

1-1 By: Nichols S.B. No. 1866
 1-2 (In the Senate - Filed March 8, 2023; March 20, 2023, read
 1-3 first time and referred to Committee on Business & Commerce;
 1-4 April 18, 2023, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 10, Nays 0; April 18, 2023,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10			X	
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18	X			
1-19	X			

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 1866 By: King

1-21 A BILL TO BE ENTITLED
 1-22 AN ACT

1-23 relating to the use of customer-sited distributed generation
 1-24 facilities owned by certain non-ERCOT electric utilities.

1-25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-26 SECTION 1. Subchapter E, Chapter 36, Utilities Code, is
 1-27 amended by adding Section 36.215 to read as follows:

1-28 Sec. 36.215. RECOVERY OF INVESTMENT IN DISTRIBUTED
 1-29 GENERATION AND RATES FOR BACKUP ELECTRIC SERVICE FOR CERTAIN
 1-30 NON-ERCOT UTILITIES. (a) In this section:

1-31 (1) "Customer-sited distributed generation facility"
 1-32 means a dispatchable generation facility that is installed on the
 1-33 electric utility's side of the retail meter and owned and operated
 1-34 by the electric utility:

1-35 (A) with a nameplate capacity of not more than 10
 1-36 megawatts;

1-37 (B) that is capable of generating and providing
 1-38 backup electric service to a customer during a power grid outage;
 1-39 and

1-40 (C) sited at or adjacent to the customer's
 1-41 premises.

1-42 (2) "Host customer" means a customer receiving backup
 1-43 electric service under this section.

1-44 (b) This section applies only to an electric utility that
 1-45 operates solely outside of ERCOT in areas of this state included in
 1-46 the Southeastern Electric Reliability Council.

1-47 (c) An electric utility may provide backup electric service
 1-48 to a nonresidential retail customer through a customer-sited
 1-49 distributed generation facility.

1-50 (d) The commission, on the petition of an electric utility,
 1-51 shall establish just and reasonable rates for backup electric
 1-52 service supplied using a customer-sited distributed generation
 1-53 facility, consistent with this chapter, provided that costs are
 1-54 allocated as follows:

1-55 (1) if the facility is capable of directly supplying
 1-56 energy to the distribution system or of disconnecting the host
 1-57 customer from the distribution system when not being used to supply
 1-58 backup electric service to the host customer and thereby reducing
 1-59 system load, the commission shall allocate the cost of owning and
 1-60 operating the facility between the host customer and the electric

2-1 utility's broader customer base, including an allocation of any
2-2 margins from energy sales attributable to the facility to the host
2-3 customer in reasonable proportion to the allocation of nonfuel
2-4 costs as provided by Subdivision (2); and

2-5 (2) the allocation of nonfuel costs to the host
2-6 customer must be based on the cost to purchase, install,
2-7 interconnect, own, operate, and maintain the facility that is above
2-8 the electric utility's levelized avoided cost to install, own,
2-9 operate, and maintain a single-cycle combustion turbine, on a per
2-10 kilowatt basis, grossed up for avoided line losses based on the
2-11 utility's transmission and distribution line loss factors last
2-12 approved by the commission.

2-13 (e) In a rate proceeding in which an electric utility seeks
2-14 to recover the utility's investment in a customer-sited distributed
2-15 generation facility that is interconnected to the utility's
2-16 distribution system:

2-17 (1) the full cost of the utility's investment is
2-18 eligible for recovery; and

2-19 (2) the cost of the facility and backup electric
2-20 service revenues must be allocated among customer classes on the
2-21 same basis used to allocate the utility's distribution-level
2-22 investments.

2-23 SECTION 2. This Act takes effect immediately if it receives
2-24 a vote of two-thirds of all the members elected to each house, as
2-25 provided by Section 39, Article III, Texas Constitution. If this
2-26 Act does not receive the vote necessary for immediate effect, this
2-27 Act takes effect September 1, 2023.

2-28 * * * * *