

BILL ANALYSIS

C.S.H.B. 4290
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that oil and gas production in Texas generates substantial volumes of produced water—up to 20 million barrels per day in the Permian Basin alone—and that produced water contains up to 10 times the salinity of seawater and is typically considered waste; however, desalination is emerging as a viable option for transforming waste into usable water for agriculture and industry. The bill author has also informed the committee that heavy investment in data centers, which consume large amounts of electricity and fresh water, makes Texas well-positioned to integrate power generation, desalination, and data centers into behind-the-meter industrial complexes, which could alleviate strain on the power grid, reduce freshwater demand, and drive economic development. Current law permits cogeneration facilities to sell to a thermal host provided that the thermal byproducts are used in industrial processes to make industrial products, but digital products are not clearly defined as industrial products for these purposes. C.S.H.B. 4290 seeks to remedy this issue by expanding the facilities that are considered to be a cogeneration facility.

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. 4290 amends the Utilities Code to establish that, for purposes of the provisions governing electric utilities under the Public Utility Regulatory Act (PURA), a qualifying cogenerator, as defined by those provisions, unless the qualifying cogenerator is a municipally owned utility or an electric cooperative, includes an owner or operator of dispatchable generation that provides thermal, steam, or waste heat for use by a colocated desalination facility and serves a load used for the primary purpose of manufacturing digital products. Furthermore, the bill establishes that, for purposes of statutory provisions governing certificates of convenience and necessity with respect to electric utilities under PURA, the owner or operator of such a qualifying cogenerator is not considered to be a retail electric utility if the owner or operator of the qualifying cogenerator is providing electricity to a manufacturer of digital products and thermal, steam, or waste heat to a colocated desalination facility.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 4290 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 provision absent from the introduced excluding a qualifying cogenerator that is a municipally owned utility or an electric cooperative from the definition of "qualifying cogenerator" with respect to an owner or operator of a dispatchable generation that provides thermal, steam, or waste heat for use by a collocated desalination facility, and serves a load used for the primary purpose of manufacturing digital products.