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FLOOR AMENDMENT NO._____ BY: Ron Reynolds

Amend C.S.S.B. No. 3 (house committee printing) by adding the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION _____. Section 39.905, Utilities Code, is amended by amending Subsection (a) and adding Subsections (a-1) and (a-2) to read as follows:

(a) It is the goal of the legislature that:

(1) electric utilities will administer energy efficiency incentive programs in a market-neutral, nondiscriminatory manner but will not offer underlying competitive services;

(2) all customers, in all customer classes, will have a choice of and access to energy efficiency alternatives and other choices from the market that allow each customer to reduce energy consumption, summer and winter peak demand, or energy costs;

(3) each electric utility annually will provide, through market-based standard offer programs or through targeted market-transformation programs, incentives sufficient for retail electric providers and competitive energy service providers to acquire additional cost-effective energy efficiency <u>to reduce summer peak demand</u>, subject to cost ceilings established by the commission, for the utility's residential and commercial customers equivalent to:

(A) not less than:

(i) 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; and

(ii) the amount of energy efficiency to be acquired for the utility's residential and commercial customers for

the most recent preceding year; and

(B) for an electric utility whose amount of energy efficiency to be acquired under this subsection 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:

(i) four-tenths of one percent of the utility's summer weather-adjusted peak demand for residential and commercial customers by December 31 of each subsequent year; and

(ii) the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year;

(3-a) beginning with the 2023 calendar year, each electric utility annually will provide, through market-based standard offer programs or through targeted market-transformation programs, incentives sufficient for retail electric providers and competitive energy service providers to acquire additional cost-effective energy efficiency to reduce winter peak demand, subject to cost ceilings established by the commission, for the utility's residential and commercial customers equivalent to not less than:

(A) four-tenths of one percent of the utility's winter weather-adjusted peak demand for residential and commercial customers by December 31 of each year; and

(B) the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year;

(4) each electric utility in the ERCOT region shall use its best efforts to encourage and facilitate the involvement of the region's retail electric providers in the delivery of efficiency programs and demand response programs under this

section, including programs for demand-side renewable energy systems that:

(A) use distributed renewable generation, as defined by Section 39.916; or

(B) reduce the need for energy consumption by using a renewable energy technology, a geothermal heat pump, a solar water heater, or another natural mechanism of the environment;

(5) retail electric providers in the ERCOT region, and electric utilities outside of the ERCOT region, shall provide customers with energy efficiency educational materials; [~~and~~]

(6) notwithstanding Subsection (a)(3), electric utilities shall continue to make available, at 2007 funding and participation levels, any load management standard offer programs developed for industrial customers and implemented prior to May 1, 2007; and

(7) each electric utility will meet an annual energy savings goal for residential and commercial service, including any energy savings achieved under another subdivision of this subsection, of:

(A) 0.12 percent annual energy savings in the 2022 calendar year; and

(B) 0.25 percent annual energy savings in the 2023 calendar year.

(a-1) The commission shall ensure that an electric utility offers under Subsections (a)(3) and (3-a) at least one program to reduce summer peak demand and at least one program to reduce winter peak demand, provided that an electric utility may offer a single program that reduces both summer and winter peak demand.

(a-2) The commission by rule shall provide a method to establish each utility's annual energy savings goal under

Subsection (a)(7). The method must be based on the existing and expected usage of electricity delivered in a utility's service area to residential and commercial customers that are required to pay the annual energy efficiency cost recovery fee. In adopting rules, the commission may provide for cost caps for the implementation of Subsection (a)(7) and provide good cause exceptions for a utility that is unable to meet the goal in a cost-effective manner.

SECTION ____. The Public Utility Commission of Texas shall adopt rules to implement the changes made by this Act to Section 39.905, Utilities Code, not later than December 31, 2021.

SECTION ____. (a) Not later than January 15, 2023, the Public Utility Commission of Texas shall provide to the legislature a cost benefit analysis of achieving the type of energy savings described by Section 39.905(a)(7), Utilities Code, as added by this Act, according to the following timeline:

(1) 1 percent energy savings by 2026;

(2) 1.5 percent energy savings by 2028; and

(3) 2 percent energy savings by 2030.

(b) The cost benefit analysis required by Subsection (a) of this section must include an analysis of the net impact of efficiency programs to ratepayers, including the cost of administering the programs and the savings achieved through potential reductions in demand for additional buildout of new generation, transmission, and ancillary services, including emergency response.