

**Christopher Hotchkiss**

Accepted: Meeting with James LeBas

May 05, 2021 at 1:23 PM EDT

To: Jim Wright

---

## Kathleen Hayden

---

**From:** Jason Modglin <jasonm@texasalliance.org>  
**Sent:** Friday, May 14, 2021 4:56 PM  
**To:** Kathleen Hayden  
**Subject:** RE: September 15 invitation to speak. Chairman Christi Craddick

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Kathleen-

That is fantastic. It has been a very long week at the Legislature and this is certainly welcome news. We will reserve both those times for Chairman Craddick and accommodate her schedule.

Thank you for confirming.

**Jason Modglin**

President

Texas Alliance of Energy Producers

(512) 505-8898 office

(512) 922-4414 cell



---

**From:** Kathleen Hayden <Kathleen.Hayden@rrc.texas.gov>  
**Sent:** Tuesday, May 11, 2021 9:20 AM  
**To:** Jason Modglin <jasonm@texasalliance.org>  
**Subject:** September 15 invitation to speak. Chairman Christi Craddick

Hi Jason,

Chairman Craddick can speak on the 15<sup>th</sup> of September in Fort Worth for the Texas Alliance Annual Meeting, if the time can be at 12:30 or 1:00pm. Is that possible?

Best,  
Kathleen



*Kathleen A. Hayden*  
*Executive Assistant*  
*Commissioner, Christi Craddick*  
*512-463-7140*

## Kathleen Hayden

---

**From:** Kathleen Hayden  
**Sent:** Tuesday, May 11, 2021 9:20 AM  
**To:** Jason Modglin  
**Subject:** September 15 invitation to speak. Chairman Christi Craddick

Hi Jason,

Chairman Craddick can speak on the 15<sup>th</sup> of September in Fort Worth for the Texas Alliance Annual Meeting, if the time can be at 12:30 or 1:00pm. Is that possible?

Best,  
Kathleen



*Kathleen A. Hayden*  
*Executive Assistant*  
*Commissioner, Christi Craddick*  
*512-463-7140*

CHRISTI CRADDICK, *CHAIRMAN*  
WAYNE CHRISTIAN, *COMMISSIONER*  
JIM WRIGHT, *COMMISSIONER*



DANA AVANT LEWIS, *DIRECTOR*

# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

### MEMORANDUM

**To:** Christi Craddick, Chairman  
Wayne Christian, Commissioner  
Jim Wright, Commissioner

**From:** Ezra A. Johnson, Administrative Law Judge (ALJ)  
Robert Musick, Technical Examiner

**Date:** June 18, 2021

**Subject:** Late-filed Exceptions to Proposal for Decision

**OG-20-00003542:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 179 Battery, Commingle Permit 5789, Various Fields, Crane County, Texas; District 08.

**OG-20-00003543:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 1 Battery, Commingle Permit 1086, Various Fields, Crane County, Texas; District 08.

**OG-20-00003544:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 11 Battery, Commingle Permit 1031, Various Fields, Crane County, Texas; District 08.

**OG-20-00003545:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 16 Battery, Commingle Permit 1031, Various Fields, Crane County, Texas; District 08.

**OG-20-00003546:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 203 Battery, Commingle Permit 6594, Various Fields, Crane County, Texas; District 08.

---

Please find attached the late-filed exceptions to the proposal for decision issued in the above-referenced dockets on May 24, 2021. On June 16, 2021, the Director of the Hearings Division informed Stronghold that objections or comments to the proposal could be submitted on or before June 18, 2021.



June 18, 2021

**FILED**  
3:09 pm, Jun 18, 2021  
DOCKET SERVICES  
RAILROAD COMMISSION OF TEXAS

Mr. Ezra Johnson & Mr. Robert Musick  
Administrative Law Judge  
Hearings Division  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, TX 78711-2967

**In Re: OIL AND GAS DOCKET NOS. 20-00003542, ET AL; APPLICATIONS OF STRONGHOLD ENERGY II OPERATING, LLC (OPERATOR NO. 827681) PURSUANT TO STATEWIDE RULE 32 FOR AN EXCEPTION TO FLARE GAS FOR MCNKIGHT BATTERIES 179, 1, 11, 16, AND 203, COMMINGLE PERMITS 5789, 1086, 1031, 6594, VARIOUS FIELDS, CRANE COUNTY, TEXAS; DISTRICT 08**

Dear Mr. Johnson and Mr. Musick,

Enclosed please find a copy of Stronghold Energy II Operating, LLC's Exceptions to the Proposal for Decision and Recommended Final Order, as well as a copy of Stronghold Energy II Operating, LLC's One Page Case Summary, both of which are being submitted for your review in the above referenced matter.

Thank you for your assistance and please let me know if you have any questions.

Very Respectfully,

Caleb Troxclair  
Counsel for Stronghold Energy II Operating, LLC

## CASE SUMMARY

**PREPARED BY:** Caleb Troxclair, Attorney for Stronghold Energy II Operating, LLC

**STATUS:** Adverse Proposal for Decision

**EXAMINERS:** Administrative Law Judge Charles Zhang, Administrative Law Judge Ezra A. Johnson, Technical Hearings Examiner Robert Musick

**DOCKET NO./CASE NAME:** Oil and Gas Docket Nos. 20-00003542, et al; Applications of Stronghold Energy II Operating, LLC pursuant to Statewide Rule 32 for exceptions to flare gas for McKnight batteries 179, 1, 11, 16, and 203, commingle permits 5789, 1086, 1031, 6594, various fields, Crane County, Texas

**ISSUES:** Whether the subject application meets the requirements for exceptions to be granted pursuant to Commission Statewide Rule 32.

### **KEY FACTS:**

1. All of the wells, batteries, and flare points covered by these applications are on a 50+ year old gas pipeline facility, which frequently has maintenance issues and interruptions, necessitating flaring to avoid safety issues and shut-ins.
2. Stronghold signed a contract with the pipeline operator, agreeing to pay much higher fees so that upgrades to the midstream system could be made in the hopes that there would be less frequent interruptions. They are committed to this contract through 2024.
3. The H2S concentration in this field is abnormally high, so shutting in these wells rather than flaring is not practical due to corrosion issues with the H2S in the wellbore.
4. Due to drilling of new wells, the oil production on the leases covered by these applications increased 52% between January, 2018 and June, 2020. Stronghold showed in their exhibits their plans to continue to drill new wells on these leases.
5. The proposal for decision recommends a nine-month exception, which will essentially be only three months by the time the final order is issued at the end of June. Stronghold requested 2 years. The requested permit is reasonable considering ongoing development of their leasehold. The application for these exceptions was filed in April of 2020 and the hearing for these applications was presented in August of 2020. The administrative flare permits were extended by the RRC memos to industry through December 31, 2020.

**LEGAL PRINCIPLES INVOLVED:** In accordance with Statewide Rule 32, Stronghold Energy II Operating, LLC established that the subject applications met all Commission requirements.

**ACTION REQUESTED:** Given the length to which Stronghold worked with the pipeline operator to improve the system, the frequency with which interruptions occur, the impracticability of shutting in these wells due to H2S, the increase in production due to new wells, and the lengthy hearing process to obtain final order flaring exceptions, we respectfully request the Commissioners adopt the Substitute Findings of Fact and Conclusions of Law, and order the issuance of exceptions as reflected in Proposed Final Order offered by Stronghold.

OIL AND GAS DOCKET NOS. 20-00003542, 20-00003543, 20-00003544, 20-00003545,  
20-00003546

APPLICATIONS OF	§	BEFORE THE
STRONGHOLD ENERGY II	§	
OPERATING, LLC (OPERATOR	§	
NO. 827681) PURSUANT TO	§	RAILROAD COMMISSION OF TEXAS
STATEWIDE RULE 32 FOR AN	§	
EXCEPTION TO FLARE GAS FOR	§	
MCNKIGHT BATTERIES 179, 1,	§	
11, 16, AND 203, COMMINGLE	§	HEARINGS DIVISION
PERMITS 5789, 1086, 1031, 6594,	§	
VARIOUS FIELDS, CRANE	§	
COUNTY, TEXAS; DISTRICT 08	§	

**STRONGHOLD ENERGY II OPERATING, LLC'S EXCEPTIONS TO THE  
PROPOSAL FOR DECISION AND RECOMMENDED FINAL ORDER**

TO THE HONORABLE RAILROAD COMMISSION OF TEXAS:

COMES NOW, Stronghold Energy II Operating, LLC ("Stronghold") and files this its Exceptions to the Proposal for Decision and recommended Final Order ("Exceptions") issued in the above referenced matter, and in support of the requested exception to Statewide Rule 32 to flare gas from multiple flare points in Crane County, Stronghold would respectfully show the Railroad Commission of Texas ("Commission") the following:

**I. SUMMARY OF STRONGHOLD'S POSITION**

Stronghold operates the various wells and batteries in Crane County, Texas. All of the wells, batteries, and flare points covered by these applications are dedicated to a very old gas gathering facility owned and operated by Targa Midstream Services, LLC ("Targa"). This gas gathering facility frequently has maintenance issues and interruptions, necessitating flaring to avoid safety issues and shut-ins. Stronghold has signed a contract with the pipeline operator, agreeing to pay much higher fees so that upgrades to the

midstream system could be made in the hopes that there would be less frequent interruptions and flaring. They are committed to this contract through 2024.<sup>1</sup> The specifics of this contract had to be left out of the record for this case due to confidentiality.

An additional complicating factor is that the various fields being produced by these leases have very high concentrations of hydrogen sulfide. Therefore, shutting in these wells rather than flaring is not a viable option. The shut-in is not practical or safe, due to the corrosion of the wellbore that hydrogen sulfide causes. This is well documented in the record for this case.<sup>2</sup>

Due to drilling of new wells, the oil production on the leases covered by these applications increased 52% between January, 2018 and June, 2020.<sup>3</sup> Stronghold showed in their exhibits their plans to continue to drill new wells on these leases.<sup>4</sup> Several of these leases have continuous development clauses and Stronghold has invested a substantial amount of capital into these fields and has a reasonable expectation that they should be able develop these reserves as a prudent operator. Stronghold has done the right thing to attempt to ensure that their midstream partner upgrades this system so that they don't have these interruption issues on a long-term basis.

The proposal for decision recommends exceptions and volumes being granted equivalent to 5 days a month. However the record for these dockets clearly shows that there were several periods where Stronghold was down for many more days than what is being recommended in the last couple of years, due to no fault of their own.<sup>5</sup> The record shows that in 2019 and 2020 Stronghold was down at two different times for periods of 4 days, one 28-day period, one 36-day period, and one 11-day period.<sup>6</sup> All of these interruptions were due to issues Targa was having with the pipeline facility, not through any fault of Stronghold's. Granting 5 days a month of flaring authority, given the circumstances shown in the record, is clearly not sufficient. This will lead to Stronghold having to come right

---

<sup>1</sup> Proposal for Decision at Page 4.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at 5.

<sup>4</sup> See Applicant Exhibit No. 23.

<sup>5</sup> Proposal for Decision at Page 16.

<sup>6</sup> *Id.*



back to the Commission to request another lengthy hearing, possibly after the very first month of final order approval of the flaring authority. This would not be a good outcome for Stronghold from a time or resources perspective, and would be a very bad outcome for the Railroad Commission from an administrative efficiency perspective.

Furthermore, the proposal for decision recommends a nine-month exception being granted, starting in January of 2021 and expiring in September of 2021. By the time this final order is effective, that is only a few short months away. Stronghold requested 2 years in their applications. Stronghold's application for these exceptions was filed in April of 2020 and the hearing for these applications was in August of 2020. Stronghold understands and appreciates the concerns of the Commission regarding the grant of long-term flaring exceptions, however they also believe the circumstances of this particular midstream system are unique and justify their request.

Given the lengths to which Stronghold has gone to work with Targa to improve the pipeline gathering system, the frequency and length of time with which interruptions currently occur, the impracticability of shutting in these wells due to hydrogen sulfide concentrations, the increase in production due to new wells being drilled, and the lengthy hearing process involved in obtaining final order flaring exceptions, Stronghold believes it would be prudent for the Commission to grant them an 18-month exception, starting in January 2021 and expiring in June of 2022. This requested authority is effectively really only a year from issuance of the permit. Additionally, instead of volumes equivalent to 5 days a month, Stronghold believes it would be prudent to grant exceptions and volumes amounting to 15 days a month since they will have more downtime when upgrades are done to the existing pipeline, which they have paid for and Targa is committed to completing. The timing of the upgrades is only known by Targa. Stronghold has no power to change that, as they are a third-party.

Stronghold would like to emphasize that the only reason for their flaring is that Targa has frequent issues on their system. Stronghold does not like to flare and they lose money every time they are forced to flare. They are not flaring because they have not spent money to tie their wells into the system, as is sometimes the case where new development is

happening. This case is unique given the circumstances surrounding the Targa system, which Stronghold is committed to helping fix.

## II. CRITICAL ISSUES IN THE PROPOSAL FOR DECISION

### 1. VOLUMES AND LENGTH OF EXCEPTION

The proposal for decision recommends a length of time for the exception and monthly flare volumes that are wholly inadequate given the overwhelming weight of evidence provided in the voluminous exhibits provided by Stronghold. As previously discussed in this pleading, the long history of interruptions caused by Targa's pipeline system and the development of new wells and recompletions planned for the prudent development of the subject leases, an 18-month permit is reasonable and justified as are the proposed amount of days per month of flare authority. It is likely that the requested amount may not even be adequate to handle the increased volumes and a new hearing will need to be applied for until Targa upgrades their system.

### 2. ERRORS REGARDING DRILLING PROGRAM AND PRODUCTION NUMBERS

The proposal for decision states in multiple places that Stronghold has plans to drill 48 new wells in the next two years.<sup>7</sup> This is a mischaracterization of the evidence entered into the record during the hearing. Stronghold has stated and shown that they have plans to drill or *re-complete* up to 48 wells in the next two years. This is a drastic difference from drilling 48 new wells. This is an important distinction because the proposal implies that drilling that many new wells on a system with the issues that this Targa system has is irresponsible. This is a problem for two reasons: 1) it's not accurate and does not reflect the evidence in the record; and 2) Stronghold has an obligation to their lessees and investors to meet their development obligations.

Additionally, Finding of Fact 18b. states, "New wells without a plan to reduce flaring will further stress the existing pipeline infrastructure..."<sup>8</sup> Again, this is a

---

<sup>7</sup> See *id.* at 4, 5, 10, 21, 23, 24, and 33.

<sup>8</sup> *Id.* at 33.

mischaracterization of the evidence in the record. Stronghold has made a substantial financial commitment to Targa just for the specific purpose of reducing flaring, so to state otherwise is simply not true and a bad mischaracterization of the facts.

### **3. PIPELINE CAPACITY NOT AN ISSUE**

The proposal for decision states in several places that the Targa system has a capacity problem.<sup>9</sup> This creates the impression that there is not enough capacity in the system to allow for additional production from the subject leases and that it is irresponsible to continue to increase production on a system with this problem. However, there is no evidence in the record to show that there is a capacity problem on this system. There is undoubtedly evidence to show that there are many interruptions due to the age of the system and maintenance issues, but there is no capacity shortage on this system to take the gas when the gathering system is operating properly.

### **4. FLAWED LOGIC IN DISCUSSION OF FLARE VOLUMES**

In the proposal for decision's discussion of daily and monthly flare volumes, it states, "In rare cases, the Examiners may recommend a bifurcation of the flaring volumes during the exception period to address increased production from well installation, recompletes, etc. when it is known that the take-away provider has a track record of minimal upsets and curtailment events."<sup>10</sup> If the purpose of issuing flaring exceptions is to allow operators flexibility to flare in narrow circumstances without having to shut-in their wells, it should not matter if the take-away provider has issues so long as the producer is doing everything they can to improve this record and is a prudent operator. In other words, the purpose of flaring exceptions is to give operators flexibility to continue to produce hydrocarbons and prevent waste in the event of unforeseen circumstances that are typically out of their control. More extenuating circumstances developed over the course of 2020 and into 2021 due to Covid-19 which has disrupted the supply chain and

---

<sup>9</sup> *Id.* at 5, 21, 24, and 33.

<sup>10</sup> *Id.* at 22.

impeded work projects. The Commission is fully aware of the implications as many employees at their offices are still working remotely. This directly affects the timing and completion of many projects.

## **5. DISCUSSION OF WASTE**

One of the Commission's overarching missions is to prevent waste of oil and gas and Statewide Rule 32 is written specifically to assist with this mission. By recommending the very short approval timeframe, the proposal for decision works contra to this mission and increases the likelihood of both economic and actual waste of hydrocarbons. The natural outcome of forcing an operator to potentially be out of compliance with flaring authority is that it increases the likelihood of an operator to have to shut-in their wells. As Stronghold showed in the hearing, they had to shut-in some of their wells during the price interruption caused by COVID earlier in 2020 and suffered serious damage to their wellbores due to the presence of hydrogen sulfide. Stronghold believes that taking a measured approach to securing flaring exceptions can help them avoid this scenario.

## **III. CONCLUSION AND PRAYER**

Stronghold has established that the subject applications meet all Commission requirements under Statewide Rule 32.

Given the lengths to which Stronghold has gone to work with Targa to improve the pipeline gathering system, the frequency and length of time with which interruptions currently occur, the impracticability of shutting in these wells due to hydrogen sulfide concentrations, the increase in production due to new wells drilled or re-completed, and the lengthy hearing process involved in obtaining final order flaring exceptions, Stronghold believes it would be prudent for the Commission to grant them an 18-month exception, starting in January 2021 and expiring in June of 2022. This requested authority, is effectively only a year from the potential granting of the final order. Additionally, instead of volumes equivalent to 5 days a month, Stronghold believes it would be prudent to grant exceptions and volumes amounting to 15 days a month since they will have more downtime

when upgrades are done to the existing pipeline, which they have paid for and Targa is committed to completing.

WHEREFORE, PREMISES CONSIDERED, Stronghold Energy II Operating, LLC requests that the Commission issue the attached Proposed Final Order adopting Substitute Findings of Fact and Conclusions of Law.

Respectfully submitted,

Troxclair PC  
816 Congress Avenue, #1125  
Austin, Texas 78701  
512.953.0090  
512.551.4003 Fax



By  
Caleb Troxclair  
State Bar No. 24086804

ATTORNEY FOR STRONGHOLD ENERGY II  
OPERATING, LLC

# **Attachment A**

**Stronghold Energy II Operating, LLC's Substitute Findings of Fact and Conclusions of Law**

**OIL & GAS DOCKET NO. OG-20-00003542, 20-00003543, 20-00003544, 20-00003545,  
20-00003546**

**STRONGHOLD ENERGY II OPERATING, LLC**

**APPLICANT'S SUBSTITUTE  
FINDINGS OF FACT AND CONCLUSIONS OF LAW**

**FINDINGS OF FACT**

1. The following is the procedural history for the dockets:

a. On April 20, 2020, the required fees for the Applications for Statewide Rule 32 exception authorities associated with the five flare points were paid. In addition, the completed Statewide Rule 32 Data Sheets were entered into evidence in the hearing.

b. On April 23, 2020, a request for a hearing was received from Stronghold Energy II Oper., LLC (Operator No. 827681) ("Stronghold" or "Applicant");

c. On June 19, 2020, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of August 26, 2020. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted.

d. The hearing was held on August 26, 2020, as noticed. No protests were received from the Notice and no protestants participated in the hearing;

e. Late-filed exhibits were provided to the Hearings Division on or near March 24, 2021, via email;

f. Stronghold determined in correspondence dated April 2, 2021 the Examiners' recommendation was "adverse" to the relief being sought in the Applications;

g. The hearing record was closed on April 8, 2021.

2. Stronghold submitted five captioned docket applications ("Applications") to seek a two-year exception to 16 Tex. Admin. Code § 3.32 ("Statewide Rule 32") for authority to flare gas from the various leases (referred to collectively as the "Subject Leases").

3. The tank batteries and associated flare points are listed on Table A. In addition, the latitude and longitude locations for the flare points are identified on Table B.

4. The proration schedule entered into evidence indicate the McKnight batteries are connected to the following leases with approximately 300 wells in nine different fields:

- a. McKnight, M.B. (36410) Lease - Armer (Clear Fork) Field (Field No. 03644142), Crane County, Texas.
- b. McKnight, M.B. (36078) Lease - Armer (Tubb) Field (Field No. 03644568), Crane County, Texas.
- c. McKnight, M.B. (24277) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.
- d. McKnight, M.B. (18155) Lease - Sand Hills (Judkins) Field (Field No. 80473248), Crane County, Texas.
- e. McKnight, M.B. (33220) Lease - Sand Hills (Tubbs) Field (Field No. 80473682), Crane County, Texas.
- f. McKnight, M. B. (24541) Lease - Sand Hills (Wolfcamp) Field (Field No. 80473868), Crane County, Texas.
- g. Havara (43530) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.
- h. McKnight, M.B. (174061) Lease - Running W (Wichita-Albany) Field (Field N. 78936900), Crane County, Texas.
- i. McKnight, M.B. (174792) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.
- j. McKnight, M.B. (18323) Lease - Running W, N. (Holt) Field (Field No. 78938500), Crane County, Texas.
- k. McKnight, M.B. (270726) Lease - Sand Hills (Judkins) Field (Field No. 80473248), Crane County, Texas.
- l. McKnight, M.B. (05262) Lease - Sand Hills (McKnight) Field (Field No. 80473310), Crane County, Texas.
- m. Havara (44574) Lease - Sand Hills (Tubbs) Field (Field No. 80473682), Crane County, Texas.
- n. McKnight, M.B. (DP854922) Lease - Sand Hills (Wolfcamp) Field (Field No. 80473868), Crane County, Texas.
- o. McKnight, M.B. (DP855683) Lease - Sand Hills (Wolfcamp) Field (Field No.



80473868), Crane County, Texas.

p. McKnight, M.B. (DP855681) Lease - Sand Hills (Wolfcamp) Field (Field No. 80473868), Crane County, Texas.

q. Eagle State (43441) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.

r. Falcon (44185) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.

s. McKnight, M.B. (DP858516) Lease - Sand Hills (Wolfcamp) Field (Field No. 80473868), Crane County, Texas.

t. McKnight, M.B. (DP858690) Lease - Sand Hills (Wolfcamp) Field (Field No. 80473868), Crane County, Texas.

u. McKnight, M.B. (11840) Lease - Running W (Waddell) Field (Field No. 78936800), Crane County, Texas.

v. McKnight, M.B. (066712) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.

w. McKnight, M.B. (068058) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.

x. McKnight, M.B. (205778) Lease - Running W (Wichita-Albany) Field (Field No. 78936900), Crane County, Texas.

5. Stronghold has commingling permits for the batteries and associated Subject Leases.

6. Stronghold has H-9 certifications that have been issued or are pending approval as required by Statewide Rule 36 for the Subject Leases with elevated hydrogen sulfide ("H2S") concentrations. In general, the Subject Leases connected to the following batteries have the following concentrations:

- a. McKnight 1 Battery has H2S concentrations at 20,000 parts per million (ppm);
- b. McKnight 11 Battery has H2S concentration at 10,000 ppm;
- c. McKnight 16 Battery has H2S concentrations at 10,000 ppm;
- d. McKnight 179 Battery has H2S concentrations at 19,000 ppm;
- e. McKnight 203 Battery has H2S concentrations at 5,000 ppm.

7. Stronghold's Subject Leases and associated wells are connected to a take-away provider, Targa Midstream Services, LLC ("Targa"). The pipeline is a 1960s pipeline system that has routine maintenance issues because of its age.

8. Stronghold has entered into an agreement with Targa in which Stronghold will pay higher fees to Targa in exchange for upgrades being made to the pipeline system.

9. Production records indicate that Stronghold produced an average of 242,192 thousand cubic feet per month ("Mcfm") of gas from the Subject Leases in 2018 and an average of 298,223 Mcfm from January 2020 through April 2020. Production records indicate gas production from 2018 to 2020 for the Subject Leases has increased over 23 percent.

10. Stronghold entered approximately 30 months of production data and flaring volumes into evidence, which represent approximately 250 to 300 wells (estimated at 303 wells to date) associated with the Subject Leases. During the 30 months from January 2018 through June 2020, a total combined volume of 1,342,501 barrels of oil ("BO") and 7,587,210 thousand cubic feet ("Mcf") of gas were produced from the Subject Leases. New wells and recompletions of existing wells continue to be added to the Subject Leases, with approximately nine new wells added from July 2019 through September 2019 as demonstrated in Figure 1.

Below are the highest (peak) daily production volumes for each battery in 2020:

a. McKnight 179 Battery – The Battery's highest (peak rate) combined daily gas production in 2020 was 1,888 Mcfd on January 21, 2020;

b. McKnight 1 Battery – The Battery's highest (peak rate) combined daily gas production in 2020 was 2,190 Mcfd on June 8, 2020;

c. McKnight 11 Battery – The Battery's highest (peak rate) combined daily gas production in 2020 was 2,831 Mcfd on February 9, 2020;

d. McKnight 16 Battery – The Battery's highest (peak rate) combined daily gas production in 2020 was 1,878 Mcfd on June 7, 2020;

e. McKnight 203 Battery– The Battery's highest (peak rate) combined daily gas production in 2020 was 4,734 Mcfd on June 25, 2020.

11. Monthly production graphs entered into evidence illustrate that Stronghold is developing their production associated with their Subject Leases.

12. The Subject Leases' wells in the Fields are primarily vertical wells. The vertical wells typically have a much shallower and slower decline rate over time with a longer production life compared to horizontal wells.

13. Stronghold was previously granted administrative exception authorities under

Statewide Rule 32 to flare casinghead gas for the following flare points:

a. McKnight 179 Battery flare point – Exception authority Nos. 43377, 39540 and 39219 have been issued for the flare point. Stronghold has been issued three administrative flaring exception authorities for a total of 94 days with the last flaring exception expiring May 18, 2020, with a maximum volume of 1,232 Mcfd of casinghead gas. At the time of the hearing, the Commission's Oil and Gas Division extended any administrative authority to March 16, 2020, due to COVID-19. Ultimately, the deadline was extended because of COVID-19 through December 31, 2020;

b. McKnight 1 Battery flare point – Exception authority Nos. 43374, 40374, 40022, 39538 and 39216 have been issued for the flare point. Stronghold has been issued five administrative flaring exception authorities for a total of 129 days with the last flaring exception expiring May 18, 2020 with a maximum volume of 1,612 Mcfd of casinghead gas. At the time of the hearing, the Commission's Oil and Gas Division extended any administrative authority to March 16, 2020, due to COVID-19. Ultimately, the deadline was extended because of COVID-19 through December 31, 2020;

c. McKnight 11 Battery flare point – Exception authority Nos. 43375, 40373, 40023, 39539, 39217 have been issued for the flare point. Stronghold has been issued five administrative flaring exception authorities for a total of 129 days with the last flaring exception expiring May 18, 2020 with a maximum volume of 1,538 Mcfd of casinghead gas. At the time of the hearing, the Commission's Oil and Gas Division extended any administrative authority to March 16, 2020, due to COVID-19. Ultimately, the deadline was extended because of COVID-19 through December 31, 2020;

d. McKnight 16 Battery flare point – Exception authority Nos. 43376, 42640, 39218 have been issued for the flare point. Stronghold has been issued three administrative flaring exception authorities for a total of 70 days with the last flaring exception expiring May 18, 2020 with a maximum volume of 1,521 Mcfd of casinghead gas. At the time of the hearing, the Commission's Oil and Gas Division extended any administrative authority to March 16, 2020, due to COVID-19. Ultimately, the deadline was extended because of COVID-19 through December 31, 2020;

e. McKnight 203 Battery flare point – Exception authority Nos. 43378 and 39220 have been issued for the flare point. Stronghold has been issued two administrative flaring exception authorities for a total of 80 days with the last flaring exception expiring May 18, 2020 with a maximum volume of 1,579 Mcfd of casinghead gas. At the time of the hearing, the Commission's Oil and Gas Division extended any administrative authority to March 16, 2020, due to COVID-19. Ultimately, the deadline was extended because of COVID-19 through December 31, 2020;

14. Stronghold proposed a maximum Daily Flare Volume for each flare point based on combining the production volumes produced from the Subject Leases for the various batteries (referred to as, "Part 1") with the estimated production volumes from 48 wells scheduled to be installed within the next two years (referred to as, "Part 2"). Stronghold proposed a two-year exception period for each flare point associated with the Subject Leases. In addition, it combined Parts 1 and 2 to attain the proposed Daily Flare Volume. The monthly limit for flaring was developed by multiplying the Daily Flare Volume by a factor of 31 (maximum days in a month) to attain the proposed Maximum Monthly Flare Limit. Stronghold proposed the following for their Daily Flare Volume and Maximum Monthly Limit:

a. McKnight 179 Battery flare point – Stronghold proposed a maximum daily production volume flare volume of 5,799 Mcfd with the monthly limit at 179,769 Mcfm for a two-year exception period;

b. McKnight 1 Battery flare point – Stronghold proposed a maximum daily flare volume of 4,743 Mcfd with the monthly limit at 147,033 Mcfm for a two-year exception period;

c. McKnight 11 Battery flare point – Stronghold proposed a maximum daily flare volume of 4,868 Mcfd with the monthly limit at 150,908 Mcfm for a two-year exception period;

d. McKnight 16 Battery flare point – Stronghold proposed a maximum daily flare volume of 6,468 Mcfd with the monthly limit at 200,508 Mcfm for a two-year exception period;

e. McKnight 203 Battery flare point – Stronghold proposed a maximum daily flare volume of 7,939 Mcfd with the monthly limit at 246,109 Mcfm for a two-year exception period.

15. The hearing record supports a Daily Flare Volume and Maximum Monthly Flare Limit for the Subject Leases based on the following:

a. McKnight 179 Battery flare point – Stronghold's data indicated the highest daily gas production in 2020 from the wells assigned to the McKnight 179 Battery was 1,888 Mcfd. Previous approved authority for this flare point was established at 1,232 Mcfd. The record supports establishing the Daily Flare Volume for the McKnight 179 Battery flare point at the Battery's highest peak daily gas production in 2020 of 1,888 Mcfd, with the Maximum Monthly Flare Limit using the Daily Flare Volume multiplied by a factor of fifteen, which is 28,320 Mcfm;

b. McKnight 1 Battery flare point – Stronghold's data indicated the highest daily gas production in 2020 from the wells assigned to the McKnight 1 Battery was 2,190 Mcfd. Previous approved authority for the flare point was established at 1,612 Mcfd. The Daily Flare Volume for the McKnight 1 Battery flare point will be the

Battery's highest peak daily gas production in 2020 of 2,190 Mcfd with the Maximum Monthly Flare Limit using the Daily Flare Volume multiplied by a factor of fifteen, which is 32,850 Mcfm;

c. McKnight 11 Battery flare point – Stronghold's data indicated the highest daily gas production in 2020 from the wells assigned to the McKnight 11 Battery was 2,831 Mcfd. Previous approved authority for the flare point was established at 1,538 Mcfd. The Daily Flare Volume for the McKnight 11 Battery flare point will be the Battery's highest peak daily gas production in 2020 of 2,831 Mcfd with the Maximum Monthly Flare Limit using the Daily Flare Volume multiplied by a factor of fifteen, which is 42,465 Mcfm;

d. McKnight 16 Battery flare point – Stronghold's data indicated the highest daily gas production in 2020 from the wells assigned to the McKnight 16 Battery was 1,878 Mcfd. Previous approved authority for the flare point was established at 1,521 Mcfd. The Daily Flare Volume for the McKnight 16 Battery flare point will be the Battery's highest peak daily gas production in 2020 of 1,878 Mcfd with the Maximum Monthly Flare Limit using the Daily Flare Volume multiplied by a factor of fifteen, which is 28,170 Mcfm;

e. McKnight 203 Battery flare point – Stronghold's data indicated the highest daily gas production in 2020 from the wells assigned to the McKnight 203 Battery was 4,734 Mcfd. Previous approved authority for the flare point was established at 1,579 Mcfd. The Daily Flare Volume for the McKnight 203 Battery flare point will be the Battery's highest peak daily gas production in 2020 of 4,734 Mcfd with the Maximum Monthly Flare Limit using the Daily Flare Volume multiplied by a factor of fifteen, which is 71,010 Mcfm.

