BILL ANALYSIS

Senate Research Center
82R13923 KJM-D

H.B. 3268
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Natural Resources
5/16/2011
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Small natural gas reciprocating engines and combustion turbines are considered to be essential to combined heat and power applications. It has been reported that there is potential for additional economic combined heat and power of more than 10,000 megawatts within the next 15 years and that combined heat and power applications offer numerous benefits, including reductions in fuel consumption and energy costs, deferral of transmission and distribution system upgrades, and reduction in air emissions.

It has been noted by interested parties that an entity applying for a permit for a combined heat and power unit must comply with the criteria for the standard permit for an electric generating unit or go through the full permitting process, which carries a burdensome cost in time and money for a small system. Observers note that large generating plants have a significant technological advantage over a combined heat and power systems because the commercially available low nitrogen oxide combustion systems are supplemental with selective catalytic reduction technologies that are not practical for smaller units. It is also noted that in order to achieve a reduction of air emissions using combined heat and power units, legislation is required to provide for a permitting mechanism for air contaminants emitted from stationary natural gas engines used in a combined heat and power project.

H.B. 3268 aims to provide for this mechanism by making statutory changes relating to permits for air contaminant emissions of stationary natural gas engines used in combined heat and power systems.

H.B. 3268 amends current law relating to permits for air contaminant emissions of stationary natural gas engines used in combined heating and power systems.

[Note: While the statutory reference in this bill is to the Texas Natural Resource Conservation Commission (TNRCC), the following amendments affect the Texas Commission on Environmental Quality, as the successor agency to TNRCC.]

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTION 1 (Section 382.051865, Health and Safety Code) and SECTION 2 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 382, Health and Safety Code, by adding Section 382.051865, as follows:

> Sec. 382.051865. STATIONARY NATURAL GAS ENGINES USED IN COMBINED HEATING AND POWER SYSTEM. (a) Provides that, in this section, "natural gas engine" includes a natural gas internal combustion engine, natural gas stationary internal combustion reciprocating engine, and natural gas turbine. Provides that the term does not include a natural gas engine that powers a motor vehicle.
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> (b) Provides that this section applies only to a stationary natural gas engine used in a combined heating and power system.

(c) Requires the Texas Natural Resource Conservation Commission (TNRCC) to issue a standard permit or permit by rule for stationary natural gas engines used in a combined heating and power system that establishes emission limits for air contaminants released by the engines.

(d) Authorizes TNRCC in adopting a standard permit or permit by rule under this section to consider:

(1) the geographic location in which a stationary natural gas engine to be used, including the proximity to an area designated as a nonattainment area;

(2) the total annual operating hours of a stationary natural gas engine;

(3) the technology used by a stationary natural gas engine;

(4) the types of fuel used to power a stationary natural gas engine; and

(5) other emission control policies of the state.

(e) Prohibits TNRCC in adopting a standard permit or permit by rule under this section from distinguishing between the end-use functions powered by a stationary natural gas engine.

(f) Requires TNRCC to provide for the emission limits for stationary natural gas engines subject to this section to be measured in terms of air contaminant emissions per unit of total energy output. Requires TNRCC to consider both the primary and secondary functions when determining the engine's emissions per unit of energy output.

SECTION 2. Requires the Texas Commission on Environmental Quality, not later than September 1, 2012, to adopt any rules required to implement Section 382.051865, Health and Safety Code, as added by this Act.

SECTION 3. Effective date: upon passage or September 1, 2011.