

BILL ANALYSIS

Senate Research Center
88R11080 CXP-F

S.B. 1866
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Business & Commerce
4/6/2023
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Two years ago, Winter Storm Uri hit Texas, resulting in widespread outages throughout the state. As a response to severe weather events, Entergy has initiated pilot projects to commercial businesses offering up to 10 megawatts of natural gas back up generation. S.B. 1866 allows for the expansion and formalization of this successful pilot project. This distributed generation program allows a utility to own and operate the natural gas back-up generation on the host customer site for a contractual fee for commercial interests like hospitals, cities, colleges and first responders. The utility will be permitted to run the unit for voltage support and supply generation to the grid. In the event of an outage, the host customer will have access to energy to support the needs to support running the commercial businesses operations. These investments can be hugely beneficial to Southeast Texas' generation capacity and supporting businesses that without power can experience significant losses of product or unable to complete critical job functions as well as providing additional power to support the reliability of the grid.

As proposed, S.B. 1866 amends current law relating to the use of customer-sited distributed generation facilities owned by certain non-ERCOT electric utilities.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter E, Chapter 36, Utilities Code, by adding Section 36.215, as follows:

Sec. 36.215. RECOVERY OF INVESTMENT IN DISTRIBUTED GENERATION AND RATES FOR BACKUP ELECTRIC SERVICE FOR CERTAIN NON-ERCOT UTILITIES. (a) Defines "customer-sited distributed generation facility" and "host customer."

(b) Provides that this section applies only to an electric utility that operates solely outside of ERCOT in areas of this state included in the Southeastern Electric Reliability Council.

(c) Authorizes an electric utility to provide backup electric service to a nonresidential retail customer through a customer-sited distributed generation facility.

(d) Requires the Public Utility Commission of Texas (PUC), on the petition of an electric utility, to establish just and reasonable rates for backup electric service supplied using a customer-sited distributed generation facility, consistent with Chapter 36 (Rates), provided that costs are allocated as follows:

(1) if a customer-sited distributed generation 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 is required to allocate the cost of owning and operating the facility between the host customer and the electric 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 as provided by Subdivision (2); and

(2) the allocation of nonfuel costs to the host customer is required to be based on the cost to purchase, install, interconnect, own, operate, and maintain a customer-sited distributed generation facility that is above the electric 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.

(e) Requires that the cost of the facility allocable to the utility's broader customer base, 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, be allocated among customer classes on the same basis used to allocate the utility's distribution-level investments.

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