

BILL ANALYSIS

Senate Research Center
83R2793 JJT-F

S.B. 405
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Business & Commerce
3/1/2013
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texans today are served by an electricity system that boasts a diverse resource base (fossil, renewable, and nuclear) that works as a hedge against regulatory and economic swings. Future citizens of Texas deserve to enjoy those same benefits and, for new nuclear generation to have a future role in the Electric Reliability Council of Texas (ERCOT), the legislature must act.

The federal Nuclear Regulatory Commission (NRC) has requirements regarding the funding to decommission, that is, to deconstruct, a nuclear plant at the end of its operating life.

NRC requires a decommissioning funding mechanism and, in ERCOT's competitive electricity market, the nuclear project owner must bear the decommissioning costs. In a traditional regulated market, decommissioning costs are borne by captive ratepayers through rates approved by the Public Utility Commission (PUC).

The 80th Legislature, Regular Session, 2007, passed H.B. 1386, which established a state funding program for decommissioning to ensure that new nuclear generating projects in Texas' competitive market can satisfy NRC requirements and can adequately protect customers.

Subsequent to passage of H.B. 1386, PUC set up the administrative rules necessary to implement the statute.

Construction of a proposed nuclear project must begin before January 1, 2015, in order to qualify for the H.B. 1386 program. At the time H.B. 1386 was passed, one or more proposed projects were expected to meet this requirement. However, due to recent international industry events, the current economic environment, and low natural gas prices, no proposed projects or any future projects that may take advantage of breakthrough technologies can meet this deadline.

This legislation extends the construction deadline until January 1, 2033, preserving the option for development of economically feasible nuclear generation in ERCOT for 20 years. This legislation makes no other changes to the program established by H.B. 1386 or to the subsequent PUC rules implementing the program.

As proposed, S.B. 405 amends current law relating to the applicability of state law regulating the decommissioning costs of certain newly constructed commercial nuclear-powered electric generating facilities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 39.206(a)(3), Utilities Code, to redefine "nuclear generating unit."

SECTION 2. Amends Section 39.206(b), Utilities Code, to provide that this section applies only to the first six nuclear generating units the construction of which begins on or after January 1, 2013, and before January 1, 2033, rather than the first six nuclear generating units under

construction by January 1, 2015, and which are owned in whole or in part by a power generation company that elects to utilize the decommissioning mechanism set forth in this section.

SECTION 3. Effective date: upon passage or September 1, 2013.