar electric generation panels for school district buildings.

**Light bulbs:** Requires school districts, an institution of higher education, and a state agency in charge and control of a state building to purchase for use in each type of light fixture in an

instructional facility, educational or housing facility, or within a state building, as appropriate, the commercially available model of light bulb that uses the fewest watts necessary for luminous flux or light output and that is compatible with the light fixture.

Energy-Efficient Equipment and Appliances for Use in State Agencies: Requires the Texas Building and Procurement Commission to develop and update a list of equipment and appliances that meet certain energy efficiency standards and to assist state agencies in selecting appropriate products. Requires that the list be developed as soon as practicable after the effective date of this Act. Requires a state agency to purchase, if available and cost-effective, equipment and appliances for state use that meet or exceed the applicable federal energy conservation standards under the Energy Policy and Conservation Act, or the regulations adopted under that Act, or the federal Energy Star standards as designated by the U.S. Environmental Protection Agency and the U.S. Department of Energy. Requires that the list of equipment and appliances be developed soon after the effective date of the Act, and provides that the energy conservation standards only apply to purchases made after the effective date of this Act.

Government Entity Reporting of Utility Services: Adds a new definition of "governmental entity" and requires that, if the entity is responsible for payments for certain utility services, the entity's payment be recorded in an electronic repository in the metered amounts for electricity, water, or natural gas consumption and the aggregate costs of those services and report information on a publicly accessible and easily navigable Internet website.

Energy-Efficiency in New and Rehabilitated Public Housing: Requires new single or multifamily dwellings constructed with assistance awarded by Texas Department of Housing and Community Affairs (TDHCA) to use specified energy conservation and efficiency measures established by TDHCA and meets a minimum level of energy efficiency. The measures adopted may include such things as installing certain Energy Star-labeled goods, using certain energy efficient alternative construction material, installing certain central air conditioning or heat pump equipment, and installing certain air ducting systems in a particular manner.

Requires rehabilitated single or multifamily dwellings within the state to use certain specified energy efficiency and conservation measures if TDHCA assistance is awarded and any portion of the rehabilitation includes alterations that will include replacing items that TDHCA has identified as required energy-efficient measures. Requires that the standards adopted by TDHCA for rehabilitation projects may not be more stringent than those for new construction. Requires TDHCA to, at least annually, review its energy-efficiency standards and determine if additional and more recent measures or technology should be considered. Notes that the provisions of this Act do not apply to single or multi-family dwellings that receive either federal weatherization assistance money from TDHCA or money under the first-time homebuyer program.

Updating Applicable Building Codes: Provides that, if the State Energy Conservation Office (SECO) makes certain determinations based on written recommendations from the Energy Systems Laboratory at the Texas Engineering Experiment Station of The Texas A&M University System ("the laboratory") relating to changes, modifications, and updates in the latest energy efficiency provisions in the International Residential Code (IRC) or the International Energy Conservation Code (IECC) for residential or commercial energy efficiency and air quality, it may by rule adopt and substitute the latest and more stringent provisions of the IRC or IECC. If SECO decides to adopt the new rules, they will not become effective earlier than nine months after their adoption. The laboratory is required to submit recommendations concerning the latest published editions of the IRC or the IECC to SECO not later than six months after their publication. SECO is granted rulemaking authority to establish a procedure for providing interested stakeholders (i.e., commercial and residential builders, architects, engineers, county and other local government authorities, and environmental groups) an opportunity to comment on a proposed revision to the code. The laboratory, in developing its written recommendations, is required to consider the comments submitted by the interested parties or stakeholders. Requires SECO to adopt these rules as soon as practicable after the effective date of this Act. The laboratory also is required to develop different report formats for use by home energy rating providers for rating newly constructed residences from those for existing residences. The laboratory is allowed to cooperate with an industry organization or trade association to develop guidelines for home energy ratings, to provide training for individuals performing home energy rating and providers of home energy ratings, and to provide a registry of completed ratings for

newly constructed residences and residential improvement projects for the purpose of computing energy savings and emissions reductions benefits of the home energy rating program. Finally, the laboratory is required to include information on the benefits attained from this program in an annual report to the Texas Environmental Quality Commission (TCEQ).

