

**INITIAL COMMENTS OF THE CITY OF HOUSTON
ON THE PROPOSAL FOR PUBLICATION FOR NEW RULE 3.65**

The City of Houston (“Houston”) respectfully submits these comments in response to the Proposal for Publication for new 16 Texas Administrative Code (TAC) 3.65, relating to Critical Designation of Natural Gas Infrastructure, and amend 3.107, relating to Penalty Guidelines for Oil and Gas Violations. This new section and amendments are proposed to implement changes made by House Bill 3648 and Senate Bill 3 from the 87th Texas Legislative Regular Session.

Houston recognizes the work and effort put forth by the Commission Staff and Commissioners to develop the proposed rules that will enhance the resiliency of our natural gas supply. Houston is appreciative of the increased cooperation and coordination between the Texas Railroad Commission (RRC), the Public Utilities Commission of Texas (PUCT) and the associated industries. This combined effort is critical to the success of this effort. We have all become very aware of the interdependency of the gas and electric industries as the following shows:

1. Gas fired generation makes up ~51% of the capacity in ERCOT
2. YTD, gas fired generation has provided 31% of ERCOT’s energy
3. More than ever before, the gas and power industry are interconnected; currently, nearly 91% of the gas infrastructure is powered by electricity.

A report developed by Enverus for the Texas Oil and Gas Association (TXOGA) as well as information from the Energy Information Administration highlights the interdependency of the natural gas and electric industries:

1. Gas production began to decline on February 12 and grew to a 2Bcf/d decline by the 14th. Decreased production occurred prior to ERCOT entering an Emergency Operations Level III at 01:20 on the 15th when they began shedding load, which inadvertently included gas infrastructure.
2. The February 25th report by the EIA states that Texas natural gas production fell by almost half—from 21.3 Bcf/d during the week of February 13, to about 11.8 Bcf/d at its lowest point on February 17th.
3. Approximately 45% of the production lost was due to a loss of power at the sites;25% of the production lost was lost due to wellhead and equipment freeze-offs.
4. Of the ~50GW of generation lost in ERCOT during the storm, approximately 25GW was gas fired.
5. Of that 25GW lost, approximately 40% was due to a loss of fuel.

It is clear that there is a fundamental need for cooperation and coordination of all parties, starting with the Texas Electricity Supply Chain Security and Mapping Committee.

RRC and PUC Coordination: House Bill 3648 amends Texas Natural Resources Code, Chapter 81 by adding Section 81.073 to address the identification of critical natural gas facilities and entities in collaboration with the Public Utilities Commission of Texas (the “PUC”). Houston recognizes the importance of this cooperation and encourages both agencies to make collaboration a foundation for all these efforts.

Critical Facility and Entity Designation: The new Section 81.073(b)(3) states the Commission’s critical designation rules must require that only facilities and entities that are prepared to operate during a weather emergency may be designated as critical customers. Houston shares the same concern that the Texas Legislature emphasized during the September 28 workshop with the Railroad Commission on the ability for critical facilities to opt out of the critical facility designation process.

Houston is concerned about a proposed definition of critical facility that may exclude certain gas facilities that should be designated as critical. TXOGA filed their comments in PUC Docket 52345 stating “In identifying critical natural gas facilities that supply generators, those facilities should be directly tied to the supply of All-Inclusive Generation Resources”. Houston recommends that the RRC not accept TXOGA’s recommendation to tie critical facility designation to the supply of all-inclusive generation resources. When a generator buys a volume of gas for a month from a supplier, the gas is scheduled on a daily basis even though it was purchased for the month. Therefore, over the course of the month the sources of that supply can and will vary greatly day to day. So, wells that were “directly tied” to a generator on one day will not be on another and visa-versa. Houston hopes the RRC recognizes this disconnect and will consider this in their designation of critical gas facilities and entities.

Load Shedding: The RRC highlights that the proposed new Section 3.65 does not address the prioritization of critical facilities for load shed purposes. Houston recognizes that it will not be possible for all gas facilities to meet the yet-to-be-developed winterization standards for gas facilities due to small size and therefore cost impacts. However, these same facilities need to be

identified as critical for load shed purposes. Resolving these tensions between the requirement to participate in load shed during energy emergencies and the critical nature of certain load is a difficult task. While the Legislature gave guidance on how to do so in HB 3648, the accurate identification of critical loads will not succeed without the complete cooperation of the two commissions.

Critical Facilities Requirements: While this proposed rule doesn't address the winterization requirements that gas facilities and entities must meet, Houston is concerned that if the gas facilities has standards that are inconsistent with the electric industry then we are at risk for a repeat event. Houston also recommends the RRC requiring critical gas facilities to have on-site backup generation. The gas facility and entities may be able to work with their host transmission and distribution utility, pursuant to approved HB 2483, to utilize smaller (<10MW) backup power facilities to help keep the key gas facilities operating during extreme events.

Additional Information in Forms: The RRC should consider amending the proposed forms to require additional information including the estimated load requirements for critical facilities, the load requirements present after isolation of non-critical facilities at a location, and the type of fuel source used for back-up power. These additions would help utilities manage load shed and power restoration priorities.

Houston appreciates the opportunity to submit comments on the proposed weatherization rules.

Respectfully Submitted,

CITY OF HOUSTON, TEXAS

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