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To: The Honorable Armando Walle, Chair, House Appropriations Subcommittee
on Articles VI, VII & VIII
The Honorable Cecil Bell, Vice-Chair
The Honorable Alex Dominguez, Member
The Honorable Ed Thompson, Member
The Honorable Steve Toth, Member

March 1st, 2021

Weatherize Homes not just Power Plants

In advance of your Subcommittee hearing on Article VII and VIII, please accept these comments from the Lone Star Chapter of the Sierra Club on funding for the Texas Department of Housing and Community Affairs (TDHCA) for the FY 2022/FY 2023 biennium, as well as the Public Utility Commission (PUC). While these are very different sets of agencies, there is something that unites them: The weatherization of homes and other programs that help reduce utility bills particularly for working Texans with limited financial resources.

Texas Department of Housing and Community Affairs

TDHCA is the main Texas agency charged with overseeing the development of affordable housing, but is also the key agency that receives both LIHEAP (Low-Income Heating and Energy Assistance Program) and WAP (Weatherization Assistance Program). As such, the vast majority of their funding – more than 90%

in 2022 and 2023 -- comes directly from the federal government. Because of the CARES Act and other federal monies post COVID-19, TDHCA has had significantly more federal funds in 2021 and 2022 available for rental assistance, housing and in particular for energy assistance.

The Sierra Club believes that the Legislature may want to add a rider or provisions for rental assistance, LIHEAP and other programs contained in the American Rescue Plan of 2021 – recently approved by the House of Representatives. There is more than \$30 billion in rental and mortgage assistance as well as \$4.5 billion in LIHEAP funding, some of which will come to Texas.

Sierra Club is appreciative of the work that the TDHCA did in 2020 to allow public input into plans on how to use CARES funds and other federal aid, particularly in light of the need to switch to virtual meetings. In addition we appreciate recent efforts by the Commission to prioritize green building within their QAP for multi-family housing.

Sierra Club continues to be supportive of Rider 14, which requires TDHCA to gather information related to federal WAP monies as well as utility weatherization programs overseen by the PUC.

Despite this, we continue to believe that the TDHCA should prioritize WAP and energy efficiency efforts available through LIHEAP. While the majority of LIHEAP is intended for energy assistance, we believe it makes sense to prioritize permanently lowering energy bills by more efficient air conditioning, appliances, lighting and insulation. Therefore, we believe that the Legislature could direct TDHCA to prioritize these efforts, in part by raising the performance goals, which is stuck at 3,500 homes or units per year, a tiny percentage of homes in Texas.

Put simply, both the climate extremes of 2011 (hot and cold) and the Polar vortex shows how important it is for Texans to live in affordable homes that are well insulated and can be comfortable in both heat and cold. Literally it can be a matter of life and death.

We would be happy to work with the Committee and TDHCA on language to better prioritize funding for weatherization and other energy efficiency efforts.

PUC: Getting the Public back into the Utility Commission

The PUC has an important role in Texas, both in its oversight of water utilities, electric utilities, transmission, rate setting and the electric grid implemented by ERCOT. While the PUC has made significant progress in its oversight of water utilities, even before the recent polar vortex and massive failures within the ERCOT grid, we have been concerned about some recent decision by the Commission and some failures to proceed on rulemaking.

Recently, the Commission ended a contract with the Texas Reliability Entity (TRE), and reconfigured its enforcement division, putting it under its General Council. In addition, in a recent rulemaking on Emergency Reserve Services (ERS), they placed a \$50 million cap within ERCOT, meaning that these emergency services are very limited. Moreover, several important rulemakings have been delayed, including important action on non-wires alternatives, and electric vehicles.

We believe that the agency is short-staffed and needs additional policy persons to keep up with changes in the industry. We would also support additional funding and a requirement for a third-party contract for reliability study, as well as more focus on enforcement, including reconfiguring their enforcement division, and perhaps third-party inspections of weatherization requirements.

Even as the legislature should consider statutory changes to raise enforcement fines from \$25,000 to \$100,000 – as was recommended by the Sunset Commission back in 2011 and 2013 – the agency could be more focused on preventing market manipulation and price gauging among other issues. We would also note the serious lack of competition in the competitive market, made only worse by the recent failure of several smaller REPs in the recent storm. The big 2 – TXU, owned by Vistra – and Reliant – owned by NRG – now control about three-quarters of the competitive market, when their associated companies are considered. This is not competition and more emphasis must be made to create competition within the market.

Finally, to pick up on the weatherization theme, the PUC oversees the required Energy Efficiency Resource Standard that transmission and distribution utilities must meet. These standards have not been adjusted since 2012, and Texas has

fallen behind other states in our energy efficiency programs. While legislation has been filed (SB 243/HB 2359) to raise our EE goal to 1%, the polar vortex pointed out the large number of Texans who face high bills because of the poor condition of their homes and apartment. Yet the PUC routinely requires only that TDUs meet minimum statutory goals, and has only one dedicated staffer looking at the efficiency programs. The PUC could be directed to raise efficiency goals – with or without statutory changes - and reassess the ERS requirements within ERCOT – including the cap – and their ancillary services.

The Sierra Club would be happy to work with the Committee and the PUC on some language to direct prioritization of these efforts. We again recommend additional monies for a TRE contract, enforcement and policy staff. If the Utility Commission is going to serve the public, they need a new focus on protecting the public.

Office of Public Utility Counsel (OPUC)

OPUC is a small but important agency. Not only do they serve on the Board of ERCOT (and other committees), but they get involved in rate cases in both water and electricity. Still, given the vast number of rate cases, and the shrinking of competition within the competitive energy market, we believe they are short-staffed and underfunded. As an example within ERCOT they must frequently rely on contractors to fulfill their obligations in various key committees, and they do not have the staff needed to be involved in important programs and rates related to the energy efficiency and weatherization programs at TDUs (Transmission and Distribution Utilities). Again, we believe that an additional two or three staff persons, including at least one attorney is needed to provide the public with more support. The vast number of complaints related to the polar vortex on both water and electric issues is only the latest example of the need for a more robust OPUC.