



SIERRA CLUB

LONE STAR CHAPTER

To: Todd Hunter, Chair
Members, House Committee on State Affairs
From: Cyrus Reed, Lone Star Chapter, Sierra Club, 1-512-888-9411,
cyrus.reed@sierraclub.org, 512-740-4086 (cell)

Re; SB 2267 relating to funding mechanisms to support the construction, maintenance, and modernization of dispatchable electric generating facilities

May 9th, 2023

The Sierra Club Lone Star Chapter appreciates the opportunity to offer brief written comments on SB 2267. We neither support nor oppose the bill, but do provide some suggestions for how to improve the bill.

First, unlike SB 6, which we opposed because it would have required the use of ratepayer or taxpayer funds, picked a specific technology and would have undermined the competitive market, the Sierra Club does not oppose SB 2267 because it would work in the existing market structure by offering low-interest loans for maintenance, construction and modernization of facilities that are dispatchable. Thus, we will not actively oppose the passage of this bill.

Moreover, we appreciate that the bill is written to for the most part provide loans that do not impact ratepayers or taxpayers, and can only be used for maintenance, new construction or weatherization requirements that are implemented after the bill goes into effect.

Still, we believe that the bill can be improved in three ways.

First make the bill truly technologically neutral by removing the prohibition on the use of the funds for storage technology. Whether batteries, compressed air energy storage, geothermal, gas, or hydrogen, or even small nuclear, we believe the loan funds should be available to all dispatchable technologies and would remove the prohibition on the use of funds for storage

technology. We would also support allowing storage that has a certain duration such as at least four-hours if that was the will of the committee.

Second, in terms of the criteria that the PUCT would use to approve loans, we would suggest adding some **environmental criteria** in Section 34.0103 (Loans for Maintenance and Modernization) c and 34.0104 (Loans for Construction (1)) by adding new criteria such as:

- Consideration of the applicant's efforts to obtain air, water and other required state and federal environmental permits;

Third, while we understand the need to keep certain information private about the loans and grants, basic information like capacity, location, type of fuel and technology (single cycle, steam, combined cycle, supercritical, etc) should be made available to the public given that the bill authorizes the use of taxpayer money for private companies, whether for loans or grants.

Finally, we are generally not supportive of Section 34.0105 (Completion Bonus), which could provide actual grant funding for facilities that complete the construction of a new power plant within ERCOT for operation within a certain length of time. In general the use of direct state grants in the private competitive market could discriminate against other companies and resources that were not receiving such a grant. In addition, we are concerned that Subsection c could obligate the state to give a grant to a facility that was already planning to be built. In addition, this section does not seem to be related to the other sections of the bill, meaning it would just simply involve a payment for plants that might have been built anyway, and not even for plants taking advantage of the loan program.

We also believe the proposed grant maximum of \$200,000 per MW is very high. As an example, a simple turbine gas plant generally costs about \$600,000 per MW, meaning that such a grant could pay a power company approximately a third of the costs of construction. We would suggest instead a maximum of \$100,000 per MW, which would thus lower the subsidy provided by the state.

In Conclusions, the Sierra Club is not opposed to SB 2627, but believes that storage should be allowed to participate, environmental criteria should be added, some information should be publicly available, and Section 34.0105 should be removed or limited to avoid direct state participation in the competitive market.