16. The primary cause of flaring associated with the Subject Leases is systematic unplanned upsets caused by the take-away provider's maintenance and pipeline curtailments.

17. The planned upgrades to the pipeline system will likely cause periodic intermittent interruptions.

18. The recommended flaring authority is necessary due to intermittent upsets caused by deliverability issues due to pipeline and equipment failure and should be adequate to account for Stronghold's historic flaring resulting from such routine upsets.

19. Covid-19 caused many restraints on what could be accomplished by any company in 2020 and still impacts accessibility of required products for development and maintenance issues beyond any company's control with the full impact still being unknown.

20. Based on the following data entered into evidence, an exception period for eighteen months is warranted from January 1, 2021 to June 30, 2022:

a. The hearing record indicates a significant increase in oil and gas production has occurred from 2018 to 2020. Production records indicate that Stronghold produced an average of 242,192 Mcfm of gas from the Subject Leases in 2018 and an average of 298,223 Mcfm from January 2020 through April 2020. Records indicate gas production from 2018 to 2020 for the Subject Leases have increased over 23 percent, with numerous new wells being completed on the Subject Lease between July and October 2019.

b. Evidence entered into the record indicates up to several new wells and re-completions of existing wells are planned to be completed by Stronghold for the Subject Leases in the next two years;

c. Stronghold has entered into a contractual agreement with Targa, who is planning to upgrade their pipeline infrastructure. During the period of time Targa is conducting their upgrades, Stronghold will need additional flaring flexibility to allow for interruptions caused by these upgrades being conducted;

d. An eighteen-month exception covers a time period when planned upgrades are being conducted, unplanned interruptions occur, and when additional wells are brought on-line at the Subject Leases causing an increased demand for flaring.

#### **CONCLUSIONS OF LAW**

1. Proper notice was issued to persons entitled to notice. See, e.g., Tex. Gov't Code § 2001.051; 16 Tex. Admin. Code § 1.42.

2. The Commission has jurisdiction in this case. See, e.g., Tex. Nat. Res. Code § 81.051.

3. Statewide Rule 32 requires gas to be utilized for purposes and uses authorized by law unless authorized. 16 Tex. Admin. Code § 3.32(b).

4. Statewide Rule 32 provides exceptions allowing the flaring of gas if certain requirements are met and the flaring is necessary. See, e.g., 16 Tex. Admin. Code § 3.32(f), (h).

5. The flaring of gas, as outlined in Attachment A to this Final Order, is necessary due to intermittent upsets caused by deliverability issues due to pipeline capacity and equipment failure. See, e.g., 16 Tex. Admin. Code § 3.32(f), (h).

6. Stronghold has met the requirements in Statewide Rule 32 to flare daily flare volumes with monthly limitations of gas well gas for the eighteen-month authorization period outlined in Attachment A to this PFD. e.g., 16 Tex. Admin. Code § 3.32(f),(h)(5).

**Table A – Flare Exception Authority**

O&G Docket No.	Flare Exception No. (1)	Commingle Permit No. or Lease No.	Individual Flare Stack Name	Flare Exception Start Date (4)	Flare Exception End Date (5)	Maximum Flare Volume (Mcf)(2) (Mcfm)(3)	Casinghead Gas or Gas Well Gas (6)
No. OG-20-00003542	43377	Commingling Permit 5789	McKnight 179 Battery	1/01/2021	9/30/2021	1,888 Mcfd 28,320 Mcfm	Casinghead Gas
No. OG-20-00003543	43374	Commingle Permit 1086	McKnight 1 Battery	1/01/2021	9/30/2021	2,190 Mcfd 32,850 Mcfm	Casinghead Gas and Gas Well Gas
No. OG-20-00003544	43375	Commingle Permit 1031	McKnight 11 Battery	1/01/2021	9/30/2021	2,831 Mcfd 42,465 Mcfm	Casinghead gas well
Docket No. OG-20-00003545	43376	Commingling Permit 1031	McKnight 16 Battery	1/01/2021	9/30/2021	1,878 Mcfd 28,170 Mcfm	Casinghead Gas and Gas Well Gas
Docket No. OG-20-00003546	43378	Commingle Permit 6594	McKnight 203 Battery	1/01/2021	9/30/2021	4,734 Mcfd 71,010 Mcfm	Casinghead Gas

**Notes:**

Mcf = Daily Flare Limit in Thousand Cubic Feet Per Day

Mcfm = Maximum Monthly Flare Limit in Thousand Cubic Feet Per Month

(1) Flare Exception refers to the flare exception authority in Statewide Rule 32. If multiple previous exceptions for the flare point, the identified flare exception number is the last exception granted by the Commission.

(2) The Mcfd is based on the Battery's highest peak daily gas production in 2020.

(3) Mcfm is based on the Battery's highest combined daily gas production in 2020 multiplied by a factor of fifteen, equivalent to fifteen days of flaring per month.

(4) The Commission's Oil and Gas Division extended the authority for any deadline expiring after March 16, 2020 due to COVID-19 for any existing administrative exceptions. The new deadline for

administrative exception authority is through December 31, 2020. This change is not for any exceptions approved through a final order.

(5) The flaring exception authority end date is established by hearing evidence.

(6) Casinghead gas or gas well gas classification is established by the hearing evidence.

**Table B – Latitude and Longitude of Flare Points**

Individual Flare Stacks Name	Flare Point Latitude	Flare Point Longitude	Directions to Lease
McKnight 179 Battery	31.563461 N	102.695231 W	At intersection of FM1053 and I-20 turn south to guard 2A, turn west, then go 1.2 miles
McKnight 1 Battery	31.542828 N	102.667082 W	At intersection of FM1053 and I-20 turn south to cattle guard No. 4, then turn west, go 0.5 mile, turn south and go 0.4 mile.
McKnight 11 Battery	31.546393 N	102.667913 W	At intersection of FM 1053 and I-20, turn south to cattle guard No. 3, then turn east. Go 0.5 mile, turn north and go 0.4 mile
McKnight 16 Battery	31.546393 N	102.667913 W	At intersection of FM 1053 and I-20, turn south to cattle guard No. 4, turn west and go one mile. Then turn north into location
McKnight 203 Battery	31.567683 N	102.675279 W	At intersection of FM 1053 and I020, turn south to cattle guard No. 2A, turn west, then go 1.2 miles

**Notes:** Latitude and Longitude of the Flare Point and Entrance to the flare point.



# **Attachment B**

**Stronghold Energy II Operating, LLC's Proposed Final Order**

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. OG-20 00003542**

---

**APPLICATION OF STRONGHOLD ENERGY II OPER, LLC (OPERATOR NO. 827681)  
PURSUANT TO STATEWIDE RULE 32 FOR AN EXCEPTION TO FLARE GAS FOR THE  
MCKNIGHT 179 BATTERY, COMMINGLE PERMIT 5789, VARIOUS FIELDS, CRANE COUNTY,  
TEXAS; DISTRICT 08**

---

**OIL AND GAS DOCKET NO. OG-20-00003543**

---

**APPLICATION OF STRONGHOLD ENERGY II OPER, LLC (OPERATOR NO. 827681)  
PURSUANT TO STATEWIDE RULE 32 FOR AN EXCEPTION TO FLARE GAS FOR THE  
MCKNIGHT 1 BATTERY, COMMINGLE PERMIT 1086, VARIOUS FIELDS, CRANE COUNTY,  
TEXAS; DISTRICT 08**

---

**OIL AND GAS DOCKET NO. OG-20-00003544**

---

**APPLICATION OF STRONGHOLD ENERGY II OPER, LLC (OPERATOR NO. 827681)  
PURSUANT TO STATEWIDE RULE 32 FOR AN EXCEPTION TO FLARE GAS FOR THE  
MCKNIGHT 11 BATTERY, COMMINGLE PERMIT 1031, VARIOUS FIELDS, CRANE COUNTY,  
TEXAS; DISTRICT 08**

---

**OIL AND GAS DOCKET NO. OG-20-00003545**

---

**APPLICATION OF STRONGHOLD ENERGY II OPER, LLC (OPERATOR NO. 827681)  
PURSUANT TO STATEWIDE RULE 32 FOR AN EXCEPTION TO FLARE GAS FOR THE  
MCKNIGHT 16 BATTERY, COMMINGLE PERMIT 1031, VARIOUS FIELDS, CRANE COUNTY,  
TEXAS; DISTRICT 08**

---

**OIL AND GAS DOCKET NO. OG-20-00003546**

---

**APPLICATION OF STRONGHOLD ENERGY II OPER, LLC (OPERATOR NO. 827681)  
PURSUANT TO STATEWIDE RULE 32 FOR AN EXCEPTION TO FLARE GAS FOR THE  
MCKNIGHT 203 BATTERY, COMMINGLE PERMIT 6594, VARIOUS FIELDS, CRANE COUNTY,  
TEXAS; DISTRICT 08**

---

**FINAL ORDER**

The Commission finds that after statutory notice in the above-numbered dockets heard on August 26, 2020, the presiding Technical Examiner and Administrative Law Judge have made and filed a Proposal for Decision containing findings of fact and conclusions of law, which was served on all parties of record, and that this proceeding was duly submitted to the Railroad Commission of Texas at a conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the Proposal for Decision and the findings of fact and conclusions of law contained therein, as well as the Exceptions and replies thereto, hereby adopts as its own the findings of fact and relevant attachments submitted by Stronghold, including Substitute Findings of Fact and Conclusions of Law, adopts as its own the Substitute Findings of Fact and Conclusions of Law as submitted as "Attachment A" with the Exceptions of Stronghold, and incorporates said Substitute Findings of Fact and Conclusions of Law in this **FINAL ORDER** by reference for all purposes, as if fully set out and stated herein.

It is **ORDERED** that Stronghold Energy II Oper., LLC ("Stronghold" or "Applicant") (Operator No. 827681) is **DENIED** the Statewide Rule 32 flaring exception authority volumes and exception periods proposed in their captioned docketed applications for the McKnight batteries, various leases ("Subject Leases"), various fields (the "Fields"), Crane County, Texas.

It is **ORDERED** that Stronghold is granted an exception to Statewide Rule 32 for the captioned docketed Applications flare points that serve the McKnight batteries, in the Subject Leases located in the Fields, Crane County, Texas, as identified in Table A to this Final Order. An exception to Statewide 32 is **APPROVED** to flare casinghead gas and gas well gas from the flare points based on the Daily Flare Volume and Maximum Monthly Flare Limit and the authorized exception period, as reflected in Table A to this Final Order.

This authority is granted, provided all production is reported on the appropriate Commission forms.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the Commission's order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code § 2001.142, by agreement under Tex. Gov't Code § 2001.147, or by written Commission Order issued pursuant to Tex. Gov't Code § 2001.146(e). If a timely motion for rehearing of an application is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to Tex. Gov't Code § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law is hereby extended until 100 days from the date Commission Order is signed. All pending motions and requests for relief not previously or herein granted are denied.

Each exception to the Proposal for Decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Signed June 22, 2021.

**RAILROAD COMMISSION OF TEXAS**

---

**CHAIRMAN CHRISTI CRADDICK**

---

**COMMISSIONER WAYNE CHRISTIAN**

---

**COMMISSIONER JIM WRIGHT**

**ATTEST**

\_\_\_\_\_  
**SECRETARY**

**Table A – Flare Exception Authority**

<b>O&amp;G Docket No.</b>	<b>Flare Exception No. (1)</b>	<b>Commingle Permit No. or Lease No.</b>	<b>Individual Flare Stack Name</b>	<b>Flare Exception Start Date (4)</b>	<b>Flare Exception End Date (5)</b>	<b>Maximum Flare Volume (Mcf) (2) (Mcfm) (3)</b>	<b>Casinghead Gas or Gas Well Gas (6)</b>
No. OG-20-00003542	43377	Commingle Permit 5789	McKnight 179 Battery 31.563461 N 102.695231 W	1/01/2021	6/30/2022	1,888 Mcfd 28,320 Mcfm	Casinghead Gas
No. OG-20-00003543	43374	Commingle Permit 1086	McKnight 1 Battery 31.542828 N 102.667082 W	1/01/2021	6/30/2022	2,190 Mcfd 32,850 Mcfm	Casinghead Gas and Gas Well Gas
No. OG-20-00003544	43375	Commingle Permit 1031	McKnight 11 Battery 31.546393 N 102.667913 W	1/01/2021	6/30/2022	2,831 Mcfd 42,465 Mcfm	Casinghead gas well
Docket No. OG-20-00003545	43376	Commingle Permit 1031	McKnight 16 Battery 31.546393 N 102.667913 W	1/01/2021	6/30/2022	1,878 Mcfd 28,170 Mcfm	Casinghead Gas and Gas Well Gas
Docket No. OG-20-00003546	43378	Commingle Permit 6594	McKnight 203 Battery 31.567683 N 102.675279 W	1/01/2021	6/30/2022	4,734 Mcfd 71,010 Mcfm	Casinghead Gas

**Notes:**

Mcf = Daily Flare Limit in Thousand Cubic Feet Per Day

Mcfm = Maximum Monthly Flare Limit in Thousand Cubic Feet Per Month

(1) Flare Exception refers to the flare exception authority in Statewide Rule 32. If multiple previous exceptions for the flare point, the identified flare exception number is the last exception granted by the Commission.

(2) The Mcfd is based on the Battery's highest peak daily gas production in 2020.

(3) Mcfm is based on the Battery's highest combined daily gas production in 2020 multiplied by a factor of fifteen, equivalent to fifteen days of flaring per month.

(4) The Commission's Oil and Gas Division extended the authority for any deadline expiring after March 16, 2020 due to COVID-19 for any existing administrative exceptions. The new deadline for administrative exception authority is through December 31, 2020. This change is not for any exceptions approved through a final order.

(5) The flaring exception authority end date is established by hearing evidence.

(6) Casinghead gas or gas well gas classification is established by the hearing evidence.

## Kathleen Hayden

---

**From:** Kathleen Hayden  
**Sent:** Monday, June 21, 2021 12:15 PM  
**To:** Lauren Spreen  
**Subject:** Re: GHPB Man of the Year - Jim Teague

Thank you, Lauren!  
-Kathleen

On Jun 21, 2021, at 12:11 PM, Lauren Spreen <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)> wrote:

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Thank you for checking, Kathleen, and we certainly understand. I'll get an address for the note and send it over to you.

Lauren

On Mon, Jun 21, 2021 at 10:39 AM Kathleen Hayden <[Kathleen.Hayden@rrc.texas.gov](mailto:Kathleen.Hayden@rrc.texas.gov)> wrote:  
Good morning, Lauren,

Regrettably, Chairman Craddick will not be able to join in the dinner August 21, 2021 honoring Jim Teague as the Greater Houston Port Bureau 2021 Maritime Leader of the Year. She would like to send a congratulatory letter, however. Would you by chance have an address that Chairman Craddick could send a note? Again, she wishes she could be in two places at once.

Best regards,  
Kathleen

On Jun 17, 2021, at 4:55 PM, Kathleen Hayden <[Kathleen.Hayden@rrc.texas.gov](mailto:Kathleen.Hayden@rrc.texas.gov)> wrote:

Thank you, Lauren. I'll put it on the scheduling discussion for Monday.

Best always,  
Kathleen

On Jun 17, 2021, at 2:31 PM, Lauren Spreen <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)> wrote:

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Hi Kathleen,

See below note and attached invitation for Chairman Craddick from Lindsey Miller and Enterprise Products.

This is the same save-the-date invitation as the hard copy I dropped off with Mia at the state office. Mr. Teague and Enterprise are very excited about the event honoring him as the Greater Houston Port Bureau 2021 Maritime Leader of the Year. Mr. Teague would be honored to have Chairman Craddick in attendance at the dinner on Saturday, August 21st in Houston if her schedule allows.

Would you please add this to the list for Chairman Craddick's next scheduling discussion?

As referenced below, Enterprise has also invited Nadine and Speaker Craddick to the dinner. I've sent this invite to Susan in Midland for their consideration.

Please let us know if you have any questions. We look forward to hearing from you soon.

Lauren Spreen

----- Forwarded message -----

From: Miller, Lindsey <[lmiller@eprod.com](mailto:lmiller@eprod.com)>

Date: Wed, Jun 16, 2021 at 4:12 PM

Subject: GHPB Man of the Year - Jim Teague

To: Lauren Spreen Consulting <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)>

Lauren,

Attached is the PDF of the "Save the Date" for the GHPB Annual Maritime Dinner. We are thrilled that Jim is receiving their highest recognition this year as "GHPB Man of the Year." We would love to have Chairman Craddick, Speaker Craddick and Nadine join us for the evening to recognize Jim for his many contributions to the Port of Houston. I know Jim would be honored if they're able to attend.



Let me know how I can be helpful in getting this to the appropriate person on staff.

Thanks mucho,

Lindsey

**Lindsey Miller**

Director, Government Affairs

Enterprise Products Partners L.P.

Mobile: 903.720.3585

E-Mail: [Lmiller@eprod.com](mailto:Lmiller@eprod.com)

[www.EnterpriseProducts.com](http://www.EnterpriseProducts.com)

**CONFIDENTIALITY NOTICE:** The information contained in this e-mail and any attachments to it may be legally privileged and include confidential information intended only for the recipient(s) identified above. If you are not one of those intended recipients, you are hereby notified that any dissemination, distribution or copying of this e-mail or its attachments is strictly prohibited. If you have received this e-mail in error, please notify the sender of that fact by return e-mail and permanently delete the e-mail and any attachments to it immediately. Please do not retain, copy or use this e-mail or its attachments for any purpose, nor disclose all or any part of its contents to any other person. Thank you.

---

This message (including any attachments) is confidential and intended for a specific individual and purpose. If you are not the intended

recipient, please notify the sender immediately and delete this message.

<image001.png>

<2021 GHPB Annual Maritime Dinner - Save the Date .pdf>

## Kathleen Hayden

---

**From:** Lauren Spreen <lauren@laurenspreen.com>  
**Sent:** Thursday, June 17, 2021 2:31 PM  
**To:** Kathleen Hayden  
**Cc:** Miller, Lindsey; Mia Hutchens  
**Subject:** Fwd: GHPB Man of the Year - Jim Teague  
**Attachments:** image001.png; 2021 GHPB Annual Maritime Dinner - Save the Date .pdf

**Follow Up Flag:** Flag for follow up  
**Flag Status:** Flagged

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Hi Kathleen,

See below note and attached invitation for Chairman Craddick from Lindsey Miller and Enterprise Products.

This is the same save-the-date invitation as the hard copy I dropped off with Mia at the state office. Mr. Teague and Enterprise are very excited about the event honoring him as the Greater Houston Port Bureau 2021 Maritime Leader of the Year. Mr. Teague would be honored to have Chairman Craddick in attendance at the dinner on Saturday, August 21st in Houston if her schedule allows.

Would you please add this to the list for Chairman Craddick's next scheduling discussion?

As referenced below, Enterprise has also invited Nadine and Speaker Craddick to the dinner. I've sent this invite to Susan in Midland for their consideration.

Please let us know if you have any questions. We look forward to hearing from you soon.

Lauren Spreen

----- Forwarded message -----

**From:** Miller, Lindsey <[lmiller@eprod.com](mailto:lmiller@eprod.com)>  
**Date:** Wed, Jun 16, 2021 at 4:12 PM  
**Subject:** GHPB Man of the Year - Jim Teague  
**To:** Lauren Spreen Consulting <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)>

Lauren,

Attached is the PDF of the "Save the Date" for the GHPB Annual Maritime Dinner. We are thrilled that Jim is receiving their highest recognition this year as "GHPB Man of the Year." We would love to have Chairman Craddick, Speaker Craddick and Nadine join us for the evening to recognize Jim for his many contributions to the Port of Houston. I know Jim would be honored if they're able to attend.

Let me know how I can be helpful in getting this to the appropriate person on staff.

Thanks mucho,

Lindsey

**Lindsey Miller**

Director, Government Affairs

Enterprise Products Partners L.P.

Mobile: 903.720.3585

E-Mail: [Lmiller@eprod.com](mailto:Lmiller@eprod.com)

[www.EnterpriseProducts.com](http://www.EnterpriseProducts.com)



**CONFIDENTIALITY NOTICE:** The information contained in this e-mail and any attachments to it may be legally privileged and include confidential information intended only for the recipient(s) identified above. If you are not one of those intended recipients, you are hereby notified that any dissemination, distribution or copying of this e-mail or its attachments is strictly prohibited. If you have received this e-mail in error, please notify the sender of that fact by return e-mail and permanently delete the e-mail and any attachments to it immediately. Please do not retain, copy or use this e-mail or its attachments for any purpose, nor disclose all or any part of its contents to any other person. Thank you.

---

This message (including any attachments) is confidential and intended for a specific individual and purpose. If you are not the intended recipient, please notify the sender immediately and delete this message.

# SAVE THE DATE



HONORING THE  
2021 MARITIME LEADER OF THE YEAR

## JIM TEAGUE

CO-CEO, ENTERPRISE PRODUCTS

Saturday, August 21, 2021  
5:30 pm - 9:30 pm  
Bayou City Event Center  
9401 Knight Road, Houston, Texas

---

COMPLIMENTARY VALET & PARKING  
ATTIRE: BLACK TIE OPTIONAL

**FOR MORE INFORMATION:**

[txgulf.org/annual-dinner](http://txgulf.org/annual-dinner) (713) 678-4300  
[dinner-info@txgulf.org](mailto:dinner-info@txgulf.org)

THE 92ND ANNUAL  
MARITIME DINNER  
IS PRESENTED BY THE PORT BUREAU  
BOARD OF DIRECTORS

**Bernt Netland**  
Chairman  
INTERCONTINENTAL TERMINALS CO.

**Vincent J. DiCasimo**  
1st Vice Chairman  
TARGA RESOURCES

**Kirk Jackson**  
2nd Vice Chairman  
SUDERMAN & YOUNG TOWING CO.

**April Bailey**  
Secretary-Treasurer  
AMECO BANK

**Vinny Pilegge**  
Immediate Past Chairman  
MANCHESTER TERMINAL LLC

**Marcia Faschingbauer**  
ENCARGO SERVICES INC.

**Roger Guenther**  
PORT HOUSTON

**Tom Marian**  
BUFFALO MARINE SERVICE, INC.

**Robert D. Sanders**  
ENTERPRISE PRODUCTS PARTNERS L.P.

**John Taylor**  
HOUSTON MOORING CO., INC.

**Capt. Robert Thompson**  
HOUSTON PILOTS

**Dave Weston**  
DOR, INC.

**Ramiro Barba**  
PORT OF TEXAS CITY

**Sharon Beemer**  
VOPAR AMERICAS - PETER HARK

**Richard Bertrand**  
STOLT-NIELSEN USA, INC.

**Jim Black**  
MORAN SHIPPING AGENCIES, INC.

**Robert Blades**  
BLADES INTERNATIONAL, INC.

**Ernie Farrand**  
WATCO

**Mickey Franco**  
ENERGY TRANSFER PARTNERS LP

**Mark Jacobs**  
HOUSTON CAPITAL CORPORATION

**Jack A. Lyons**  
MARSH WORTHAM

**Paul Matejowsky**  
EXXONMOBIL BAYTOWN

**Brett Milutin**  
PORT OF GALVESTON

**Lance Nunez**  
THE DOW CHEMICAL COMPANY

**Kelly Richardson**  
KINDERMORGAN CORP/TERMINALS

**John W. Schlosser**  
KINDERMORGAN TERMINALS

**Karl Schröder**  
SCHRÖDER MARINE SERVICES, INC.

**Adam Smith**  
DWC TERMINALS

**Todd Stewart**  
GULFWINDS INTERNATIONAL, INC.

**Tim Studdert**  
SHIBBROCK MARINE

**Jamie Sylvester**  
BRIGGS & VESLEY CO.

**Karrie Trauth**  
SHELF TRADING (US) COMPANY

**Gareth Williams**  
ODFJELT USA HOUSTON, INC.

**Matt Woodruff**  
KIRBY CORPORATION

**TITLE SPONSOR**

Enterprise Products Partners L.P.

**QUEEN OF THE FLEET SPONSORS**

Enterprise Products Partners L.P.

Callan Marine • Kinder Morgan • Port Houston

© 2014 Callan



## Kathleen Hayden

---

**From:** Kathleen Hayden  
**Sent:** Monday, June 21, 2021 12:15 PM  
**To:** Lauren Spreen  
**Subject:** Re: GHPB Man of the Year - Jim Teague

Thank you, Lauren!  
-Kathleen

On Jun 21, 2021, at 12:11 PM, Lauren Spreen <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)> wrote:

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Thank you for checking, Kathleen, and we certainly understand. I'll get an address for the note and send it over to you.

Lauren

On Mon, Jun 21, 2021 at 10:39 AM Kathleen Hayden <[Kathleen.Hayden@rrc.texas.gov](mailto:Kathleen.Hayden@rrc.texas.gov)> wrote:  
Good morning, Lauren,

Regrettably, Chairman Craddick will not be able to join in the dinner August 21, 2021 honoring Jim Teague as the Greater Houston Port Bureau 2021 Maritime Leader of the Year. She would like to send a congratulatory letter, however. Would you by chance have an address that Chairman Craddick could send a note? Again, she wishes she could be in two places at once.

Best regards,  
Kathleen

On Jun 17, 2021, at 4:55 PM, Kathleen Hayden <[Kathleen.Hayden@rrc.texas.gov](mailto:Kathleen.Hayden@rrc.texas.gov)> wrote:

Thank you, Lauren. I'll put it on the scheduling discussion for Monday.

Best always,  
Kathleen

On Jun 17, 2021, at 2:31 PM, Lauren Spreen  
<[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)> wrote:



**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Hi Kathleen,

See below note and attached invitation for Chairman Craddick from Lindsey Miller and Enterprise Products.

This is the same save-the-date invitation as the hard copy I dropped off with Mia at the state office. Mr. Teague and Enterprise are very excited about the event honoring him as the Greater Houston Port Bureau 2021 Maritime Leader of the Year. Mr. Teague would be honored to have Chairman Craddick in attendance at the dinner on Saturday, August 21st in Houston if her schedule allows.

Would you please add this to the list for Chairman Craddick's next scheduling discussion?

As referenced below, Enterprise has also invited Nadine and Speaker Craddick to the dinner. I've sent this invite to Susan in Midland for their consideration.

Please let us know if you have any questions. We look forward to hearing from you soon.

Lauren Spreen

----- Forwarded message -----

From: Miller, Lindsey <[lmiller@eprod.com](mailto:lmiller@eprod.com)>

Date: Wed, Jun 16, 2021 at 4:12 PM

Subject: GHPB Man of the Year - Jim Teague

To: Lauren Spreen Consulting <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)>

Lauren,

Attached is the PDF of the "Save the Date" for the GHPB Annual Maritime Dinner. We are thrilled that Jim is receiving their highest recognition this year as "GHPB Man of the Year." We would love to have Chairman Craddick, Speaker Craddick and Nadine join us for the evening to recognize Jim for his many contributions to the Port of Houston. I know Jim would be honored if they're able to attend.

Let me know how I can be helpful in getting this to the appropriate person on staff.

Thanks mucho,

Lindsey

**Lindsey Miller**

Director, Government Affairs

Enterprise Products Partners L.P.

Mobile: 903.720.3585

E-Mail: [Lmiller@eprod.com](mailto:Lmiller@eprod.com)

[www.EnterpriseProducts.com](http://www.EnterpriseProducts.com)

**CONFIDENTIALITY NOTICE:** The information contained in this e-mail and any attachments to it may be legally privileged and include confidential information intended only for the recipient(s) identified above. If you are not one of those intended recipients, you are hereby notified that any dissemination, distribution or copying of this e-mail or its attachments is strictly prohibited. If you have received this e-mail in error, please notify the sender of that fact by return e-mail and permanently delete the e-mail and any attachments to it immediately. Please do not retain, copy or use this e-mail or its attachments for any purpose, nor disclose all or any part of its contents to any other person. Thank you.

---

This message (including any attachments) is confidential and intended for a specific individual and purpose. If you are not the intended

recipient, please notify the sender immediately and delete this message.

<image001.png>

<2021 GHPB Annual Maritime Dinner - Save the Date .pdf>

## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Tuesday, July 20, 2021 3:25 PM  
**To:** Mia Hutchens  
**Subject:** Fw: ORR from Colette Rosenberg 21-1084

---

**From:** Karen Sanchez <Karen.Sanchez@rrc.texas.gov>  
**Sent:** Thursday, May 27, 2021 2:31 PM  
**To:** Bill Black <Bill.Black@rrc.texas.gov>; Travis McCormick <travis.mccormick@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Cc:** Haley Cochran <Haley.Cochran@rrc.texas.gov>  
**Subject:** RE: ORR from Colette Rosenberg 21-1084

Just a reminder, this is due next Tuesday.

Thanks, Karen

---

**From:** Karen Sanchez  
**Sent:** Monday, May 17, 2021 11:55 AM  
**To:** Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>; Bill Black <Bill.Black@rrc.texas.gov>; Travis McCormick <travis.mccormick@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Cc:** Haley Cochran <Haley.Cochran@rrc.texas.gov>  
**Subject:** ORR from Colette Rosenberg 21-1084

Request for the following:

All communications, including emails and attachments, between Commissioner Jim Wright, Commissioner Christi Craddick, Commissioner Wayne Christian, Kathleen Hayden, Kate Zaykowski and any other Commissioner staff and the following individuals and email addresses:

Aaron Geyer (Please search for the email address "[aaron.geyer@pxd.com](mailto:aaron.geyer@pxd.com)")

Michelle Phillips (Please search for the email address "[michellephillips1015@gmail.com](mailto:michellephillips1015@gmail.com)")

Joe Kramer (Please search for the email address "[kramercompany@msn.com](mailto:kramercompany@msn.com)")

Scott Hutchings (Please search for the email address "[shutchin@wm.com](mailto:shutchin@wm.com)")

Nick Hines (Please search for the email address "[nhines@oilfieldwaterlogistics.com](mailto:nhines@oilfieldwaterlogistics.com)")

Mark Grawe (Please search for the email address "[mgrawe@eagleridgeenergy.com](mailto:mgrawe@eagleridgeenergy.com)")

Kevin Ware (Please search for the email address "[kware@kje-us.com](mailto:kware@kje-us.com)")

Lauren Spreen

Please search your records from March 15, 2021 to May 17, 2021.

Response due 6/1.

Thanks, Karen

## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Tuesday, July 20, 2021 3:26 PM  
**To:** Mia Hutchens  
**Subject:** Fw: May 2021 ORRs  
**Attachments:** May 2021 ORRs.docx

---

**From:** Karen Sanchez <Karen.Sanchez@rrc.texas.gov>  
**Sent:** Thursday, June 10, 2021 3:19 PM  
**To:** Bill Black <Bill.Black@rrc.texas.gov>; Travis McCormick <travis.mccormick@rrc.texas.gov>; Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>  
**Cc:** Alex Schoch <alex.schoch@rrc.texas.gov>; Wei Wang <Wei.Wang@rrc.texas.gov>; Haley Cochran <Haley.Cochran@rrc.texas.gov>  
**Subject:** May 2021 ORRs

Attached is the portion of the Open Records Log FY 2021 reflecting open records requests received by General Counsel Staff during May 2021.

If you have any questions, please don't hesitate to contact me.

Thank you,

*Karen*

## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Tuesday, July 20, 2021 3:29 PM  
**To:** Mia Hutchens  
**Subject:** Fw: Notebook Materials--Stronghold

---

**From:** Dana Lewis <Dana.Lewis@rrc.texas.gov>  
**Sent:** Wednesday, June 16, 2021 6:19 PM  
**To:** Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>; Bill Black <Bill.Black@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Subject:** RE: Notebook Materials--Stronghold

No, there was not another attorney.