Energy-Efficiency Measures in the Government Sector: Establishes an applicable definition of "institution of higher education" and "state agency" within applicable codes and makes certain changes to the definition of "political subdivision." Includes institutions of higher education and state agencies as entities required to implement all energy efficiency measures under standards established for certain contracts for energy conservation measures and to reduce their electric consumption in existing facilities by five percent during each fiscal year for six years beginning September 1, 2007. Includes institutions of higher education and state agencies as entities required to report to the State Energy Conservation Office (SECO) the justification for why the entity did not implement all available measures and the efforts to and progress towards achieving the goals. Additionally, SECO is required to provide institutions of higher education and a state agency with assistance and information on ways to help them meet these goals.

Energy-Efficiency Measures, Funding, and Reporting for Electric Cooperatives: Requires that an electric cooperative consider adopting and implementing energy efficiency programs that reduce the cooperative's annual growth in demand in a manner consistent with the standards established for other utilities within the state. Provides that the governing body or a body vested with the power to manage and operate a municipally owned utility has exclusive jurisdiction to determine the extent to which it offers energy efficiency programs and how the programs are administered, except as provided by certain other applicable law and the extent to which an electric cooperative offers energy efficiency programs and how they will be administered. Requires that not later than September 1, 2009, an electric cooperative with retail sales of more than 500,000 megawatt hours in 2005 is required to report to the State Energy Conservation Office (SECO), in a form and manner determined by the electric cooperative, in consultation with SECO, regarding the combined effects of its energy efficiency activities. Additionally, certain nonprofit cooperative corporations are permitted to use certain monies to provide energy efficiency assistance, if the funds are delivered to an energy efficiency assistance fund that is designed to assist members in reducing their energy consumption and electricity bills. The Comptroller is required to proscribe the forms and procedures relating to the funding of an electric cooperative's energy efficiency assistance fund. Removes language related to the cap placed on the total funds the electric cooperative may transfer during any given fiscal year and certain language related to preferences for related to certain scholarship opportunities in other states. Also allows funds under this section to be combined with funds from other sources. Makes other conforming changes related to electric cooperatives.

Certain Customer Education Initiatives: Creates a one-day sales tax holiday for energy-efficiency Energy Star qualified products sold on April 16 of each year and provides that applicable changes to the tax laws do not affect taxes imposed before the effective date of this Act and continues current law in effect for the purpose of liability and collection of those taxes. Expresses the legislature's intent that advanced metering data networks be deployed as rapidly as possible to allow customers to better manage energy use, control costs, and to facilitate demand response initiatives. Allows the Public Utility Commission (the commission) to develop and implement programs for the delivery of individualized home energy reports in order to educate consumers about electric energy use and energy efficiency and to assist consumers to use energy more efficiently. Requires an electric utility or retail electric providers, as appropriate, to cooperate with the commission on information requests. Allows an electric utility or retail electric provider to release to the commission proprietary customer information for purposes of the program.

Electric Utilities Growth in Demand: Modifies the minimum energy efficiency goal for the state's electric utilities that administer energy efficiency incentive programs from at least ten percent of annual growth in demand by December 31, 2007, to at least 15 percent of growth in demand by December 31, 2008, and to at least 20 percent of annual growth in demand by December 31, 2009. Limits the amount an electric utility can spend on its energy efficiency programs in 2008 to 75 percent above its 2007 budget, and in 2009 to not greater than 150 percent of the 2007 budget. Directs electric utilities in the Electric Reliability Council of Texas (ERCOT) region to encourage and facilitate the involvement of the region's retail electric

providers in the delivery of efficiency programs and demand response programs. Requires retail electric providers in the ERCOT region and electric utilities outside the ERCOT region to provide customers with energy efficiency educational materials. Requires ERCOT to incorporate into its long-range demand forecast the energy and demand savings projections from the Public Utility Commission's annual report.

