

BILL ANALYSIS

Senate Research Center
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S.B. 1050
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, natural gas local distribution companies (LDCs) may enact energy conservation programs within a municipality if the company and municipality agree on the program's rates and structure. An LDC can serve several hundred cities; thus, programs in each municipality may be appreciably different and, therefore, difficult to administer effectively. S.B. 1050 seeks to create statewide conservation programs approved by the Railroad Commission of Texas for utilities that wish to participate. These programs can be used to offer rebates for more efficient appliances and provide weatherization assistance or other tools to residential and commercial customers in the municipalities and extraterritorial jurisdictions served by the utility.

As proposed, S.B. 1050 amends current law relating to the authority of a natural gas local distribution company to offer energy conservation programs.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Section 104.403, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 104, Utilities Code, by adding Subchapter J, as follows:

SUBCHAPTER J. NATURAL GAS ENERGY CONSERVATION PROGRAMS

Sec. 104.401. DEFINITIONS. Defines "energy conservation program" and "local distribution company."

Sec. 104.402. ENERGY CONSERVATION PROGRAM AUTHORITY. (a) Authorizes a local distribution company to offer to customers and prospective customers and provide to customers an energy conservation program in the manner provided by this subchapter.

(b) Provides that the Railroad Commission of Texas (RRC) has exclusive original jurisdiction over energy conservation programs implemented by local distribution companies.

(c) Prohibits a political subdivision served by a local distribution company that implements an energy conservation program approved by RRC under this subchapter from limiting, restricting, or otherwise preventing an eligible customer from participating in the energy conservation program based on the type or source of energy delivered to the customer.

Sec. 104.403. ENERGY CONSERVATION PROGRAM COST RECOVERY. (a) Authorizes a local distribution company to recover costs prudently incurred to implement one or more energy conservation programs if the company applies to RRC at least once every three years under this subchapter for review and approval of the company's energy conservation programs and RRC approves cost recovery for the company's energy conservation programs.

(b) Requires RRC by rule to require a local distribution company that implements an energy conservation program under this subchapter to submit to RRC an annual report on the performance of the company's energy conservation programs for the preceding year and the company's planned energy conservation programs for the upcoming year.

(c) Requires that an application submitted under Subsection (a) include a summary of and objectives for the local distribution company's energy conservation programs, a description of each program, a proposed budget for each program, and the projected consumption reduction or cost savings for each program.

(d) Requires RRC by rule to:

(1) determine a cost recovery mechanism for timely recovery of all costs incurred in implementing an energy conservation program, including:

(A) costs incurred to design, market, implement, administer, and deliver an energy conservation program; and

(B) an amount equal to the reduction in the local distribution company's marginal revenues due to the lower sales or demand resulting from the energy conservation program; and

(2) ensure that costs associated with an energy conservation program are allocated to the customer classes eligible for participation in the energy conservation program.

(e) Authorizes energy conservation programs proposed under this section to be combined in a portfolio to provide incentives and services to encourage energy conservation. Provides that the portfolio:

(1) is required to be designed to overcome barriers to the adoption of energy-efficient equipment, technologies, and processes and be designed to change customer behavior as necessary; and

(2) is authorized to include measures such as:

(A) direct financial incentives;

(B) technical assistance and information, including building energy performance analyses performed by the local distribution company or a third party approved by the company;

(C) discounts or rebates for products; and

(D) weatherization for low-income customers.

(f) Provides that a local distribution company is authorized to purchase carbon offsets or credits to meet stated conservation objectives in the company's energy conservation programs and is entitled to recover the costs of the carbon offsets or credits through a purchased gas adjustment for operational emissions or as a regulatory asset for recovery in a future proceeding.

(g) Provides that a proceeding filed under this section is not a ratemaking proceeding for the purposes of Section 103.022 (Rate Assistance and Cost Reimbursement).

(h) Requires a local distribution company implementing an energy conservation program under this subchapter to reimburse RRC for the utility's proportionate

share of RRC's costs related to administration of reviewing and approving or denying cost recovery applications under this subchapter.

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