



# CITY OF HOUSTON

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April 12, 2023

The Honorable Brian Birdwell  
Members of the Senate Committee on Natural Resources and Economic Development  
Texas Senate  
P.O. Box 12068  
Austin, Texas 78711

Dear Chairman Birdwell and Members of the Committee,

The City of Houston appreciates this opportunity to testify on Senate Bill 1050, relating to the authority of a natural gas local distribution company to offer energy conservation programs.

Texas would greatly benefit from expanded utility energy efficiency programs that fund improvements to lower the costs and emissions resulting from inefficient appliances or inadequately weatherized homes and businesses. These types of programs exist for electric utilities and have proven very effective in reducing load on the grid and saving customers money on their electric bills.

S.B. 1050 would create a similar program to be administered by gas utilities but with notable differences that the Legislature should consider correcting in subsequent versions of this bill.

First, S.B. 1050 gives exclusive original jurisdiction to the Texas Railroad Commission (RRC) over energy conservation programs implemented by local natural gas distribution companies. Local governments with original jurisdiction, such as Houston, have an important role to play in providing feedback on program design and reviewing costs during cost recovery proceedings and should therefore be included with the RRC in having original jurisdiction to review and act on filings related to these programs. To that end, S.B. 1050 should be amended to categorize natural gas energy conservation program proceedings as ratemaking proceedings, providing for regulatory authority review as specified in the Texas Utilities Code.

Second, S.B. 1050 allows cost recovery for energy conservation programs to include “*an amount equal to the reduction in the local distribution company's marginal revenues due to the lower sales or demand resulting from the energy conservation program.*” This language negates one of the inherent benefits of an energy conservation program – if you use less energy, you pay for less energy. Allowing utilities to recover **from customers** “*the reduction in the local distribution company's marginal revenues due to the lower sales or demand*” would both eliminate any savings customers achieve from installing improvements that lower their energy consumption as well as any motivation or **incentive for customers to conserve energy**.

Third, S.B. 1050 does not establish any program goals or targets for energy conservation. On the electric side, utilities must design their programs to achieve specific and targeted annual energy savings and peak demand

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reduction goals. S.B. 1050 must be amended to include reasonable targets to ensure that energy conservation programs produce meaningful reductions in energy consumption.

Houston appreciates the time and effort that Senator Hughes and this Committee have put into S.B. 1050 and respectfully urge this Committee to amend the proposed bill as outlined above. We look forward to working with you this legislative session.

Respectfully submitted,



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Tina Paez, Director  
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