

## **BILL ANALYSIS**

C.S.H.B. 1629  
By: Anchia  
Energy Resources  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Approximately two years ago, a study was conducted involving the feasibility of increasing the state's energy efficiency goals. In addition to affirming the feasibility of increasing the goal, the report recommended that the metric of the goal be changed from a percent of new demand to a percent of peak demand. C.S.H.B. 1629 addresses this recommendation by changing the metric of the state's energy efficiency goal to peak demand, requiring electric utilities to submit their annual energy efficiency reports in a standardized and searchable format in order to facilitate greater transparency.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTIONS 1 and 2 of this bill.

### **ANALYSIS**

C.S.H.B. 1629 amends the Utilities Code to specify that peak demand is summer and winter peak demand, for purposes of the provision of the state's goal for energy efficiency providing that all customers will have certain energy efficiency choices that allow each customer to reduce energy consumption, peak demand, or energy costs. The bill, in a provision establishing the state's goal for energy efficiency, specifies that the incentives each electric utility will provide, through market-based standard offer programs or through market-transformation programs, for the acquisition of additional cost-effective energy efficiency for the utility's residential and commercial customers will be provided annually. The bill makes the energy efficiency acquisition for which such incentives are provided subject to cost ceilings established by the Public Utility Commission of Texas (PUC) and removes the specification that a market-transformation program through which an electric utility provides such incentives is limited.

C.S.H.B. 1629 sets the amount of energy efficiency to be acquired for a utility's residential and commercial customers, for purposes relating to such incentives, at not less than 30 percent of the electric utility's annual growth in demand of residential and commercial customers by December 31 of each year beginning with the 2013 calendar year, rather than at least 10 percent of the utility's annual growth in demand of such customers by December 31, 2007. The bill specifies that the amount is not less than the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year and, for an electric utility whose amount of energy efficiency to be acquired, as determined on the basis of annual growth in demand, is equivalent to at least four-tenths of one percent of the electric utility's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year, not less than four-tenths of one percent of the utility's summer weather-adjusted peak demand for residential and commercial customers of each subsequent year. The bill removes expired provisions relating to the state's energy efficiency goal. The bill, in that same provision establishing the state's goal for energy efficiency, specifies programs for demand-side renewable energy systems that each electric utility may deliver in fulfillment of certain requirements.

C.S.H.B. 1629 includes among the rules and procedures that the PUC is required to adopt regarding a utility's ability to achieve the state's goal for energy efficiency the following: rules and procedures ensuring that any shareholder bonus awarded under certain energy efficiency programs, in addition to the costs associated with such programs, are borne by the customer classes that receive the services under the programs; rules and procedures ensuring that energy efficiency programs are evaluated, measured, and verified using a framework established by the PUC that promotes effective program design and consistent and streamlined reporting; and rules and procedures ensuring that an independent organization certified for the Electric Reliability Council of Texas allows load participation in all energy markets for residential, commercial, and industrial customer classes, either directly or through aggregators of retail customers, to the extent that load participation by each of those customer classes complies with reasonable requirements adopted by the organization relating to the reliability and adequacy of the regional electric network and in a manner that will increase market efficiency, competition, and customer benefits.

C.S.H.B. 1629 authorizes an electric utility operating in an area not open to competition to achieve the state's goal for energy efficiency by providing rebate or incentive funds directly to customers to promote or facilitate the success of programs implemented pursuant to that goal or by developing, subject to PUC approval, new programs other than standard offer programs and market transformation programs, to the extent that the new programs satisfy the same cost-effectiveness requirements as standard offer programs and market transformation programs. The bill authorizes an electric utility operating in an area open to competition, on demonstration to the PUC, after a contested case hearing, that the requirements relating to the state's goal for energy efficiency cannot be met in a rural area through retail electric providers or competitive energy service providers, to achieve that goal by providing rebate or incentive funds directly to customers in the rural area to promote or facilitate the success of programs implemented pursuant to that goal.