I reviewed the file, and Mr. Miller was designated as Stronghold's representative from the beginning of this docket. Miller was on the original service list, not Mr. Troxclair. Miller indicated himself as the representative on the request for hearing form. There was no indication of Mr. Troxclair's potential involvement in these dockets until notices of intent to appear were filed (by several on behalf of Stronghold), and he appeared at the hearing. The Hearings Division did not receive written notification or a motion requesting that Mr. Troxclair be substituted as the authorized representative for Stronghold, nor was there a request to add Mr. Troxclair to the service list (*see* Tex. Admin. Code § 1.2(4) and § 1.27 regarding authorized representatives). Besides our rules requiring written notification or a motion to be designated as an authorized party representative, it is important to make such requests in writing to ensure it is clear to legal assistants, as well as the Administrative Law Judge and Technical Examiner, that the representative is changing. Please note that we do not automatically add all who fill out a notice of intent to appear to the service list because many are mere witnesses or observers.

Commission rules require the *party* to be served. Both Stronghold and Mr. Miller, as their self-designated representative, were served pursuant to Tex. Admin. Code § 1.121 and Tex. Gov't Code § 2001.062, which requires that the *party* be served.

While it is unfortunate that Mr. Troxclair did not receive the Proposal for Decision as well, the Hearings Division complied with its statutory requirements by serving Stronghold, the applicant party, and went beyond statutory requirements by serving Mr. Miller, the indicated representative.

I am surprised that neither Stronghold nor Mr. Miller had communications with Mr. Troxclair regarding filing exceptions, thereby trigger the realization much sooner that he did not receive the PFD. Given the situation, I offered for Mr. Troxclair to file exception and for us to update the notebook materials.

All involved appear to be satisfied and thankful for the opportunity to file exceptions by Friday (Monday at the latest, but hopefully Friday).

No one has requested to pass; perhaps because they have the opportunity to file exceptions, and the Hearings Division complied with its statutory requirements to serve the *party* and served its authorized representative of record as well.

Examiner Musick, who wrote the PFD, is retiring at the end of this month. He will not have another opportunity to present his PFD.

Please let me know you have additional questions.

Best regards,

Dana



DANA AVANT LEWIS  
Director | Hearings Division  
Railroad Commission of Texas  
512-463-3597  
[Take our Customer Service Survey](#)



---

**From:** Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>  
**Sent:** Wednesday, June 16, 2021 5:47 PM  
**To:** Dana Lewis <Dana.Lewis@rrc.texas.gov>; Bill Black <Bill.Black@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Subject:** RE: Notebook Materials--Stronghold

Dana,

Was there another attorney at the hearing? I'm confused why Mr. Troxclair didn't receive a copy of the PFD, even if he didn't request to be added to the service list.

Also, has no one requested to pass this item since we haven't received a copy of the exceptions?

Thanks,  
CSH



Christopher S. Hotchkiss  
General Counsel to Commissioner Jim Wright  
Railroad Commission of Texas  
512-463-7147  
[Take our Customer Service Survey](#)



---

**From:** Dana Lewis <[Dana.Lewis@rrc.texas.gov](mailto:Dana.Lewis@rrc.texas.gov)>  
**Sent:** Wednesday, June 16, 2021 5:28 PM  
**To:** Christopher Hotchkiss <[Christopher.Hotchkiss@rrc.texas.gov](mailto:Christopher.Hotchkiss@rrc.texas.gov)>; Bill Black <[Bill.Black@rrc.texas.gov](mailto:Bill.Black@rrc.texas.gov)>; Jeremy Hagen <[jeremy.hagen@rrc.texas.gov](mailto:jeremy.hagen@rrc.texas.gov)>  
**Subject:** Notebook Materials--Stronghold

Gentlemen,

Want to give you a heads up that we may be receiving late-filed exceptions to the PFD in Stronghold. Dale Miller was the authorized representative of record from the beginning of these dockets, but Caleb Troxclair appeared at the hearing with Miller. There was no formal request to be added to the service list or request to substitute as the authorized rep., so the legal assistant did not include him when she sent out the PFD. Miller was expecting Troxclair to respond with exceptions and apparently did not realize he had not received the PFD. We just found out yesterday. Technically they did not comply with our rules, but I authorized Troxclair to file late exceptions anyway. He hopes to have them in by Friday, so we can transmit it with a memo in the afternoon. I told him we could get it as late as Monday, but that would not allow as much time for the Commissioners to review the exceptions.

Please let me know if you have questions.

Best regards,

Dana



DANA AVANT LEWIS  
Director | Hearings Division  
Railroad Commission of Texas  
512-463-3597  
[Take our Customer Service Survey](#)





## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Tuesday, July 20, 2021 3:25 PM  
**To:** Mia Hutchens  
**Subject:** Fw: ORR from Colette Rosenberg 21-1084

---

**From:** Karen Sanchez <Karen.Sanchez@rrc.texas.gov>  
**Sent:** Thursday, May 27, 2021 2:31 PM  
**To:** Bill Black <Bill.Black@rrc.texas.gov>; Travis McCormick <travis.mccormick@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Cc:** Haley Cochran <Haley.Cochran@rrc.texas.gov>  
**Subject:** RE: ORR from Colette Rosenberg 21-1084

Just a reminder, this is due next Tuesday.

Thanks, Karen

---

**From:** Karen Sanchez  
**Sent:** Monday, May 17, 2021 11:55 AM  
**To:** Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>; Bill Black <Bill.Black@rrc.texas.gov>; Travis McCormick <travis.mccormick@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Cc:** Haley Cochran <Haley.Cochran@rrc.texas.gov>  
**Subject:** ORR from Colette Rosenberg 21-1084

Request for the following:

All communications, including emails and attachments, between Commissioner Jim Wright, Commissioner Christi Craddick, Commissioner Wayne Christian, Kathleen Hayden, Kate Zaykowski and any other Commissioner staff and the following individuals and email addresses:

Aaron Geyer (Please search for the email address "[aaron.geyer@pxd.com](mailto:aaron.geyer@pxd.com)")  
Michelle Phillips (Please search for the email address "[michellephillips1015@gmail.com](mailto:michellephillips1015@gmail.com)")  
Joe Kramer (Please search for the email address "[kramercompany@msn.com](mailto:kramercompany@msn.com)")  
Scott Hutchings (Please search for the email address "[shutchin@wm.com](mailto:shutchin@wm.com)")  
Nick Hines (Please search for the email address "[nhines@oilfieldwaterlogistics.com](mailto:nhines@oilfieldwaterlogistics.com)")  
Mark Grawe (Please search for the email address "[mgrawe@eagleridgeenergy.com](mailto:mgrawe@eagleridgeenergy.com)")  
Kevin Ware (Please search for the email address "[kware@kje-us.com](mailto:kware@kje-us.com)")

Lauren Spreen

Please search your records from March 15, 2021 to May 17, 2021.

Response due 6/1.

Thanks, Karen

## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Tuesday, July 20, 2021 3:26 PM  
**To:** Mia Hutchens  
**Subject:** Fw: May 2021 ORRs  
**Attachments:** May 2021 ORRs.docx

---

**From:** Karen Sanchez <Karen.Sanchez@rrc.texas.gov>  
**Sent:** Thursday, June 10, 2021 3:19 PM  
**To:** Bill Black <Bill.Black@rrc.texas.gov>; Travis McCormick <travis.mccormick@rrc.texas.gov>; Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>  
**Cc:** Alex Schoch <alex.schoch@rrc.texas.gov>; Wei Wang <Wei.Wang@rrc.texas.gov>; Haley Cochran <Haley.Cochran@rrc.texas.gov>  
**Subject:** May 2021 ORRs

Attached is the portion of the Open Records Log FY 2021 reflecting open records requests received by General Counsel Staff during May 2021.

If you have any questions, please don't hesitate to contact me.

Thank you,

*Karen*

## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Tuesday, July 20, 2021 3:29 PM  
**To:** Mia Hutchens  
**Subject:** Fw: Notebook Materials--Stronghold

---

**From:** Dana Lewis <Dana.Lewis@rrc.texas.gov>  
**Sent:** Wednesday, June 16, 2021 6:19 PM  
**To:** Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>; Bill Black <Bill.Black@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Subject:** RE: Notebook Materials--Stronghold

No, there was not another attorney.

I reviewed the file, and Mr. Miller was designated as Stronghold's representative from the beginning of this docket. Miller was on the original service list, not Mr. Troxclair. Miller indicated himself as the representative on the request for hearing form. There was no indication of Mr. Troxclair's potential involvement in these dockets until notices of intent to appear were filed (by several on behalf of Stronghold), and he appeared at the hearing. The Hearings Division did not receive written notification or a motion requesting that Mr. Troxclair be substituted as the authorized representative for Stronghold, nor was there a request to add Mr. Troxclair to the service list (*see* Tex. Admin. Code § 1.2(4) and § 1.27 regarding authorized representatives). Besides our rules requiring written notification or a motion to be designated as an authorized party representative, it is important to make such requests in writing to ensure it is clear to legal assistants, as well as the Administrative Law Judge and Technical Examiner, that the representative is changing. Please note that we do not automatically add all who fill out a notice of intent to appear to the service list because many are mere witnesses or observers.

Commission rules require the *party* to be served. Both Stronghold and Mr. Miller, as their self-designated representative, were served pursuant to Tex. Admin. Code § 1.121 and Tex. Gov't Code § 2001.062, which requires that the *party* be served.

While it is unfortunate that Mr. Troxclair did not receive the Proposal for Decision as well, the Hearings Division complied with its statutory requirements by serving Stronghold, the applicant party, and went beyond statutory requirements by serving Mr. Miller, the indicated representative.

I am surprised that neither Stronghold nor Mr. Miller had communications with Mr. Troxclair regarding filing exceptions, thereby trigger the realization much sooner that he did not receive the PFD. Given the situation, I offered for Mr. Troxclair to file exception and for us to update the notebook materials.

All involved appear to be satisfied and thankful for the opportunity to file exceptions by Friday (Monday at the latest, but hopefully Friday).

No one has requested to pass; perhaps because they have the opportunity to file exceptions, and the Hearings Division complied with its statutory requirements to serve the *party* and served its authorized representative of record as well.

Examiner Musick, who wrote the PFD, is retiring at the end of this month. He will not have another opportunity to present his PFD.

Please let me know you have additional questions.

Best regards,

Dana



DANA AVANT LEWIS  
Director | Hearings Division  
Railroad Commission of Texas  
512-463-3597  
[Take our Customer Service Survey](#)



---

**From:** Christopher Hotchkiss <Christopher.Hotchkiss@rrc.texas.gov>  
**Sent:** Wednesday, June 16, 2021 5:47 PM  
**To:** Dana Lewis <Dana.Lewis@rrc.texas.gov>; Bill Black <Bill.Black@rrc.texas.gov>; Jeremy Hagen <jeremy.hagen@rrc.texas.gov>  
**Subject:** RE: Notebook Materials--Stronghold

Dana,

Was there another attorney at the hearing? I'm confused why Mr. Troxclair didn't receive a copy of the PFD, even if he didn't request to be added to the service list.

Also, has no one requested to pass this item since we haven't received a copy of the exceptions?

Thanks,  
CSH



Christopher S. Hotchkiss  
General Counsel to Commissioner Jim Wright  
Railroad Commission of Texas  
512-463-7147  
[Take our Customer Service Survey](#)



---

**From:** Dana Lewis <[Dana.Lewis@rrc.texas.gov](mailto:Dana.Lewis@rrc.texas.gov)>  
**Sent:** Wednesday, June 16, 2021 5:28 PM  
**To:** Christopher Hotchkiss <[Christopher.Hotchkiss@rrc.texas.gov](mailto:Christopher.Hotchkiss@rrc.texas.gov)>; Bill Black <[Bill.Black@rrc.texas.gov](mailto:Bill.Black@rrc.texas.gov)>; Jeremy Hagen <[jeremy.hagen@rrc.texas.gov](mailto:jeremy.hagen@rrc.texas.gov)>  
**Subject:** Notebook Materials--Stronghold

Gentlemen,

Want to give you a heads up that we may be receiving late-filed exceptions to the PFD in Stronghold. Dale Miller was the authorized representative of record from the beginning of these dockets, but Caleb Troxclair appeared at the hearing with Miller. There was no formal request to be added to the service list or request to substitute as the authorized rep., so the legal assistant did not include him when she sent out the PFD. Miller was expecting Troxclair to respond with exceptions and apparently did not realize he had not received the PFD. We just found out yesterday. Technically they did not comply with our rules, but I authorized Troxclair to file late exceptions anyway. He hopes to have them in by Friday, so we can transmit it with a memo in the afternoon. I told him we could get it as late as Monday, but that would not allow as much time for the Commissioners to review the exceptions.

Please let me know if you have questions.

Best regards,

Dana



DANA AVANT LEWIS  
Director | Hearings Division  
Railroad Commission of Texas  
512-463-3597  
[Take our Customer Service Survey](#)



## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Wednesday, July 21, 2021 10:17 AM  
**To:** Mia Hutchens  
**Subject:** Fw: Meeting with US Ecology

---

**From:** Benjamin Sebree <ben@thesebreelawfirm.com>  
**Sent:** Friday, July 2, 2021 1:03 PM  
**To:** Bill Black <Bill.Black@rrc.texas.gov>  
**Subject:** RE: Meeting with US Ecology

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Hi Bill,

I apologize about the confusion regarding our meetings. I'm sure it was my fault because I was driving when we spoke.

At any rate, I believe I have gotten everything straightened out according to the two dates that you originally offered. Accordingly, if this works with you, my folks from Sage Geosystems and I will plan on meeting with you at your office on Thursday, August 19 at 2:30. Attending the meeting will be:

1. Dr. Lev Ring, Chief Executive Officer;
2. R. Lance Cook, President and Chief Technical Officer;
3. Cindy Taff, Chief Operating Officer; and
4. Myself.

They have an enormous amount of experience in the oil and gas industry at very high executive levels. Here is a link to their website if you want to check them out:

<https://www.sagegeosystems.com/> .

On Monday, August 23 at 2:30 at your office, my folks from US Ecology will look forward to meeting with you. As previously stated, attending the meeting will be:

1. Vince Scheerer, Senior Vice-President for the Gulf Coast Region;
2. Wes Warren, Vice President for Operations; and
3. Myself.

Please let me know if I have gotten the schedule correct this time. I very much appreciate your help and your willingness to meet. We look forward to seeing you and I hope you have a great vacation!

Ben

**BENJAMIN W. SEBREE**  
*Attorney & Counselor at Law*  
The Sebree Law Firm PLLC  
Governmental Relations, Policy, Law  
Phone: [\(512\) 925-3840](tel:(512)925-3840)  
E-Mail: [ben@thesebreefirm.com](mailto:ben@thesebreefirm.com)

CONFIDENTIAL NOTICE This electronic transmission and any documents or other writings sent with it constitute confidential information which is intended only for the named recipient and which may be legally privileged. If you have received this communication and you are not an intended recipient, do not read it. Please reply to the sender at The Sebree Law Firm PLLC that you have received the message in error. Then delete it. Any disclosure, copying, distribution or the taking of any action concerning the contents of this communication or any attachment(s) by anyone other than the named recipient is strictly prohibited.

---

**From:** Benjamin Sebree  
**Sent:** Wednesday, June 30, 2021 1:37 PM  
**To:** Bill.Black@rrc.texas.gov  
**Subject:** Meeting with US Ecology

Hi Bill,

Sorry it took a while to get back with you. I'm writing to let you know that my folks with US Ecology thank you for the opportunity to visit with you and that they are looking forward to meeting with you on Friday, August 20<sup>th</sup> at 2:30 at your office. Attending this meeting will be the following:

1. Vince Scheerer, Senior Vice-President for the Gulf Coast Region;
2. Wes Warren, Vice President for Operations; and
3. Myself.

Unfortunately, the CEO for Sage Geosystems is unavailable for the week beginning August 23. Do you have any other times available on your schedule for the week beginning Monday, August 16?

Thanks very much,

Ben

**BENJAMIN W. SEBREE**

*Attorney & Counselor at Law*

The Sebree Law Firm PLLC

Governmental Relations, Policy, Law

Phone: [\(512\) 925-3840](tel:(512)925-3840)

E-Mail: [ben@thesebreefirm.com](mailto:ben@thesebreefirm.com)

CONFIDENTIAL NOTICE: This electronic transmission and any documents or other writings sent with it constitute confidential information which is intended only for the named recipient and which may be legally privileged. If you have received this communication and you are not an intended recipient, do not read it. Please reply to the sender at The Sebree Law Firm PLLC that you have received the message in error. Then delete it. Any disclosure, copying, distribution or the taking of any action concerning the contents of this communication or any attachment(s) by anyone other than the named recipient is strictly prohibited.





## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Wednesday, July 21, 2021 10:27 AM  
**To:** Mia Hutchens  
**Subject:** Fw: REGROW Act  
**Attachments:** REGROW-Act.pdf

---

**From:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Sent:** Tuesday, June 15, 2021 2:28 PM  
**To:** Bill Black <[Bill.Black@rrc.texas.gov](mailto:Bill.Black@rrc.texas.gov)>; Mia Hale <[mia@texasstaralliance.com](mailto:mia@texasstaralliance.com)>  
**Subject:** REGROW Act

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

For our discussion next Tuesday.

Chris Hosek  
Texas Star Alliance Energy Solutions  
1210 Nueces  
Austin Tx 78701  
512-468-3212  
[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)



**REGROW Act**  
**Revive Economic Growth and Reclaim Orphaned Wells Act of 2021**  
**Senators Luján (D-NM) & Cramer (R-ND)**

*"For a fraction of what the federal government has spent on economic stimulus during the COVID-19 pandemic, America could put laid off oil and gas employees back to work, preventing massive amounts of the most dangerous greenhouse gas from warming our atmosphere, and cleaning up local communities. It's a win-win-win-win proposal that both Republicans and Democrats can support." Forbes, September 2020*

Across the country, over 56,000 documented "orphaned" oil and gas wells (abandoned wells with no responsible party for cleanup) can leak methane, contaminate groundwater, and create safety risks. Even before the economic repercussions of the COVID-19 pandemic, federal agencies and states responsible for plugging and reclaiming these wells had limited funding for cleanup. During 2020, global energy oversupply combined with decreased demand due to the pandemic caused major job losses in the energy sector. Under the REGROW Act of 2021, over \$4.6 billion would go towards putting skilled energy workers back to work cleaning up these sites, with the goal of plugging every documented orphan well in the country. This reclamation and restoration work will create or retain tens of thousands of jobs, help stimulate oilfield community economies, and cut down on harmful emissions.

**The REGROW Act would provide:**

- \$4.275 billion for orphaned well cleanup on state and private lands
- \$400 million for orphaned well cleanup on public and tribal lands
- \$32 million for related research, development, and implementation

**STATE GRANTS:** Most documented orphaned wells are on state and private land, and the bulk of funds in the bill are dispersed to states through three types of grants administered by the Department of the Interior (DOI)

- \$775 Million in initial grants to be delivered within 7 months of the bill's passage - Goal is to get funds to states quickly to help unemployed oil and gas workers
  - Up to a \$25 million grant if a state has a well-established cleanup program and can put a large sum of money to use quickly
  - Up to a \$5 million grant if a state uses the funds to start a cleanup program or apply for a Formula Grant
- \$2 Billion in Formula Grants starting roughly five months after enactment, obligated by states within 5 years of receipt - Goal is to provide dedicated, longer-term grants to help states significantly reduce their orphaned well inventory
  - Grant amounts largely determined by a formula that accounts for oil and gas job losses and number of orphaned wells in the state
- \$1.5 Billion in Performance Grants issued started roughly 7 months after enactment - Goal of grants is to incentivize states to take fiscally and environmentally positive actions
  - State regulatory improvements trigger grant eligibility
  - States may receive up to two \$20 million grants by strengthening plugging standards; or undertaking reforms to reduce future orphan well burden
  - States may receive up to \$30 million in grants by increasing state spending on well cleanup

**PUBLIC LANDS AND TRIBAL GRANTS:** In addition to state grants, the bill directs funds to DOI to cleanup orphaned wells on public lands and creates a grant program within the Bureau of Indian Affairs to help Tribes cleanup orphaned wells

- **Public Lands - \$250 Million**
  - U.S. Bureau of Land Management (BLM) is the primary agency within DOI tasked with orphaned well cleanup
  - BLM must establish a program to plug, remediate and reclaim wells on Federal lands within 60 days of enactment
  - Reduces the time period before which inactive wells are considered idled, and requires BLM to reduce idled well inventory
- **Tribal Grants - \$150 Million**
  - U.S. Bureau of Indian Affairs (BIA) within DOI is tasked with establishing a tribal grant program
  - Tribes can apply for and receive grants for capacity building to plug orphaned wells and remediate surrounding lands
  - Tribes may also request that BLM conduct the cleanup work

**Stakeholder Support**

"The Independent Petroleum Association of America (IPAA) supports actions to address orphan wells. States have been acting to plug these wells for decades. The REGROW Act would provide additional funds for these state programs and aid their initiatives and the workers who undertake these efforts during the difficult fiscal times caused by the COVID-19 pandemic. IPAA urges Congress to take swift action on this legislation. We applaud the leadership of Senators Luján and Cramer in working with all interested parties to develop legislation that will help address this important issue in a reasonable and thoughtful manner." Barry Russell, IPAA President & CEO

"EDF applauds Senators Luján and Cramer for introducing a bipartisan bill that will create jobs and protect local communities from air, water and climate pollution from leaky orphan wells. Over 100,000 oil and gas workers have lost their jobs in the past year and this effort will put people back to work while creating a healthier environment. This bill will ensure every documented orphan well in the U.S. is plugged, help identify and catalogue the hundreds of thousands of other improperly abandoned wells across the country and make sure when wells are plugged, they are plugged properly. This is an important piece of the overarching reforms – including reforms to bonding and other policies that prevent wells from becoming orphaned in the future – needed to reduce the environmental impact of the oil and gas industry." Elizabeth Gore, Senior Vice President, Political Affairs, Environmental Defense Fund

"The Interstate Oil and Gas Compact Commission (IOGCC) urges Congress to pass the REGROW Act now. This legislation will provide funding to accelerate the orphan well plugging activities of the states. It will simultaneously sustain the oil and gas workforce through the repercussions of the pandemic and address the potential environmental harms of orphan wells. IOGCC has been gratified to work with other stakeholders under the leadership of Senators Luján and Cramer in crafting bipartisan legislation that addresses an issue of paramount importance to the states." Lori Wrotenbery, Executive Director, Interstate Oil and Gas Compact Commission



## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Wednesday, July 21, 2021 10:31 AM  
**To:** Mia Hutchens  
**Subject:** Fw: RRC News Clips: July 14, 2021

---

**From:** Andrew Keese <Andrew.Keese@rrc.texas.gov>  
**Sent:** Wednesday, July 14, 2021 10:07 AM  
**To:** NewsClips <newsclips@rrc.state.tx.us>  
**Subject:** RRC News Clips: July 14, 2021

### **UT report: Failure of natural gas system ‘exacerbated’ winter storm blackouts**

By Paul Takahashi  
Houston Chronicle  
July 13, 2021

The failure by natural gas producers to supply adequate fuel to power plants “exacerbated” the electricity shortage during the February freeze, according to a new report from the University of Texas at Austin.

A dozen researchers from UT’s Energy Institute found that while all power sources — including coal, wind, solar and nuclear — faltered during the winter storm, failures to weatherize natural gas wells and ensure electricity to critical equipment compounded the catastrophic power failure. The storm and blackouts killed at least 200 people and caused billions of dollars in property damage across Texas.

“Days before ERCOT called for blackouts, natural gas was already being curtailed to some natural gas consumers, including power plants,” the report’s authors wrote. “Natural gas output started to decline rapidly before the electricity forced outages began early on February 15, with production declining about 700 million cubic feet per day from February 8-14. This decline is likely due to weather-related factors and not a loss of power at natural gas facilities.”

The 101-page report didn’t break new ground on what caused the widespread Texas blackouts, but it provided more details and a solid baseline of facts as policymakers debate ways to improve the electricity grid and natural gas system to prevent future blackouts. UT’s report was published on the same day as the Electric Reliability Council of Texas unveiled a roadmap to improve the state’s power grid.

“I think it’s a really good step forward,” said Jay Zarnikau, one of the report’s authors. “It’s not necessarily going to address all failures identified in our report, but I think it was a good roadmap.”

UT researchers looked at public data and legislative testimony, but also were given access to confidential data from ERCOT, including the performance of certain power plants, communications about the winter storm and ERCOT’s emergency program that automatically shut off power to some natural gas producers. The study was funded in part by the Public Utility Commission, which oversees the Electric Reliability Council of Texas.

Researchers found that frozen wells caused natural gas production to fall by 85 percent in the days leading up to Feb. 16, with up to two-thirds of processing plants in the Permian Basin experiencing an outage. Researchers looked at a sample of 27 natural gas processing plants, and found that as many as 18 of them had zero output at the worst of the storm. Natural gas producers are not required to weatherize their equipment in Texas.

Other power sources also failed during the storm. Wind turbines and solar panels froze, a sensor at a nuclear plant malfunctioned and coal plants struggled to keep their fuel dry and plants running.

As the cold temperatures endured, Texas' natural gas production fell to 11.8 billion cubic feet per day on Feb. 17 from an average of 21.3 billion cubic feet during the week ended Feb. 13. The Permian Basin produces about half of the natural gas in Texas. UT's report contradicts an oil and gas trade group, which has said power outages to producers and pipelines were the main reason natural gas production plummeted during the storm.

Austin-based energy research firm Enverus, commissioned by the Texas Oil and Gas Association, found in April that the declines in natural gas production before rolling blackouts began were minimal compared to the declines that occurred after power was cut in the oil field.

"Without debate, Texas natural gas carried the load of keeping Texans warm during winter storm Uri by providing over 60 percent of daily generating capacity, and this UT Energy Institute report and two ERCOT reports confirmed that weather-related issues at the power generation facilities were the primary cause for power outages, while fuel limitations represented a relatively small percentage of the overall challenges experienced," TXOGA President Todd Staples said in an email. "Recently adopted legislation, including enhanced communication and coordination such as critical load designation, Texas Energy Reliability Council, and mapping the entire system, will ensure Texas will be better prepared during emergency weather events, thereby minimizing the possibility of lost production."

UT researchers also found that the natural gas industry failed to ensure that power flowed to critical pipelines supplying fuel to power plants. There were 67 electricity customers in the natural gas industry enrolled in ERCOT's voluntary Emergency Response Service program, which automatically cuts electricity to large industrial power users during a power shortage. At least five critical natural gas production and pipeline locations were enrolled in the program, researchers said. Dozens of natural gas facilities failed to file a two-page application that would have exempted them from power outages.

TXOGA said the critical load application explicitly stated that these blackout exemptions did not apply to oil-field services.

"We don't exactly know what they were, but they were in that fuel supply chain of moving fuel to power plants, said researcher Carey King. "So these entities would have been turned off whenever the Emergency Response Program was triggered."

Ultimately, 25,000 megawatts of natural gas generation went offline during the storm. One megawatt can power 200 Texas homes on a hot summer day. Natural gas power plants provide a little less than half of Texas' power.

---

## **Texas Senate signals support for drastic power market reforms spurred by freeze**

By James Osborne  
Houston Chronicle  
July 13, 2021

WASHINGTON – Texas state senators during a hearing Tuesday signaled their support for plans to redesign the state's power market to focus on reliability over cheap electricity in a bid to avoid a repeat of February's deadly blackout.

The grid manager Electric Reliability Council of Texas in collaboration with the state's Public Utility Commission, earlier released a 60-point plan to improve the Texas power grid, including proposals to increase payments to power generators capable of supplying electricity during times of extreme weather conditions, as well as manage the variability around wind and solar power generation.

Such a system would present a significant shift from the existing power market, which almost exclusively pays power plants for the electricity they generate, not their ability to deliver electricity during a deep freeze or hot summer days when power plants typically break down. It also would likely mean higher electricity costs for Texas residents and businesses.

While a decision by regulators is likely months away, PUC Chairman Peter Lake told senators the existing model of cheap electricity during normal conditions and huge spikes at times of shortage had to change.

"We're not tweaking around the edges," he said. "The way the market is designed, there's only a reward (for power generators) when you get into crisis. We need to move away from that model to one where if you provide reliability, that's where the financial incentive is presented."

The PUC has begun holding workshops to figure out a new system for compensating power companies, with plans to decide on a new market design by the end of the year, Lake said.

The commission considered similar action almost a decade ago, following a far less severe blackout during a winter storm in 2011. But the Legislature fought back, criticizing plans to pay generators extra for maintaining reliability as a giveaway to power companies.

Following February's blackout, in which millions of Texans were left without power for days and nearly 200 people died as a result, the Legislature appears in the mood to take action — and swiftly.

"The bottom line is reliability is an issue we feel needs to be addressed soon," State Sen. Charles Schwertner, R-Georgetown, chairman of the Senate Business and Commerce Committee, said. "It is vitally important."

In June, Gov. Greg Abbott signed into law legislation that requires power plants, natural gas facilities and other infrastructure to better weatherize their systems, with penalties of up to \$1 million for not complying. The following month he directed the PUC and ERCOT to take steps to improve reliability, including getting more generation built and increasing power reserves.

### **Market rules**

But under Texas's system state officials have no authority to order more generation, instead requiring the creation of new market rules to get power companies to invest. Brad Jones, who replaced the ousted ERCOT president Bill Magness in May, is pushing several changes, including keeping closer tabs on power plant maintenance, paying generators to store fuel on site — so they can keep running if pipelines freeze.

Jones, the interim ERCOT president, also has raised the possibility of creating a so-called capacity market system in which power companies receive compensation just for having generation available, whether they use it or not.

"Ultimately where we want this grid and this market to be is serving Texas," Jones, told senators. "It will continue to drive the growth of business and industry in Texas."

How much ERCOT's plan would raise power prices remains to be seen. But it is likely to mean significant increases in energy costs for refineries, manufacturing plants and other commercial and industrial operations, which have lobbied against past efforts to raise power prices.



“At some point the leadership of this state needs to stand up to the industrials and say even with these protections in place, your power is going to be cheaper than anyone else in the country,” said Tom “Smitty” Smith, a long-time activist in Austin and executive director of the nonprofit Texas Electric Transportation Resources Alliance.

Texas Industrial Energy Consumers, which represents large power consumers, did not return a phone call for comment Tuesday. The Association of Electric Companies of Texas, which represents power plants, also did not respond to a request for comment.

Even after Tuesday’s collegial Senate hearing, efforts to reform the state’s power market are likely to face significant questions in Austin. Both residents and lawmakers continue to distrust power companies following the events of February

“Most didn’t know what ERCOT was prior to the freeze. I still have to write it down,” said state Sen. John Whitmire, D-Houston. “It’s a shame the public doesn’t have the confidence in the system.”

### **Here comes August**

State Sen. Donna Campbell, R-New Braunfels, urged the PUC to move with urgency, reminding commissioners that “we still have the heat of August to come in.”

But change is unlikely to come that quickly. The rules proposed by ERCOT and the PUC, which they have the legislative authority to enact, represent the biggest change to the Texas power market since the state deregulated electricity more than two decades ago.

“We have to provide economic incentives for companies to invest not only in existing generation but new generation,” Lake said. “It’s something we absolutely have to get right.”

---

## **Is Gov. Abbott planning to add energy issues to special session?**

Texas Energy Report

July 12, 2021

Rumors that electricity, natural gas and nuclear waste or related issues will be added to the special session agenda remain just that — for now.

---

## **Officials in charge of Texas’ power grid try to reassure lawmakers and the public that they’re fixing lingering problems**

**Lawmakers cannot pass laws to improve Texas’ power grid during the special legislative session. They’re discussing it anyway.**

By Mitchell Ferman

Texas Tribune

July 13, 2021

Gov. [Greg Abbott](#) did not include improving Texas’ main power grid in his [11-item agenda](#) for the special legislative session that began earlier this month, so lawmakers cannot pass new grid-related laws.

That didn't stop a Senate committee from calling the state's top electricity and utility regulators to the Capitol Tuesday morning to discuss the state of the power grid following [unexpected power plant outages](#) in June, lingering issues with the state's energy infrastructure from February's deadly winter storm and plans to implement legislation that lawmakers [approved](#) in the spring during the regular legislative session.

