BILL ANALYSIS

H.B. 3374
By: Deshotel
Environmental Regulation
Committee Report (Amended)

BACKGROUND AND PURPOSE

Small natural gas reciprocating engines and combustion turbines are essential to combined heat and power (CHP) applications. The report entitled "Combined Heat and Power in Texas," prepared by the Public Utility Commission for the legislature, states "There is potential for additional economic CHP of roughly 13,400 megawatts (MW) by 2023. CHP offers numerous benefits that can include reductions in fuel consumption and energy costs, deferral of transmission and distribution system upgrades, and reductions in air emissions."

Currently, an entity applying for a permit for a CHP unit must comply with the criteria for the standard permit for an electric generating unit or go through the full permitting process, which carries a burdensome cost in time and money for a small system. The standard permit for an electric generating unit requires nitrogen oxide compounds (NOx) emission limits for all units in East Texas, and all units above 10 MW in the rest of the state, to meet limits comparable to those for very large natural gas combined cycle power plants. The very large plants have a significant technology advantage including commercially available low NOx combustion systems supplemented with selective catalytic reduction (SCR). Comparable low NOx combustion systems are not practical for smaller units.

H.B. 3374 requires TCEQ to develop a permitting mechanism for air contaminant emissions of stationary natural gas engines used in a CHP project.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Commission on Environmental Quality (TCEQ) in SECTION 1 of this bill.

ANALYSIS

SECTION 1. Subchapter C, Chapter 382, Health and Safety Code, is amended by adding Section 382.051865 STATIONARY NATURAL GAS ENGINES. Section 382.051865(a) defines "natural gas engine."

Section 382.051865(b) requires TCEQ to issue a standard permit or permit by rule for stationary natural gas engines that establishes emission limits for air contaminants released by the engines.

Section 382.051865(c) authorizes TCEQ to consider the engine's: location, including the proximity to a non-attainment area; total annual operating hours; use of technology; and fuel type used as well as other state emission control policies when adopting a permit under this section.

Section 382.051865(d) prohibits TCEQ from distinguishing between the end-use functions powered by a stationary engine in adopting a permit under this section.

Section 382.051865(e) requires TCEQ to measure the emission limit for stationary natural gas engines in terms of air contaminant emissions per unit of total energy output. TCEQ is also required to consider both the primary and secondary functions when determining the engine's per unit of energy output if a device makes productive use of waste heat as thermal energy for the secondary function.

SECTION 2. Requires TCEQ, not later than September 1, 2010, to adopt any rules required to implement Section 382.051865, Health and Safety Code, as added by this Act.

EFFECTIVE DATE

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

EXPLANATION OF AMENDMENTS

Committee Amendment No. 1.

SECTION 1. H.B. 3374 is amended to change the heading of Section 382.051865 to read "STATIONARY NATURAL GAS ENGINES USED IN A COMBINED HEAT AND POWER PROJECT." The bill is amended by adding a new Section 382.051865(b) to provide that Section 382.051865 applies only to a natural gas engine used in a combined heat and power project. The remaining subsections are renamed accordingly. The bill is amended in Section 382.051865(c) to require TCEQ to issue a standard permit or permit by rule for stationary natural gas engines used in a combined heat and power project, rather than just stationary natural gas engines, that establishes emission limits for air contaminants released by the engines. The bill is amended in Section 382.051865(f) by adding "subject to this section" between "engines" and "to be measured" and by striking "For a device that makes production use of an engine's waste heat as thermal energy for a secondary function."