



SIERRA CLUB

LONE STAR CHAPTER

To: Dr. Charles Schwertner, Chair, Senate Committee on Business and Commerce

Members, Senate Committee on Business and Commerce

From: Cyrus Reed, Conservation Director, Sierra Club, Lone Star Chapter, cyrus.reed@sierraclub.org, 512-740-4086

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

May 2nd, 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.

Second, 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 funds should be available to all dispatchable technologies and would remove the prohibition on the use of funds for storage technology.

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;
- Consideration of the impact of the facility's operation on natural resources such as water, air quality and land resources;

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 would suggest that any grant only be allowed for facilities that began construction after passage of the bill and before January of 2024 to avoid companies getting a free bonus when they were already planning to build such a plant. We are also concerned by the idea that the application process would not be subject to disclosure. If we are going to use taxpayer dollars for such completion bonuses, they should be subject to the Texas Open Records Act.

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, and Section 34.0105 should be removed.