Tuesday's hearing was more of a status update on the power grid, but it was the first public opportunity for lawmakers to question the grid operator's interim president, Brad Jones, and the three-member board of the Public Utility Commission, [which oversees](#) Jones and the Electric Reliability Council of Texas. All four regulators replaced officials ousted after the winter storm that crippled the grid for days during subfreezing weather.

"It's a shame the public doesn't have confidence in the system," state Sen. [John Whitmire](#), D-Houston, told Jones.

Other senators questioned why in June, two weeks after the regular legislative session ended, some Texas power plants [unexpectedly went offline](#), spurring ERCOT to ask Texans to set thermostats higher during a heat wave to conserve energy.

Jones said the June power crunch was caused by issues stemming from the February freeze.

"We're seeing those problems show themselves today," Jones said. He did not elaborate.

Bottom of Form

Energy experts have raised concerns about the state's aging energy infrastructure following the February storm, and state Sen. [Angela Paxton](#), R-McKinney, questioned the grid officials about those concerns. Jones acknowledged the problem, adding that the state hasn't "invested enough in part of our generation fleet."

On Tuesday, Jones released a 60-point plan aimed at building lawmakers' and the public's confidence in the power grid's reliability.

Some key points in the plan include requiring CEOs of energy companies to sign a letter that their equipment is prepared to withstand inclement weather, incentivizing power plant operators to store reserve fuel onsite in case of emergencies and re-writing ERCOT's external communications materials to better inform the public about the state of Texas' power supply.

"My guarantee to you is that we intend to communicate more clearly than we've done in the past," Jones told lawmakers. "To remove industry jargon, to speak to you in ways that all of us can understand."

State Sen. [Brandon Creighton](#), R-Conroe, said some of the fault lies with state lawmakers, who have failed [over the last decade to implement meaningful grid-related improvements](#) following a severe winter storm in 2011 that highlighted that power companies and natural gas producers hadn't properly prepared their facilities for cold weather.

"There are many things that are on us," Creighton said.

Creighton added that it may take the PUC and ERCOT months or years to implement some of the changes lawmakers approved in the spring, such as requiring power plants to protect critical infrastructure from extreme weather.

When lawmakers reconvene for another special session in the fall, some are hoping grid-related issues will be on the agenda.

“It should be included in the next special session,” said Tom Smith, longtime former director of Public Citizen’s Texas office.

---

## **ERCOT has a long list of improvements for Texas electric grid. What’s in the plan?**

By Haley Samsel  
Fort Worth Star-Telegram  
July 13, 2021

Five months after a winter storm caused widespread power outages and [an estimated death toll](#) of hundreds of people, the Electric Reliability Council of Texas [announced a 60-item list](#) of reforms that the agency hopes will improve the state’s power grid and repair its strained relationship with Texans.

“Change is required for ERCOT to continue to reliably serve the millions of customers and businesses that depend on us,” Brad Jones, the agency’s interim president and chief executive, said in a statement. “These changes will benefit all Texans and support continued economic growth for the state of Texas.”

The [“roadmap” released on Tuesday](#) comes just a week after Gov. Greg Abbott [issued a public letter](#) instructing the Public Utility Commission of Texas, which oversees ERCOT, to incentivize energy companies to develop and maintain more natural gas, coal and nuclear power resources.

He also instructed the three-member board, which the governor appoints, to establish a regular maintenance schedule to prevent too many power plants from going offline at one time and require renewable energy companies to pay for power when wind and solar aren’t able to provide it. State legislators rejected the renewable energy idea in May, [according to \*The Texas Tribune\*](#).

ERCOT’s plan addresses some of Abbott’s requests, vowing to “adopt a more aggressive approach” to operating the grid. That will mean bringing more power online sooner if necessary and purchasing more reserve power in advance to keep the grid stable on days when the weather is uncertain.

The checklist will be updated regularly throughout the rest of the year, according to an ERCOT press release. Jones and his staff worked with the Public Utility Commission, retired industry executives, environmental advocates and companies participating in the energy market to “ensure all areas for improvement were considered and included,” the release reads.

Jay Zarnikau, a research fellow for UT Austin’s economics department and an author of [a new report analyzing ERCOT data](#) during the February winter storm, said he was “really impressed” by what he had seen of the roadmap, though it may not accomplish each of Abbott’s priorities. The Public Utility Commission funded the UT Austin study and provided previously unreleased data, though researchers say the agency did not influence the content or findings of the analysis.

“I think (the roadmap) is a really good step forward,” Zarnikau said. “It’s not necessarily going to address all failures identified in our report, but I think it’s a good document.”

Of the 60 items on its list, the agency has completed 20 as of Tuesday. Those actions include proposing a new rule requiring energy generators to report all forced outages — such as those due to weather-related complications — and automatically release outage information to ERCOT. Companies would also have to provide operational updates more frequently under the proposed rule.

In addition, ERCOT has conducted more than 30 on-site inspections of power plants to ensure that companies are “following their weatherization plan in preparation” for hot summer weather. The agency also says it has improved its assessment and communication of “extreme low-probability, high-impact weather scenarios,” which includes information like temperatures, rainfall and wind speed.

Still, the agency has a long way to go in accomplishing all of the priorities listed on its roadmap. The legislature [passed several new laws this spring](#), including the creation of a winter storm emergency alert plan, changes to how ERCOT can [price energy during periods of scarcity](#) and a mandate for companies to prepare their power plants for extreme weather.

ERCOT must now implement those laws across the state, and the agency has introduced an idea of its own: requiring the chief executives of power companies to sign a letter twice per year “attesting that their companies have completed their weatherization preparations” for summer and winter conditions.

In addition, ERCOT staff acknowledged the need to “eliminate industry jargon” from its communications materials in order to reach a broader audience, including people who speak Spanish. Staff members are also planning a listening tour to hear the perspectives of different communities across Texas, according to ERCOT documents.

The agency also pledged to review how it sends out alerts to “minimize false alarms and public fatigue.” Last month, [an ERCOT alert urging residents](#) to reduce electricity use for a week raised concerns that the grid [could not withstand the hot Texas summer](#). The number of unplanned outages at Texas power plants [increased more than tenfold in June](#) compared to May, and the agency has not yet explained what led to the issues.

It remains to be seen how Jones, the interim chief executive of ERCOT, will enforce some of his proposed reforms. ERCOT is expected to hire a new president by the end of the year, [according to The Houston Chronicle](#).

Jones was scheduled to testify before state legislators Tuesday and face questions about some of his more controversial ideas, including paying gas-fired power plants to store fuel on site so it could be used in case of emergencies.

“It’s a very thorough plan,” Michael Greene, a former ERCOT board chairman, told the Chronicle. “They talk about reforming the market, but a lot is going to depend on what the (Public Utility Commission) does.”

---

## U.S. coal production plummeting again

By James Osborne

Houston Chronicle

July 14, 2021

WASHINGTON – U.S. coal production plummeted to [an all-time low in 2019](#), following a brief upswing in 2017, according to data from the U.S. Department of Energy.

In 2019 the United States produced [706.3 million short tons of coal](#), a 7 percent decline from the previous year and the lowest level since 1965. That resulted in almost 800 lost coal mining jobs, leaving the industry at a little under 53,000 workers.

The drop came as U.S. coal consumption fell 15 percent to 586.5 million short tons, as the industry’s primary customer, the power sector, shifted towards cleaner sources of energy in a bid to address climate change.

In the first year of former president Donald Trump's administration coal production increased 6 percent before continuing on its longstanding decline through the remainder of his administration, according to federal data.

---

## **Cyberattacks and ransomware: How can we protect our energy infrastructure?**

**The ransomware attack that brought down the Colonial Pipeline highlighted the industry's vulnerability. We asked experts to weigh in on how the U.S. can bolster its defenses.**

By Collin Eaton

Wall Street Journal

July 12, 2021

A ransomware attack forced the largest U.S. fuel pipeline to shut down for six days in May and led to gasoline shortages across several Southeastern states. In its wake, U.S. officials have sought to bolster the defenses of an industry that for years has had fewer cybersecurity rules compared with other critical infrastructure sectors.

The Transportation Security Administration, which has regulatory authority over pipeline cybersecurity, recently issued a directive that would require pipelines to quickly report attacks to a cybersecurity division of the Department of Homeland Security. The Biden administration also has ordered agencies to improve their efforts to detect attacks and to strengthen their partnerships with private industries, and several cybersecurity-related bills are moving through Congress.

Meanwhile, Joseph Blount, chief executive of Colonial Pipeline Co., the target of the May attack, has defended his decision to pay ransom of \$4.4 million in cryptocurrency to the attack's perpetrators, saying he needed every tool at his disposal to restore the 5,500-mile pipeline's systems. The Federal Bureau of Investigation for years has advised companies not to pay when hit with ransomware, a type of code that takes computer systems hostage for payment, because it supports a booming criminal marketplace. The Justice Department said last month it recovered about \$2.3 million worth of the cryptocurrency.

The attack on Colonial Pipeline showed the vulnerability of the nation's vast energy infrastructure and has spurred debate over how the U.S. and the oil-and-gas industry can better protect critical infrastructure against assaults.

The Wall Street Journal spoke with three experts in oil-and-gas cybersecurity about how companies, regulators and policy makers can advance the security of the nation's energy infrastructure. Jim Guinn is global managing director for cybersecurity in energy, chemicals, utilities and mining at Accenture Security. Suzanne Lemieux is manager for operations security and emergency-response policy for the energy trade group American Petroleum Institute. Chris Bronk is associate professor of computer information systems and information system security at the University of Houston. Here are edited excerpts of the conversation:

**WSJ:** How can companies and the government make the energy industry more resilient against cyberattacks?

**MS. LEMIEUX:** We need to have a better information-sharing process from government agencies to private companies. There's a lot of intelligence coming through right now that just doesn't make its way to private-sector operators who need it to make better defenses for their systems. We've seen a security directive from TSA that requires incident reporting. We want to make sure there's a process in place on the government side to anonymize and share that information back with the sector so that we know what the current threats are. It takes months to declassify things. We need to really improve how they're postured to share with the private sector.

MR. BRONK: There's been a real mania about cyber intelligence, and a lot of emphasis on information sharing. But the fundamental issue is getting the intelligence community to move information around. Declassifying intelligence and rapidly kicking it out to entities that don't have the capacity to process classified information is just impossible. It's not going to get better. When the Ukraine power-grid hack happened in 2015, we waited months for Homeland Security to give us a finalized assessment, and it was essentially something that other smart people had put together long before.

If an industry wants to protect itself, it's going to have to adopt an industrial-related set of activities. This has to be the kind of event that an organization prepares for regularly, that it drills on.

WSJ: For oil-and-gas pipelines, there's no equivalent to the North American Electric Reliability Corp., or NERC, which regulates parts of the utilities sector's cybersecurity and imposes fines on companies that do not meet certain standards. Should the U.S. government create a similar body to ensure oil and gas companies have minimum standards?

MS. LEMIEUX: The oil-and-gas industry is very different for many reasons from the electric sector. The utilities don't have the antitrust issues and the competitive markets that we have in the oil-and-gas industry. There's a very long supply chain in oil and gas, a lot of different company structures, from individual owner operators to integrated companies, and lots of complexity that we see as much more difficult to cover with one standard or one regulation. We would not want to see a monolithic approach to this, because it just wouldn't work.

TSA does have regulatory authority to regulate pipeline cybersecurity. They have chosen in the past to do it through guidelines, which the industry worked on with them. We're hearing that the TSA is going to issue a second directive, and that some of these directives will have fines if you're found in violation. There's a misconception that operators won't take steps to protect against cyber threats unless they are mandated to by regulators. That overlooks the fact that companies across all industries have a business incentive to protect their data and operations from malicious actors.

MR. BRONK: The TSA directive is not a radical piece of regulation. It basically says, consult with the federal government. When you look at the grand struggle for having capacity to do cybersecurity in the federal government, TSA is just really far down the ladder. The question is whether it will create something that looks a lot like NERC's critical-infrastructure-protection plan. That's up to Transportation Secretary Pete Buttigieg, who is focused on infrastructure renewal. There aren't teeth there. But with each of these incidents, the capacity for rule-making and regulation will increase.

The industry has had an incredible aversion to regulation. The oil-and-gas industry was born out of the breakup of Standard Oil. Government changed the industry radically and I think that probably left a deep mark on the culture of the companies that were the successors to Standard Oil.

MR. GUINN: There need to be standards that we adhere to, for the minimum security control. Everybody should have a baseline. If you achieve resilience beyond that, you should be incentivized for it, not penalized. If this turns into an audit exercise, you will be less successful.

WSJ: What else can U.S. agencies do to improve public policy on energy cybersecurity?

MR. GUINN: An integrated energy company can deal with wind, solar, oil and gas, refining, pipelines, trains and terminals. If you look at all of that, how many different agencies are you having to respond to if you have a material situation? The Department of Energy, Homeland Security, the Pipeline and Hazardous Materials Safety Administration, the Coast Guard. There are so many that there is confusion. Every dollar you spend on coordination across all those agencies is \$1 you could have spent to become more cyber resilient. I would love to see there be just one entity that can help the energy industry.

WSJ: Why are ransomware attacks against the energy industry increasing?

MR. GUINN: Because many organizations are paying the ransoms. Our threat-intelligence team's report on the energy industry, meaning everything outside of utilities, found that when you compare the full year 2020 to the first five months of 2021, there was a 42% increase in publicly known ransomware attacks against energy companies. It went from 19 last year to 27 from January to May.

We have energy moving from 10th-most-targeted industry last year to No. 4 this year. Once an industry starts paying, attacks increase. In the year since the pandemic started, in March 2020, we saw eight out of 10 operational technology cybersecurity programs canceled, reduced or deferred. They know they have to have cyber resilience. But when commodity prices get so distressed, so fast, you have to make a business decision about what spending you could stop. That's a perfect storm.

WSJ: What's your stance on whether companies should or should not pay the ransoms?

MR. BRONK: Many of these ransoms are a rounding error for companies. It's like that Austin Powers scene where Dr. Evil says "we're going to hold the world ransom for \$1 million," and everyone is like, that's not very much money. The ransomers are going where the payouts are. And these ransomers have gotten pretty businesslike. The outcome of paying the ransom and getting the keys to unlock your stuff has gotten a lot better. But still, every ransom that gets paid is legitimizing this illegal business activity.

MR. GUINN: When you're dealing with critical infrastructure, every business needs to make the determination if they would pay. When you ask energy companies, do you have a cyber incident response plan, the answer is usually yes. But do you have a strategy and business imperatives laid out for what will trigger you to pay? Most say no. You don't want to be faced with that decision in the throes of an actual event. You need to tabletop it. You need to exercise it. You need to debate it internally. You need to be able to figure out what your protocols would be to determine whether you would or would not pay.

*Mr. Eaton is a Wall Street Journal reporter in Houston. He can be reached at [collin.eaton@wsj.com](mailto:collin.eaton@wsj.com).*

---

## **Pfluger files bill to modify federal Endangered Species Act**

By Caitlin Randle

Midland Reporter-Telegram

July 13, 2021

a bill that he says will "modernize" the federal Endangered Species Act and prevent it from "being used as a weapon against critical agriculture and energy industries."

House Resolution 4370, or the Listing Reform Act, would reform the ESA and limit federal regulations regarding endangered species, according to a press release Tuesday. The release notes that environmental groups have sought to have the sagebrush lizard and lesser prairie chicken listed as endangered species, which could have an impact on the oil industry.

"Extreme environmental groups regularly wield the outdated Endangered Species Act as a weapon against the agriculture and energy industries," Pfluger said in the release. "This legislation reforms the ESA to deliver reasonable, common-sense protections for endangered species while preventing overbearing regulations coming from Washington, D.C."

The bill would require the federal government to further analyze the cost of reviewing petitions for the ESA. Text of the bill was not yet available as of Tuesday afternoon.

HR 4370 has been endorsed by the Texas Farm Bureau, the Texas & Southwestern Cattle Raisers Association, the Permian Basin Petroleum Association, the National Endangered Species Act Reform Coalition and Texas Cattle Feeders Association, according to the release.

“Texas Farm Bureau appreciates Congressman August Pfluger for introducing the Listing Reform Act, which creates commonsense solutions to streamline the Endangered Species Act,” TFB President Russell Boening said in the release. “Easing regulatory burdens on farmers, ranchers and landowners has long been a priority for Farm Bureau.”

PBPA President Ben Shepperd said the purpose of the ESA has been distorted and the act has been misused.

“This bill represents exactly the kind of changes that supporters of true reform, including PBPA, have been calling for,” he said. “This legislation stands as a shining example of how incremental, but important, changes can go a long way towards the modernizing and updating of the nearly-50 year old ESA, that the nation so desperately needs.”

The bill was introduced to the U.S. House on July 6 and referred to the House Committee on Natural Resources.

---

## **‘In hell’: Nowhere has been drier than this stretch of Texas**

By Daniel Cusick

E&E News

July 14, 2021

A West Texas cotton farmer in a desiccated field in 2014, during a historic drought that struck the region for a decade. Jim Brandenburg/ Minden Pictures/Newscom

Ten years ago this month, two North Texas counties began to feel the squeeze of what farmers in the Southern Great Plains call a “long dry spell.”

No one in Wilbarger or Wichita counties — or the rest of Texas, for that matter — imagined just how dry it would get.

By the end of the 2011, Wilbarger, home to the legendary Waggoner Ranch (once hailed as “the largest ranch under one fence”), was running a rain deficit of nearly 20 inches, roughly 65% below average over the calendar year.

The rest of Texas was not far behind.

Deep-pocketed ranchers, like Waggoner, shipped livestock to cooler climates in Montana and Wyoming. The less fortunate shipped underweight “killer cattle” to auction, where they were sold for hamburger.

“During that peak time, everybody was selling out. Cows weren’t worth a lot,” said Langdon Reagan, agriculture extension agent for Wilbarger County.

Texans prayed for soaking rain. It came 42 months later, in May 2015, ending one of the longest, deepest, most crippling droughts in modern U.S. history.



“We went from trying to raise crops and cattle to just trying to stay alive,” Michael White, a fourth-generation wheat, cotton and cattle producer from south Wilbarger County, recalled in a telephone interview. “They say you can’t feed yourself through a drought. Luckily we did.”

But will future generations be as lucky?

It’s an existential question in the Southern Plains, where average temperatures are projected to rise 4.4 to 8.4 degrees Fahrenheit by the end of the century, compared to 1976-2005 averages, according to the 2018 National Climate Assessment.

“Temperatures similar to the summer of 2011 will become increasingly likely to reoccur, particularly under higher [greenhouse gas emissions] scenarios,” the [assessment](#) said. If emissions remain high, “the region is projected to experience an additional 30-60 days per year above 100°F than it does now.”

### **‘Kind of like living in hell’**

Relatively few people in Wilbarger and Wichita counties are familiar with the National Climate Assessment. But nearly everybody remembers the string of uninterrupted triple-degree temperatures from June to August 2011. It was the precursor to the four-year drought of record for Texas.

“It was kind of like living in hell, we all think,” recalled Kyle Miller, general manager of Wichita County Water Improvement District No. 2, which provides irrigation water to farmers across 41,000 acres of cropland.

“Between 2011 and 2015 we were so desperate for rain, we weren’t able to provide water to our farmers,” he added. “Our lake that we irrigate out of got down to about 18%” capacity. That was a game-stopper.”

Today, the lake is at 100% after a wetter-than-average spring. The irrigation season started a month early to reduce risk of overspill. “This part of the world, we’re praying for rain, and sometimes we wonder if we’re going to get any or we’ll get all of it at one time,” Miller said.

Acute drought followed by heavy precipitation is becoming more common in the South compared to other regions like the Northern Great Plains or the Pacific Northwest, which is still emerging from this month’s history-making heat wave. What made the 2010s Texas drought so devastating, experts say, was the duration of deadly heat and the compounding impacts on the landscape — from dead seedlings to soil erosion and livestock dying in the field.

A recent [analysis](#) of D4 exceptional drought — the worst kind — shows that Wilbarger and Wichita counties experienced the hottest, driest conditions of the 2010-2019 decade — in all of the U.S. It was a period of remarkable drought elsewhere, too. There was crushing dryness in California and a 2019 “flash drought” that enveloped the Southeast and Ohio Valley ([Climatewire](#), Oct. 4, 2019).

But none compared to the scorched Texas counties.

Becky Bolinger, a Colorado State University climatologist who published the analysis, found that Wilbarger County spent more than 20% of the 2010s under D4 drought, a direct outcome of the 2011-2015 period. Wichita and Tillman County, Okla., just across the state border, closely followed at 19%.

In a telephone interview, Bolinger stressed that D4 drought can happen across much of the United States, particularly in the West and South, where precipitation and temperature swings are becoming more volatile.

But she was struck by Wilbarger’s singular status.

“To me what was interesting is that it was one small county popping out in a sea of other small counties,” Bolinger said. “I would say, without looking at all of the data, there is a pattern of increased variability in the Southern Plains. Over the long term, conditions there are expected to become hotter and drier.”

### **Desperate times, ‘Draconian’ measures**

The city of Wichita Falls, population 104,000 and home to Sheppard Air Force Base, isn’t waiting for conditions to become less stable. Last decade’s drought triggered a crisis. The city’s primary drinking water reservoir fell to below 20% of capacity. The same thing happened to two backup reservoirs.

“Residents were selling their homes and moving, industries began closing their doors and Sheppard Air Force Base was considering and planning to move missions from Wichita Falls to other bases,” the city’s public works department noted in a post-disaster summary.

At Sheppard AFB, the region’s largest employer, commanders faced the prospect of moving some operations to other installations. Instead, the base dramatically reduced its water consumption, including through the use of “gray water” and eco-friendly latrines. Sheppard’s swimming pool was spared from at least one water restriction in 2014 when an anonymous off-base entity paid for water to be trucked onto the base to fill the pool.

Daniel Nix, the city’s utilities operations manager, said industrial facilities were the first to step up. They cut their net water discharges to near zero by capturing all wastewater through a closed-loop reuse system. The measure helped, but it was a Band-Aid on a bleed-out.

Other water conservation measures were more “draconian,” according to the public works summary. One involved asking the city’s roughly 35,000 metered water customers to accept treated and blended wastewater piped directly to their home taps without passing through an environmental buffer like a lake, wetland or aquifer.

The process, called “direct potable reuse” had been studied for years, and some experts say it will become an essential tool in water-constrained places in the future. Currently only Texas allows DPR for drinking water, and only two communities in the state have deployed it: Wichita Falls and Big Spring in west central Texas.

Hesitancy to send treated wastewater to drinking taps has slowed DPR’s adoption. But Wichita Falls embraced it, even pushing Texas officials to fast track its approval process (*Climatewire*, July 11, 2014).

“We were getting outcries from citizens asking what was taking so long. Didn’t the state of Texas know we were running out of water?” Nix said.

Today, Wichita Falls continues to repurpose water for drinking, mostly via “indirect potable reuse,” where treated and filtered wastewater is first released into Arrowhead Lake before returning to taps via standard water treatment. The program will continue indefinitely, Nix said, conserving between 2 million and 4 million gallons of water per day during peak summer demand months.

“We’re confident that the system will play its part in helping us get through future droughts,” Nix said. “Will it completely drought proof us? Probably not, especially if the next drought is worse than the one we just went through.”

### **‘Crazy dry’ weather or climate change?**

In North Texas, like much of rural America, worsening drought remains for many an act of God, rather than a catastrophe linked to human behavior.

White, 58, the wheat and cotton farmer, acknowledges “that some things have changed climate-wise” in Wilbarger County. But he contends that over the 100-year history of his family’s farm, extreme conditions have challenged every generation at least once, probably more.

“I’m not a big true believer in climate change the way it’s presented,” he said. “I think we have cycles in everything. Some things have changed, sure, but I don’t think it is necessarily a man-made deal, but a natural deal.

“Early this year, everywhere you read there was another La Niña setting in, and it was going to be another very dry year. We probably just had the wettest last 60 days in a long time. But 30 miles west of me, it was totally different.”

Scientists say such conditions are consistent with climate change. Temperature and precipitation extremes can shift over relatively short periods and within tightly defined geographic areas, like the space occupied by one or two counties.

Miller, of the Wichita County Water Improvement District, isn’t fully buying it either.

“I don’t know what it’s like in Washington, but here we think it’s pretty foolish to try to predict the weather,” he said.



**Andrew Keese**

Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



## Mia Hutchens

---

**From:** Andrew Keese  
**Sent:** Wednesday, June 30, 2021 2:45 PM  
**To:** Mia Hutchens; Travis McCormick; Kate Zaykowski  
**Cc:** Wei Wang; R. J. Desilva  
**Subject:** June Energy News  
**Attachments:** EnergyNews\_June\_2021.pdf

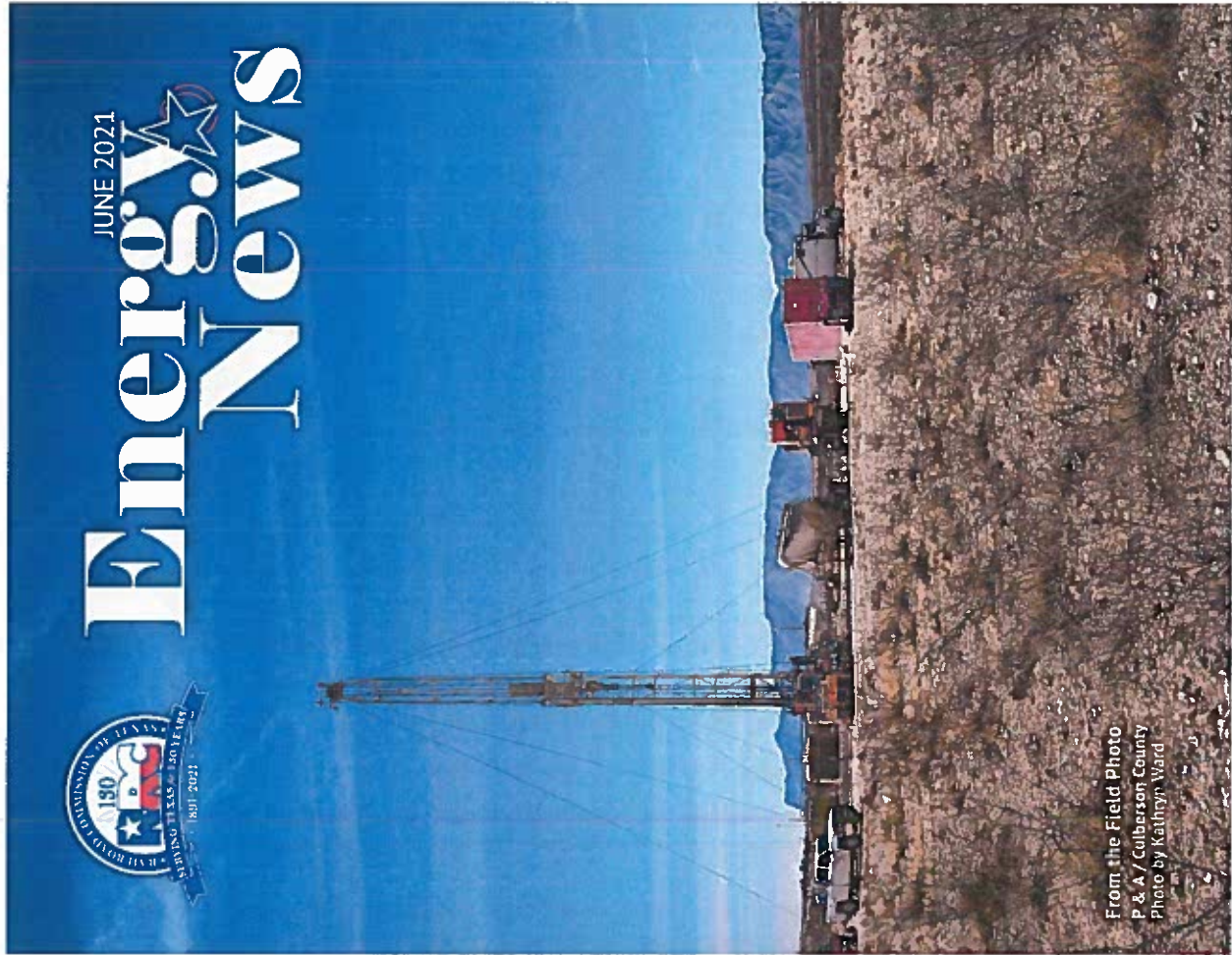
A draft of the June *Energy News* is attached to this email. We plan on distributing it tomorrow afternoon.



**Andrew Keese**  
Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869







## Contents

- P. 3** FY 2022 Oil and Gas Monitoring and Enforcement Plan Approved by RRC Commissioners
- P. 4** RRC Working to Implement Rate-Relief Legislation for Customers of State's Natural Gas Utilities
- P. 5** ERCOT Accepting Applications for Critical Load Serving Electric Generation and Cogeneration
- P. 6** A Vision for the Future: Repurposing a Mine to Benefit East Texas City
- P. 8** Transforming the Land: RRC's Extensive Requirements for Mine Reclamation
- P. 11** RRC Updates Alternative Fuels Class and Exam Cancellation Policy
- P. 12** RRC Pipeline ID Numbers to Increase to Eight Characters
- P. 13** RRC to Host Free Regulatory Webinars on Oil and Gas and Pipeline Safety
- P. 14** Commissioners' Corner

## Upcoming Events

- RRC Regulatory Webinars July 20, 2021 Online
- RRC Open Meeting August 3, 2021

[VIEW MORE RRC EVENTS](#)

[VIEW OPEN MEETING WEBCASTS](#)

# FY 2022 Oil and Gas Monitoring and Enforcement Plan Approved by RRC Commissioners

## Plan Will Take Effect on Sept. 1

On June 22, RRC's commissioners approved the agency's Fiscal Year 2022 Oil and Gas Monitoring and Enforcement Plan, effective as of Sept. 1. The plan outlines the RRC's Commission's strategic priorities in its oversight of the oil and gas industry.

The industry is critical for powering the Texas economy and also necessary in many of the everyday products we depend upon: from clothes, medicines, computers and more. Through its stable regulation of oil and gas production, the RRC ensures these resources will be available for generations to come.

The plan provides an overview of regulatory procedures and a current snapshot of the agency's progress.

For example, in April of this year, four months ahead of schedule, the RRC exceeded its FY 2021 legislative performance target for the number of completed oil and gas well and facility inspections. By mid-June, 236,466 such inspections had been conducted. The RRC had also exceeded the five-year well inspection frequency goal for the fiscal year. It did so in January, seven months ahead of the end of the fiscal year.

"RRC's oil and gas staff deserves praise for their exemplary performance and hard work, despite recent challenges," said Wei Wang, RRC Executive Director. "However, we always strive for even bigger successes, and the Oil and Gas Monitoring and Enforcement Plan provides a pathway for us to do just that."

Among the goals for the agency are the continued upgrade and modernization of its computing systems away from a legacy mainframe to cloud-based software that utilizes tools to improve reporting and efficiencies.

For systems that have already been developed, the agency is refining and expanding capabilities. For instance, inspectors utilize a system called Inspection, Compliance, and Enforcement (ICE). Additional information will be added for certain types of inspections, such as well plugging and mechanical integrity tests. Also, an H2S indicator and GPS location will be integrated, alerting inspectors to potential hazards.

The agency will continue to leverage the virtual space to provide expanded educational opportunities to its regulated community. It intends to provide in-person training in FY 2022, including its annual regulatory conference in Austin, regulatory forums around the state, and presentations at industry events.

# RRC Working to Implement Rate-Relief Legislation for Customers of State's Natural Gas Utilities

With customers of the state's gas utilities potentially facing high bills resulting from Winter Storm Uri, the Texas Legislature took action to provide relief during their recent session.

On June 16, Governor Greg Abbott signed House Bill 1520, which directs the RRC and the Texas Public Finance Authority to work together to issue customer rate-relief bonds, the proceeds of which gas utilities would use to pay for the extraordinary cost of natural gas due to high demand during February's winter storm.

