

BILL ANALYSIS

C.S.H.B. 2262
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Energy Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Texas is home to more than 110,000 miles of natural gas distribution pipelines. Natural gas is a source of safe, reliable, and affordable energy for millions of homes and businesses. However, new technology has allowed for the safe use of alternative gases to supplement the current portfolio of natural gas delivered for residential and commercial use. Products including hydrogen and renewable natural gas, such as methane from feedlots and landfills, can safely be added to the distribution pipeline. The use of these fuels can diversify energy sources, increase sustainability, and allow for additional natural gas capacity to be used for electric generation. C.S.H.B. 2262 seeks to allow gas utilities to blend alternative gases with natural gas for distribution to homes and businesses and modernize infrastructure by providing for an applicable gas certification process, the designation of a gaseous fuel as an alternative gas, and the recovery of certain related utility costs.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 2262 amends the Utilities Code to authorize the Railroad Commission of Texas by rule to do the following:

- approve a certification process used by an organization to certify that a type of gas has a lower carbon content than natural gas; and
- designate a gaseous fuel as an alternative gas if the fuel has such a lower content.

The bill defines "alternative gas" as the following:

- any pipeline-compatible gaseous fuel that is derived from the following:
 - the anaerobic digestion of biomass, gasification of biomass, or another biomass conversion process;
 - agricultural waste; or
 - landfill gas;
- hydrogen produced using the following:
 - carbon capture and storage;
 - renewable energy to break down water into hydrogen and oxygen through electrolysis; or
 - pyrolysis to break down methane into hydrogen and solid carbon;
- gas certified in a manner approved by the RRC; or
- another gaseous fuel designated by the RRC.

C.S.H.B. 2262 authorizes a gas utility to do the following:

- include one or more forms of purchased alternative gas in its gas supply portfolio used for the provision of gas service to the public; and
- invest in infrastructure to acquire, interconnect with, or produce an alternative gas supply for its customers.

The bill requires a regulatory authority, when establishing a gas utility's rates, to allow the utility to do the following:

- recover as a cost or expense expenditures associated with purchasing the alternative gas if the expenditures were prudent, reasonable, and necessary; and
- include in its invested capital prudent, reasonable, and necessary alternative gas supply infrastructure costs while the infrastructure is used and useful in providing service to the public.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 2262 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute differs from the introduced by conditioning the bill's requirement that a regulatory authority allow a gas utility to recover as a cost or expense expenditures associated with purchasing alternative gas on the expenditures having been prudent, reasonable, and necessary. The substitute omits a provision present in the introduced that requires a regulatory authority, when reviewing a gas utility's expenses, to presume that purchases of alternative gas are prudent, reasonable, and necessary gas expenses. In provisions defining "alternative gas," the substitute specifies that hydrogen produced by breaking down methane into hydrogen and solid carbon be done through pyrolysis, where the introduced did not specify the method of breaking down methane.

With regard to the costs a regulatory authority is required to allow a gas utility that invests in alternative gas supply infrastructure to include in its invested capital, the introduced specified the costs as infrastructure costs, whereas the substitute specifies the costs as prudent, reasonable, and necessary alternative gas supply infrastructure costs while the infrastructure is used and useful in providing service to the public. The substitute omits a provision present in the introduced that requires a regulatory authority to presume that an infrastructure investment is used and useful in providing service to the public and a prudent, reasonable, and necessary investment.