Requires the Public Utility Commission (the commission) to adopt rules for the following: establishing an energy efficiency cost recovery factor (EECRF) for ensuring the timely and reasonable cost recovery for energy efficiency program expenditures; establishing a financial incentive or performance bonus to reward utilities for exceeding the minimum energy efficiency goals; providing a mechanism for utilities with a rate freeze to defer compliance costs and allows for the recovery of deferred costs through an energy efficiency cost recovery factor when the rate freeze expires; ensuring that the costs related to energy efficiency programs are borne to the greatest extent possible by the customer classes that are eligible to receive energy efficiency program services; and ensuring that the program rules encourage the value of the incentives to be passed on to the end-use consumer. Requires an annual adjustment of the EECRF rates to enable utilities to match revenue against energy efficiency costs and any granted incentives, as well as any over or under-collection of cost recovery revenues in previous years. Allows the commission to grant a good cause exemption for electric utilities that are unable to meet the minimum energy efficiency goals established by the bill in certain instances.

Requires the commission, in consultation with the State Energy Conservation Office, to annually compute and report to ERCOT for five years the projected energy savings and demand impacts for each entity within the ERCOT region administering certain energy-efficiency programs, certain technologies, certain building codes, and other relevant programs that are reasonably anticipated to reduce electricity consumption or peak demand or that serve as a substitute to electric supply. Requires the commission and ERCOT to develop a method to account for the projected impacts in ERCOT's annual report and annual forecasts of future capacity, demand and reserves. Requires the commission to establish a procedure for reviewing and evaluating market-transformation program options. Allows electric utilities to choose to implement any of the listed program options once commission approval is received. Clarifies that electric utilities may use ten percent of their approved energy efficiency program money for energy efficiency research and development.

Energy-Efficiency Measures and Reporting for Municipal Owned Utilities: Establishes that this Act applies to "municipally owned utilities" (MOUs) that have retail sales of more than 500,000 megawatts hours in 2005. Declares the legislature's goal to be that MOUs administer energy savings incentives programs and MOU customers to have a choice of an access to energy efficiency to reduce consumption, demand, or energy costs, and that MOUs will provide incentives to acquire additional cost effective energy efficiency. Provides that the governing body or a body vested with the power to manage and operate an MOU has exclusive jurisdiction to determine the extent to which it offers energy efficiency programs and how the programs are administered, except as provided by other certain other applicable law. Requires that the MOU's governing body is to provide oversight and adopt necessary rules and procedures to ensure that it can achieve its energy efficiency goals. Provides that, if the MOU's governing board decides to adopt customer choice, the Public Utility Commission shall oversee and adopt necessary rules and procedures to ensure that it can achieve the energy-efficient goal in a market-neutral, nondiscriminatory manner, and, to the extent possible, to include existing energy efficiency programs already adopted. Not later than September 1, 2009, each affected MOU is required to report to the State Energy Conservation Office (SECO), in a form and manner it determines in consultation with SECO, information regarding the combined effects of its energy efficiency activities. Makes other conforming changes related to municipally owned utilities.

Public and Private Renewable Energy and Energy-Efficient Grants, Gifts, and Other Financial Resources: Requires SECO, in coordination with certain state agencies and other applicable appropriate state agencies to solicit gifts, grants, and other financial resources available to fund energy efficiency improvements and renewable energy systems for public and private facilities in the State.

Public Utility Commission Reports to the 81st Legislature: Requires the Public Utility Commission (the commission) to conduct a detailed and comprehensive study on energy

efficiency and report to the legislature certain information and recommendations. Requires the commission to study the use of and potential benefits from combined heat and power. The commission is also allowed to combine certain reports that it is required to submit to the Legislature.

Establishes that the effective date is September 1, 2007.

Makes other conforming changes and renumbers all applicable sections accordingly.

### **EFFECTIVE DATE**

September 1, 2007.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The original bill relating to solar electric generation for public school buildings is not included in the substitute bill.

The original bill relating to energy consumption goals for certain state agencies and institutions of higher education has been modified and moved in the substitute version of the bill, as explained below.