The bonds would provide rate relief to customers by allowing gas utilities to recover the extraordinary cost of gas through customer bills over a longer time period, rather than potentially through a single billing statement. The bill provides financial relief to gas utilities that choose to apply for the bonds by providing for a low-cost source of financing to fulfill outstanding obligations to natural gas suppliers.

A gas utility that chooses to participate in the process would submit information and documentation to the RRC regarding its extraordinary costs to procure natural gas during Winter Storm Uri. The agency would review the application and, if the agency determines that issuing bonds is cost effective, direct the Texas Public Finance Authority to issue bonds. The RRC sent gas utilities a Notice to Operators providing further information related to the bill.

"Throughout my time at the Railroad Commission of Texas and especially in the aftermath of Winter

Storm Uri, consumer protection has been a priority," said Chairman Christi Craddock. "I am grateful to the Legislature for passing this important bill and look forward to working with my colleagues and agency staff to ensure that we prevent any undue burden on natural gas customers who might have experienced extraordinarily high gas bills otherwise."

"High demand for energy during the storm caused gas prices to rise and utilities incurred extraordinary gas costs to procure the supply needed to maintain service," said Commissioner Wayne Christian. "HB 1520 allows for the high cost of gas from the storm to be securitized, utilizing the creditworthiness of our state to lower interest rates. This will ensure our constituents do not receive large, unexpected bills from their natural gas utility provider in the wake of Winter Storm Uri."

"I commend the members of the Texas Legislature for getting this across the goal line," said Commissioner Jim Wright. "Winter Storm Uri was an unprecedented event, and Texans should not have to shoulder the cost alone. Securitization will allow gas utilities to remain afloat while lessening the burden on their customers."

House Bill 1520 was authored by Representative Chris Paddie and sponsored by Senator Kelly Hancock.

Gas supply was uninterrupted for a vast majority of Texas residents during Winter Storm Uri; 99.5 percent of customers connected to natural gas maintained service during the storm.

## ERCOT Accepting Applications for Critical Load Serving Electric Generation and Cogeneration

As RRC continues to implement legislation passed by the 87th Texas Legislature, the agency anticipates issuing additional guidance regarding critical designations for oil and gas operators later this year.

RRC has been informed by ERCOT that applications for critical load serving electric generation and cogeneration are currently being accepted. RRC requests that oil and gas operators under the agency's jurisdiction review the form and apply for critical load designation as appropriate.

RRC does not have jurisdiction over electricity generation. Questions related to this application form or critical load designation should be directed to your electric utility provider. The application is available on the ERCOT website.

[VIEW THE APPLICATION ON THE ERCOT WEBSITE](#)

## A Vision for the Future: Repurposing a Mine to Benefit East Texas City

Former surface coal mines are taking on all sorts of new lives.

Many are turned into farmland and natural areas that support wildlife.

In November 2019, Luminant's 4,857-acre Monticello Thermo Mine, which supplied lignite coal for electric generation from the late 1970s until its closure in 2016, was given to the city of Sulphur Springs, which is in Northeast Texas. Once Luminant is finished with the reclamation process, the city will be in the clear to create public spaces – including jogging paths, a community pond, and an amphitheater – and industrial zones to help with its economy.

"There is still a lot to be done out there before its final approval," said Brent Elliott, Ph.D., Director of the Railroad Commission's Surface Mining and Reclamation. "Luminant is working hard to make these things a reality to provide a resource for the community in the future."

Before a vision for a property can become a reality, the RRC ensures that any reclamation work done at former surface coal mines is held to the highest standards and is protective of public safety and the environment before being released from its oversight.

RRC staff is currently conducting a technical analysis of Luminant's revised reclamation plans, which take into account the city's intended uses for the property. Each phase of the reclamation work will be closely monitored and evaluated by RRC inspectors, and before any property is released, extensive soil testing must come back verifying its ability to support vegetation.

The city of Sulphur Springs annexed the Monticello Thermo land, valued at \$8.89 million, into its city limits in March 2020.





Photo courtesy of Michael Gay

Photo courtesy of Robert MacNabb

The city, through its economic development corporation, plans to take advantage of some existing infrastructure from the former mine for heavy industrial use, including two 7,000-foot railroad spurs on the property, to help attract major employers, according to city documents.

A variance from the original reclamation plans is to retain at least some of what has been dubbed Mount Thermo, a 140-foot-tall mound of discarded overburden from the mining process. The city would like part of the mound to become an amphitheater; however, the difficulty is ensuring the mound is both stable and that the material left behind would not cause issues with public safety or the environment.

In March of 2020, before restrictions for COVID-19 took place, RRC, federal agencies, Luminant, and the city met at the former mine and were quickly making progress on cleanup plans, but those stalled during the pandemic.

"Luminant is nearly finished pumping water from the pit, which is tested. Eventually, Luminant plans to gently grade and cap the area of the pit with topsoil and creating a pond," said Jason Corley, RRC Manager of Surface Mining Inspection and Enforcement.

There are still significant challenges and years of reclamation work remaining at the former Monticello Thermo Mine before RRC gives it the green light; however, there is great optimism over the vision of Luminant and the city of Sulphur Springs for the property.

"If it happens as planned, it will be a multi-use-type reclamation where parties all benefit," Corley said.

# Transforming the Land: RRC's Extensive Requirements for Mine Reclamation

For many workers, the typical workday includes time in an office, a cubicle, a conference room or another similar but limited configuration.

For RRC Surface Mine Inspector Cade Harris, it is difficult to relate the scope of his job.

"Some surface mine permits can range in size from 30,000 to 40,000 acres, which require multiple days of in-depth inspection," he said. "Each permit must be inspected unannounced monthly, making turnaround time for inspection reports rather short and requires immense flexibility."

And, as his job is often outdoors, the weather dictates when Harris and other mine inspectors can be at a site.

But work does not stop when mining ceases.

When Luminant stopped harvesting lignite from its 16,000-acre Three Oaks Mine near Elgin east of Austin in 2018, it still faced years of work to return the land to beneficial use.

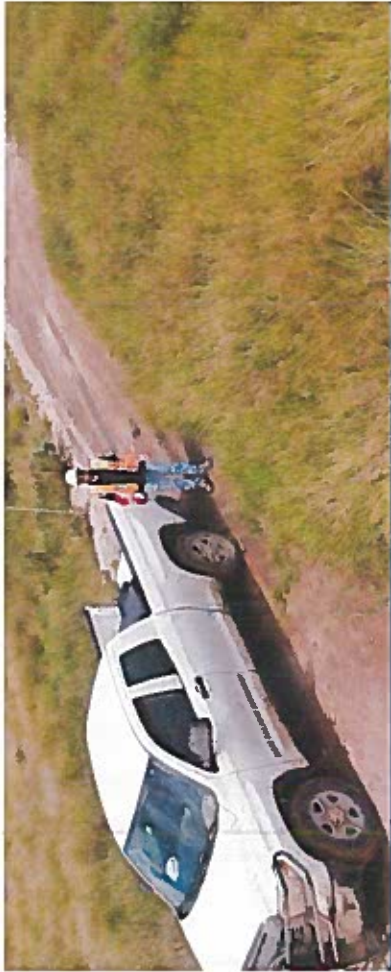
"Texas coal mining regulations require lands disturbed due to mining-related activities be reclaimed to a state equal to or better than before the mine," said Harris, who has been working at the Luminant mine.

Three Oaks, which received its RRC permit in 2003 and supplied about 6.2 million tons of lignite per year for electric power generation at the Sandow Power Plant in Rockdale, is being transformed into pastureland,

## Tools of the RRC Surface Mine Inspector

Inspecting hundreds and often thousands of acres is an intensive job. Tools that RRC's inspectors utilize include:

- 4x4 Truck
- Polaris Ranger Utility Terrain Vehicle
- GPS Equipment
- DJI Enterprise Unmanned Aerial System (aka Drone)
- PH meter
- Electrical Conductivity Meter
- Turbidity Meter
- Geiger Counter
- Survey Equipment
- Digital Camera
- ArcGIS
- Global Mapper
- AutoCAD
- Water/Soil Sampling Equipment
- Binoculars
- Topographical Maps
- A Sharp Eye
- Empirical Knowledge



fish and wildlife habitat, developed water resources and prime farmland.

But before it is returned to the beneficial uses, the operator has multiple steps to go through.

In order to ensure the protection of public safety and the environment, surface and groundwater quality monitoring begins even before mining starts and continues until the mine is fully reclaimed and approved by RRC.

Oxidized overburden and other unsuitable soils are covered with a minimum of four feet of soil that meets RRC requirements for soil chemistry and texture. An appropriate groundcover of approved native and/or improved species is then planted.

These performance standards must be met before and/or during a five-year extended responsibility period before the operator can apply for final release of reclamation liability.

Each mine is required to have sufficient bonding coverage to ensure reclamation costs can be covered if an operator defaults on reclamation obligations.

"Although it is not unheard of for companies to default on bonds in other regions of the country," Harris said, "no mine has had to enter bond forfeiture in Texas since the inception of our program in 1981."

Surface coal mine reclamation is based upon a three-tiered, incentive system: As the mine operator completes each phase for specific pieces of property, it applies to the RRC to have a proportionate amount

of its bond security returned. These include:

- Phase I: Requires a demonstration that backfilling, regrading and drainage control have been completed in accordance with the approved reclamation plan and the applicable performance standards contained in regulations.
- Phase II: Requires that vegetation be established on regraded, mined lands in accordance with the approved reclamation plan and that applicable ground cover performance standards have been met. Additionally, it requires that lands are not contributing suspended solids to stream flow outside the permitted area in excess of the regulatory limits.
- Phase III: Requires that the operator demonstrate successful completion of all surface coal mining and reclamation activities and that applicable vegetation productivity performance standards have been met. The RRC may release the remaining portion of the bond but not before the completion of the five-year extended responsibility period. No bond shall be fully released until all reclamation requirements are fully met.

## Transforming the Land: continued



On June 16, 2020, RRC allowed 225.8 acres of previously mined Three Oaks land to receive final release of reclamation liability. All other mined areas of Three Oaks are in some degree of reclamation, including final grading, revegetation, extended responsibility period and phased release of reclamation liability. Highways have been eliminated in two of their three mining areas within the permit.



A combined 818.28 acres have received Phase I release, and another 173 acres have also received final Phase III release.

As an inspector, Harris makes sure reclamation plans are followed and that offsite locations are not impacted.

When the Earth has healed and is green once again, Harris knows his job is done.

## RRC Updates Alternative Fuels Class and Exam Cancellation Policy

If you are registered for a RRC alternative fuels class or exam and do not cancel your registration or show up, you will not be able to transfer the registration fees to another class or exam.

This change, which is effective immediately, includes registration for a liquefied petroleum gas (propane) class or for a compressed natural gas, liquefied natural gas or LPG exam. You will be required to pay the fee if registering for another class or exam.

RRC has a successful alternative fuels online training program, offering continuing education classes. Registration is first come, first serve.

To register for classes, visit the RRC website.

[VIEW UPCOMING ALTERNATIVE FUELS CLASSES](#)

If you have questions, contact the RRC at [training-exams@rrc.texas.gov](mailto:training-exams@rrc.texas.gov) and 512-463-2682.



## RRC Pipeline ID Numbers to Increase to Eight Characters

In response to a launch of the RRC Pipeline Inspection Permitting and Evaluation System (PIPES), all former Pipeline Evaluation System (PES) System ID Numbers will be replaced with a new RRC PIPES regulated entity number effective July 19.



RRC PIPES will allow for the research and upload of records associated with the RRC's Pipeline Safety Program, including inspections, fees, incident reports and complaints.

Pipeline operators will also log in to submit and upload applications and other documents for review and approval by the RRC. RRC will provide additional information once the system launches.

To allow for future growth, the character limit will increase from six to eight characters. However, if an operator already has a six-digit SYS\_ID Number, it will continue to use it. Only newly assigned SYS\_IDs will be eight characters.

RRC assigns SYS\_ID Numbers to regulated pipeline segments (subject to 49 Code of Federal Regulations Part 191-195 and 16 Texas Administrative Code§8.1). SYS\_ID Numbers should be kept by the pipeline operator for field inspection purposes.

For future permit submittals, if a RRC PIPES regulated entity ID number has not been assigned, pipeline operators should use eight zeroes (00000000) for the SYS\_ID field. The SYS\_ID field is a requirement for all regulated pipeline segments that have been assigned a regulated entity ID number in RRC PIPES.

For a list of RRC PIPES Entity ID Numbers, visit the RRC website and click the appropriate list. For all regulated gas gathering lines, click "Pipeline Operator Systems Gas Transmission," and for all regulated liquid lines, click "Pipeline Operator Systems-Hazardous Liquid."

For help with shapefile submissions, refer to the RRC's Guide to Shapefile Submissions available on the RRC website. This guide includes the requirements that pipeline operators must follow when submitting shape files by defining the required attribute fields within the database and explaining which codes are valid representations of those attributes.

If you have any questions, contact the RRC's Pipeline Safety Department at [tpms@rrc.texas.gov](mailto:tpms@rrc.texas.gov) or 512-463-6802.



## RRC to Host Free Regulatory Webinars on Oil and Gas and Pipeline Safety

RRC will host a series of free oil and gas and pipeline safety regulatory webinars to inform and train energy industry representatives on applicable laws, rules and procedures for hydrocarbon production in Texas. The webinars will be held from July 20-Sept. 2.

The webinars will cover a variety of topics, including:

- 811 and pipeline damage reporting
- Acreage designation
- Code of federal regulations: gas and liquid basics
- Completion filings for oil, gas and underground injection control
- Drilling permitting;
- Field transfers;
- Groundwater protection determinations;
- Inactive wells
- Oil and gas waste stream management requirements
- Pipeline accident and incident investigations
- Pipeline permitting
- Pipeline safety plan of corrections
- Production reporting and commingle permit applications
- Production sharing agreement and allocation wells
- Public GIS viewer tool
- Underground injection control, permitting, testing, and monitoring requirements

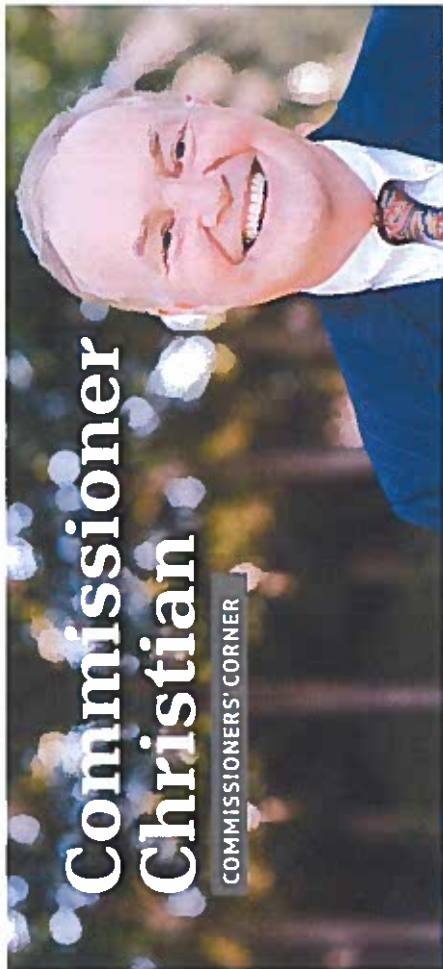
[VIEW WEBINAR SCHEDULE AND REGISTRATION DETAILS](#)

## Chairman Craddick

COMMISSIONERS' CORNER

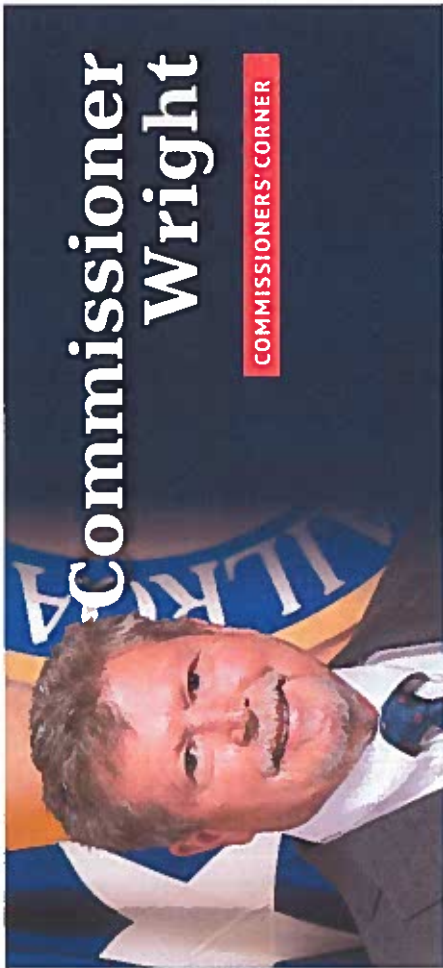
At the end of last month, the Texas Legislature adjourned sine die, marking the end of the regular legislative session. Chairman Craddick, alongside her fellow Commissioners and agency staff, immediately began implementing the legislation passed by the House and Senate and signed by the Governor. The agency is now fully focused on ensuring a timely and responsive implementation plan for all of the bills that impact RRC operations moving forward. We look forward to working collaboratively with our legislative counterparts, various industries, and stakeholder groups to ensure that Texas maintains its status as a global energy leader.

While making forward progress on the implementation of legislation, Chairman Craddick was honored to participate with the Texas Girls State program by kicking off their 2021 session. As a Girls State alumnus, Chairman Craddick was excited to welcome over 500 young women to this year's session and encourage them to get involved in their communities through volunteerism and civic engagement.



# Commissioner Christian

COMMISSIONERS' CORNER



# Commissioner Wright

COMMISSIONERS' CORNER

A couple weeks ago, I attended the West Texas Rural Summit in Lubbock. The event was organized by Congressman Jodey Arrington and featured Congressman August Pfluger, State Representative Brooks Landgraf, and Texas Alliance of Energy Producers President Jason Modglin. During the event, we had a great discussion about the future of Texas Energy and what our state can do to push back against the anti-oil and gas agenda of the Biden Administration.

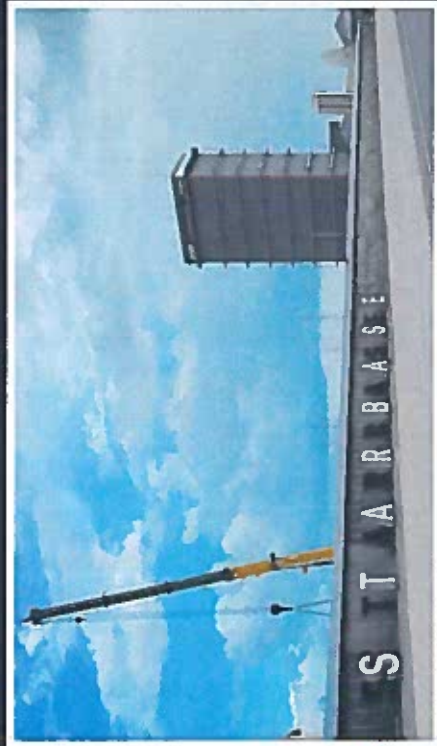
During my speech, I argued that many people don't fully understand how much good oil and gas does in the world. For example, oil and gas companies have paid more than \$116 billion in taxes and royalties in the last 10 years and employ 361,271 Texans at an average salary of \$132,000. Furthermore, more than half of every barrel of oil is used to make things other than gasoline, such as plastics, medicine, makeup, and synthetic rubber. So, if you like good paying jobs, government funding for schools and first responders, and consumer products like computers, phones, medicine and makeup, then you should like oil and gas!

[CHECK OUT MORE OIL & GAS FACTS HERE](#)

As the Commission moves forward on directives mandated by bills passed in the Texas Legislature, Commissioner Wright has been working with his task forces on additional solutions to three big issues: energy education, regulatory transparency and market stability. Each of these task forces are in different stages of research and idea development. The regulatory task force is finalizing its first draft of recommendations for updates to Statewide Rule 8. Additionally, Commissioner Wright and his team have visited with several business to learn more about the market for natural gas. He visited SpaceX's Starbase facility in Boca Chica, Texas, to learn about how one of the main propellants to fuel the Starship vehicle is methane.

He also visited BP America's Argo's production platform to understand how they utilize natural gas to power their generators in addition to the natural gas and oil they extract for sale. These are two great examples of expanding the market for Texas' natural resources and exciting advances in technology that can help us on the education front.

As we move forward into the summer, the Wright team will continue to reach out and work with individuals and stakeholders to find solutions to these and other important issues.



# Oil & Gas Production Statistics

View monthly production totals of crude oil, condensate and total oil; and of gas well gas, casinghead gas, and total natural gas.

[VIEW CURRENT PRODUCTION STATISTICS ▶](#)

# Enforcement Actions

The Commission has primary oversight and enforcement of the state's oil and gas industry and intrastate pipeline safety. View RRC's Latest Enforcement Actions here.

[VIEW LATEST ENFORCEMENT ACTIONS ▶](#)

# Public GIS Viewer

The Public GIS Viewer allows users to view oil, gas and pipeline data in a map view.

[LAUNCH THE PUBLIC GIS VIEWER ▶](#)



## Mia Hutchens

---

**From:** Andrew Keese  
**Sent:** Friday, June 25, 2021 12:38 PM  
**To:** NewsClips  
**Subject:** RRC News Clips: June 25, 2021

### Texas adopts grid weatherization & securitization measures

By Myles Reynolds, Tab R. Urbantke, and Lauren Freeland

Lexology

June 22, 2021

In mid-February 2021, Winter Storm Uri brought historic weather conditions and multiple days of record-low temperatures to the Midwest and Texas. This historic event contributed to failures in the natural gas supply chain and at generating facilities, ultimately leading to significant interruptions of power supply in the Electric Reliability Council of Texas (“ERCOT”) power region. Power outages persisted for several days and the fallout became a top priority of the 87th Texas Legislature. Legislators filed over 180 winter storm-focused bills this regular session, which ended May 31, 2021. Governor Greg Abbott, however, signed a much smaller number into law, and some observers are already calling for a special session to address additional reforms. For now, the natural gas and utility/power industries are facing two sets of new laws that will impact the bottom line: (i) weatherization of the natural gas supply chain, generation facilities, and electric transmission and distribution facilities; and (ii) securitization measures to address extraordinary costs incurred by various ERCOT market participants because of Winter Storm Uri.

#### **Weatherization:**

S.B. 3 (effective June 8, 2021) is the omnibus Uri-related bill coming out of the session. Among many other provisions that will affect the electricity utility industry in Texas, S.B. 3 requires the **Railroad Commission of Texas (“RRC”)**, in collaboration with the Public Utility Commission of Texas (“PUCT”), to designate natural gas supply chain facilities that are “critical” and require operators of such facilities to implement measures to prepare to operate during a weather emergency. Utilities, however, maintain their discretion to prioritize power delivery and restoration as circumstances require. The **RRC** must report un-remedied violations of these provisions to the Texas Attorney General. The **RRC** must also adopt a rule requiring an operator of a gas supply chain facility that experiences repeated or major weather-related forced interruptions of production to retain a **RRC** third party to assess the operator’s weatherization plans and submit the assessment to the **RRC**. The penalty for a violation of these provisions can be up to \$1 million for each offense, and the **RRC** is required to establish a classification system for assessing violations based on their seriousness and other factors.

S.B. 3 also contains weather emergency preparedness provisions applicable to municipally owned utilities, electric cooperatives, power generation companies, and exempt wholesale generators selling power in ERCOT. The bill requires the PUCT to implement rules similar to those required of the **RRC**, so that each of the entities providing electric generation service must implement measures to prepare its generation assets to provide adequate electric generation service during a weather emergency according to reliability standards that the PUCT will adopt. ERCOT has been tasked with inspecting generation assets for compliance with those standards and reporting violations to the PUCT. As with gas supply chain facility operators, generation assets that experience repeated or major weather-related forced interruptions of service, must retain a third party to assess the provider’s weatherization plans and submit the assessment to the PUCT and ERCOT. The PUCT must impose an administrative penalty on any entity that violates the rules implementing these provisions of the bill. Notably absent from S.B. 3 is a provision that would have mandated wind and solar generators to purchase ancillary services to shore up the intermittency of their output.



Yet another section of S.B. 3 requires that each electric cooperative, municipally owned utility, and TDU providing transmission service in the ERCOT power region must implement measures to prepare the cooperative's or utility's facilities to maintain service quality and reliability during a weather emergency according to standards adopted by the PUCT. Again, ERCOT has been tasked with inspecting the facilities for compliance with the reliability standards and reporting to the PUCT any violations that are not timely remedied, and the PUCT must then impose administrative penalties.

S.B. 3 also creates the Texas Electricity Supply Chain Security and Mapping Committee tasked with, among other things, establishing best practices to prepare facilities that provide electric service and natural gas service in the electricity supply chain to maintain service in an extreme weather event. These best practices will be included in a report submitted by the committee to the Governor, the legislature, and the Texas Energy Reliability Council, along with recommended oversight and compliance standards.

As the PUCT and the **RRC** implement these changes, participation by industry stakeholders will be critical. Administrative rulemakings are already underway. Currently, it is unclear how onerous the new weatherization/reliability standards will be, how long an entity will have to remedy alleged violations, or how steep the penalties may be for specific violations. During the June 3, 2021 PUCT open meeting, PUCT staff set forth an initial timeline for its rulemakings. Thus far, the PUCT has opened Project No. 51840, *Rulemaking Establishing Electric Weatherization Standards*, which has a planned July 1, 2021 release of a strawman rule and a projected August 26, 2021 publication of a proposed rule. The PUCT has also opened Project No. 51888, *Review of Critical Load Standards and Processes*, although it has not released a timeline and it is unclear how the PUCT and the **RRC** will "collaborate" on these rules as required by S.B. 3.

#### **Securitization:**

H.B. 4492 (effective June 16, 2021) allows the use of securitization to cover two categories of costs: the approximately \$800 million that ERCOT is owed from defaults by market participants on payments owed during the storm; and the "uplift balance" consisting of approximately \$2.1 billion in ancillary service charges and reliability deployment price adders imposed during that period. For the first category, the financing is to come from the state's economic stabilization or "rainy day" fund balance and is to be repaid by ERCOT market participants through default charges established by the PUCT. For the second category, ERCOT is authorized to finance the uplift balance on behalf of market participants through debt obligations.

S.B. 1580 (effective June 18, 2021) provides for the use of securitization by electric cooperatives to finance "extraordinary costs" incurred due to the winter storm. The extraordinary costs include costs incurred by an electric cooperative for power and energy purchased during the storm in excess of what would have been paid for the same amount of power and energy at the average rate paid in January 2021. Extraordinary costs also include costs and expenses incurred by electric cooperatives to generate and transmit power and energy during the storm, including fuel costs, operations and maintenance expenses, overtime costs, and more, as well as any charges imposed on the electric cooperative or its power supplier by the applicable independent system operator (*i.e.*, ERCOT) or regional transmission organization for costs relating to the period of the storm. The bill also instructs the PUCT to require all market participants to pay or make provisions for the full and prompt payment of amounts owed to ERCOT, calculated according to the ERCOT protocols in effect during the winter event, in order to continue to qualify as a market participant. Brazos Electric Cooperative, now in bankruptcy, unsuccessfully petitioned Governor Abbott to veto this bill and H.B. 4492. It cited the financial burdens the legislation would place on Brazos customers and the possibility that it may be unable to satisfy the terms of S.B. 1580 and have to exit the ERCOT market.

H.B. 1520 (effective June 16, 2021) allows the securitization of excess costs incurred by certain gas utilities due to the winter storm. To accomplish this securitization, the bill provides for the creation of an issuing financing entity that will issue customer rate relief bonds to be approved by the **RRC**, and the obligation to repay the bonds sits with the issuing financing entity.

---

## **Oil and gas jobs inching back up from pandemic lows**

**“The positive numbers are welcomed news, yet a great deal of caution exists as the world readjusts to increased demand levels,” one industry association leader said.**

By Jessica Corso

San Antonio Business Journal

June 24, 2021

Texas gained a small number of oil and gas workers in May, though it still has a ways to go before gaining back all the oil sector jobs lost during the pandemic.

The latest figures from the Texas Workforce Commission show an increase of 2,000 jobs in the oil, gas and mining sector in the state from April to May. At the end of May, the sector employed 183,500 people statewide, according to the data.

That’s just slightly above the number of oil and gas field workers employed in the state in May 2020 but still well below the 233,000 employed in the industry before Covid-19 shut down the U.S. economy. Workforce Commission data shows that, at its peak, Texas’ mining sector employed 320,000 in November 2014. The data only goes back as far as 2012.

Still, the Texas Oil and Gas Association celebrated the May job gains. The industry association counted 1,600 new jobs in the upstream sector in May—though oil and gas drilling makes up the largest portion of the mining jobs in the state, there are other jobs that are rolled into the same category.

“The positive numbers are welcomed news, yet a great deal of caution exists as the world readjusts to increased demand levels,” TXOGA President Todd Staples said in a statement.

Keeping residents indoors to avoid the spread of Covid-19 meant fewer people traveling and, as a consequence, a lower need for car and jet fuel. The industry was also dealing, simultaneously, with a dispute between Russia and Saudi Arabia that caused production volumes to skyrocket just as stay-at-home orders were being imposed across the nation.

The double-whammy caused oil prices to plunge below zero for the first time in recorded history but demand has grown with an increase in travel since February 2021, though gasoline consumption remains below 2020 levels, according to the U.S. Energy Information Administration.

Bexar County’s reliance on oil and gas drilling jobs is low—the jobs make up less than half of one percent here, according to TWC data. But some counties that lie in the Eagle Ford Shale just south of Bexar are heavily reliant on the industry.

For example, 12.5% of Atascosa County workers are employed in oil and gas, according to the TWC. The county is one of eight that make up the San Antonio metropolitan statistical area, according to the U.S. Census.

---

## **As gasoline prices rise, Biden has a problem at the pump**

By James Osborne

Houston Chronicle  
June 25, 2021

WASHINGTON – Earlier this week, Rep. Jim Jordan, R-Ohio, [took to Twitter](#) to point out that gasoline prices have risen 86 cents a gallon over the past year to a national average above \$3 a gallon, adding the tag line, “President Biden’s economy.”

Seventeen months from the midterm elections, the implications were clear. With Biden in the White House, promoting a historic shift towards clean energy in a race against climate change, Americans would come to expect higher energy costs.

Rising gasoline prices, like higher taxes, have long presented danger for politicians as voters notice bigger chunks of their earnings going into their gas tanks, but Biden potentially faces a bigger risk of a backlash. While political leaders in the past could blame higher [gasoline prices](#) on the ups and downs of global oil markets or the greediness of OPEC, Biden’s messaging on climate change — including moves to lower oil production — just as gasoline prices rise presents a particular political challenge.

“It’s an easy move to say Biden is doing all this stuff on the environment and it’s causing gas prices to rise. There’s little evidence of that, but that has never gotten in the way of a good political argument,” said Frank Maisano, a Washington communications consultant. “You never want to be on the rising end of gas prices from a political standpoint. It’s what people see every day. You can drive past 12 gas stations on the way home, and the prices are blaring out.”

Gasoline prices have risen to the highest levels since 2014, rebounding from some of the lowest in years following a collapse of demand during the pandemic that at one point [drove oil prices into negative territory](#). Now, economists say, as people get vaccinated and infection rates decline, [economic activity is resuming and with it demand for oil](#), driving up fuel prices.

The Biden administration has tried to counter criticisms over rising gasoline prices with that very argument. [Biden Chief of Staff Ron Klain tweeted](#) in response to Jordan that gasoline prices were low last year because, “the pandemic limited travel and the unemployment rate was over 13 percent.”

“June 2020 vs. June 2021? Happy to have that debate,” he wrote.

But like all things political, reasoned analysis does not necessarily win an argument.

Rep. Henry Cuellar, a pro-oil Democrat from South Texas, scoffed at the notion that Biden was responsible for the rise in fuel prices. But he said that might not make much difference to voters in his district, for whom Biden’s decision to pause federal oil and gas leasing and block the Keystone XL pipeline is a big deal.

“You have demand going up, so you’re going to see prices go up. But at the same time (the Biden administration has) to be very careful what they do,” he said. “If you continue on like with Keystone or not opening up new leases, then Republicans can certainly turn around and use that against Democrats.”

