

## **BILL ANALYSIS**

Senate Research Center

H.B. 2263  
By: Darby (Hughes)  
Natural Resources & Economic Development  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Local distribution companies deliver reliable and affordable natural gas to homes and businesses. Energy conservation programs have proven to be an effective resource for customers and communities to reduce energy consumption and costs, provide essential energy services, and improve reliability and resilience. These programs are administered on a varied basis and their implementation varies across Texas. Oftentimes, however, this patchwork approach leaves ratepayers without the ability to access valuable energy conservation and cost-saving tools. H.B. 2263 seeks to remedy this patchwork approach by providing for a statewide framework for natural gas energy conservation programs in order to allow more Texans to participate in such programs, which could allow for the purchase of higher efficiency appliances, the retrofitting of homes, and the saving of more capacity for electric generation.

H.B. 2263 amends current law relating to the authority of a natural gas local distribution company to offer energy conservation programs.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Section 104.403, Utilities Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 104, Utilities Code, by adding Subchapter J, as follows:

#### **SUBCHAPTER J. NATURAL GAS ENERGY CONSERVATION PROGRAMS**

Sec. 104.401. DEFINITIONS. Defines "energy conservation program" and "local distribution company."

Sec. 104.402. ENERGY CONSERVATION PROGRAM AUTHORITY. (a) Authorizes a local distribution company to offer to customers and prospective customers and provide to customers an energy conservation program in the manner provided by this subchapter.

(b) Provides that the Railroad Commission of Texas (RRC) has exclusive original jurisdiction over energy conservation programs implemented by local distribution companies.

(c) Prohibits a political subdivision served by a local distribution company that implements an energy conservation program approved by RRC under this subchapter from limiting, restricting, or otherwise preventing an eligible customer from participating in the energy conservation program based on the type or source of energy delivered to the customer.

Sec. 104.403. ENERGY CONSERVATION PROGRAM COST RECOVERY. (a) Requires RRC to allow a local distribution company to recover:

(1) costs prudently incurred to implement one or more energy conservation programs, including costs incurred to design, market, implement, administer, and deliver an energy conservation program; and

(2) if the company provides an earnings monitoring report for the preceding calendar year demonstrating that the company did not earn above the rate of return established in the latest effective rates approved by RRC for the company, an amount equal to the reduction in the company's marginal revenues due to lower sales or demand resulting from the energy conservation program.

(b) Requires RRC by rule to require a local distribution company that implements an energy conservation program under this subchapter to submit to RRC an annual report on:

(1) the performance of the company's energy conservation programs for the preceding year; and

(2) the company's planned energy conservation programs for the upcoming year.

(c) Requires that an application for cost recovery under Subsection (a) include:

(1) a summary of and objectives for the local distribution company's energy conservation programs;

(2) a description of each program;

(3) a proposed budget for each program;

(4) the projected consumption reduction or cost savings for each program; and

(5) any public input compiled by the local distribution company on the proposed programs as required by RRC.

(d) Requires RRC by rule to:

(1) determine a cost recovery mechanism for timely recovery of costs described by Subsection (a); and

(2) ensure that costs described by Subsection (a) are allocated to the customer classes eligible for participation in the energy conservation program.

(e) Authorizes energy conservation programs proposed under this section to be combined in a portfolio to provide incentives and services to encourage energy conservation. Provides that the portfolio:

(1) is required to be designed to overcome barriers to the adoption of energy-efficient equipment, technologies, and processes and be designed to change customer behavior as necessary; and

(2) is authorized to include measures such as:

(A) direct financial incentives;

(B) technical assistance and information, including building energy performance analyses performed by the local distribution company or a third party approved by the company;

(C) discounts or rebates for products; and

(D) weatherization for low-income customers.

(f) Provides that a proceeding filed under this section is not a ratemaking proceeding for the purposes of Section 103.022 (Rate Assistance and Cost Reimbursement).

(g) Requires a local distribution company implementing an energy conservation program under this subchapter to reimburse RRC for the utility's proportionate share of RRC's costs related to administration of reviewing and approving or denying cost recovery applications under this subchapter.

(h) Requires a local distribution company recovering costs of an energy conservation program under Subsection (a) to apply to RRC at least once every three years under this subchapter for review and approval of the company's energy conservation programs.

SECTION 2. Effective date: upon passage or September 1, 2023.