



**City of Houston Testimony on Senate Bill 1212**  
Before the Senate Business and Commerce Committee  
March 28, 2023

Dear Committee Members:

The City of Houston (Houston or City) appreciates the opportunity to testify on Senate Bill 1212 (SB 1212), which provides for the registration of distributed energy resources (DERs) and interconnection of DERs to a transmission and distribution utility's distribution system in the ERCOT power region.

DERs are a new type of local power source that can provide additional power generation through the electric distribution system in the ERCOT power region. SB 1212 allows a transmission and distribution utility to recover the costs associated with interconnecting DERs to its electric distribution system in a comprehensive rate proceeding (base rate proceeding), interim rate adjustment for distribution facilities, or other ratemaking proceeding, regardless of whether the utility first requested recovery in a base rate proceeding.

The interconnection expenses and return on investment should not be recovered in an interim rate adjustment proceeding under Section 36.210 of the Utilities Code, also known as a DCRF proceeding, because that is an expedited proceeding with limited scope that would not allow a thorough review of DERs related expenses. The interconnection of DERs to the ERCOT electric utility grid is a novel and complex issue and requires careful review of the reasonableness of the DERs interconnection expenses.

The purpose of the DCRF is to incentivize electric transmission and distribution utilities to invest in upgrades to the existing distribution facilities. An incentive is not necessary for connecting DERs because it is a new connection - like connecting a new home to the electric grid - and not an existing facility for which maintenance and upgrades can be deferred. At the very least, the transmission and distribution utility should seek initial recovery of expenses through a base rate proceeding before it can recover in other types of rate making proceedings.

Houston also objects to the SB 1212 proposal that the facilities required for interconnection are presumed to be used and useful regardless of their actual use. Allowing interconnection facilities to be presumed used and useful even when they are not being used or operated benefits the transmission and distribution utilities but penalizes ratepayers who have to pay for the costs but receive no benefit.

For the foregoing reasons, Houston urges this Committee to adopt the City's proposed amendments to Section 39.702(b)(2) on page 7, lines 9 to 13, and remove Section 39.702(c) on page 7, lines 14-18 of SB 1212.

Houston appreciates the time and effort that Senator Johnson and this Committee have put into SB 1212 and respectfully urge this Committee to carefully consider Houston's proposed amendments. We look forward to working with you this legislative session.