

## **BILL ANALYSIS**

H.B. 395  
By: Hartnett  
State Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Texas' heavy reliance on natural gas has resulted in significantly increased electricity costs. The state's competitive wholesale market is responding to these factors by attempting to provide a diverse mix of new fuel generation. Yet, in order to reduce the impact of natural gas on Texas electric rates, a substantial amount of new non-gas baseload generation (as much as 25,000 megawatts) is needed. However, because of the pending threat that federal legislation will extort heavy penalties on companies that generate electricity with conventional coal technology, generation companies are increasingly reluctant to invest in new conventional coal-fired power plants at the scale necessary to positively impact power prices.

In its report to the 80th Legislature, the Public Utility Commission of Texas recommended that the legislature facilitate the diversification of the generation of fuels that will be used to meet Texas' future energy needs by repealing the provision of the Public Utilities Regulatory Act (PURA) promoting natural gas as an electric generation fuel. To accomplish this, Section 39.9044, Utilities Code, should be repealed.

The Governor's Competitiveness Council in its 2008 Texas State Energy Plan recommended that the legislature should repeal the presumption in PURA in favor of gas-fired plants in order to ensure that a diverse mix of resources is developed in Texas.

H.B. 395, repealing the PURA provision, carries out these recommendations. The statutory change will allow Texans to receive or purchase the cheapest fuel mix. Market forces will not be able to maximize renewable energies as long as this artificial mandate remains.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 395 repeals a provision of the Utilities Code establishing a state goal for 50 percent of the megawatts of generating capacity installed in Texas after January 1, 2000, to use natural gas. The bill repeals associated provisions, including a requirement that the Public Utility Commission of Texas establish a natural gas energy credits trading program. The bill makes conforming changes.

H.B. 395 repeals Section 39.9044, Utilities Code.

### **EFFECTIVE DATE**

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.