

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1230
By: Estes
Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The City of Denton has applied for a permit to construct and operate a combined heat and power plant (CHP), also known as a cogeneration facility, to be located in Denton, Texas. Construction of the plant is slated to begin in July of 2011.

CHP plants are considered to be a form of "green energy" and reduce greenhouse gases, a critical goal particularly in nonattainment air quality zones. While conventional boilers and chillers typically discharge waste heat into atmosphere, CHP plants "recycle" waste heat to produce additional energy commodities such as chilled water for cooling and steam for heating. CHP plants require less fuel to produce a given energy output as compared to conventional boilers and chillers, and avoid transmission and distribution losses that occur when electricity travels over power lines. The efficiency of CHP plans is approximately 85 percent while the efficiency of conventional plants is traditionally much less.

The Denton CHP facility will provide customers with an efficient, clean, "green" and secure source of power and thermal energy commodities such as steam and chilled water. The plan will be powered by natural gas.

C.S.S.B. 1230 amends current law relating to the construction and operation of combined heating and power facilities in certain municipalities.

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 Z, Chapter 552, Local Government Code, by adding Section 552.913, as follows:

Sec. 552.913. COMBINED HEATING AND POWER SYSTEMS IN CERTAIN MUNICIPALITIES. (a) Provides that this section applies only to a home-rule municipality that:

- (1) has a population of more than 100,000;
- (2) owns and operates an electric utility that is a member of a municipal power agency; and
- (3) is located in a county adjacent to a county with a population of more than two million.

(b) Provides that to the extent that this section conflicts with a municipal charter provision, this section controls.

(c) Authorizes a municipality to buy, own, construct, maintain, and operate a combined heating and power system or plant and related infrastructure.

(d) Authorizes the governing body of the municipality to designate a combined heating and power economic development district that includes territory that:

(1) is within three miles of the combined heating and power plant;

(2) is wholly located within the corporate boundaries of the municipality;
and

(3) does not have an interstate or federal highway located within the boundaries of the district on the date the territory is designated.

(e) Authorizes the municipality to sell an energy commodity from the system or plant, including electricity, chilled water, steam, or gas. Authorizes the municipality to sell gas only to industrial customers located in the combined heating and power economic development district.

(f) Requires the municipality to assess fees against a municipal entity selling gas to industrial customers in the combined heating and power economic district that are substantially the same as the fees assessed against a gas utility that is not owned by the municipality for occupation of a municipal right-of-way.

SECTION 2. Effective date: upon passage or September 1, 2011.