C.S.H.B. 1629 authorizes an electric utility to use energy audit programs to achieve the state's goal for energy efficiency if the programs do not constitute more than three percent of total program costs under provisions of law relating to that goal and if the addition of the programs does not cause a utility's portfolio of programs to no longer be cost-effective. The bill authorizes the PUC, for purposes of helping a residential or nongovernmental nonprofit customer make informed decisions regarding energy efficiency, to consider program designs that ensure, to the extent practicable, the customer is provided with information using standardized forms and terms that allow the customer to compare offers for varying degrees of energy efficiency attainable using a measure the customer is considering by cost, estimated energy savings, and payback periods.

C.S.H.B. 1629 requires an electric utility to submit electronically an energy efficiency plan and report in a searchable form prescribed by the PUC on or before April 1 of each year and requires the PUC by rule to adopt a form that will permit the public to easily compare information submitted by different electric utilities. The bill requires the PUC to publish on its Internet website information on energy efficiency programs. The bill sets out the information required in the plan, the report, and on the Internet website. The bill specifies that these provisions do not require the PUC to warrant that the published list of persons who install or provide energy efficiency measures or services constitutes a complete or accurate list of all such persons in the marketplace. The bill makes nonsubstantive changes.

C.S.H.B. 1629 repeals Section 39.905(b-2), Utilities Code.

#### **EFFECTIVE DATE**

September 1, 2011.

## **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 1629, in provisions of law establishing the state's energy efficiency goals, contains a specification not included in the original providing that peak demand is summer and winter peak demand. The substitute, in the same provision of law, differs from the original by specifying that each electric utility will annually provide certain incentives for energy efficiency acquisition through targeted programs, whereas the original specifies that each utility will provide limited and targeted programs. The substitute, in the same provision, contains a specification not included in the original providing that the energy efficiency acquisition is subject to cost ceilings established by the Public Utility Commission of Texas (PUC) for the utility's residential and commercial customers.

C.S.H.B. 1629 differs from the original by setting the amount of energy efficiency to be acquired for a utility's residential and commercial customers at not less than 30 percent of the electric utility's annual growth in demand of residential and commercial customers by December 31 of each year beginning with the 2013 calendar year, whereas the original provides that the amount to be acquired is at least one-half of one percent of the electric utility's peak demand of residential and commercial customers by December 31, 2013.

C.S.H.B. 1629 contains provisions not included in the original specifying that the amount of energy efficiency to be acquired is not less than the amount to be acquired for the utility's residential and commercial customers for the most recent preceding year and, for an electric utility whose amount of energy efficiency to be acquired is equivalent to at least four-tenths of one percent of the electric utility's summer weather-adjusted peak demand for residential and commercial customers in the previous calendar year, not less than four-tenths of one percent of the utility's summer weather-adjusted peak demand for residential and commercial customers of each subsequent year.

C.S.H.B. 1629 contains a provision not included in the original requiring the PUC to establish rules and procedures ensuring that any shareholder bonus awarded under certain energy efficiency programs is borne by the customer classes that receive the services under the programs, that energy efficiency programs are evaluated, measured, and verified using a framework that meets certain conditions, and that an independent organization certified for the Electric Reliability Council of Texas allows load participation in all energy markets for residential, commercial, and industrial customer classes to the extent that load participation complies with certain requirements.

C.S.H.B. 1629 contains a provision not included in the original authorizing an electric utility operating in an area not open to competition to achieve the state's goal for energy efficiency by certain specified means. The substitute contains a provision not included in the original authorizing an electric utility operating in an area open to competition, in specified circumstances, to achieve the state's goal for energy efficiency by providing rebate or incentive funds directly to customers in a rural area for certain purposes.

C.S.H.B. 1629 contains a provision not included in the original authorizing an electric utility to use energy audit programs to achieve the state's goal for energy efficiency if the programs meet certain conditions. The substitute contains a provision not included in the original authorizing the PUC to consider program designs that ensure certain customers are provided with information using standardized forms and terms.

C.S.H.B. 1629 omits a provision included in the original requiring the PUC to conduct an annual survey of customers that participate in an energy efficiency program in which an incentive is offered. The substitute contains a provision not included in the original repealing a provision requiring the PUC to conduct a study regarding cost-effective energy efficiency. The substitute differs from the original in nonsubstantive ways.