The original bill prohibited certain state agencies from using incandescent replacement bulbs when replacing a light bulb in certain state buildings or state grounds, and required certain state agencies to adopt rules to retrofit the building with certain energy efficiency mechanisms. The substitute bill requires certain school districts, institutions of higher education, and state agencies to purchase for use in each type of light fixture in certain facilities compatible light fixtures that use the fewest watts necessary for luminous flux or light output.

The original bill amended certain sections to required State Energy Conservation Office (SECO) to adopt an energy code for certain residential, commercial, and industrial construction; to ensure the adopted codes result in energy conservation that meets or exceeds certain codes, and to periodically review the applicable codes for updates; until the energy codes were revised, the energy conservation chapter of the International Residential Code as of May 2001, would serve as the energy code in Texas for single family residential construction and was adopted as the energy code for use for all other residential, commercial, and industrial construction in Texas. These provisions were rewritten within the substitute to alter this process in certain ways to add the laboratory as a partner in the process, and provide certain delayed effective dates for SECO's actions.

The original bill extended until December 31, 2012, the time by which certain political subdivisions must have established goals to reduce energy consumption by five percent each year during that time. The substitute bill extends until September 1, 2007, the time by which certain political subdivisions must reduce its electric consumption by five percent in each state fiscal year for six years after the effective date of this Act. In addition, a definition of "institution of higher education" and a definition of "state agency" was added and includes certain other institutions of higher education and state agencies in the requirement to establish a goal implementing all energy conservation measures under the applicable sections and to report to SECO any justification for why certain entities did not implement all available measures, and the efforts and progress towards meeting the goal, and that SECO is allowed to provide information to assist certain entities in meeting this goal.

The original bill required the laboratory to adopt rules that expand the home energy ratings program to ensure that residential buildings can receive an energy efficiency rating if requested by an owner or resident of a single-family or multi-family residence. The substitute bill alters this to permit the laboratory to develop different report formats for use by home rating providers for certain construction, and permits the laboratory to cooperate with an industry organization or trade association to develop guidelines for home energy efficiency ratings; to provide training for individuals performing home energy rating and providers of home energy ratings; and, provide a registry of completed ratings for newly constructed residences and residential improvement projects for the purpose of computing energy savings and emissions reductions benefits of the

home energy rating program as well as requiring the laboratory to include information on the benefits attained from this program in an annual report to the TECQ.

The provisions of the original bill relating to the establishment of certain energy audit programs and the establishment of certain appliance efficiency standards are not included in the substitute bill.

However, the substitute bill also requires the Texas Building and Procurement Commission to develop and update a list of equipment and appliances that meet the energy efficiency standards for use in state agencies and to assist state agencies in selecting certain products. The substitute bill also adds a new Subchapter F entitled Energy Efficiency Standards for Equipment and Appliances that requires a state agency to purchase, if available and cost-effective, equipment and appliances for state use that meet or exceed the federal energy conservation standards or regulations adopted under the Energy Policy and Conservation Act, or the federal Energy Star standards as designated by the U.S. Environmental Protection Act and the U.S. Dept. of Energy.

The substitute bill narrows the original provisions of the bill relating to the sales tax holiday and the goods eligible for exemption from the sales tax on the holiday by providing simply that the sales tax holiday is for one day on designated Energy Star qualified goods.

The original and the substitute make applicable certain provisions to municipally owned utility and electric cooperatives. The substitute also makes conforming changes to the language of the original to reflect the changes made by the substitute.

