

**SUBJECT:** Establishing the Texas Energy Coordinating Council as a state agency

**COMMITTEE:** Energy Resources — committee substitute recommended

**VOTE:** 9 ayes — Holzheuser, Hawley, Davis, Driver, Merritt, Moffat, Smithee, Torres, Wilson

**WITNESSES:** For — Donald Niemiec; Michael Roberts, Texas Energy Coordinating Council; Robert L. Wright, Union Carbide and Texas Energy Coordinating Council

Against — None

On — Mike Wiley, Texas Energy Coordinating Council

**BACKGROUND**  
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The 73rd Legislature created the Texas Energy Coordination Council, to coordinate energy policy and pursue energy research and alternative energy sources, and the Texas Committee on Energy Policy, to develop long-term energy policy for the state, make recommendations regarding energy use, and encourage cooperation between private and public sectors regarding energy-related matters.

The committee is composed of the governor, the lieutenant governor, the speaker of the House, the chair of the House Energy Resources Committee, the chair of the Senate Natural Resources Committee, a member of the Railroad Commission, a member of the Public Utility Commission and the state land commissioner. The committee is supposed to meet at least quarterly.

The ex-officio members of the 12-member energy council include a representative from Texas Tech University and directors of energy laboratories or programs at Texas A&M University, the University of Texas at Austin, the University of Houston, and West Texas State University.

The governor appoints the other members, including a representative each from the natural gas, oil, alternative fuels, electric utility industries; the Texas Sustainable Energy Development Council or renewable energy

industry; industrial energy consumers; and an energy consumer or environmental organization.

**DIGEST:** CSHB 3492 would abolish the Texas Committee on Energy Policy and establish the Texas Energy Coordination Council as a state agency. The council would be subject to sunset review and would be abolished on September 1, 1999, unless the Legislature voted to continue it.

The council's duties would include:

- advising and assisting the Legislature in developing plans, programs, cost benefit analysis, financial models and proposed legislation regarding energy policy and the improved use of energy resources in Texas;
- determining long-range needs, assessing potential problems and recommending policy priorities for the energy sector in the state;
- reporting biennially to the governor and the Legislature on actions necessary to promote an effective and efficient energy sector in Texas;
- forming consortia to study energy uses;
- reviewing all energy related grant applications; and
- approving energy-related research program proposed by state agencies, institutions of higher education and nonprofit research organizations or associations that receive state funding.

The council could enter into memorandums of understanding with any state agency, institution of higher education, and all nonprofit research organizations or associations to carry out its duties. It also could adopt administrative rules.

The bill would eliminate council duties relating to strategies for assessing energy resources; promoting energy efficiency in transportation; making recommendations to reduce the state's energy consumption; promoting energy efficiency in industry; assessing the interrelation between energy and

the environment; promoting the efficient use of renewable resources; evaluating the effects of existing energy taxes on the state economy; recommending new energy taxes to promote energy efficiency; promoting the use of energy research findings; coordinating energy research among state research programs; and promoting energy technologies in nonresource areas.

CSHB 3492 would eliminate the current method of funding the council, which ties appropriations to the amount of private funding received in the energy account.

**SUPPORTERS  
SAY:**

HB 3492 would focus the duties of the Texas Energy Coordinating Council, give it more authority to do its job and allow it to continue to provide needed oversight on state energy-related matters. The bill would eliminate the Texas Committee on Energy Policy, made up of state officials, because it has never met and obviously is not necessary to accomplish the council's mission. The committee's charge to develop long-term energy policy for the state would be transferred to the energy council, which has proven to be a capable body and well suited to these duties.

The energy council was created in 1993 to enable Texas universities, nonprofit organizations and industry to work together in a cooperative effect to determine the future of energy in the state. The council has done an exemplary job of fostering and coordinating university and nonprofit research efforts relating to reducing energy use, storing energy and maximizing recovery of petroleum resources, like tight-sands oil, at minimum cost to the state. Under CSHB 3492, the council would become a repository for energy-related information and act as a research arm and information source on energy-related matters.

The bill would give the council the authority it needs to oversee and coordinate energy matters in Texas by allowing it to review and approve any energy-related research programs at state agencies, institutions of higher education and state-funded nonprofit organizations. To eliminate duplicative effort in energy grants, the council would be required to review all energy-related grant applications.

CSHB 3492 would allow the council to concentrate its efforts on energy policy and resources rather than on reducing energy consumption and promoting energy efficiency. The council has already established the Building Energy Institute to study and research demand-side management issues.

The council is a nonpolitical group that is interested in good energy policy for the state of Texas. Because no one industry dominates the council and nearly half the members are academics, the council could not be unduly influenced by any one segment of the energy industry.

Making the energy council a state agency would help clarify its status and would put it under legislative scrutiny. The bill would require that the council undergo sunset review in the next two years, which would determine whether it is worthy of continuation.

The council would be funded through a rider in the proposed general appropriations bill that would appropriate \$500,000 from the oil overcharge fund.

**OPPONENTS  
SAY:**

CSHB 3492 would add an additional layer of bureaucracy for universities and agencies seeking to acquire energy-related grants from any source, including the federal government. Furthermore, the bill would give power to control energy-related programs at universities and state agencies to an appointed body, whose members could have direct conflict-of-interest regarding the decisions being made.

Universities and state agencies involved in energy-related research, such as the General Land Office and the Railroad Commission, should not have to seek prior approval for energy programs and grant applications from an appointed committee at the committee's demand. The heads of these two agencies are elected officials and the responsibility for their programs should be the agency's purview, not that of a committee with a majority appointed by the governor. Furthermore, industry representatives could easily side with the university programs they help fund to ensure that those would be the only programs approved by the council.

Authorizing the committee to review all energy-related grant applications would be an unnecessary exercise that could require hiring additional staff members. Given the competitiveness of academia, allowing representatives from UT Austin, Texas A&M, Texas Tech, University of Houston and West Texas State University to exert control of energy-related grants and programs of other universities could prove to be troublesome. Furthermore, it would be unfair to allow representatives from five universities to decide what energy research other universities or state agencies may pursue. There is nothing wrong with having two universities pursue similar studies. Unanticipated discoveries are made in the research stage. Also, scientists frequently want their results verified by two studies.

The bill would also delete the current requirement that the council promote renewable energy research, assess the interrelationship between energy and the environment, and promote energy efficiency. These energy issues are essential to good overall energy policy — energy saved is energy found. Texas now imports more energy than it produces; the state needs to keep its eyes open to new forms of energy rather than relying on discovery of another Spindletop.

The council was created in 1993 with the express intent that it would not become a state agency — only four years later it would become a new state agency. The functions and services of this agency could be served equally as effectively through an advisory board or commission created under the auspices of an existing agency.

NOTES:

The committee substitute added Texas river authorities to the groups included under the definition of state agency, deleted language regarding the initial appointment of the council, and added the governor to the list of those who would receive the council's biennial report.