Following the hack of the Colonial Pipeline in May, which caused fuel shortages across the eastern United States, Republicans including [House Minority Leader Kevin McCarthy and Wyoming Congresswoman Liz Cheney](#) [blamed Biden administration policies](#) for the price spike.

“From cancelling the Keystone Pipeline to banning new oil and gas leasing on federal lands, Biden’s energy policies are having devastating consequences,” Cheney tweeted “We’ve already seen a glimpse of this devastation with prices skyrocketing and gas shortages hitting communities across the country.”

## **Magic moment**

The effectiveness of such messaging is hard to gauge. [Patrick De Haan](#), head of petroleum analysis at the fuel-price tracking website Gas Buddy, said that considering the events of the last year, higher gasoline prices were not taking much space in the minds of American motorists who are likely thrilled to be traveling again.

“It’s not as much a pinch point if it wasn’t coupled with a strong rebound in the economy,” he said. “This is not like 2008, with gas at \$4 a gallon and pizza delivery and everything else through the roof.”

Since late 2014, when the U.S. fracking boom and a refusal by the OPEC cartel to lower production combined to drive down gasoline prices more than 40 percent in just six months, Americans have enjoyed relatively good deals at the pump. Until now, the highest average monthly prices came in the summer of 2018, reaching an average price of \$2.99 a gallon in May, and prompting then president [Donald Trump to turn his Twitter ire on OPEC](#).

“They continue to push for higher and higher oil prices! We will remember. The OPEC monopoly must get prices down now!,” he wrote in June 2018.

Gasoline prices did eventually come down, but not until October when the summer driving season had ended and demand for gasoline slipped. Considering the high rate at which Americans are getting out of town this summer, Biden could well expect a similar drop in gasoline prices this fall, Maisano said.

“It’s always a big deal in the moment, but the moment never lasts,” he said. “Six months from now it’s going to be completely different.”

[james.osborne@chron.com](mailto:james.osborne@chron.com)

[Twitter.com/@osborneja](https://twitter.com/@osborneja)

---

## **Congress restores pre-trump era methane-gas emissions standards** **President Biden is expected to sign the measure restoring Obama-era emission limits**

By Katy Stech Ferek

Wall Street Journal

June 25, 2021

Congress has moved to restore environmental regulations to limit the amount of methane that leaks from U.S. oil and gas production facilities, reversing a Trump era rollback for the greenhouse gas.

The American Petroleum Institute, the oil industry’s top lobbying group, encouraged former President [Donald Trump](#) to undo 2016 Obama-era methane rules, the first ever federal restrictions on the gas. Regulators said the rollback would save energy producers \$100 million a year in compliance costs.

The House voted 229-191 Friday [to eliminate those U.S. Environmental Protection Agency rules](#) issued last year that eased restrictions on methane gas emissions, including by excluding transmission and storage facilities from limits and cutting compliance measures.

The [Senate passed](#) the rollback in April in a 52-42 vote. President Biden is expected to sign the measure, which would mark one of the first major federal actions toward reaching his goal of cutting U.S. emissions from their 2005 level in half within the decade.

The White House hasn't explained how it plans to reach that target. Mr. Biden is pushing for heavy federal spending on innovations such as more efficient batteries and carbon capture technology, measures that could reduce emissions down the line.

Methane, a component of natural gas, can escape as it moves through millions of miles of pipelines on its way to production facilities.

The push to restrict methane emissions came after scientists, whose early climate research focused on carbon dioxide, realized that the gas is more potent at trapping the earth's heat.

Leak data has also become more reliable over the past decade, bringing the role that the gas plays in climate change into clearer view, said Mark Brownstein, senior vice president of energy at the nonprofit Environmental Defense Fund. Before the data, the odorless, clear gas made it easy for industry groups to "pretend the problem was minimal or didn't exist."

Researchers said recently that cutting methane emissions from energy production, agriculture and other industry sectors could slow the rate of the planet's warming by as much as 30%.

The oil and gas lobby initially fought methane regulations but has recently eased up on that effort, including API which now says it supports federal methane regulations.

Major oil and gas producers—[Royal Dutch Shell PLC](#), [Exxon Mobil Corp.](#), [BP PLC](#)—said they support methane regulations as they face pressure from investors on climate issues. The costs of the methane restrictions reimposed by Congress will weigh more heavily on smaller operators, industry officials said.

"Keeping methane in the pipes is good for the planet and for business," said Mary Streett, senior vice president of BP's U.S. communications & advocacy. "It means that we can sell it as a cleaner fuel source rather than losing it."

The measure drew opposition from several Republican members who criticized it for the costs it would impose. "American oil and gas producers are reducing drilling investments, costing jobs and increasing the likelihood of continued price spikes at the pump and at the grocery store," said Rep. Bill Johnson (R., Ohio) in debate that took place before Friday's vote.

Methane is likely to be a continued focus of the Biden administration and its climate-focused efforts. In his first day in office, Mr. Biden set a September deadline for EPA officials to consider additional methane emissions limits from oil and gas operations.

Congress also proposed to restrict emissions further. In April, the House Natural Resources committee passed a bill from Rep. Diana DeGette (D., Colo.) that sets methane emissions limits for energy producers and would ban flaring and venting at natural-gas drilling sites on public lands. Roughly 10% of U.S. oil and gas comes from public lands.

Write to Katy Stech Ferek at [katherine.stech@wsj.com](mailto:katherine.stech@wsj.com)

## Texas House Democrats and legislative staffers take Gov. Greg Abbott to court for defunding Legislature

The governor had vowed to veto the Legislature's funding in the final hours of the regular legislative session in May after House Democrats broke quorum and left the chamber to prevent passage of a controversial elections bill.

By Cassandra Pollock

Texas Tribune

June 25, 2021

A group of Texas House Democrats and legislative staffers is asking the Texas Supreme Court to override Gov. [Greg Abbott](#)'s recent [veto of a portion of the state budget](#) that funds the Legislature, staffers there and legislative agencies.

More than 50 Democrats, a number of state employees and the Texas AFL-CIO have signed on to a petition for a writ of mandamus, which was filed Friday morning.

"The state is in a constitutional crisis at this moment," said Chad Dunn, an attorney involved with the petition, during a briefing with reporters Thursday.

The governor had vowed to veto the Legislature's funding in the final hours of the regular legislative session in May after House Democrats broke quorum and [left the chamber](#) to prevent passage of a [controversial elections bill](#). That legislation, an Abbott priority, would have created new limitations to early voting hours, increased voting-by-mail restrictions and curbed local voting options.

The petition argues that Abbott exceeded his executive authority and violated the state's separation of powers doctrine. The parties involved with the petition are asking the all-Republican court to find Abbott's veto unconstitutional, which would allow Article X of the state budget, the section at issue, to become law later this year.

State Rep. [Chris Turner](#), a Grand Prairie Democrat who chairs his party's caucus in the lower chamber, told reporters Thursday there are roughly 2,000 employees in the state's legislative branch that would be affected by Abbott's veto if it stands.

Lawmakers receive \$600 a month in addition to a per diem of \$221 every day the Legislature is in session for both regular and session sessions.

"This isn't about [lawmakers'] paychecks," Turner said during the briefing. "What he's doing is hurting our staff and hurting our constituents."

Abbott's veto pertains to the upcoming two-year state budget that doesn't take effect until Sept. 1. The issue could get resolved next month when state lawmakers return to Austin for [a special legislative session](#) starting July 8. If Abbott includes legislative funding on the agenda, lawmakers could pass a supplemental budget to restore funding and prevent employees potentially going without a paycheck. That document, if the Legislature passed it, would first need a sign off from Abbott before it could go into effect.

In the meantime, the petition is asking the court to proceed on an expedited schedule to help resolve the issue by Sept. 1.

"That's what happens when one branch gets in a conflict with another — the third leg of the stool steps in and resolves it," Dunn, the plaintiffs' attorney, said. "That's what we're doing here."

## Opinion: These states lead the way on pension reform

Arizona, Michigan and Texas are showing how to create resilient systems for government retirees.

By Leonard Gilroy and Steven Gassenberger

Wall Street Journal

June 18, 2021

State and municipal debt has tripled since 2000, with unfunded public pension liabilities mostly to blame. After 20 years of inadequate funding policies, failure to meet overly [optimistic investment return targets](#), and other factors, state and local government pension systems are now \$1.5 trillion in debt.

That debt is ultimately borne by taxpayers, and like any debt, when unfunded pension liabilities rise, so do the costs of servicing it. As pension debt payments start to siphon money away from other government priorities, such as education and infrastructure, some lawmakers are now pushing for much-needed reforms.

In Texas, the state Legislature passed a major pension reform that tackles the Employees Retirement System of Texas' nearly \$15 billion in pension debt. The ERS serves more than 300,000 current and retired Texas government workers. But driven largely by rosy investment-return assumptions and a history of underfunding by the state, the system's unfunded liabilities have skyrocketed. The ERS's consulting actuary says the plan will be [insolvent by 2061](#) even if it meets its lofty long-term investment return goals, and as early as 2047 if it doesn't.

The reform legislation commits Texas to paying the bill for retirement benefits promised to workers by shifting the ERS to actuarially based funding and a fixed payoff schedule. The new law also enters all future employees into a new low-risk "cash balance" retirement plan that provides a guaranteed minimum 4% return on investment along with the portability of a 401(k). In short, the reforms would enable Texas to keep the promises made to current and retired workers but would stop making unsustainable pension promises to workers in the future.

The pension reform bill will become law this weekend if Gov. Greg Abbott doesn't veto it, which he hasn't indicated he will do. Texas will then join a growing list of states—including Michigan, Arizona, Pennsylvania and Colorado—that have created or expanded retirement plans that reduce financial risks for governments and can help avoid burdening future taxpayers with more unfunded liabilities.

Arizona and Michigan have enacted more than a dozen substantive pension reform bills over the past five years. Credit-rating agencies and national retirement experts have cited Arizona's public-safety pension reforms. [Moody's Investors Service](#) gave Michigan's teacher retirement reform a "credit positive" review because the state and participating local governments "will no longer carry the entire burden of investment performance risk for new employee pensions."

Pension reform need not be partisan. After gaining input and buy-in from unions for police officers, firefighters and other public employees, New Mexico Gov. Michelle Lujan Grisham, a Democrat, overhauled her state's public-employee pension plan for workers who aren't teachers. "We must make changes now—the alternative is to saddle New Mexicans with unacceptable risk," Ms. Grisham [said](#), urging fellow Democrats to pass reforms. In 2018, Colorado legislators bridged their differences in a divided government to pass comprehensive reforms that increased employee and employer contributions, reduced cost-of-living adjustments, raised the retirement age, and expanded the use of defined-contribution plans for future employees to address the chronic structural underfunding of the state's main public pension system.

Public pension reforms aren't politically easy. With Republicans in control of Florida's state government and the Florida Retirement System \$36 billion in debt, the state Senate passed a bill that would have closed the state pension plan to new hires. But the bill died in the House because lawmakers couldn't agree on how to pay down the state's pension debt.

Meaningful pension reforms are difficult to accomplish but will be increasingly necessary as state and municipal pension debt service eats up larger chunks of government budgets. State and local leaders seeking to make lasting improvements to government finances should look to Texas, Arizona and Michigan. These states are showing that it's possible to create resilient retirement systems that can promote long-term financial security for taxpayers and public employees alike.

*Mr. Gilroy is vice president of Reason Foundation and senior managing director of its Pension Integrity Project. Mr. Gassenberger is a policy analyst at Reason Foundation.*



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869







**From:** Andrew Keese  
**Sent:** Wednesday, June 23, 2021 9:37 AM  
**To:** NewsClips  
**Subject:** RRC News Clips: June 23, 2021

## **New legislation signals strong support for CCUS in Texas**

By Madeline Mathews Thomas

JD Supra

June 22, 2021

On June 9, 2021, Texas Governor Greg Abbott signed House Bill 1284 (“HB 1284”), which was introduced along with its Senate companion, SB 450, during the state’s 87th legislative session. HB 1284 grants the **Texas Railroad Commission (“RRC”)**, the governmental agency that regulates the state’s oil and gas industry, sole jurisdiction over Class VI Injection Wells and carbon capture, use, and sequestration (“CCUS”) activities in Texas.

Class VI Injection Wells, which we have discussed previously, are used to inject carbon dioxide (“CO<sub>2</sub>”) into deep rock formations, also known as geologic sequestration. This technology is utilized in order to reduce CO<sub>2</sub> emissions to the atmosphere and mitigate climate change. Class VI wells are one of six types of underground injection well classes established by the U.S. Environmental Protection Agency (“EPA”) that are subject to the requirements of Section 1421 of the Safe Drinking Water Act for the purpose of protecting underground sources of drinking water from endangerment.

A Class VI Underground Injection Control permit is required prior to drilling and operating a Class VI well for CCUS operations. While Texas currently has “primacy” (approval from the EPA for permitting and enforcement authority) over issuing permits for wells in Classes I-V, it does not yet have primacy for wells in Class VI, which means that final authorization still comes from the EPA. At this time, only Wyoming and North Dakota currently have Class VI primacy, though Louisiana is currently in the process of applying for primacy. Again, more on that here.

Until the passing of HB 1284, which is effective immediately, the **RRC** and the Texas Commission on Environmental Quality (“TCEQ”) split jurisdiction over geologic storage of CO<sub>2</sub>, depending on whether the geologic formation itself was capable of producing oil, gas or geothermal resources. This shared regulatory responsibility within the state created an impediment to Texas’ eventual goal of receiving primacy from the EPA.

HB 1284 changed that by tasking a single agency with seeking delegation authority from the EPA on Class VI Injection Wells. The **RRC** now has sole jurisdiction in Texas over the regulatory processes for these wells, simplifying the steps toward and paving the way for the **RRC** to seek primacy from the EPA and thus streamline the permitting process. If Texas were granted primacy from the EPA over Class VI Injection wells, the **RRC** would be required to enforce the EPA’s environmental standards, and primacy could be revoked if the **RRC** failed to do so. The TCEQ will also continue to have input on each application for a permit to build a Class VI well, regardless of whether or not primacy is achieved.

This recently enacted legislation is indicative of strong support in Texas for the development of CCUS projects and helps clear the path for onshore and offshore CCUS deployment within the state. The next step will be for Texas to apply for primacy from the EPA, a process which is expected to take one to two years. Louisiana began this process last year, sending drafts of primacy documents to the EPA for review at the end of 2020.

Class VI regulations were published in the Louisiana Register on January 20, 2021, and it is expected that the EPA will complete its review of the package and public comments by the third quarter of this year.

---

# US E&Ps' pledge to end 'routine flaring' falls short

By Deon Daugherty

Energy Intelligence

May 24, 2021

US producers are lining up behind the World Bank's "Zero Routine Flaring by 2030" initiative as part of wider commitments to reduce greenhouse gas emissions. But while adherence is a strong first step, Energy Intelligence analysis has found that it will not end flaring to the degree many might think.

The initiative standardizes a definition for "routine flaring" at a time when many different definitions are found across the industry, sources say. The World Bank defines it as such:

- Routine flaring of gas is flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to reinject the produced gas, utilize it onsite, or dispatch it to a market.

That language might suggest that a wide net has been cast to capture a significant amount of flared gas ([NGW Jul.15'19](#)). But Energy Intelligence has found meaningful limitations in its real-world application -- potentially allowing flaring to continue well beyond 2030 if not addressed through further action.

That could create problems for oil and gas producers, which face mounting pressure to address their wider emissions footprint.

Just last year, France's government intervened on a supply deal for US LNG, calling US gas "dirty" due to a lack of regulatory pushback against flaring in the Permian Basin ([NGW Oct.26'20](#)).

## Qualifying What Counts

Flaring is a tricky problem for the industry. Global flaring has remained at around 140 billion cubic meters for the past decade. At the height of US shale production in 2019, the country's flaring jumped by 23% year on year, pushing global totals up 3%.

Routine flaring is just one piece of that, and what counts as "routine" can vary across different circumstances.

For example, flaring is generally considered routine in the absence of sufficient pipeline capacity. But under its 2030 initiative, the World Bank limits this definition to new development areas – a significant limitation to its remit. Routine flaring at existing assets that lack pipeline access is not counted toward the pledge if there is no economic use for the gas.

Flaring based on a system upset or equipment problem is categorized as routine for the operator of the assets. However, if a third party operates, the flaring is not considered routine. Companies are also only responsible for routine flaring at developments they operate, not those where they are a nonoperated partner.

Any gas flared for safety purposes is not considered routine flaring.

So what does all this mean in practice? Energy Intelligence analyzed the efficacy of the World Bank's initiative by applying its definition to the Permian, where rampant flaring has followed a surge in associated gas output. The analysis found numerous examples of flaring that fall outside the "routine" definition.

Routine Flaring	Not Routine Flaring
Gas production exceeds existing infrastructure capacity	Gas flared during an accident to ensure safe operations
Flaring from an oil/gas separator	Gas blow-down following an emergency shutdown to prevent overpressurization
Process unit flaring, including the process at oil storage tanks or tail gas treatment units	Gas containing hydrogen sulfide (H <sub>2</sub> S)
High-line pressure on operator-owned equipment that lasts more than three months	Presence of high levels of volatile organic compounds other than methane
Distance from a new development to a pipeline is too far to be economic	Ensuring safety during process unit flaring, including the occurrence at oil storage tanks or tail gas treatment units
--	Equipment failure of a third party contracted to handle gas
--	Start-up following facility shutdown
--	Temporary failure of third-party facility that prevents receipt of gas
--	During construction activities, such as tie-ins, change in operating conditions or plant design modifications
--	Reservoir or well maintenance, such as wire line intervention
--	High-line pressure on operator-owned equipment that is resolved within three months
--	High-line pressure; third-party ownership
--	Distance from an existing well to a pipeline is too far to be economic
<i>Source: Energy Intelligence research</i>	

Texas law requires permits for flaring that happens outside of a handful of situations surrounding early-stage production. But the **Texas Railroad Commission**, which oversees those permits, very rarely denies such requests ([NGW Jul.1'19](#)).

### **Clarifying Perceptions**

All this is not to say the World Bank initiative is an ineffective tool. But given that no signatory companies have released absolute figures around how much carbon dioxide is abated with the pledge -- nor did they when requested by Energy Intelligence -- the magnitude of its impact is difficult to judge.

The World Bank was unable to provide an estimate of how much flaring would be categorized as “routine” by press time.

Occidental Petroleum was the first company to endorse the pledge ([NGW Mar.8'21](#)). A spokesman for the company told Energy Intelligence that Oxy will report data to World Bank this year. Chevron’s routine flaring data will be reported to World Bank in 2023, a spokesman said.

One issue with the pledge’s limitations is that stakeholders unfamiliar with the nuances of industry flaring may conclude that signatory companies are making more significant changes than the initiative holds them to. If stakeholders were to then find out that isn’t the case, it risks further damaging the industry’s already tenuous reputation.

“I am quite certain that most investors believe that [the endorsement] means that companies are committing to eliminate the vast majority of their flaring,” Andrew Logan, senior director for oil and gas at investment advisory group Ceres, tells Energy Intelligence. “The idea that it might not include a large set of perhaps very common situations is going to be a very unwelcome surprise to a lot of investors.”

In other words, the work doesn’t stop once the World Bank pledge is fulfilled.

Royal Dutch Shell, for example, has reduced its overall flaring in the Permian by 90% since 2016 as well as its methane and greenhouse gas emissions intensity by 80% -- all while its production has risen by 80%.

“All numbers we are proud of, but more work needs to be done to get us to our goal,” says spokeswoman Natalie Gunnel.

---

## **BP starts production from new Gulf of Mexico project**

By Paul Takahashi  
Houston Chronicle  
June 23, 2021

BP has started production from two new deepwater wells in the Gulf of Mexico, furthering its plans to add 900,000 barrels of oil and natural gas production per day by year-end.

The two wells, at the Manuel project site about 140 miles off the coast of New Orleans, are expected to boost production from the Na Kika platform by an estimated 20,100 barrels of oil and gas per day. The British oil major on Wednesday said it added a new subsea production system to the platform, which will extract oil and

gas from reservoirs 21,000 feet below the gulf. BP and Shell each hold a 50 percent working interest in the Manuel project.

“Manuel is exactly the type of high-value project that is critical to growing our business here in the Gulf of Mexico,” said Starlee Sykes, BP’s senior vice president of the Gulf of Mexico and Canada. “BP’s focused and resilient hydrocarbons business is a key pillar of our strategy.”

Although BP has moved aggressively into wind and solar projects over the past year, the company plans to expand its traditional oil and gas business in the Gulf of Mexico, where BP is a leading producer. BP operates four production platforms in the gulf: Thunder Horse, Atlantis, Mad Dog and Na Kika, with a fifth platform, Argos, expected to come online in 2022.

BP expects to increase its Gulf of Mexico production to more than 400,000 barrels of oil per day by the middle of this decade, up from more than 300,000 barrels of oil per day in 2019.

The oil giant has said it plans to use its revenue from its oil and gas business to help fund its pivot from an international oil company into an international energy company. It announced plans last year to become a net-zero emissions company by 2050 or sooner, promising to gradually reduce its oil and gas production as it shifts toward renewable and green energy sources.

BP next year expects to launch its new Argos platform, which [in April was transported from a South Korea manufacturer](#) to a fabrication yard near Corpus Christi where it is being finished. The 27-story-tall floating semi-submersible, one of BP’s largest, is expected to produce up to 140,000 barrels of oil and gas per day, boosting BP’s output in the Gulf by about a quarter. The platform is BP’s first addition to the Gulf since 2008, before the deadly Deepwater Horizon explosion and oil leak in 2010.

“The safe production of resilient hydrocarbons in the basins we know best is core to advancing our strategy to transform into an integrated energy company,” said Ewan Drummond, BP’s senior vice president of projects.

---

## **Wastewater reuse bill lauded by oil & gas industry**

By Yantis Green  
San Angelo Live  
June 22, 2021

AUSTIN – Todd Staples, president of the Texas Oil & Gas Association, issued the following statement after SB 601, which creates the Texas Produced Water Consortium at Texas Tech University to study the beneficial use of produced water specifically focusing on the economics, technology and impact on environmental and public health, was signed into law by Governor Abbott:

“Today’s oil and natural gas companies are technology companies, and treating, reusing and recycling produced water for beneficial use in the oil patch and beyond is becoming more common thanks to this industry’s commitment to innovation. This Consortium will allow industry and our partners to build upon pioneering work in produced water recycling and reuse to find even more innovative ways to allow wastewater to be recycled and treated into new drought-proof sources of water, keeping the Texas oil and natural gas industry at the forefront of water conservation, innovation and sustainability efforts in the state. We thank bill authors Senator Charles Perry, Representative Dustin Burrows and the Texas Legislature for promoting innovation in the responsible development of our state’s natural resources.”

## Court's 'historic' FERC slap-down shifts pipeline war

By Niina H. Farah, Mike Soraghan and Miranda Willson

E&E News

June 23, 2021

A federal court ruling yesterday could influence how the Federal Energy Regulatory Commission reviews and approves pipelines, with major implications for the gas industry and legal cases around the country, analysts say.

The U.S. Court of Appeals for the District of Columbia Circuit axed a certificate for the Spire STL pipeline in a forceful opinion that criticized FERC for failing to follow its own policies and delve into whether there was a need for the 65-mile natural gas pipeline from Illinois to Missouri.

Instead, the court found that FERC had relied too heavily on Spire's precedent agreement with shipper Spire Missouri, a retail utility that was affiliated with the pipeline developer (*E&E News PM*, June 22).

The fate of the operational pipeline is now in the hands of the agency. Analysts said the ruling could influence FERC's ongoing review of its Certificate Policy Statement, which dictates the process for determining whether a proposed pipeline is in the public interest and should therefore be approved. FERC Chairman Richard Glick reopened the review this year but has not indicated when it will end.

The agency has historically greenlit proposals as long as they included one or more precedent agreements, which indicate that customers are willing to reserve capacity on the pipeline, but that practice could change depending on the outcome of the FERC review (*Energywire*, May 28).

"I don't think it can be overstated how important this decision is today," said Gillian Giannetti, an attorney with the Natural Resources Defense Council's Sustainable FERC Project. "This is a historic opinion that could change the landscape of how FERC assesses pipeline need."

In a statement, FERC said it is reviewing the decision to determine what actions "may be appropriate."

The ruling could affect other major projects currently being challenged in court, such as the PennEast and Mountain Valley natural gas pipelines, which FERC also approved after reviewing affiliate precedent agreements, legal experts said.

"FERC is really going to have to flesh out a new process by which it considers public convenience and necessity for affiliate projects, and there are many, many of those around the country right now," said Jennifer Danis, a senior fellow at Columbia Law School's Sabin Center for Climate Change Law.

Danis, who filed an amicus brief in the case on behalf of a client, said it will be important for the commission in the future to back up its conclusions on pipelines with data and modeling. She noted that federal law has always required FERC to take those steps but said litigation is sometimes necessary to prompt compliance. This case defined the outer bounds of what FERC could do under the law, she said.

"The D.C. Circuit is quite clear about protecting the public interest and FERC's obligations, when it's making assertions about vague public benefits, that it has that data to support those," she said.

In the ruling, the D.C. Circuit agreed with the Environmental Defense Fund that FERC had ignored "record evidence of self-dealing" and had not seriously weighed the benefits of the projects against their potential risks.



“Under the circumstances presented in this case — with flat demand as conceded by all parties, no Commission finding that a new pipeline would reduce costs, and a single precedent agreement between affiliates — we agree with EDF that the Commission’s approach did not reflect reasoned and principled decisionmaking,” said Senior Judge Harry Edwards in an opinion for the court.

“This is a tremendous victory to get rid of this blind reliance on affiliate precedent agreements and the idea that they can weigh the adverse impacts with a one-sentence conclusion,” said David Bookbinder, chief counsel at the Niskanen Center, which has represented landowners before the commission in various proceedings.

The decision would directly affect Bookbinder’s case against the pipeline associated with the Jordan Cove liquefied natural gas terminal in Oregon. As with the Spire STL pipeline, FERC also relied on affiliated precedent agreements in its approval of Jordan Cove’s Pacific Connector pipeline, he noted.

Bookbinder said he is planning to notify its panel of judges in the D.C. Circuit in his case of the decision soon.

The ruling “cuts FERC off at the knees about several of their favorite subterfuges, their insistence that affiliate agreements are as valid as any other precedent agreements and that they don’t have to look at any other factor,” he said.

“The court said you certainly do have to look at other factors when people are bringing you evidence of self-dealing,” Bookbinder said.

Natalie Karas, the lead counsel of the energy program at EDF, who led the challenge against the FERC certificate, agreed that yesterday’s decision would likely alter FERC’s approach but did not comment on whether the ruling might spark new lawsuits against natural gas pipelines.

“I think, going forward, this decision will guide FERC’s action in approving new applications and considering other similar examples and will show to pipeline developers what would be considered permissible under the statute and what would not,” she said.

### **Glick and a looming shutdown?**

FERC’s review of its Certificate Policy Statement on pipeline approval processes has drawn thousands of comments so far.

The current policy statement says that FERC will scrutinize “all relevant factors” when considering proposed pipeline projects. But environmental groups, industry representatives and commissioners themselves acknowledge that the existence of precedent agreements has historically been viewed by the commission as a proxy for pipeline need.

“[The] fact that the court so swiftly knocked down the Commission’s reliance on an affiliate precedent agreement to demonstrate market need here will undoubtedly factor into FERC’s broader reexamination of the Certificate Policy Statement,” Jeff Dennis, general counsel and managing director of Advanced Energy Economy, a clean energy trade group, said in an email.

Glick, who voted against the commission’s 2019 decision to approve the Spire STL pipeline, has criticized the reliance on precedent agreements, particularly in cases where project applications only include agreements between affiliated companies. Yesterday’s ruling underscores the need for the commission to revisit its methodologies for discerning the demand for and benefits of a project, Glick said.

“As I noted in my 2019 dissent regarding the Spire project, the Commission must consider all relevant factors when determining the need for a project and balance the evidence of need against adverse impacts,” Glick said

in a news release. “Today’s decision shows that when FERC cuts corners with its analysis, it puts its decisions — and the investments made in reliance on those decisions — at substantial risk.”

Former FERC Commissioner Cheryl LaFleur, a Democrat who had also voted against approving the pipeline, praised the court’s ruling on social media shortly after the decision.

“I was excited to see today’s DC Circuit opinion vacating and remanding this case, which clearly violated @FERC’s own standards for public interest and necessity,” she wrote on Twitter.

Although precedent agreements between affiliate companies have come under fire as a questionable signal of project need, supporters argue that the deals are still binding contracts showing market demand for a pipeline.

“An affiliated shipper’s need for capacity and its obligation to pay for such service under a binding contract are not lessened just because it is affiliated with the project sponsor,” FERC wrote in its majority order approving the Spire STL pipeline in 2018.

Despite yesterday’s ruling, the pipeline developer said the pipeline “has more than proven it is essential,” particularly during the polar vortex last February.

“While other parts of the Midwest struggled with supply and extremely high costs, the STL Pipeline ensured the St. Louis region had access to reliable, affordable energy, when it needed it most,” said Jason Merrill, a spokesperson for the company.

“We are currently reviewing the order and considering next steps,” Merrill said.

Analysts at ClearView Energy Partners, though, predicted that the pipeline could be shut down.

“Spire STL’s shut down currently looks to be more a question of when than if,” ClearView said in a note yesterday.

### **‘This is shocking’**

Landowners, who say Spire and its contractors bullied and mistreated them throughout development and construction of the project, called for immediate action on the pipeline.

“They need to shut that gas off right now,” said Kenny Davis, who has about 1,500 feet of the pipe on his land. “As far as I’m concerned, they’re trespassing.”

But it’s not clear to them what comes next.

“It’s never happened before,” he said, “so I don’t know what’s going on.”

Nate Laps, a consultant hired by Davis and other landowners whose land was condemned, has been leading the fight for years. Laps said he was stunned by the ruling.

“This is shocking,” he said. “This is an unknown.”

Davis said Spire took his land under what’s called “quick-take” condemnation, after offering him “pennies on the dollar” compared with what it was worth. He still hasn’t been paid, or gotten a court date to make his case.

The construction crews mixed precious topsoil with clay, ripped out his timber and ruined the best deer-hunting spot on the land, he said. He had hoped to build a retirement home on the property, but can’t because the high-pressure line runs through the middle of it, and the home would be in the blast zone if it ruptured.

“FERC just let them get away with it,” Davis said.

Spire said it went “above and beyond expectations” in its handling of construction ([Energywire](#), Sept. 23, 2019).

FERC allowed the pipeline to begin operations in 2020, despite protests from landowners that the company wasn’t fixing the damage it had done to their farms. Under former Chairman Neil Chatterjee, FERC told officials that any problems had been handled responsibly.

“Spire is appropriately documenting any environmental compliance issues,” Chatterjee [wrote](#) in 2019.

Laps’ firm holds a purchase option on its clients’ land as wide as the easement, and that could be a factor in any resolution of what happens with the land and the pipe.

He said it might be best for the landowners in the long term if the pipeline keeps pumping gas, since it’s already operating. Ripping it out would cause more damage, though pipelines usually stay in the ground even after operations cease, according to Laps. His clients, he said, didn’t oppose the pipelines, but were angered by Spire’s tactics.

“They just want to be made whole,” Laps said, “and return to good farming practices.”

Email: [nfarah@eenews.net](mailto:nfarah@eenews.net)

---

## Key to the shale boom? 3 federal subsidies

By Carlos Anchondo and Lesley Clark

E&E News

June 23, 2021

Federal subsidies played a key role in helping to sustain the U.S. shale boom over the past two decades, swelling the expected value of oil and gas projects by as much as \$20 billion per year, according to a new report.

The [analysis](#), released this morning by the Stockholm Environment Institute, examined the three largest U.S. federal oil and gas subsidies and how they affected the expected value of nearly 2,500 oil and gas fields that began producing between 1998 and 2019.

