



82nd Session Select Interim Charges Relating to Natural Resources

February 6, 2012

Natural Resources Committee

- Monitor the effects of recent and anticipated Environmental Protection Agency rules on (1) electric reliability in Texas, (2) affordability of electricity in Texas, and (3) competitiveness of energy intensive sectors of the Texas economy, and make recommendations to reduce the regulatory burden and maintain a business-friendly climate. Specifically, study the following:
 - Greenhouse gas regulations under the Federal Clean Air Act;
 - New National Ambient Air Quality Standards (NAAQS) for ozone;
 - New NAAQS for particulate matter;
 - New change to Maximum Available Control Technology (MACT) for industrial boilers;
 - Cross State Air Pollution Rule "CSAPR;"
 - Power Plant Cooling Water Intake Structure Rule;
 - Coal Combustion Residual Rule;
 - MACT for hazardous pollutants.

- Monitor federal permitting and/or federal legislation authorizing construction of the Keystone XL Pipeline. Include an assessment of the impact on the Texas economy, including jobs created, the impact on private property rights, and state and local tax revenues.

- Study the impediments to implementation of the State Water Plan, and make recommendations to ensure that Texas has access to sufficient water for future generations. Specifically, consider the following:
 - Review opportunities to fully fund the implementation of the State Water Plan by encouraging local project selection and financing;
 - Review the loan application process administered by the Texas Water Development Board (TWDB) and prioritize the projects to ensure that the new bonding authority is targeted to the most pressing problems and those projects of highest value identified in the State Water Plan;
 - Consider the impact and complexity of the water/energy/electricity connection;
 - Review the progress made toward the designation of unique reservoir sites;
 - Review current and proposed federal initiatives related to water resources;
 - Review conservation measures across all sectors of the economy, including education about the benefits of conserved water and the enforcement of those measures;

- Review all state and federal statutory barriers, including the ability to move water around the state and pipeline prohibitions;
 - Consider groundwater regulation and determine whether there is a need for modification of our current regulatory structure;
 - Evaluate the progress of the state's goal of promoting desalination projects across the state (brackish and seawater), including their future expansion to assist in meeting the state's water needs.
- Evaluate alternatives to using surface or groundwater in the generation of electricity and extraction of fuels, including hydraulic fracturing, dry-cooling, and the potential for desalination and other technologies for the reuse of brackish water. Examine the cost of alternatives in comparison to the continued use of ground and surface water including energy costs as well as the cost of water transport and treatment. Examine the risks of continued future drought to the integrity of Texas' electricity generation and fossil fuel extraction.
- Study the impact of current, pending, and reasonably foreseeable federal environmental regulations that may affect electric generation capacity. Identify the 10% of electrical generation capacity that will be most impacted by compliance with these regulations. Estimate the amount of electric generation capacity that is likely to voluntarily be retired rather than incur the additional expense of complying with federal environmental regulations. Identify additional barriers to the retirements of the identified generation capacity and provide recommendations on how to cost-effectively encourage the affected generation capacity to be voluntarily retired. Identify and consider types, costs, and effects of incentives to promote the goals of this section, including the effect such incentives may have on electricity rates. Consult with relevant agencies to forecast coal and natural gas fuel prices for the next 15 years.
- Monitor the inclusion of the dunes sagebrush lizard on the U.S. Fish and Wildlife Service endangered species list and the negative implications such action would have on the oil and gas industry.
- Study and make recommendations on the management of groundwater resources. Specifically, consider the following:
 - Consolidation of groundwater conservation districts along major aquifer lines in an effort to increase efficiency and enhance responsible groundwater management;
 - Effectiveness of single county and non-contiguous groundwater conservation districts;
 - Efficiency and effectiveness of varying groundwater regulations and permitting processes throughout the state, including the adequate planning for withdrawals and the development of Desired Future Conditions (DFCs), as compared to the regulation provided to surface water resources;
 - The relationship of local groundwater regulations to the State Water Plan and the regional planning process.

- Review and study the bundling of small water and sewer systems by a single investor-owned utility and consider the causes and regulatory issues associated with rapidly escalating water and sewer rates for Texans who live in unincorporated and rural areas of the state. Specifically, consider the following:
 - The impact of the use of interim rates during a rate increase;
 - The reasonable rate of return for IOUs;
 - Whether consolidation of rates between utilities has lowered rates for the customer;
 - What should be included in rate case expenses;
 - Whether water rate jurisdiction be moved from the Texas Commission on Environmental Quality to the Public Utility Commission, and whether an office similar to the Office of Public Utility Counsel represent ratepayers in water rate cases.

- Evaluate the effectiveness of the Texas renewable portfolio standard. Consider whether and what types of renewable energy generation are competitive with fossil fuel generation, and make recommendations to encourage efficient and cost-competitive renewable energy generation while limiting distortions in the Texas electrical market.

- Evaluate the regulatory conditions surrounding jurisdictional propane systems, and determine whether the current conditions adequately protect consumer interests. Study the appeals, safety, and pricing mechanisms associated with these systems.

- Review the Texas Emissions Reduction Program to determine where current funds are allocated, and assess the future of the program, taking into consideration upcoming changes to National Ambient Air Quality Standards, with particular emphasis on where funds could be most efficiently and effectively used. Consider alternative uses for the funds, including those to encourage the use of cleaner burning domestic fuels, to enhance the impact of the funding on air quality, and make policy recommendations as needed.

- Evaluate and monitor the production and the development of science and best management practices in the Barnett Shale and Eagle Ford shale plays. Specifically, consider the following:
 - Air emissions studies related to the production infrastructure and process;
 - The effect of using current rights-of-way provided to utility lines, especially for saltwater transport;
 - Texas Railroad Commission rules and practices for ensuring the safety and reliability of drilling;
 - The ability of the public to provide input on the environmental effects of drilling;
 - The potential of new technologies to reduce emissions and decrease water use.

- Monitor the implementation of legislation addressed by the Senate Committee on Natural Resources, 82nd Legislature, Regular and Called Sessions, and make recommendations for any legislation needed to improve, enhance, and/or complete implementation.