

Senate Business & Commerce Committee

July 10, 2012 Interim Hearing

Ken Anderson, Commissioner

Public Utility Commission or Texas

Agency Update

Follow up from last interim hearing:

During the last committee hearing Sen. Van de Putte asked for information regarding the Tres Amigas and Southern Cross projects. A letter explaining these projects and their current status has been delivered to the committee.

Status of the implementation of last session's key legislation:

- **Project #: 39797, SB 365 (Ogden) & SB 981 (Carona) “Distributed Renewable Generation”**

The adopted rules added a definition for distributed natural gas generation facility; modified the definition of parallel operation to recognize third-party DG ownership; limited the applicability of the section to cooperatives to a single subsection; placed the burden on the DG owner to report any changes in ownership or cessation of operations to the electric utility; amended the definition of distributed renewable generation owner (DRGO) to include retail electric customers that contract with third parties and clarify that this definition applies statewide; and added a section that specifies which DRG owners are not required to register with or be certified by the Commission for purposes of DRG.

Status: Rule Adopted at May 18, 2012 Open Meeting

- **Project #: 39829, HB 1064 (Pitts, Sp: Eltife) “Demand Ratchet”**

The adopted rule updates commission procedures regarding demand ratchets and establishes the standards by which certain nonresidential customers of transmission and distributions utilities (such as churches, parks and community

centers) are exempted from the use of ratchets with respect to their billings for electric service.

Status: Rule Adopted at May 18, 2012 Open Meeting

- **Project #: 39937, SB 980 (Carona) “High Cost Fund Review”**

The adopted rule provides reductions in Texas High Cost Universal Service Plan (THCUSP) support for Local Exchange Carriers (LECs) based on the difference between current rates for basic local exchange service and a reasonable rate to be determined by the commission. The rule also provides an option whereby an incumbent LEC may choose to reduce its support to zero over a five-year period.

Status: Rule Adopted at June 13, 2012 Open Meeting

Subsequently, Project #: 45021 was opened on July 2, 2012 to implement the rule as adopted. This docket is a contested case in which a reasonable rate will be established for each of the LECs that participate in the THCUSP. LECs are due to file data required for the rule’s implementation on July 11th, and all parties are due to file proposals for a “reasonable rate” by July 23rd.

- **Project #: 39674, SB 1125 & SB 1434 (Carona), SB 1910 (Rodriquez) “Energy Efficiency Rule”**

The proposed amendments include the addition of an evaluation, measurement, and verification (EM&V) framework and accompanying definitions which will result in the commission hiring an outside consultant(s) to develop a process that ensures accurate estimation of energy and demand impacts and will provide feedback to the commission, utilities, and stakeholders on program performance. The amendments make several revisions to the energy efficiency cost recovery factor (EECRF) proceedings, including revising the procedural schedule and scope of the EECRFs and replacing the three-year reconciliation proceeding with an expanded annual EECRF proceeding.

Other amendments include updating the avoided cost calculations to account for the transition to a nodal market in the Electric Reliability Council of Texas (ERCOT);

increasing the demand reduction goals to 30% of annual growth in demand beginning in 2013; setting the bonus at a maximum of 10% of total net benefits; adding provisions for utility self-delivered programs; revising load management programs by requiring more coordination with ERCOT; increasing the set-aside for targeted low-income programs to 10% of the utility's budget; formalizing the energy efficiency implementation project (EEIP) process; and revising the customer protection standards and applicable definitions to allow behavioral programs.

Status: Possible Rule Adopted in Sept.

- **Project #: 40073, HB 2133 (Solomons, Sp: Fraser) “Disgorgement”**

The proposed rule would establish procedures to return excess revenues to affected wholesale electricity market participants when the commission has ordered disgorgement of those excess revenues in an enforcement proceeding.

Status: Possible Rule Adopted in Late Sept.

- **Project #: 40269, SB 937 (Lucio) “Priority Service Restoration”**

The proposed rule would require an electric utility to give nursing facilities, assisted living facilities, and hospice facilities the same priority that it gives to a hospital in the utility's emergency operations plan for restoring power after an extended outage.

Status: Possible Rule Adopted in Late Sept.

- **Project #: 39936, SB 980 (Carona) “Report to the Legislature on TUSF”**

This project is being undertaken to review and evaluate whether the universal service fund accomplishes the fund's purposes, as prescribed by PURA Section 56.021, or whether changes are necessary to accomplish those purposes.

Status: Commission staff held a workshop to give interested parties an opportunity for input and the staff is drafting the report to be delivered to the legislature by Nov. 1.

- **Project #: 39938, SB 980 (Carona) “Small & Rural ILEC Universal Service Fund”**

The proposed rule provides for reductions in support for companies in the Small and Rural Incumbent Local Exchange Company Universal Service Plan and an opportunity to offset all or part of those reductions with increases in rates for basic local telecommunications service.

Status: Possible Rule Adopted in Mid-Sept.

- **Project #:39939, SB 980 (Carona) “TUSF Administration”**

The purpose of the proposed rule amendment is to further ensure reasonable transparency and accountability in the administration of the TUSF. A proposal for publication was approved in the June 13 Open Meeting. Final comments are due August 8th.

Status: Possible Rule Adopted in Late Aug.

Non-legislatively Mandated Rulemakings:

- **Project #: 39917 “Energy Storage”**

The adopted rule provides that electricity purchased by the owner or operator of energy storage equipment or facilities for later re-generation and re-sale as energy or ancillary services will be a wholesale transaction and will be settled nodally. The electricity used to charge the storage facility will be separately metered from any other load at the facility, and as a wholesale transaction, will not pay charges or fees associated with the retail purchase of electricity. However, the electricity used to charge the storage facility will be subject to ancillary service charges.

Status: Rule Adopted at May 7, 2012 Open Meeting

- **Project #: 40150 “ERCOT Pilot Program”**

The adopted rule gives ERCOT the authority to conduct pilot projects and allow ERCOT to grant temporary exceptions from ERCOT rules, as necessary to

effectuate the purposes of the pilot projects. This will allow for pilot programs involving advanced technologies like large scale energy storage to be explored within the ERCOT region.

Status: Rule Adopted at May 18, 2012 Open Meeting

- **Project #: 37897 “System-Wide Offer Cap”**

The adopted rule increases the high system-wide offer cap (SWOC) from \$3,000 to \$4,500/mWh beginning August 1, 2012. This measure is applicable to resources within the ERCOT market to ensure that the price signals in the ERCOT market are adequate to maintain continuous electric supply.

Status: Rule Adopted at June 28, 2012 Open Meeting

- **Project #:39948 “Emergency Response Service”**

The adopted rule renamed Emergency Interruptible Load Service (EILS) to Emergency Response Service (ERS) and allowed distributed generators (back-up gen & DGs) to participate in ERS by injecting energy onto the grid. The rule also granted ERCOT additional flexibility in managing the ERS program by implementing program design through the stakeholder process, changed the minimum offer size from 1 MW to 100 KW and removed the 1000 MW cap.

Status: Rule Adopted at March 23, 2012 Open Meeting