

## BILL ANALYSIS

Senate Research Center

S.B. 1725  
By: Cain  
Finance  
4/9/2001  
As Filed

### DIGEST AND PURPOSE

Currently, new ultra-low emission technologies are needed in Texas. The use of fuel cell technology is perhaps one of the only clear solutions on the horizon to address the need for reliable and clean power in the urban areas of the state. As proposed, S.B. 1725 allows the use of monies in the Loanstar Loan Program to be used by the State Energy Conservation Office to accelerate the commercialization of fuel cells in Texas.

### 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 the heading of Section 2305.032, Government Code, to read as follows:

Sec. 2305.032. LOANSTAR FUND

SECTION 2. Amends Section 2305.032, Government Code, by amending Subsection (f) and adding Subsections (g) through (n), as follows:

(f) Requires the state energy conservation office of the General Services Commission (energy office) to allocate at least \$95 million, including loan commitments and cash on hand, to the loanstar fund, which shall be used to provide loanstar loans as authorized by this section and for the funding of a Texas Fuel Cell Commercialization Initiative. Requires the energy office to administer the funds under its control, as appropriate, to assure a smooth and complete transition from the use of the funds for the loanstar loan program to the expenditure of funds for the Texas Fuel Cell Commercialization Initiative over no more than a two year period.

(g) Requires the energy office to form a fuel cell advisory committee (advisory committee) to help the energy office determine the most cost effective means to foster the accelerated commercial development and availability of clean small-scale fuel cell technology to Texas residents and businesses, and to encourage the growth of the fuel cell industry, and related products and services, in Texas. Requires the advisory committee to provide guidance to the energy office in development of program participation standards, system installation and technical performance standards, and establishment of standards for monitoring and evaluation of systems installed under the program. Requires the advisory committee to include representatives of the fuel cell industry, energy services providers, electric transmission and distribution utilities and retail electric providers, as well as small customers.

(h) Provides that the energy office is responsible for creation, and administration, of a Texas Fuel Cell Commercialization Initiative, a program of standard-offer incentives, to competitively promote and facilitate the accelerated commercialization of clean small-scale fuel cell power generation and small combined heat and power fuel cell systems, particularly for use in areas

the state which are in nonattainment or near-nonattainment with the Clean Air Act.

(i) Requires incentives to be made available to competitive companies, which install the systems on customer premises at the customer's request. Requires installing companies to demonstrate proper installation and system performance in order to claim the incentive. Requires incentives to be performance; or production-based, and to be designed to encourage competitive pricing, as well as accelerate the adoption of fuel cell technology, to the extent feasible.

(j) Requires the energy office to adopt the necessary and appropriate rules to implement the Texas Fuel Cell Commercialization initiative, in order to launch the Initiative publicly no later than January 1, 2003. Requires the rules to provide for the smooth transition from the current use of the Loanstar fund to implementation of the Texas Fuel Cell Commercialization Initiative, allowing for completion of existing projects being financed, and a diminishing rate of financing of new projects, in order to allow for the timely expansion of the new Texas Fuel Cell Commercialization Initiative.

(k) Requires the energy office to amend the State Energy Plan to encompass the initiative authorized by this section, and to pursue the approval of the United States Department of Energy for use of federally allocated funds as necessary to meet the deadline imposed in Subsection (j).

(l) Authorizes the energy office to use five percent of the funds allocated to the Texas Fuel Cell Commercialization Initiative for administrative costs and for education-related efforts associated with the initiative. Authorizes the energy office to use up to 10 percent (additional five percent) for administration and education or development related efforts associated with the initiative which the advisory committee agrees would enhance the overall impact of the program.

(m) Requires energy office to report to the Legislative Budget Board (LBB) annually on the progress of the initiative authorized by this section, or more often if appropriate. Requires the energy office to also provide the LBB with the modified State Energy Plan, and an accounting for Oil Overcharge Restitution Fund conversion and expenditures.

(n) Requires the energy office to endeavor to cooperate with and seek the assistance and support of the Texas Natural Resource Conservation Commission and the Public Utility Commission, and other state or local agencies as appropriate, in development of program plans, rules and guidelines, or operating procedures.

SECTION 3. Effective date: September 1, 2001.