



**SIERRA
CLUB**

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Lone Star Chapter

Project No. 45124

Rulemaking Regarding DC Ties	&	Public Utility Commission of Texas
Pursuant to SB 933, Municipally-	&	
Owned Utilities Pursuant to SB 933,	&	
Municipally-Owned Utilities Pursuant	&	
to SB 766 and Non-ERCOT Utilities	&	
Pursuant to HB 1535 of the 84 th	&	
Legislature (R.S.) and Competitive	&	
Renewable Energy Zones	&	

Comments of the Lone Star Chapter of the Sierra Club

The Sierra Club appreciates the opportunity to file these brief comments on the proposed rulemaking that implements portions of SB 933, SB 966 and HB 1535. While we are supportive of these implementation efforts and this effort, we do not support the proposed changes related to the Competitive Renewable Energy Zones. While we do not oppose clarifying that the five CREZ areas already authorized by the PUC can be declared finished for purposes of authorizing future transmission investments in those areas, we believe it is imprudent to take a policy tool out of the PUC's hands unless the Legislature makes a definitive ruling that they must do so.

Our view of what the Commission can and can not do through rulemaking

We believe that the Public Utility Commission lacks the authority to declare that it cannot authorize further transmission projects under PURA section 39.904 (g) in statutes or by changing 25.174 in rulemaking. We are comfortable with the approach suggested by EDF Renewables in previous comments to indicate the specific lines – once completed – are done and there will be no further consideration of CREZ benefits in these completed areas. We are also comfortable with specific changes advocated by Apex Clean Energy Management that would clarify the potential for building CREZ lines in the future. We believe other stakeholders will be providing similar comments in this present

PO Box 1931, Austin, TX 78767 tel: (512) 477-1729 fax: (512) 477-8526 lonestar.chapter@sierraclub.org



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rulemaking and we are supportive of approaches that make clear we are finishing out one set of CREZ lines, without jeopardizing the potential for new CREZ lines in the future.

The proposed rulemaking by the PUC makes two fundamental changes to CREZ that effectively ends any consideration for future CREZ. First, on page 7 of the proposed rulemaking, under 25.101 (A) (i), the PUC is proposing to eliminate the current exception to a requirement for an economic cost benefit study for CREZ transmission. Again, our view is that this provision should not be removed, because it fundamentally takes away this policy tool if all transmission projects are subject to the same narrow economic test.

We support the additional paragraph clarifying the addition of the second 345-kilovolt circuit in the Panhandle on Page 9 of the proposed rulemaking does not need to meet certain requirements, since it makes clear that the panhandle project is really a continuation of the current CREZ.

We are, however, fundamentally opposed to the elimination of the words “and in subsequent years as deemed necessary by the commission” under 25.174 (b). While we would not object to language making it clear that the original CREZ authorized through PUC action in 2007 will be completed, we are opposed to the PUC taking action to end any future CREZ, when it is still available as an option under statute.

While we agree that the PUC is well within its rights to enact rule changes to indicate that the CREZ zones designated in the 2005-2009 period as a result of passage of SB 20 are completed once the second 345 kilovolt (kV) circuit is added, and that there will be no special consideration under the less restrictive CREZ transmission rules for these designated CREZs, we can not support this broad language.

We take exception to the notion that the PUC through its administrative powers can simply state that all future CREZ are off the table. We view this as a legislative decision – the decision to declare that no CREZ zones will be designated in the future, and thus all transmission projects must go through the stricter economic tests adopted by the PUC.

If the PUC were to administratively declare that no CREZ areas can be designated in the future, they would be assuming a legislative function that would contradict 39.904 (g), which continues to be Texas law.

Legislature Took on the Issue, and Chose Not to Act

As the PUC Commissioners are well aware, in its biannual report to the Legislature, the PUC itself suggested to the Legislature it may wish to consider declaring an end to both the Renewable Portfolio Standard and the CREZ

designation process. Senator Troy Fraser in fact filed legislation – SB 931 – that would have accomplished that task legislatively. The legislation was filed fairly late in the Legislative Session on March 4, 2015 and a hearing was held on March 17th. After passing the Senate Natural Resources and Economic Development Committee – which Senator Fraser chairs -- the bill was approved by the Senate on a 21-10 vote on April 14th and was sent to the House of Representatives. While the legislation was sent to the House Committee on State Affairs, it was never given a hearing.

While there were attempts by Senator Fraser to add the major provisions of SB 931 to a separate bill in the Senate, the House of Representatives did not agree to include the language, and the language that would have definitively removed the CREZ was never included in any legislation approved by the Legislature and sent to the Governor for signature. Thus, we would view any attempt by the PUC to definitively declare that no future CREZ projects could be authorized as inappropriate given the failure of the Legislature to take action on the issue.

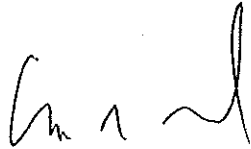
To reiterate, while we do not object to language such as that offered previously by EDF Renewables that would affirmatively state that the five CREZ established by the PUC are considered complete, and future transmission lines in these areas would need to go through the normal cost procedures, we are firmly opposed to the attempt to make a definitive determination through administrative rules that any other CREZ areas could not be established.

While we understand the current PUC Commissioners currently have no plans to pursue or recommend pursuing new CREZ areas, situations change, and future PUC Commissioners – or the Legislature itself – may wish to authorize additional areas that would enjoy this more flexible treatment. As an example, currently the Clean Power Plan would require Texas to reduce carbon dioxide emissions by some 30 percent by 2030, and one of the main policy tools would be to increase our use of renewable energy. While the US Supreme Court has stayed the rule, we believe some version of the Clean Power Plan will be ultimately approved and Texas will have to meet these requirements to reduce carbon dioxide from power plants in the near future. One policy tool that might help Texas comply is a future CREZ to enable large amounts of renewables to be added to our electric grid.

Additionally, current Long Term System Assessment planning being conducted by ERCOT is indicating that solar power is expected to grow in the Texas market. The most recent "Business-As-Usual" 2016 LTSA Scenario in fact shows that up to 19,000 MWs of solar could be built over the next 15 years, and in fact, by 2031, wind and solar would provide about 30% of all energy. With this much solar coming on the system, a future CREZ may be needed to quickly incorporate all of this energy.

It may be that after completing the CREZ in the Panhandle, Texas never builds another CREZ. However, this is not a decision for the current Commissioners of the PUC, and is best left to the Legislature. With uncertainty about the future CPP, and the long-term ERCOT market, now is exactly the wrong time to be making decisions about major policy changes in future transmission investments.

Sincerely,

A handwritten signature in black ink, appearing to read "Cyrus Reed". The signature is fluid and cursive, with a prominent vertical stroke on the right side.

Cyrus Reed
Conservation Director
Lone Star Chapter, Sierra Club

cc. The Honorable Greg Abbott
The Honorable Dan Patrick
The Honorable Joe Straus