

BILL ANALYSIS

Senate Research Center
88R21631 CXP-F

C.S.S.B. 1050
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Natural Resources & Economic Development
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Committee Report (Substituted)

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.

C.S.S.B. 1050 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.

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 (RRC) in SECTION 1 of this bill.

ANALYSIS

C.S.S.B. 1050 amends the Utilities Code to authorize a gas utility that operates a retail gas distribution system to offer to customers and prospective customers and provide to customers a program that promotes energy conservation or energy efficiency. The bill grants RRC exclusive original jurisdiction over the energy conservation programs implemented by these local distribution companies. The bill prohibits a political subdivision served by a local distribution company that implements such a program approved by RRC from limiting, restricting, or otherwise preventing an eligible customer from participating in the program based on the type or source of energy delivered to the customer.

C.S.S.B. 1050 authorizes a local distribution company to recover costs prudently incurred to implement one or more energy conservation programs, including costs incurred to design, market, implement, administer, and deliver a program and an amount equal to the reduction in the company's marginal revenues due to the lower sales or demand resulting from the program, under the following conditions:

- the company applies to RRC at least once every three years for review and approval of the company's programs; and
- RRC approves cost recovery for the programs.

The bill requires a company's application to include the following:

- a summary of and objectives for the company's energy conservation programs;
- a description of each program;
- a proposed budget for each program;

- the projected consumption reduction or cost savings for each program; and
- any public input compiled by the company on the proposed programs as required by the RRC.

C.S.S.B. 1050 requires RRC by rule to require a local distribution company that implements an energy conservation program to submit to RRC an annual report on the performance of the programs for the preceding year and the company's planned energy conservation programs for the upcoming year. The bill authorizes RRC by rule to determine a cost recovery mechanism for timely recovery of program costs and ensure that the costs are allocated to the customer classes eligible for participation in the program.

C.S.S.B. 1050 authorizes proposed energy conservation programs to be combined in a portfolio to provide incentives and services to encourage energy conservation. The portfolio must be designed to overcome barriers to the adoption of energy-efficient equipment, technologies, and processes and be designed to change customer behavior as necessary. The portfolio may include measures such as direct financial incentives, technical assistance and information, product discounts or rebates, and weatherization for low-income customers.

C.S.S.B. 1050 establishes that a proceeding filed under the bill's energy conservation program cost recovery provisions is not a ratemaking proceeding for purposes of provisions of the Gas Utility Regulatory Act providing for rate assistance and cost reimbursement to a municipality. The bill requires a local distribution company implementing an energy conservation program to reimburse RRC for its proportionate share of RRC's costs related to administration of reviewing and approving or denying cost recovery applications under the bill's provisions.

EFFECTIVE DATE

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

COMPARISON OF INTRODUCED BILL AND SUBSTITUTE

While C.S.S.B. 1050 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 includes a requirement absent from the introduced for a local distribution company's application for cost recovery to include any public input compiled by the company on the proposed programs as required by RRC.

Whereas the introduced required RRC by rule to determine a cost recovery mechanism and ensure the applicable allocation of costs, the substitute authorizes RRC by rule to do so.

The substitute omits a provision present in the introduced that does the following:

- authorizes a local distribution company to purchase carbon offsets or credits to meet stated conservation objectives in the company's energy conservation programs; and
- entitles the company to recover the costs of the carbon offsets or credits through a purchased gas adjustment for operational emissions or as a regulatory asset for recovery in a future proceeding.

C.S.S.B. 1050 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) Authorizes a local distribution company to recover 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 an amount equal to the reduction in the local distribution company's marginal revenues due to the lower sales or demand resulting from the energy conservation program, if the company applies to RRC at least once every three years under this subchapter for review and approval of the company's energy conservation programs and if RRC approves cost recovery for the company's energy conservation programs.

(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 the performance of the company's energy conservation programs for the preceding year and the company's planned energy conservation programs for the upcoming year.

(c) Requires that an application submitted under Subsection (a) include a summary of and objectives for the local distribution company's energy conservation programs, a description of each program, a proposed budget for each program, the projected consumption reduction or cost savings for each program, and any public input compiled by the local distribution company on the proposed programs as required by RRC.

(d) Authorizes 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.

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