The original bill amended certain applicable sections in the following manner: Requiring electric utilities to administer energy savings incentive programs in a market-neutral, nondiscriminatory manner without underlying competitive services. Ensuring that all customers have access to year round assistance in choosing energy efficient alternatives and incentive programs, specifies residential and small commercial customers in the calculation of electric utilities annual growth used for incentive programs, ensures the development of load response programs, ensures promotion of response programs to all customers, and requires a utility to meet at least 40 percent of its annual growth in demand through energy efficiency measures and load management by December 31, 2013. The original bill added a new subsection requiring the Public Utility Commission (the commission) to ensure cost recovery for utility expenditures made to acquire energy efficiency to meet goals, though limiting to the recovery to an amount not greater than 100 percent of the utility's efficiency program expenditures for the previous period. The original bill also allows for a performance incentive and requires utilities to report any barriers to acquiring increases in efficiency as well as any statutory changes needed to eliminate those barriers. Additionally, the original bill added a subsection stating that the commission is required to reward utilities that exceed their goals and penalize those who do not. The commission can not penalize a utility that does not reach its goal due to circumstances outside of the utility's control. The original bill also added a subsection requiring the commission to review programs each biennium and that this subsection expires January 1, 2014. The original version of the bill required the commission to ensure that costs associated with efficiency programs are borne by the customers who receive the services. The original bill added a new subsection to allow the commission to vary the structure and delivery of standard offer programs by utilizing characteristics of different markets across the state and allowed the commission to develop special programs to serve the rural areas of the state. The original bill amended the applicable subsection to add additional market-transformation program options including energy monitoring equipment, customer energy management and demand response controls, rental or lease retrofit programs, and high performance buildings. The original bill added the term "energy efficiency" to clarify technology and program design. The original bill added a new subsection to require the commission and the Comptroller to jointly develop a program to provide a refund to customers not to exceed three percent of the taxes paid by the customer for electric services, defined as who is eligible for the refund, and limits the timeframe for refunds. Finally, the original bill added a subsection requiring the commission to implement an emergency energy efficiency and load management program by October 1, 2007 and to ensure that the reserve margins are maintained through December 31, 2011. This subsection also instructs the commission to make reviews each biennium.

The substitute bill modifies the minimum energy efficiency goal for electric utilities that administer energy efficiency incentive programs from at least ten percent of annual growth in demand by December 31, 2007; to at least 15 percent of growth in demand by December 31, 2008; and then to at least 20 percent of annual growth in demand by December 31, 2009. The original bill limits the amount an electric utility can spend on its energy efficiency programs in 2008 to 75 percent above its 2007 budget, and in 2009 to not greater than 150 percent of the 2007 budget. Directs electric utilities in the ERCOT region to encourage and facilitate the involvement of the region's retail electric providers in the delivery of efficiency programs and demand response programs. Requires ERCOT to incorporate into its long-range demand forecast the energy and demand savings projections from the commission's annual report. The substitute bill requires the commission to adopt rules to: establish an energy efficiency cost recovery factor (EECRF) for ensuring the timely and reasonable cost recovery for energy efficiency program expenditures; establish a financial incentive or performance bonus to reward utilities for exceeding the minimum energy efficiency goals required by the bill; provide a mechanism for utilities with a rate freeze to defer the costs of complying with the bill and to recover the deferred costs through an energy efficiency cost recovery factor on the expiration of the rate freeze; ensure that the costs of the energy efficiency programs are to the greatest extent possible borne by the customer classes that are eligible to receive energy efficiency program services; and ensure that the program rules encourage the value of the incentives to be passed on to the end-use consumer. Requires that the EECRF be adjusted each year to change rates to enable utilities to match revenue against energy efficiency costs and incentives and to reflect any over or under-collection of cost recovery revenues in previous years. Requires the commission to conduct a comprehensive energy efficiency study and report the results of that study to the legislature no later than January 15, 2009. Requires the commission, in consultation with the State Energy Conservation Office, to annually compute and report to ERCOT for five year the projected energy savings and demand impacts for each entity in the ERCOT region that administers programs, technologies and codes that are reasonably anticipated to reduce electricity consumption or peak demand or that serve as a substitute to electric supply. Requires the commission and ERCOT to develop a method to account for the projected impacts of the required annual report in ERCOT's annual forecasts of future capacity, demand and reserves. Requires the commission to establish a procedure for reviewing and evaluating market-transformation program options established in the bill. Allows electric utilities to choose to implement certain listed programs once commission approval is received. Clarifies existing law to ensure that electric utilities may use ten percent of their approved energy efficiency program money for energy efficiency research and development. Establishes a good cause safe harbor for electric utilities that are unable to meet the minimum energy efficiency goals established by the bill.