The report found that two subsidies alone — the expensing of intangible drilling costs and the percentage depletion allowance — increased the expected value of new oil and gas projects by billions of dollars in most years, and by more than \$20 billion in years with high oil prices, such as 2008 and 2010 to 2014.

The analysis said the two subsidies — which Democrats have long targeted for repeal — added “substantial value” to new, unconventional oil and gas projects in top-producing regions like the Bakken Formation, the Appalachian region and the Permian Basin.

It also said that some oil and gas firms benefited more than others. It estimated that subsidies boosted Chesapeake Energy Corp.’s expected project returns by \$9 billion in 2008, primarily from oil and gas fields under development in the Marcellus Shale of the Appalachian region and in the Haynesville shale formation, located in parts of Texas and Louisiana.

And in 2012, subsidies “could have amplified” Pioneer Natural Resources Co.’s expected project returns by \$8 billion, the report added, primarily from fields being developed in the Permian Wolfcamp shale play.

Neither Chesapeake nor Pioneer could be reached for comment yesterday.

The report noted that there is little information available about which companies, types of oil and gas drilling, or regions of the country have benefited most from subsidies because neither the companies themselves nor the IRS provides detailed information.

The study from the international policy organization comes as Democrats seek to repeal oil and gas subsidies — some dating back a century or more — as part of their effort to address climate change and transition the United States to cleaner sources of energy.

Biden and congressional Democrats have sought to overhaul the tax code to address fossil subsidies.

“In the push to create a modern, low-carbon economy, the tax code is a powerful policy tool, and can be used to help transition away from high-carbon industries, like fossil fuels, to less polluting forms of energy,” the report said.

The study’s lead author said the analysis provides evidence that the subsidies aren’t necessary to spur production.

“When times are good, these subsidies are just going to extra profit, over and above what would be needed to make the field viable,” said Peter Erickson, the climate policy program director at the institute’s U.S. center.

Biden, who pledged on the campaign trail to end fossil fuel subsidies, has proposed paying for his infrastructure plan by ending what his administration calls “long-entrenched subsidies to fossil fuels” (*Energywire*, April 8).

He would instead use targeted tax incentives to promote clean energy.

The American Petroleum Institute did not respond to a request for comment on the report. But in response to Biden’s infrastructure plan, API in March said the oil and gas industry “receives no special tax treatment,” and that the U.S. tax code is “applied equally across industries.”

“Targeting specific industries with new taxes would only undermine the nation’s economic recovery and jeopardize good-paying jobs, including union jobs,” said Frank Macchiarola, API’s senior vice president for policy, economic and regulatory affairs, in a statement at the time.

The SEI report said that “what makes these tax measures subsidies” is that “they are financial benefits not generally available to other industries.”

Former President Obama repeatedly but unsuccessfully called for repealing the same tax breaks in his annual budget requests.

### **Biden and Congress**

Biden’s Treasury Department estimated in April that eliminating subsidies for fossil fuel companies would increase government tax receipts by more than \$35 billion over the next decade.

ClearView Energy Partners LLC noted at the time that although Treasury did not detail which fossil provisions it would target, the \$35 billion in tax breaks suggests an effort to eliminate direct incentives such as deductions for intangible drilling costs.

The fossil fuel industry also enjoys master limited partnerships, a deduction for domestic manufacturing and clean coal investment credits, among others.

House Democrats have filed legislation targeting 11 provisions of the tax code, including breaks for intangible drilling costs and the enhanced oil recovery credit.

Sen. Ron Wyden (D-Ore.) in April also introduced a bill that would eliminate fossil fuel tax breaks and create new incentives for zero-emissions energy sources.

But Republicans on the Senate Finance Committee insisted that the rollbacks would hurt jobs in the industry.

Environmentalists have estimated that fossil fuel corporations receive as much as \$15 billion in direct subsidies from the federal government every year.

Twitter: [@cjancho](#) Email: [canchondo@eenews.net](mailto:canchondo@eenews.net)

---

## **Bennet introduces drilling reform, orphaned well bills**

By Heather Richards

E&E News

June 23, 2021

Colorado Democratic Sen. Michael Bennet is the latest lawmaker this year to propose billions of dollars to clean up the nation's orphaned oil and gas wells.

With a pair of bills released yesterday, Bennet aims to rush dollars toward federal agencies tasked with tracking and reclaiming abandoned wells on public land.

The legislation also includes reforms that could irk GOP lawmakers, like higher bonding for wells to make sure taxpayers are not left on the hook for cleanup costs.

"Our bills not only invest in orphaned well clean up, but also restore the role of local leaders in lease sales, and hold companies operating on public lands to the same high standards that responsible operators already follow," said Bennet in a statement.

The bills have yet to find co-sponsors, but they echo popular reform ideas circulated this year by the White House, tucked into infrastructure proposals in recent days and introduced in bills by other lawmakers in the 117th Congress.

Bennet's "Oil and Gas Bonding Reform and Orphaned Well Remediation Act" [would](#) provide \$8 billion, over a 10-year period, to pay for the cleanup of abandoned oil and gas infrastructure.

It would also increase the bonding companies have to pay from \$10,000 on a single federal lease to \$150,000. A statewide blanket bond would be raised from the current \$25,000 minimum requirement to \$500,000.

The "Public Engagement Opportunity on Public Land Exploration (PEOPLE) Act" [would](#) make public the identity of individuals or companies nominating federal lands for lease — a process that is currently opaque.

The “PEOPLE Act” would also require notice to local governments and anyone with water or recreational rights. And it would beef up requirements for public input and environmental review prior to a lease sale taking place.

### **Other bills**

Orphan wells are considered a health and climate hazard for their potential to leak toxins like benzene into water sources and gases like methane into the atmosphere.

Bennet’s cleanup bill names nearly 57,000 oil and gas wells known to be orphaned across the U.S. on federal, state, tribal and private lands.

That figure comes from the Interstate Oil and Gas Compact Commission but is well short of some federal estimates that put the number of undocumented orphan wells in the millions. The Interior Department has claimed there are at least 14,400 orphaned wells on federal lands.

New Mexico Democratic Rep. Teresa Leger Fernandez’s [H.R. 2415](#) would authorize \$7.25 billion in grants to fund orphan well cleanup on state and private lands and increase bonding equal to Bennet’s suggestion. Republicans oppose the bill.

Sens. Ben Ray Luján (D-N.M.) and Kevin Cramer’s (R-N.D.) “Revive Economic Growth and Reclaim Orphaned Wells (REGROW) Act,” [S. 1076](#), would create a fund of more than \$4 billion for cleanup but would not require the bonding increase. Texas Democratic Rep. Lizzie Fletcher and North Dakota Republican Rep. Kelly Armstrong have a companion, H.R. 3585.

A sweeping [discussion draft](#) by Energy and Natural Resources Chairman Joe Manchin (D-W.Va.) borrows from the bill ([see related story](#)).

Biden administration officials have said they support recent well plugging and conservation bills pending on Capitol Hill ([E&E Daily](#), June 17). They are also working on a report on oil and gas leasing.

The president’s fiscal 2022 budget includes a threefold increase in funding for orphan wells and abandoned mine cleanup — priorities that the White House has said will create and maintain jobs in the fossil fuel industries while addressing climate ([Energywire](#), April 12).

### **‘Put Americans to work’**

Even if the bills don’t pass, lawmakers are vowing continued scrutiny of oil and gas production and its environmental effects.

Reps. Ro Khanna (D-Calif.), chairman of the Oversight and Reform Subcommittee on Environment, and Katie Porter (D-Calif.), chairwoman of the Natural Resource Subcommittee on Oversight and Investigations, flagged orphans as a potential crisis in a [letter](#) Monday to JP Morgan Chase & Co. demanding, among other things, the bank’s estimates of orphan well cleanup costs from its debtors and clients.

Bennet’s two bills, which tout long-standing asks from environmentalists and public land advocates, have gathered a slew of early supporters, including nine county commissioners in Colorado and several conservation and wildlife organizations.

“For decades, orphaned oil and gas wells have not only left communities with the cleanup, but also with the hazards of chemicals leaking into their air and drinking water,” said Jim Ramey, Colorado state director for the Wilderness Society.

David Willms, senior director of conservation in the West for the National Wildlife Federation, said Bennet's bills would "put Americans to work."

Twitter: [@hroxaner](#) Email: [hrichards@eenews.net](mailto:hrichards@eenews.net)



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



## **Mia Hutchens**

---

**From:** Andrew Keese  
**Sent:** Wednesday, June 16, 2021 12:55 PM  
**To:** NewsClips  
**Subject:** RRC News Clips: June 16, 2021

### **Governor signs Ashby bill requiring flood history for oil disposal**

By Jeff Awtrey

KTRE

June 15, 2021

AUSTIN – Gov. Greg Abbott has signed an East Texas state representative’s bill to protect groundwater around oil and gas disposal sites.

Trent Ashby (R-Lufkin) authored HB 2201.

The bill requires the **Texas Railroad Commission** to look at the history of flooding over the past 10 years when it considers granting a permit to build a pit for the disposal of commercial oil and gas.

The bill passed the House on a 147-0 vote on April 29. It passed in the Senate on a 31-0 vote. Sen. Robert Nichols (R-Jacksonville) sponsored the bill.

---

### **Opinion: If Texas will not regulate methane emissions, then the feds must**

By Chris Tomlinson

Houston Chronicle

June 16, 2021

The oil and natural gas deposits in the Permian Basin are millennia older than the states of Texas and New Mexico, which today sit on top of them.

The methane and other greenhouse gas emissions emanating from the tens of thousands of wells in Permian do not recognize political boundaries, floating wherever the prevailing winds take them.

Those imaginary lines on the map, though, make a considerable difference to operators of those wells. Texas and New Mexico’s differing approaches to regulating the energy industry prove the importance and necessity of Congress reinstating restrictions on methane leaks.

To say Texas takes a laissez-faire approach to methane emissions would be an understatement.

Methane is the element of natural gas that burns, giving off heat for generating electricity or cooking food. The problem is that natural gas prices are so low, and the cost of sealing up equipment can be so high that too many well operators either burn it off with flares or let it leak out.

The gas is far more heat-trapping than carbon dioxide and is responsible for 25 percent of global warming. The Permian Basin is the nation’s hot spot for methane leaks, and requiring the industry to plug them would go a long way toward slowing climate change.



New Mexico recognizes the economic value and the environmental importance of capturing methane. In March, New Mexico's Oil Conservation Commission voted unanimously to require operators to capture 98 percent of natural gas emissions and barred them from venting or flaring except for emergencies.

Chair Adrienne Sandoval said the new regulations came after months of consultation with industry executives, environmental groups and the public. The industry has until the end of 2026 to comply.

"The Oil Conservation Commission has done its part by finalizing strong methane waste rules," Mario Atencio with the Chaco Canyon Coalition told the *Carlsbad Current-Argus*. "And since nearly 70 percent of oil and gas methane pollution in New Mexico occurs through leaks, it is critical that the New Mexico Environment Department also adopts a rule that holds polluters accountable."

The world's largest oil and gas companies understand the urgency to take action. Oil giant BP pledged to spend \$1.3 billion in the Permian Basin to cut emissions. Rystad Energy found that 40 percent of future flaring could be avoided at no cost.

Texans, sadly, are hemming and hawing and dragging up the rear.

Forty operators and seven trade associations formed the Texas Methane and Flaring Coalition to end routine flaring, but they don't plan to get there until 2030. They also expect the **Texas Railroad Commission**, which uses its anachronistic name to confuse the public about its actual mission to regulate the energy industry, to take no formal action to reduce greenhouse gas emissions.

"We need an all-hands-on-deck approach to solving problems – not costly top-down mandates that attempt to pick winners and losers," said Jason Modglin, president of the Texas Alliance of Energy Producers.

**Railroad Commission Chair Christi Craddick** is more than happy to accommodate the industry that provides the bulk of her campaign funds when she runs for re-election every six years. She has opposed proposed new rules on emissions and praised the previous administration for rolling back federal regulations.

"As **Texas' Railroad Commissioner**, I fought against former President Barack Obama's one-size-fits-all environmental policies that impeded job creation and stifled energy production growth," Craddick wrote in a 2020 op-ed. "Texas' energy regulation is guided by free-market principles and based on studies of the processes that ensure responsible Texas energy production."

Next week, Congress will vote on reimposing Obama's rules limiting methane emissions, and Texans should welcome them. Because despite what Craddick claims, keeping methane out of the atmosphere and in the pipeline benefits everyone.

Methane is valuable. When sloppy operators don't capture it, they are taking money from mineral rights holders and investors.

Controlling emissions from oil and gas infrastructure also creates jobs. More than 200 companies with over 750 locations across the country make their money helping drillers and operators keep the valuable product inside the pipes, according to research funded by the Environmental Defense Fund.

"In recent years, we've seen a range of operators - from small independent producers to multi-national companies - embrace methane reductions as a critical part of doing business," said Andrew Baxter, EDF's director of energy strategy. "Sensible methane standards that apply nationwide will even the playing field among operators and yield significant benefits to the economy and the environment."

The world needs natural gas for at least another decade, but only if we can limit the leaks and stop routine flaring. New Mexico has done it, and if Texas won't, then Congress must.

*Tomlinson writes commentary about business, economics and politics.*

twitter.com/cltomlinson

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

## **Is Texas headed toward another blackout? Did the Legislature fix the power grid? Here are answers to your questions about the grid.**

**The state's grid operator indicated that conditions are improving and said that power outages to residents are unlikely.**

By Erin Douglas and Mitchell Fermin

Texas Tribune

June 15, 2021

The Electric Reliability Council of Texas on Monday asked residents to reduce their electricity usage through at least Friday due to "tight" power grid conditions. A number of power plants are inexplicably offline at the same time as the state is experiencing record June demand for electricity.

ERCOT officials said outages to residents are unlikely this week. Asking consumers to cut back on power is the first step the grid operator takes to reduce strain on the grid. On Tuesday, ERCOT issued a statement that the grid "remains strong during record demand." A spokesperson told the *Tribune* that the situation "looks like it will continue to improve" and thanked Texans for successful electricity conservation efforts.

Here's what you need to know.

### **Why is ERCOT asking for power conservation?**

A significant number power plants are unexpectedly offline at the same time as Texans are expected to use a record amount of electricity due to hot weather. That has resulted in "tight" grid conditions, meaning that there is not much more supply of electricity available than demand.

Approximately 12,000 megawatts of power generation were offline Monday afternoon — enough to power 2.4 million homes on a hot summer day. That's several times more than what ERCOT would typically expect to go down during June.

As of Tuesday, 1,200 megawatts of power was regained to the grid. About 74,000 megawatts of electricity generation were available to the grid Tuesday, an ERCOT spokesperson said.

Power grids must keep supply and demand in balance at all times. When Texas' grid falls below its safety margin of excess supply, the grid operator starts taking additional precautions to avoid blackouts. The first precaution is to ask the public to cut back electricity usage.

### **What is causing the "tight" grid conditions? Heat in Texas isn't new.**

While high demand during hot temperatures is expected, it's the supply side that's caught grid operators off guard this week.

ERCOT officials said the power plant outages were unexpected — and could not provide details as to what could be causing them. Warren Lasher, ERCOT senior director of systems planning, said Monday that having

this many plant outages in June is “not consistent” with previous summers and called the situation “very concerning.”

ERCOT has promised to conduct an analysis to determine why so many units are offline this week. Some experts theorized that the winter storm in February may have caused damage to plants that is causing new complications, but ERCOT officials did not offer any details.

**What does this mean for the rest of the summer? Are we going to have another blackout?**

ERCOT officials said it “appears unlikely” that the ERCOT grid would need to implement outages, like it did in February, to reduce strain on the grid.

It is unclear, however, if Texans will experience widespread electricity blackouts later this summer.

After the winter storm, [ERCOT warned that Texans could experience electricity outages](#) this summer if the state sees a severe heat wave or drought that drives up demand for power. In its annual forecast ahead of the summer months, ERCOT officials included for the first time ever extreme, low likelihood scenarios that would each leave the grid short a significant amount of power, which would trigger outages to residents.

The scenarios were completed against the backdrop of this summer likely being one of the hottest on record, according to [an April climate outlook from the National Oceanic and Atmospheric Administration](#). Still, officials have said extreme situations that cause blackouts are very unlikely.

**Where are the power plant outages?**

An ERCOT official said the outages were “spread” across the state and declined to provide specifics.

However, at least one of the generators out of service includes a unit at the Comanche Peak nuclear plant outside of Fort Worth. It was shut down when the main transformer experienced a fire, according to Vistra Corp., which owns the plant.

**Are power plants manipulating the market to get a higher price for power this week?**

Asked by media on Monday whether they believed market manipulation was occurring, ERCOT officials declined to comment, but said that the grid operator’s independent market monitor is the entity responsible for tracking whether manipulation occurs.

ERCOT officials promised to conduct an analysis to determine why so many units are offline.

**Are renewables or fossil fuels to blame for this week?**

The majority of the unexpected power plant outages are from “thermal” sources, which in Texas are largely powered by natural gas plants. Of the approximately 12,000 megawatts of generation forced offline Monday, about 9,600 megawatts, or nearly 80% of the outages, were from thermal power sources, according to ERCOT.

Less than 500 megawatts of thermal generation offline on Monday were planned to be out for maintenance, ERCOT officials said.

Power from wind turbines on Monday afternoon was between 3,500 to 6,000 megawatts, according to ERCOT, which was 1,500 megawatts lower than what the grid operator typically expects during the peak time of usage in the summer afternoons. ERCOT officials said wind output will likely increase as the week continues.

**What did the Legislature do to fix the power grid, and is any of it helping this week?**

Texas lawmakers passed energy grid legislation that aimed to prevent electricity blackouts in response to the February crisis, but it will likely take years before those changes are fully implemented.

[Senate Bills 2 and 3](#) included a few key changes to the state's power grid that experts said will begin to address some issues, such as requiring power companies to upgrade plants to withstand more extreme weather and creating a statewide emergency alert system. The state likely won't require companies to start weatherization upgrades until 2022 at the earliest.

The legislation also changes ERCOT's governing board to replace what lawmakers called "industry insiders" with appointees selected by a committee comprising selections by Gov. [Greg Abbott](#), Lt. Gov. [Dan Patrick](#) and House Speaker [Dade Phelan](#).

### **What more could the Legislature have done to fix the power grid?**

Nothing was done by lawmakers to pay consumers to reduce electricity usage, or provide other incentives or aid in reducing demand. They [didn't pass legislation that would help](#) Texans better insulate their homes and reduce their electricity usage, which could both lower power bills and reduce demand on the grid.

Lawmakers also [did not provide any direct assistance](#) to people harmed by the power crisis in February.

They did not order an energy market overhaul; some proposals would have fundamentally changed the state's deregulated market structure, which relies on supply and demand to set power prices.

### **What can I do to help cut back electricity usage?**

ERCOT said Texans can reduce electricity use by setting the thermostat up to 78 degrees (or, a level that is safe for you); turning off lights and pool pumps; avoiding use of large appliances such as ovens, washing machines and dryers; and turning off or unplugging unused electric appliances. The best time to reduce power consumption is in the late afternoon, when usage is at its peak.

### **Will my electricity bill be more expensive this week?**

It depends on what type of electricity plan you have, and whether it is tied to spikes in wholesale power prices. The Texas Legislature recently outlawed plans that rely entirely on the wholesale prices in the market, so while some bills may increase, consumers should not see the type of extreme spikes that some customers of companies [such as Griddy](#) saw in February.

### **Will my electricity service be disconnected if I'm behind on payment?**

Not for a few more weeks. The Public Utility Commission of Texas recently said it would lift the utility moratorium June 18, which means that utility companies will begin to send disconnection notices at that time. Disconnections can resume June 29 at the earliest.

Renters who need assistance paying their utility bill should apply for rental relief at [texasrentrelief.com](https://texasrentrelief.com).

Homeowners who need assistance paying their utility bill should apply for relief through the Comprehensive Energy Assistance Program at [tdhca.state.tx.us/community-affairs/ceap/](https://tdhca.state.tx.us/community-affairs/ceap/) or connect with local nonprofits that provide assistance through [tdhca.state.tx.us/texans.htm](https://tdhca.state.tx.us/texans.htm)

### **How is this different from the February winter storm?**

All 254 Texas counties do not normally experience subfreezing temperatures for consecutive days every winter, and ERCOT did not plan for the possibility of extreme cold weather in 2021. After the deadly and disastrous winter storm, ERCOT outlined scenarios for an extremely hot summer, but it did not plan for 12,000 megawatts of power generation to be offline unexpectedly in mid-June.

ERCOT officials on Monday promised to conduct an analysis to determine why so many units are offline this week. Some energy experts have raised questions about whether some of these outages are lingering damages resulting from February's storm.

---

## As Texans are asked to conserve electricity, can power grid withstand summer heat?

By Eleanor Dearman  
Fort Worth Star-Telegram  
June 15, 2021

The Electric Reliability Council of Texas, the organization tasked with managing Texas' power grid, on Monday called on residents to reduce electricity use, citing significant strain on the grid due to forced outages at power plants combined with potential record demand. David J. Phillip AP

Will Texas see another blackout as residents who suffered a deadly winter storm are again asked to conserve electricity?

Ann Bluntzer, acting director of the TCU Energy Institute, said she feels more confident headed into the summer months than she was in February, when millions went several days without electricity, though she noted there is a small chance of outages if there's extreme heat and extreme energy consumption.

"I think we're not going to have the weatherization issues in summer," Bluntzer said. "When you look at what really fell apart in February, a lot of it can be pointed to those centers were not properly weatherized, and that led to a lot of the failures."

The Electric Reliability Council of Texas, the organization tasked with managing Texas' power grid, on Monday called on residents to reduce electricity use, citing significant strain on the grid due to forced outages at power plants combined with potential record demand. The organization reported more than 12,000 megawatts of generation was out in the state as of 2:30 p.m Monday.

One megawatt typically powers around 200 homes on a summer day, according to ERCOT.

"We are deeply concerned about the issues associated with all of these plants that are offline at this time," Warren Lasher, ERCOT's senior director of System Planning, said at the time. "We will be doing a thorough investigation to understand what the issues are and to assess what the implications are for the grid."

About 24 hours later, ERCOT was seeing roughly 10,600 megawatts offline, nearly 9,700 of which were forced outages, spokesperson Leslie Sopko told the *Star-Telegram*. ERCOT also reported that Monday saw a record 69,943 megawatts in demand for electricity.

"Power plant owners continue repairs of unexpected equipment failures, and ERCOT is using all the tools in its toolbox to maintain reliability in the face of potential record-setting electricity demand," a news release reads.

As ERCOT asks Texans to conserve power each afternoon between 3 p.m. and 7 p.m. through Friday, the organization is stressing that the "grid is operating exactly as it was designed and intended."

"The issuance of conservation notices is a common practice and prevents ERCOT from entering emergency conditions," ERCOT said in a news release. "Conservation efforts combined with the changes in procedures and processes implemented by ERCOT and the PUC following the winter storm prevented the possibility of rotating outages yesterday and ensured that no Texans lost power."

Top of Form

Bottom of Form

Pressed Monday about whether he's confident Texas can get through the summer without blackouts, Lasher emphasized that he found the number of outages Monday "very concerning" but didn't directly answer the question.

"We operate the grid with the resources that we have available, and it's the responsibility of the generation owners to make sure that their plants are available during the peak hours when customer demand is very high during the summer months," he said.

### **ERCOT expects record demand**

[ERCOT previously said it is expecting record-high demand](#) for electricity this summer because of hot and dry conditions and population growth. The grid manager in a May 6 news release said it anticipates enough generation to meet the summer peak demand of a forecasted 77,144 megawatts. The organization, which is overseen by the Public Utility Commission of Texas, has forecasted a 15.7% reserve margin for the summer.

A little after 2:30 p.m. on Tuesday, ERCOT was reporting a demand of about 69,200 megawatts, with just over 3,000 megawatts in operating reserves.

The margin the past couple days is "tight," said Wei-Jen Lee, an electrical engineering professor at UT Arlington. He said 15% is a "healthy" margin.

"Now you don't have too much room for error," he said.

Lee doesn't expect a blackout over the summer, but said he does expect Texans to get requests to conserve power.

Virginia Palacios, executive director of Commission Shift, which advocates for changes at the **Railroad Commission of Texas**, anticipates an outage like the one in February.

"We're at the beginning of the summer, it's not even the hottest part of the summer, and we're already having these issues," she said. "Unless we have all these generators back online in the next month or so — even then it's a little tenuous, because our weather is so much more unpredictable now, and we're so much more prone to extremes."

The reasoning for the unplanned outages remains unclear. Lasher on Monday said he didn't have information on whether the generator outages are due to repairs from the winter storm.

"My hunch is that we're seeing more generators out for maintenance right now because they're still recovering from what happened in February," Palacios said. "So I think this is sort of like the aftereffects of February. ... We're not ready for this fast approaching summer that we've had already."

Doug Lewin, an energy and climate consultant, said that under normal circumstances he'd say the chance of outages like those seen in February are very low.

"But clearly these are not normal circumstances, right?" he said.

Lewin said he hopes to see a quick investigation into what's causing the outages to fix the problem before August when temperatures could climb higher.

### **Changes after the February winter storm**

[A presentation](#) from a June 8 ERCOT board meeting lays out changes to summer operations, some of which are in response to the winter storm. Among initiatives is a plan by ERCOT to visit select power plants to [review](#)

[their plans to weatherize for the summer.](#) According to ERCOT, such checks have happened in the past for winter weatherization, but not for summer.

Lasher said 20 plant visits had been conducted as of Monday, with 11 more scheduled over the coming two weeks. He said four of the plants that have been checked went offline Monday.

“While the risk for emergency conditions remains low this summer based on many of the scenarios studied, a combination of factors in real time, including record demand, high thermal generation outages and low wind/solar output could result in tight grid conditions,” Woody Rickerson, ERCOT’s vice president of grid planning and operations, said in a May statement. “We cannot control the weather or forced generation outages, but we are prepared to deploy the tools that are available to us to maintain a reliable electric system.”

Texas lawmakers passed a wide-ranging bill in response to the winter storm that, among other measures, requires electricity generators, transmitters and critical natural gas facilities to prepare for extreme weather. Abbott signed Senate Bill 3 on June 8, declaring that “the legislature passed comprehensive reforms to fix all of the flaws that led to the power failure.”

The bill has been criticized by some energy professionals and Democrats for not going far enough to protect Texans.

Bluntzer noted that there’s really no weatherization to be done in the summer months. She didn’t expect the legislation to have any significant impact this summer.

During a news conference marking the bill signing, Sen. Kelly Hancock, R-North Richland Hills, defended the grid’s ability to endure the summer months. He noted that the reserve margins are predicted to increase in the coming years.

“Our system continues to grow, we continue to have investment that helps meet the demands that we have on our load, and so that’s why, if you look at the report that ERCOT had out regarding summer capacity, that they feel very comfortable that we’ll be able to meet the demands this summer,” Hancock said.

### **What can you do to save power?**

According to ERCOT, some steps Texans can take to conserve power are:

- Setting your thermostat to 78 degrees or higher.
- Turning off lights and pool pumps.
- Avoid the use of large appliances.
- Turn off and unplug electronics you don’t need.

*This is a developing story. Check back for updates.*

---

## As the power grid waivers again, Texans are still recovering from the winter storm

Experts say the energy reform bill signed by Governor Greg Abbott doesn't go far enough to protect Texans from future blackouts.

By Sumaiya Malik

Texas Observer

June 15, 2021

Four months after Winter Storm Uri, Carolina Lopez-Herrera is still putting her house back together. She is one of millions of Texans who lost power and water for days during the record-breaking freeze this February. As the frigid cold set in, her tiny cat, which she and her sister had rescued from a dumpster weeks earlier, stopped moving. Pipes and the water heater burst, causing damages costing more than \$50,000. In the aftermath, she's had to remove walls, replace the water heater, and gut the cabinets and floors. Lopez-Herrera, a 20-year-old paralegal and student at the University of Houston, has been struggling with getting reimbursements from her insurance company and keeping track of the contractors still working on the house. The disruption caused her 18-year-old sister, Susana, to move to California to stay with their father while the house is being repaired.

This spring, frustrated with how her life was turned upside down by the power outage, Lopez-Herrera testified at the Texas Capitol about her experience in support of an energy efficiency bill. She urged lawmakers to implement energy efficiency programs so that homes do not lose power in the event of future storms. The bill did not make it out of committee.

Of the bills that passed this session, Senate Bill 3 is touted as the one that prepares Texas for future extreme weather and winter storms. On June 8, Governor Greg Abbott signed SB 3, saying that "everything that needed to be done was done to fix the power grid in Texas." The final version of the bill is expected to pave the way for the Public Utility Commission of Texas (PUC) to enforce weatherization at critical facilities. "The power grid is more secure, more robust, and safer than ever before," [Abbott said](#) after signing the bill. But [experts say](#) the reforms don't go far enough in fixing the grid, and while SB 3 details how power plants will be regulated, it fails to help homeowners save themselves—and their homes—from future disasters. On Monday, just a week after Abbott signed SB 3, the Electric Reliability Council of Texas (ERCOT), which manages the state's grid, issued a week-long [conservation alert to Texans](#) during a not-abnormally hot summer day. Natural gas power plants were forced offline for repairs, leaving little room for error as the grid operator once again struggled to keep pace with electric demand.

This year, legislators decided to increase the budget of the PUC by more than \$1.5 million. But that extra money won't give the agency enough teeth quickly according to Doug Lewin, president of Stoic Energy. He says the bill also does not provide homeowners incentives to make their homes more energy efficient. Instead, the bill focuses on the supply of power, which is only half the problem, Lewin says. The other half, the demand-side catering to homeowner needs, has not been addressed fully; energy-efficient solutions should have been a part of the bill, he says.

The bill also gives regulatory agencies broad leeway to levy fines against operators who don't comply with new weatherization rules. But in some cases, those fines might be less than the cost of weatherizing power plants. For example, during three days of the February winter storm, an operator who hadn't weatherized might incur \$5,000 in fines a day for a total of \$15,000, whereas weatherizing a well costs up to \$50,000, says Virginia Palacios, the executive director of [Commission Shift](#), a non-profit advocating for changes at the Texas Railroad Commission.

"As always, implementation and execution is different than the adoption of legislation, so we'll all need to watch and make sure that those things get done," Lewin says. "We of course systematically underfund our state agents, and our Public Utility Commission is no exception. ... The solutions that could have been deployed that



would have put us in a better shape to handle the outages in February, the PUC couldn't get to because they're underfunded.”

When the ice and snowstorm hit, Lopez-Herrera thought she was prepared. She and her sister did not take the alerts from their university or their family too seriously because their house is across the street from a grocery store, with four gas stations nearby. “We rationalized: We have electricity, it won't be that bad,” Lopez-Herrera says.

But the single-digit temperatures across Texas caused power plants to malfunction; nearly all types of energy production struggled to keep pace with the astronomical demand for heat across the state. Natural gas production in particular dropped sharply as the product began to freeze in pipelines and in gas wells that weren't designed to withstand the freeze. Blackouts persisted across Texas, leaving millions in poorly insulated homes that became colder by the minute.

By the third day without power, Lopez-Herrera and Susana spent all their time in bed. They were barely able to eat; experienced horrible, brain-splitting headaches; couldn't stop shivering; and lost some sensation in their limbs—all signs of hypothermia. Desperate to save their cat, Lopez-Herrera cut a cotton sock and slid it on the cat's belly for warmth. The cat meowed, the sock warmed her up, and she survived.

The storm killed at least 151 Texans, mostly from hypothermia, according to [numbers](#) released by the Texas Department of State Health Services. A *BuzzFeed News* [analysis](#) estimates the true death toll to be more than four times higher. In 2011, a similar cold plunge caused rolling power outages, property damage, and death. Many of the energy industry's failures were preventable: If they had invested in weatherization—for example, insulating gas wells and implementing better maintenance checks—energy production would not have failed so spectacularly, according to a 2011 [federal report](#) on the outages.

Like Lewin, Palacios, and other energy experts, Lopez-Herrera, who has read the language of the energy bill and has been following the issue closely, says she doesn't think that SB 3 addresses the root cause of the issue. The bill does not ensure that Texans would be saved from the extreme conditions brought on by power outages in the future. If gas wells freeze again, her power might go out and her pipes might burst again, too.

