

## **BILL ANALYSIS**

S.B. 312  
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State Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Currently, electric cooperatives are taking steps to incorporate renewable energy resources into their portfolios and need back-up generation due to the intermittent nature of renewable resources. To address this reliability challenge, quick-start gas-fired generators can be used to respond rapidly during periods of intermittent wind; however, these generators require immediate availability of the fuel source. Typically, the natural gas pipeline requires advance notice of the quantity needed and absent such notice, the gas might not be available. A solution to this problem for electric cooperatives is the ability to maintain a supply of natural gas in an underground gas storage facility. To offset the cost of back-up generation and maintenance of underground storage facilities, it would be helpful if the cooperatives could provide short-term gas to other entities in the event of a surplus. However, currently, if an electric cooperative contracts with a third party to provide gas in storage, it may be classified as a gas utility.

S.B. 312 seeks to address this issue by allowing electric cooperatives to operate underground gas storage facilities and offer short-term gas storage services to other parties. These facilities would remain subject to the railroad commission regulation, permitting, safety, testing, monitoring, and reporting requirements for underground gas storage facilities, but would not impair the current permitting, safety, and operational requirements or change or obviate current reporting requirements.

### **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**

S.B. 312 amends the Utilities Code to establish that an electric cooperative, as that term is defined under the Public Utility Regulatory Act, or its subsidiary, that sells electricity at wholesale is not a gas utility or subject to regulation as a gas utility solely because it provides gas storage services for hire if the gas storage facility is predominantly operated to support the integration of renewable resources. The bill prohibits such a gas storage facility from having a working gas capacity of greater than five billion cubic feet. The bill makes a conforming change to the definition of "gas utility" by excluding an electric cooperative or its subsidiary from the meaning of the term.

S.B. 312 amends the Natural Resources Code to make provisions of law relating to the regulation of common carriers, public utilities, and common purchasers, and any common law requirements or limitations applicable to a common carrier, inapplicable to an underground storage facility owned or operated by an electric cooperative, as that term is defined under the Public Utility Regulatory Act, or its subsidiary, that sells electricity at wholesale and offers or provides gas storage services to the public for hire if the gas storage facility is predominantly operated to support the integration of renewable resources. The bill specifies that such a gas storage facility is prohibited from having a working gas capacity of greater than five billion

cubic feet. The bill makes a conforming change to the definition of "public utility" by excluding from the meaning of the term an electric cooperative, as that term is defined under the Public Utility Regulatory Act, or its subsidiary, that sells electricity at wholesale and that owns or operates an underground storage facility that does not have a working gas capacity of greater than five billion cubic feet and provides gas storage services to the public for hire if the gas storage facility is predominantly operated to support the integration of renewable resources.

**EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.