

BILL ANALYSIS

C.S.H.B. 4287
By: Metcalf
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Two years ago, Winter Storm Uri hit Texas and caused widespread power outages. As a response to severe weather events, Entergy has initiated pilot projects to offer commercial businesses up to 10 megawatts of natural gas backup generation. C.S.H.B. 4287 seeks to allow an electric utility operating in the portion of Texas included within the Southeastern Electric Reliability Council, such as Entergy, to provide backup electrical service to a nonresidential retail customer through a customer-sited distributed generation facility such as these natural gas backup generators. These investments can be hugely beneficial to Southeast Texas' generation capacity and support businesses that without power can experience significant losses of product or be unable to complete critical job functions.

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 this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 4287 amends the Utilities Code to authorize an electric utility that operates solely outside of ERCOT in areas of Texas included in the Southeastern Electric Reliability Council to provide backup electric service to a nonresidential retail customer through a customer-sited distributed generation facility. The bill requires the Public Utility Commission of Texas (PUC), on the petition of such an electric utility, to establish just and reasonable rates for backup electric service supplied using a customer-sited distributed generation facility, consistent with provisions of the Public Utility Regulatory Act governing electric utility rates, provided that costs are allocated as follows:

- if the facility is capable of directly supplying energy to the distribution system or of disconnecting the host customer from the distribution system when not being used to supply backup electric service to the host customer and thereby reducing system load, the PUC must allocate the cost of owning and operating the facility between the host customer and the utility's broader customer base, including an allocation of any margins from energy sales attributable to the facility to the host customer in reasonable proportion to the allocation of nonfuel costs; and
- the allocation of nonfuel costs to the host customer must be based on the cost to purchase, install, interconnect, own, operate, and maintain the facility that is above the utility's levelized avoided cost to install, own, operate, and maintain a single-cycle combustion turbine, on a per kilowatt basis, grossed up for avoided line losses based on the utility's transmission and distribution line loss factors last approved by the PUC.

In a rate proceeding in which the utility seeks to recover the full cost of the utility's investment in a customer-sited distributed generation facility that is interconnected to the utility's distribution system, the cost of the facility and backup electric service revenues must be allocated among customer classes on the same basis used to allocate the utility's distribution-level investments.

C.S.H.B. 4287 defines "customer-sited distributed generation facility" for these purposes as a dispatchable generation facility with a nameplate capacity of not more than 10 megawatts that is, as follows:

- installed on the electric utility's side of the retail meter;
- owned and operated by the electric utility;
- capable of generating and providing backup electric service to a customer during a power grid outage; and
- sited at or adjacent to the customer's premises.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 4287 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 revises the provision that it shares with the introduced requiring the PUC, with respect to a facility that is capable of directly supplying energy to the distribution system or of disconnecting the host customer from the distribution system when not being used to supply backup electric service to the host customer and thereby reducing system load, to allocate the cost of owning and operating the facility between the host customer and the utility's broader customer base, including an allocation of any margins from off-system energy sales attributable to the facility to the host customer in reasonable proportion to the allocation of nonfuel costs, by omitting the specification in the introduced that the energy sales the margins from which are included in the cost allocation are the margins from off-system energy sales.

The substitute revises the provision that it shares with the introduced requiring that, in a rate proceeding in which an electric utility seeks to recover investment in a customer-sited distributed generation facility that is interconnected to the utility's distribution system, the cost of the facility allocable to the utility's broader customer base be allocated among customer classes on the same basis used to allocate the utility's distribution-level investments as follows:

- by making the requirement applicable only in a proceeding in which an electric utility seeks to recover the full cost of its investment; and
- to require instead that all the cost of the facility, as well as backup electric service revenues, be allocated among customer classes on that same basis.