

- SUBJECT:** Exempting certain electric cooperatives from gas utility regulations
- COMMITTEE:** State Affairs — favorable, without amendment
- VOTE:** 13 ayes — Cook, Menendez, Craddick, Frullo, Gallego, Geren, Harless, Hilderbran, Huberty, Oliveira, Smithee, Solomons, Turner
- 0 nays
- WITNESSES:** For — Mark Schwartz, Golden Spread Electric Cooperative; (*Registered, but did not testify*: Eric Craven, Texas Electric Cooperatives)
- Against — None
- BACKGROUND:** The Golden Spread Electric Cooperative provides electric service to 16 rural distribution cooperative members. Golden Spread’s member-systems serve more than 213,000 consumers in the Panhandle, South Plains, and Edwards Plateau regions of Texas.
- Golden Spread currently is constructing the Golden Spread Panhandle Wind Ranch, a 78.2-megawatt wind generation project that is expected to generate up to 350,000 megawatt-hours of energy each year, the equivalent of the energy used by about 30,000 homes.
- Golden Spread also is constructing Antelope Station, a 168-megawatt natural gas-fired generating station near Abernathy that will provide energy to serve the summer peak demand of approximately 67,000 homes. Considered a “quick-start” generator because it can reach full output in less than 10 minutes, this unit will serve as backup generation for the Golden Spread Panhandle Wind Ranch.
- Golden Spread owns the Fort Concho underground natural gas storage facility near San Angelo, which is designed to help quick-start generating units such as Antelope Station produce energy when wind energy generation subsides. The Fort Concho gas storage facility is the only known facility of its kind. It is expected to be fully operational by the end of 2011.

DIGEST: HB 1165 would amend the Utilities Code and the Natural Resources Code to exclude from regulation as a gas utility an electric cooperative that sells electricity at wholesale and provides gas storage services for hire if the gas storage facility was predominantly operated to support the integration of renewable resources. In order to qualify for the exclusion, such a gas storage facility could not have a working gas capacity of more than five billion cubic feet.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2011.

**SUPPORTERS
SAY:**

When electric cooperatives expand power plants to include wind energy, backup generation is necessary to supplement the intermittent nature of wind power. HB 1165 would enable the Golden Spread Electric Cooperative to use the Fort Concho gas storage facility to support its integration of wind energy without exposing the cooperative to the regulations of a true gas utility. State regulations make natural gas storage more expensive, more bureaucratic, and less economically feasible in an already strained economic climate. The Fort Concho facility still would be regulated for safety purposes, since the Railroad Commission must monitor all gas pipeline facilities, not just gas utilities, for safety.

Under current law, if an electric cooperative provides gas storage to any third party, even on a short-term basis, the cooperative is considered a gas utility. As a gas utility, the cooperative could be forced to offer storage services to all third parties, thereby reducing the available storage capacity needed to support the timely integration of wind energy. HB 1165 would allow Golden Spread to offset the expense of obtaining and maintaining a natural gas storage facility by allowing it to offer short-term gas storage services to other entities while not requiring it to offer such services to all third parties. The gas storage services could be short term and subject to termination if wind power dropped and the facility was needed for quick-start generation.

The bill would encourage energy diversity by applying the exemption only to facilities that operated predominantly to support the integration of renewable resources.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The Senate companion bill, SB 312 by Seliger, passed the Senate by 31-0 on March 17 and has been referred to the House State Affairs Committee.