The original bill added a new section that defined a municipally owned utilities (MOU's) and declared that it is the goal of the legislature that MOU's will administer energy savings incentive programs, that all customers in all classes will have a choice of and access to certain energy efficiency alternatives, and requires each MOU to provide incentives to acquire cost-effective energy efficiency. The original section instructs the governing body for the MOU to provide oversight and help achieve energy efficiency goals to provide that, if the MOU adopts customer choice under the applicable codes that the commission shall oversee and adopt rules and procedures necessary to ensure that the MOU can achieve the goal in this section in a market-neutral and nondiscriminatory manner. The commission is also required to include existing energy efficiency programs already adopted by the MOU to the greatest extent possible. The original bill also added a new section requiring an electric cooperative to administer energy efficient programs that provide energy efficiency alternative to all classes to customers, and these programs are required to be approved by the governing body of the electric cooperative. The original bill also added a new section that establishes a goal of 3,750 MW of installed generation capacity from combined heating and power technology; authorizes the commission to establish a program to encourage utilities to comply with this section; and requires the commission, with ERCOT, to establish procedures that allow the excess energy produced by combined heat and power technology to be aggregated and sold in the wholesale market. The original bill also added a new section requiring an electric utility, retail electric provider, MOU, or electric cooperative to provide for net metering and contract so that an independent school district that produces surplus electricity from its solar panels can sell that electricity to the electric transmission grid and distribution system. Requires the commission to adopt rules to require that

electricity received by the school district shall reflect the value of the electricity at the time of day that the electricity is made available to the transmission grid or distribution system.

The substitute bill modified and adds certain provisions related to MOUs as defined by other applicable law that have retail sales of more than 500,000 megawatts hours in 2005, and the State's legislative goals for energy efficiency efforts for MOUs and their customers. The substitute bill provides that a MOU's governing body must provide oversight and adopt necessary rules and procedures to ensure that it can achieve the statutory energy efficiency goals, and if it adopts customer choice by decision of the governing body, the PUC is required to oversee and adopt all necessary rules and procedures to ensure that it can achieve the section's goal in a market-neutral, nondiscriminatory manner and, to the extent possible, include existing energy efficiency programs already adopted by the MOU. Not later than September 1, 2009, a MOU is required to report to SECO, in a form and manner determined by the MOU in consultation with SECO, information regarding the combined effects of the MOU's energy efficiency activities. Additionally, the substitute bill requires that an electric cooperative consider adopting and implementing energy efficiency programs that reduce the cooperative's annual growth in demand in a manner consistent with the standards established in the state for other utilities. Not later than September 1, 2009, an electric cooperative with retail sales of more than 500,000 megawatt hours in 2005 be required to report to SECO, in a form and manner determined by the electric cooperative, in consultation with SECO, regarding the combined effects of the electric cooperative's energy efficiency activities. The substitute bill adds a provision that requires SECO, in coordination with certain state agencies and other appropriate state agencies to solicit gifts, grants, and other financial resources available to fund available to fund energy efficiency improvements and renewable energy systems for public and private facilities in Texas. The substitute bill requires the PUC to study the installation and use of combined heat and power technology in Texas and submit a report regarding their findings to the 81st Legislature. The report is required to include: an explanation describing combined heating and power technology and its use and explaining how it may be implemented to help Texas meet its energy efficiency goals. Finally, the substitute permits the PUC to combine certain reports the PUC is required to submit to the Legislature under the provisions of the bill.

The original bill contained provisions relating to transition provisions for certain provisions that are not included in the substitute bill because those original substantive provisions were omitted in the substitute.

Both the original and substitute bill provides that applicable Tax Code provisions, as added by this Act, do not affect taxes imposed before the effective date of this Act, and the law in effect before the effective date of this Act is continued in effect for purposes of the liability for and collection of those taxes.

The original and substitute versions of the bill contain the a provision with the effective date being September 1, 2007.

The substitute bill makes conforming changes and renumbers all applicable sections accordingly.