

SUBJECT: Exempting certain electric cooperatives from gas utility regulations

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 8 ayes — Solomons, Cook, Geren, Harless, Hilderbran, Lucio, Swinford, S. Turner

0 nays

1 present not voting — Oliveira

6 absent — Menendez, Craddick, Farabee, Gallego, Jones, Maldonado

WITNESSES: For — Mark Schwirtz, Golden Spread Electric Cooperative, Inc.; (*Registered, but did not testify:* Earl Brown, Campbell McGinnis, Robert O’Neil, Golden Spread Electric Cooperative, Inc.; Fredda Buckner, Big Country Electric Cooperative; Greg Hinley, Lyntegar Electric Cooperative, Inc.; Mike Williams, Texas Electric Cooperative; Steve Williams, Golden Spread Electric Cooperative and Southwest Texas Electric Cooperative)

Against — None

DIGEST: CSHB 4107 would amend the Utilities 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. Such a gas storage facility would be prohibited from having a working gas capacity of greater 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, 2009.

SUPPORTERS SAY: CSHB 4107 would create an exception to allow an electric cooperative to provide gas storage services without being subject to Federal Energy Regulatory Commission (FERC) regulation. When electric cooperatives and their subsidiaries expand their services, many of them enter the market for distribution of combustible hydrocarbon natural gas because natural

gas is an abundant fuel source. Using underground storage facilities on behalf of the customer to store this gas would be a simple service. This service should not subject the electric cooperative to the jurisdiction of true gas utilities under the FERC as a component of the Natural Gas Act.

CSHB 4107 would help support energy diversity by making the exemption conditional to those facilities that were operated wholly or partly to support integration of renewable resources. For example, this would allow rural electric cooperatives to utilize wind energy for the generation of electric power while being assured that the stored natural gas would provide back-up generation for the times of the day when the wind was not blowing. FERC regulation unnecessarily would make the storage of this natural gas more expensive, more bureaucratic, and in turn, less economically feasible in an already strained economic climate.

**OPPONENTS
SAY:**

No apparent opposition.

NOTES:

The companion bill, SB 2236 by Seliger, passed the Senate by 31-0 on April 29 and has been referred to the House State Affairs Committee.