Lopez-Herrera says that to make such extensive repairs to her home again would be horrible. “One time would be enough for me, but a second time in less than five years would age me, and I am 20,” she says. “It would be so hectic and stressful to go through this again. I hope I don't have to, but [if] it must happen I prefer it to happen to me than to a young family or elderly couple.”

---

## Navasota LP-Gas serving Grimes County's past, present & future

By Connie Clements

Navasota Examiner

June 16, 2021

June 16 marks 75 years that Navasota LP-Gas Co. has provided liquid petroleum services to Grimes and surrounding counties. Owner Chad Ross continues the three generation legacy begun by his grandfather Norman Bounds, and carried forward by his father Bob Ross. The reason for this longevity is best summed up by the company's ability to meet the needs of 4,000-plus customers, and its work ethic.

Ross said, “Over the years lots of things have changed, regulations have changed, and we've been able to stay up with all of that. We've had a pretty much spotless safety records in 75 years. There's a lot more competition

now than there was when I first started and we've been able to hold our own because of the service we provide."

He continued, "My grandad was always busy, whether it was here or at his place. My dad was the same way. It was a work ethic I grew up with...that to get to where you want to be, you've got to adapt to the changes, which we have down here, and you keep working."

All three generations have been active on the board of the Texas Propane Gas Association (TPGA), and in the early 2000s, even lobbied for regulation changes within the **Railroad Commission of Texas (RRC)** which governs the LP gas industry.

Ross said, "We're a very overregulated industry but it's kept this industry in this state pretty safe. Therefore, there are not many accidents that happen."

Ross said that all of his employees have the required Hazmat, Department of Transportation, and **RRC** certifications and attend continuing education classes.

He said, "It's a lot to do what we do. We've been able to maintain all the customers we've got and there's only six of us."

### **Changing landscape**

Grimes County has changed significantly since 1946 when the company was formed.

Ross said, "More people are moving out of the city and into the rural area. All of these big farms and ranches that use to be around here, they're being sold off. New little subdivisions are everywhere. We're still providing fuel to those lands whether it's farm or ranch but now it's from a different perspective because it's to take care of your home and keep you comfortable."

A change since 2000 is the increase in home generator use. While Navasota LP-Gas Co. doesn't sell generators, they provide the propane to run them.

Ross said, "There are more homes being built nowadays either all-electric with a standby generator, or that generator is their backup electricity if they have gas heat, water, cooking, dryer, fireplaces and outdoor kitchens. If their power goes out, they can still function like they do on a daily basis because they have a backup generator. We've seen a tremendous increase in the generator business."

### **Nature's challenges**

In this century alone, Navasota LP-Gas Co. has withstood Hurricane Ike, a pandemic, and the "Texas Freeze."

Recalling Navasota's week without electricity in 2008 during Ike, Ross said his mom, dad and longtime employee Gail Finke moved a desk into the shop, plugged in a portable generator, a computer, and thanks to their landline, were able to service customers by filling cylinders and delivering to those with generators.

The industry, however, is still feeling the impact of the 2020 pandemic.

Ross said, "The propane tanks we install at customer homes, since the first of the year, have gone up almost 40-50% and it's very hard to get them. We can place an order for a load of tanks and it's almost 17 weeks before we get them. Barbecue cylinders have been on backorder since February. We've had people come as far away as Huntsville, Houston, and Hearne looking for those cylinders because there are none around."

Navasota LP-Gas Co. was in better shape during the February freeze than other industry suppliers. Ross said they were able to provide gas for several days. While they couldn't get trucks on the road, they filled containers for people as far away as Conroe, the north side of Houston and Hearne.

He said, “We still do so much of our stuff old school. We can still load our trucks the old-fashioned way. We don’t rely on all of the electronic gadgets which a lot of companies have tried to stay up with over the course of the years.”

### **Enjoy what you do**

Ross enjoys the camaraderie and sense of family at Navasota LP-Gas Co.

He said, “As a little kid, I thought it was the neatest thing to get on one of those big trucks to go with my dad or my granddad to go do something.”

Ross worked in the family business while in high school and began fulltime in 1987, obtaining his certifications that same year. Bob took the reins in 1971 with Chad’s mother Annie by his side, and the mantle passed to Chad after his mother died in October 2019 followed by his father in March 2020.

He said, “I miss my dad and grandad every day, and not be able to walk in here and talk to them, it’s tough. Not being able to bounce ideas off them, it’s tough.”

Ross continued, “With both of them passing, it required me to be here in the office more. I used to do all the service work, getting out and meeting the customers. It’s a little different. I miss the interaction of being out in the field.”

Ross credits his knowledge and skills to his grandfather, his father, and the many long-term Navasota LP-Gas employees.

He said, “Their loyalty to the company and to me speaks volumes. We enjoy coming to work. We made it fun. If you can’t enjoy what you do, you might as well get out and do something different.”

---

## **Jack McDonald to EPA: give my generation time**

By Jack McDonald

Earthworks

June 15, 2021

*Jack provided the below comment [live to the EPA during its June 15, 2021 methane public listening session to provide input on the rule it will publish this September to cut oil and gas production’s methane pollution.](#)*

My name is Jack McDonald. I am 19 years old, and I live in Dallas Texas.

When I was younger my family lived on the Barnett Shale. Our town had 50 wells drilled with plans to go to over 100. Our house was just a mile from gas wells that released emissions into the air and regularly had spills. There were plans for fracking within 1000 feet of homes and near my school. A cul-de-sac in the neighborhood across the street had several cases of rare childhood cancers. The health department determined breast cancer rates were elevated. My family moved. We were fortunate; many people do not have the means to move.

I first told this story at an EPA listening session on rolling back methane regulations in October of 2019. Unfortunately, despite near unanimous protesting from those who commented at the session, those methane rollbacks did happen.

When I last testified I was a senior in high school. I took a gap year in between my senior year of high school and college, during that time I have had the privilege of becoming the Texas Field Analyst for Earthworks. In that role, I have begun to understand the full extent to which Texas has sold its soul to oil and gas.

I have watched this Texas Legislative session as the chairmen of the \*environmental regulations\* committee proposed a bill that would prevent state agencies from enforcing federal environmental regulation. I have seen bills that aim to regulate flaring die without even a committee hearing, even bills just to study the impact of methane died. I learned that in the Texas Legislature Climate Change is a dirty word, that even some environmental groups are afraid to say in hearings. Bill after bill was filed to protect the interests of fossil fuels even to the detriment of the people. When 151 people died earlier this year during the winter storm, it seems that fossil fuels lobbyists saw an opportunity. They used the storm to pass laws like HB 17 which prevents local governments from regulating where their local utility sources its power. Even the few Democrats willing to say the word climate change supported that bill despite the representative who filed saying in a hearing that it was designed to target the climate plans of cities like Dallas and Austin.

I was also able to visit the Permian Basin with Sharon Wilson who does optical gas imaging for Earthworks. I had seen OGI footage before, but being out among those wells was a totally different experience. I saw tanks where no one had bothered to close the hatches. Flares that no one had bothered to light. I visited neighborhoods where the smell of gas was overpowering. I knew from work I had done as a Field Analyst that many of the things we saw were against state regulation, but clearly those regulations were not working. Even now after submitting numerous complaints on the sites that we saw nothing has changed.

I worked on research understanding the extent to which Texas has failed to regulate its oil and gas producers. Through that research I learned that oil and gas operators were failing to get permits for flaring more than 75% of the time. That report which Earthworks published earlier this year elicited a response from the **Railroad Commission**. The best they could do to explain why 75% of flares were not being permitted by the **RRC** was to say that those must be emergencies. Texas doesn't regulate methane. When a site has a release of methane they don't even have to report a volume for it. The closest thing to methane regulation is those flaring permits and even those it seems like the state can't be bothered to actually enforce.

I've only been working in this field full time for about nine months. But I understand the pollution that Texas oil and gas communities live with, and the dread with which the rest of the world looks at Texas and our outsized contribution to the climate crisis. If Texas is left to its own devices it will bring the rest of the world hurtling towards climate catastrophe. Texas is an environmental rogue state, and we need the EPA's help to stop it. .

Federal regulation is a necessity. We need the strongest methane regulation that the EPA can achieve under the Clean Air Act. I understand a plan has been laid out for a 65% reduction, and Texas communities need every percentage point. Moreover, Texas regulators are not equipped, nor inclined, to regulate the oil and gas industry. They'd rather let oil and gas do what they want, regardless of the consequences. Texas needs to be stripped of its ability to enforce the Clean Air Act — Texas, and the planet — need EPA to intervene.

I'm only 19. I'm going to college next year. My generation needs time to be prepared to fully address the climate crisis. Time to learn, grow, innovate, and contribute. We'll gladly seize the reins when the time comes, but you've got to give us the breathing room to do so.



**Andrew Keese**  
Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



## Mia Hutchens

---

**From:** Luke Legate <luke@gfoxconsulting.com>  
**Sent:** Monday, May 31, 2021 9:32 AM  
**To:** Luke Legate  
**Subject:** Texas Energy Clips - May 29-31, 2021

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

### Texas Energy Clips

#### ***Dallas Morning News***

Electricity bills push weatherization, aid to companies — but not financial help for ratepayers: Efforts by Lt. Gov. Dan Patrick to issue bonds to provide one-time credits of 'about \$350' for residential customers failed

By Robert T. Garrett and Morgan O'Hanlon

May 31, 2021

<https://www.dallasnews.com/news/politics/2021/05/30/electricity-bills-push-weatherization-aid-to-companies-but-not-financial-help-for-ratepayers/>

#### ***Houston Chronicle***

Texas lawmakers pass power grid reform bill, as experts warn it falls short

By Jeremy Blackman

May 31, 2021

<https://www.houstonchronicle.com/politics/texas/article/Texas-lawmakers-forward-final-grid-reform-bill-16213978.php>

#### ***Midland Reporter-Telegram***

Craddick fears eminent domain bill doesn't resolve issues: Reform bill headed to governor's desk

By Mella McEwen

May 29, 2021

<https://www.mrt.com/insider/article/Craddick-fears-eminent-domain-bill-doesn-t-16211350.php>

#### ***Wall Street Journal***

Battle Brews Over Banning Natural Gas to Homes: Cities are considering measures to phase out gas hookups amid climate concerns, spurring some states to outlaw such prohibitions

By Katherine Blunt

May 31, 2021

<https://www.wsj.com/articles/battle-brews-over-banning-natural-gas-to-homes-11622334674?mod=djem> EnergyJournal

#### ***Port Isabel Press***

County tables LNG project after community pressure

By Gaige Davila

May 29, 2021

<https://www.portisabelsouthpadre.com/2021/05/28/county-tables-lng-project-after-community-pressure/>

---

### Texas Energy Clips

#### ***Dallas Morning News***

Electricity bills push weatherization, aid to companies — but not financial help for ratepayers: Efforts by Lt. Gov. Dan Patrick to issue bonds to provide one-time credits of 'about \$350' for residential customers failed

By Robert T. Garrett and Morgan O'Hanlon

May 31, 2021

<https://www.dallasnews.com/news/politics/2021/05/30/electricity-bills-push-weatherization-aid-to-companies-but-not-financial-help-for-ratepayers/>

AUSTIN — Late-hour compromises over electricity legislation would provide natural gas companies time to show they're not part of the power generation "supply chain" — and thus immune to being forced to weatherize.

They'd perhaps make electricity generators weatherize their plants before next winter, if the bureaucracy moves quickly — but not before sweltering temperatures this August. And they'd allow gas utilities, electric cooperatives and the Electric Reliability Council of Texas to engage in various forms of state-assisted, long-term borrowing to pay off colossal bills that piled up during February's winter storm that wreaked havoc, contributing to at least 151 deaths.

But the eight or so bills — some of which Gov. Greg Abbott already has signed or has on his desk, with all but one of the rest receiving final approval late Sunday — did not offer financial assistance to residential ratepayers.

That was despite a last-minute push by Lt. Gov. Dan Patrick and some senators to issue bonds backed by utility gross-receipts tax money to provide one-time credits of "about \$350" per residential customer in ERCOT's service area, which covers most of the state and includes 25 million people. Nor would the emerging package of bills grant Patrick's wish that the Legislature force a do-over of the 32 hours in which prices of \$9,000 per megawatt hour shouldn't have been imposed in the ERCOT wholesale power market, according to an independent market monitor.

But the legislation would create power outage alerts so Texans could prepare for looming blackouts; overhaul the ERCOT board to impose more control by elected officials; expand the Public Utility Commission to five members, from three; demand more communication between — and disaster drills by — the natural gas and power generation industries; and ban Griddy-type retail plans that stuck some unwary Texans with bills of as high as \$5,000 for five days.

Lawmakers rejected billionaire Warren Buffett's offer to build 10 gas-burning generators to create an emergency reserve to prevent future blackouts. They even nixed a study backed by Buffett's Berkshire Hathaway Energy that might have let the PUC revive the idea before an expected fall special session on redistricting...

### ***Houston Chronicle***

Texas lawmakers pass power grid reform bill, as experts warn it falls short

By Jeremy Blackman

May 31, 2021

<https://www.houstonchronicle.com/politics/texas/article/Texas-lawmakers-forward-final-grid-reform-bill-16213978.php>

Texas lawmakers on Sunday passed a final proposal to shore up the state's power grid in response to this year's deadly outage crisis, agreeing on a raft of reforms that experts welcomed but also fear won't go far enough.

The legislation, Senate Bill 3, would require power plants and some natural gas suppliers to prepare their operations for extreme cold, a step that state regulators and many companies have avoided for decades despite repeated blackouts and promises that market incentives would ensure reliability.

It would also create a statewide emergency alert system, force industry participants to communicate more often and mandate that key gas facilities be registered as critical so their power isn't unintentionally shut off during shortages. Hundreds of gas facilities reportedly lost power during the winter storm, pinching off fuel supplies to power plants. "This bill offers significant reforms that will strengthen communication, coordination, oversight, and the reliability and resiliency of the ERCOT grid," said Sen. Charles Schwertner, R-Georgetown. "These reforms are necessary to ensure the problems faced during the Valentine's Day winter storm never occur again."

The measure passed unanimously in the House and with just one opponent in the Senate. The proposals address several longstanding weaknesses, though still amount to a gamble in the wake of one of the state's deadliest natural disasters, leaving its already isolated power grid vulnerable to similar disruptions for the coming winter, before key weatherization requirements would take effect.

Energy experts have warned that without quick structural improvements to power plants, gas wells and the supply chain that connects them, millions of Texas homes could again be without power in dangerously frigid conditions. February's storm knocked out power to an estimated 4.5 million homes and killed at least 200 people — and likely many more.

Critics also caution that the final provisions leave broad discretion to gas suppliers, who provide most of the fuel for the electricity grid. The legislation allows for minimal fines against those that don't comply and leaves oversight of infrastructure updates to the Texas Railroad Commission, whose members receive funding from the industry and have long opposed weather requirements...

### **Midland Reporter-Telegram**

Craddick fears eminent domain bill doesn't resolve issues: Reform bill headed to governor's desk

By Mella McEwen

May 29, 2021

<https://www.mrt.com/insider/article/Craddick-fears-eminent-domain-bill-doesn-t-16211350.php>

Eminent domain reform, an issue pursued by state Rep. Tom Craddick of Midland is headed for Gov. Greg Abbott's desk after passing the Texas House and Senate this week.

For several years, Craddick has tried to bring together landowners, industry and government to reform eminent domain in a way that respects property rights while also allowing industry to move forward with projects like pipeline expansion or construction or transmission line construction. Still, though House Bill 2730 is headed to the governor, the Republican expressed disappointment in the legislation.

"House Bill 2730 does not resolve the issues raised regarding the eminent domain process in Texas," he told the Reporter-Telegram by email. "My constituents resoundingly asked me to oppose the legislation. The concern is the parties will continue to push for additional changes which will make it harder for oil and gas infrastructure to be built. The oil and gas industry is the economic driver of the state of Texas and I look forward to continuing to help them maintain their position in the marketplace."

Reform efforts have drawn support from and participation from industry associations.

"Reliable infrastructure and a dependable regulatory structure are vital to the success of the Permian Basin. Eminent domain reform that strikes a balance between infrastructure development and property rights would help ensure a market for Permian Basin produced oil and gas," Ben Shepperd, president of the Permian Basin Petroleum Association, told the Reporter-Telegram by email...

### **Wall Street Journal**

Battle Brews Over Banning Natural Gas to Homes: Cities are considering measures to phase out gas hookups amid climate concerns, spurring some states to outlaw such prohibitions

By Katherine Blunt

May 31, 2021

[https://www.wsj.com/articles/battle-brews-over-banning-natural-gas-to-homes-11622334674?mod=djem\\_EnergyJournal](https://www.wsj.com/articles/battle-brews-over-banning-natural-gas-to-homes-11622334674?mod=djem_EnergyJournal)

A growing fight is unfolding across America as cities concerned about climate change consider phasing out natural gas for home cooking and heating.

Major cities including San Francisco, Seattle, Denver and New York have either enacted or proposed measures to ban or discourage the use of the fossil fuel in new homes and buildings, two years after Berkeley, Calif., passed the first such prohibition in the U.S. in 2019.

The bans in turn have led Arizona, Texas, Oklahoma, Tennessee, Kansas and Louisiana to enact laws outlawing such municipal prohibitions in their states before they can spread. Ohio is considering a similar measure.

The outcome of the battle has the potential to reshape the future of the utility industry, and demand for natural gas, which the U.S. produces more of than any other country.

Proponents of phasing out natural gas say their aim is to reduce planet-warming emissions over time by fully electrifying new homes and buildings as wind and solar farms proliferate throughout the country, making the power grid cleaner. Homes and businesses account for about 13% of the nation's annual greenhouse gas emissions, according to the Environmental Protection Agency, mostly because natural gas is used in cooking, heating, and washers and dryers. Climate activists say reducing that percentage is critical for states with goals to slash carbon emissions in the coming decades.

Opponents in the gas industry counter by citing the higher costs of making many homes fully electric, and pointing to the added security of having a second home energy source to heat and cook with during extreme weather events. They also highlight the preference many home and professional chefs have for using gas-fired stoves.

New all-electric homes are cost-competitive with those that use gas in many parts of the country, but retrofits can be considerably more expensive, depending on the existing heating and cooking systems and the cost of effectively



converting them. A recent study by San Francisco found that retrofitting all housing units that now use natural gas would cost between \$3.4 billion and \$5.9 billion, costs that would fall on residents, the city or both...

**Port Isabel Press**

County tables LNG project after community pressure

By Gaige Davila

May 29, 2021

<https://www.portisabelsouthpadre.com/2021/05/28/county-tables-lng-project-after-community-pressure/>

Cameron County residents pushed back against NextDecade's latest liquified natural gas (LNG) project this past Tuesday, pressuring Cameron County Commissioners to table the project during a meeting.

NextDecade, the Houston-based energy company trying to build a liquified natural gas plant in the Port of Brownsville, announced last month that they were using "post-combustion carbon capture technology" in their plant. This technology, in other words, takes carbon dioxide emissions made from the LNG plants then stores them, preventing them from entering the atmosphere. They are stored, usually, underground, in oil or gas fields, sometimes in physical rock formations.

NextDecade would be constructing their own carbon storage facility somewhere in the Rio Grande Valley, their May corporate presentation reads.

Cameron County residents, during a May 25 Cameron County Commissioners Court meeting's public comment period, told the commissioners not to allow the project, which was on the court's consent agenda, to pass without discussion. Residents in the meeting said the carbon capture project was not environmentally sustainable, since only carbon dioxide would be removed from emissions and not other harmful pollutants.

"Cameron County Commissioners should listen to their constituents, who have been speaking out against LNG for years, and reject the resolution supporting NextDecade's Rio Grande LNG project and a carbon capturing storage facility at the Port of Brownsville," Bekah Hinojosa, Gulf Coast Campaign Representative for the Sierra Club, said. "NextDecade's proposal would not significantly reduce carbon emissions. Instead, it's an attempt to make the proposed gas terminal appear environmentally friendly. The community isn't fooled. They know that Rio Grande LNG, if built, would harm the Valley's wildlife, contribute to toxic air pollution in our neighborhoods, and lead to an increase in dangerous, highly-polluting fracking across Texas."...

## Mia Hutchens

---

**From:** Andrew Keese  
**Sent:** Friday, May 28, 2021 10:52 AM  
**To:** NewsClips  
**Subject:** RRC News Clips: May 28, 2021

### **‘If you’re not at the table, you might be on the menu’: WFAA analysis shows power grid reform brings out the big lobbying guns in Austin**

**A WFAA analysis finds the companies already have spent more than the prior legislative session, including the hiring of 338 lobbyists this year**

By Charlotte Huffman, Mark Smith, and Jason Trahan

WFAA

May 27, 2021

Video story on webpage: <https://www.wfaa.com/article/news/local/investigates/energy-companies-lobby-spend-up-to-24-million-sway-power-grid-reforms-texas-legislature/287-a334e34b-108c-4934-92ee-9288da409cb9>

AUSTIN – Every two years when lawmakers assemble at the Texas Capitol for a new legislative session, they are joined by thousands of lobbyists hired by special interests to influence how laws are made.

This session, the most powerful professional arm twisters are focused mainly on one thing: the Texas power grid.

Its spectacular collapse during February’s record-smashing winter storm revealed how unprepared our power system was to handle days of below-freezing temperatures.

About 4.5 million Texans lost power and heat the week of Valentine’s Day, and about 150 died, when power plant pipes and instrumentation froze and went offline. Some gas-fired plants were unable to power up and generate electricity because the plants couldn’t get natural gas for fuel because of winter outages in the oil patch.

The public rightly demanded answers, and more importantly, swift action from Austin.

Power plants officials, and the natural gas firms that supply their generators with fuel, knew what was coming: a mandate to prevent another tragedy by spending million, maybe billions, to weatherize all their facilities that froze up and stopped working during the storm.

To help manage the legislative storm, the Texas energy sector hired lobbyists. Hundreds of them.

“Yeah, they would be very foolish not to be well-represented while their futures are being debated,” said Bill Miller of HillCo Partners, one of the most influential lobbying outfits in Austin. Records show he’s representing 23 clients this session, including a major energy company.

“They need to have good, strong, smart people representing their interests, arguing for their side, whatever it may be,” said Miller, a 35-year veteran in the business. “And buying that kind of talent – it does cost money.”

“There’s an old adage that, if you’re not at the table, you might be on the menu,” said Dr. Clare Brock, a Texas Woman’s University political science professor in Denton, and expert on lobbying.

## **Oncor, Vistra top of the list**

WFAA obtained public lobbying activity reports from the Texas Ethics Commission and spent weeks analyzing the data.

We found North Texas-based Oncor, which controls power lines and poles for one-third of the state, and Vistra, the state's largest owner of power plants, were two of the biggest spenders in the entire state, ranking third and sixth among entities that hired lobbyists.

Both companies have 28 registered lobbyists registered this session, some of whom are Oncor and Vistra employees, and reports show they're spending as much as \$2 million each, even as they face major profit losses from the storm.

Vistra officials would not agree to go on-camera to answer questions about their lobbying efforts, and did not answer any of our written questions.

Oncor spokesperson, Kerri Dunn provided WFAA with both a phone interview and written statement.

"We had our lobbying team put together in January," Dunn told WFAA "Most of these members have been with our team for years. We did not particularly ramp up our team in response to the (February) storm. But it obviously is a focus of our team ...."

In a statement, Dunn said Oncor lobbyists advocate also for customers.

"We focus on advocating for the needs of our customers and our industry," the statement said. "Since the February freeze and resulting power emergency, Oncor has been actively working with local stakeholders, market participants and elected officials to do our part to help ensure an event like this does not happen again. We appreciate the attention and work legislative and regulatory members have given this important issue. We will continue to monitor pending legislation."

WFAA found energy-related industries this legislative session have hired 338 lobbyists, spending up to \$24 million for their services in the first three-and-a-half months of this year. That's more than the companies spent all of 2019, the last time the legislature was in session, the analysis found.

"It's not surprising at all," said Ed Hirs, a University of Houston energy economist. "While it looks like a lot of money, it's a small, tiny fraction of what this industry has creamed off the top of the Texas electricity market."

Hirs says Texas consumers already pay too much for energy, citing [a \*Wall Street Journal\* analysis that reported Texas' deregulated electricity market raised costs to consumer by \\$28 billion since 2004](#). Additionally, surging natural gas prices during the freeze – as power plants and other consumers ran low on gas – led to billions of dollars in windfalls for pipeline operators and investors, he says.

"We've set up the ERCOT casino over on the side with a bunch of electricity and energy traders," Hirs said. "That doesn't exist in a regulated market...The big losers: the consumers. Almost 200 dead and \$50 billion changing hands from the consumer side of the ledger to the consumer side."

"There are no lobbyists in Austin looking out for the consumer," Hirs added. "That's of course what the legislators are supposed to do...."

Others say they also remain unsurprised by the failure of the Texas Legislature, with only days remaining before the end of the legislative session, to draft stronger measures to avoid another disastrous freeze. They blame the failure, in part, because of the ability of energy-related lobbyists to sway lawmakers.

“After watching the failures for 40 years of lawmakers and the PUC and sister agencies – storm after storm – to enact strong measures, I’m not surprised,” said Tom “Smitty” Smith, former director of the Texas office of Public Citizen. He says the most recent bills fail to set firm deadlines and strong enough penalties for gas and electric companies to weatherize and install needed equipment.

Smith, however, told WFAA he disagreed with the [Wall Street Journal’s analysis](#) that a deregulated market had cost Texas consumers billions of dollars.

“The analysis done by many indicates the rates are actually lower in Texas due to competition kicking out the older, dirtier and least efficient plants,” Smith said. He said tweaks to the “market design” need to occur, with gas and electric price caps too high.

“I think we need to put more effective caps on the hottest days of summer and coldest days of winter,” Smith said.

### **Subtle, but sizable, influence**

Records WFAA analyzed reveal oil and gas interests have comparatively fewer lobbyists on staff than the electric industry. Some critics claim that’s because their influence is engrained in Texas politics, allowing them to wield more power with fewer paid lobbyists.

“There is a hidden army of oil and gas executives and equipment suppliers that are alerted every time there is a need to call lawmakers,” Smith told WFAA. “Often the biggest donors to legislators jump into action at the reception of a text.”

Smith told WFAA the oil and gas industry network is the best “corporate network of anyone in the state.” The network involves not just phone calls, but campaign donations.

Oil and gas contributions comprised 60 percent of the campaign contributions to the **Texas Railroad Commission**, which is supposed to regulate the industry, according [to a recent Texans for Public Justice study](#).

This session, for example, one of the strongest voices advocating for the oil and gas industry has been a current elected official, **Christi Craddick, RRC chair**. Critics like Smith say because most of Craddick’s campaign contributions come from those she regulates, her public message often is more cheerleader than overseer.

“She is bought and controlled by the oil and gas industry,” Smith said. He said that Craddick, along with the two other RRC Commissioners – **Wayne Christian and Jim Wright** – often appear in lockstep arguing that electric power plants need to weatherize, but not oil and gas facilities. That’s despite evidence that fossil fuel extraction and delivery tanked days before the lights went out, indicating it, too, was affected by the cold.

In a statement, Craddick told WFAA that her campaign contributions from oil and gas interests are fully disclosed according to law. “As a regulator of the oil and gas industry, it stands to reason that my political contributors would include entities that operate under the jurisdiction of the **Railroad Commission of Texas**.”

She also defended her public advocacy of oil and gas.

“My public comments related to the oil and gas industry are reflective of my support for a healthy and robust state economy,” Craddick said. “The oil and gas industry provides one third of our state’s economy and, as a Texan who appreciates the roads, bridges, schools, and water infrastructure funded by this industry, I will continue to advocate for a vibrant Texas energy sector and overall economy.”

## **Lobbyists gifts**

Due to allowed time lags in reporting, lobbying disclosures on gifts given to lawmakers this session aren't entirely available yet. But looking at prior legislative sessions, gifts to lawmakers included Cowboys and Rangers tickets; a night at the Four Seasons; spa treatment packages; gift certificates; and bar tabs at the Cloak Room, a favorite lobbying hangout in Austin.

With energy and electricity reform on the table, Miller says this year's gifts are sure to be just as lucrative.

"We're talking about billions and billions and billions of dollars," Miller said. "We're talking about the survival of companies and co-ops and electricity interests. We're not talking about small potatoes."

"It just rubs us the wrong way, right?" said Dr. Brock, whose research focuses on lobbying behavior.

"People have a really icky feeling about money and politics," Brock told WFAA. "People feel like it must be corrupt. You know, our political process is supposed to serve us. At the same time, every single person has that right to organize and petition government. And lobbying is nothing if not organizing and petitioning government."

## **The influence game**

Lobbyists typically may be subject matter experts, Dr. Brock said. They may even be former lawmakers.

"Lobbyists are trained to have a seat at the table and influence these small provisions one way or the other," Brock said. "They might not be able to make or break outcomes. They might not be able to alter the trajectory of what's happening in government, but they might be able to change a definition."

For example, changing a simple word in a bill from "and" to "or" could end up saving an energy company millions of dollars. In other words, what would have been a requirement to spend money might end up being... just a recommendation.

Companies that hire lobbyists know they're getting their money's worth. [A study after the 2008 housing collapse looked at the effect of lobbying and found companies that lobbied Congress saw returns of more than \\$220 for every \\$1 spent on lobbying.](#)

## **Local officials**

So, who are the key local lawmakers in power grid reform, and what do they say about the influence of lobbying on decision-making?

"There is a good side to it. There's also a dark side to it. And, I just stay away from the dark side," said state Sen. Bob Hall, R-Rockwall.

Hall and Sen. Kelly Hancock, R-North Richland Hills, are key players in legislation to reform the power grid this session.

Combined, they've authored nine bills that focus on protecting Texans from another power grid breakdown.

"That stuff just doesn't drive us, not in this office," Hancock said of lobbyists. "Our goal and our objective is to do what's best for the state of Texas."

Hall explained it this way. "A lot of people think of a lobbyist as somebody with a handful of money trying to convince people to change something or, you know, luxury travels to places and perks and things like that – to convince them to do something that's counter to their principles... Certainly there is some of that that goes on. There's no question that does go on. But there's the good side."

Both senators say lobbyists provide them with important insight and expertise into the electric industry that they wouldn't otherwise have. But when the industry's lobby becomes too strong, Sen. Hall says it has the power to derail good legislation.

"Matter of fact, their lobby is so strong that they are the ones that have prevented us in previous sessions from actually taking steps to weatherize, to winterize," Hall said, referring back to a 2011 winter storm and subsequent effort to get plants to winterize that ended in recommendations, not mandates.

It remains to be seen whether the necessary power grid reform will happen this legislative session, which ends on Monday, Memorial Day.

"If it's not fixed, it's going to be a real problem for them at the ballot box next year," Hirs told WFAA.

What does Bill Miller say to critics who argue lobbyists wield too much control over the legislature?

"You can't control it," he said. "The truth is, you can hire all the lobbyists in town, but the true power is in those chambers."

Email [investigates@wfaa.com](mailto:investigates@wfaa.com)

---

## Study shakes up assumptions about fracking, earthquakes

By Carlos Anchondo

E&E News

May 28, 2021

Shallow wastewater injection is the primary cause of widespread earthquake activity in West Texas oil and gas fields that are a center of hydraulic fracturing, according to a new study led by Virginia Tech.

Previously, researchers did not have a full explanation for most earthquake activity in the Delaware Basin, a subs basin of the prolific Permian Basin.

Manoochehr Shirzaei, a study co-author and an associate professor of geophysics and remote sensing at Virginia Tech, said that the major role of shallow injection of wastewater — a byproduct of fracking that needs to be disposed of — "was not known before and has a profound impact on our understanding of induced seismicity and hazard associated with wastewater injection."

Deep injections only have a local impact, the study said, compared with a "basinwide causal link between shallow injection and deeper seismicity."

The research, published this month in *Proceedings of the National Academy of Sciences*, [found](#) that the injection of large volumes of wastewater into shallow aquifers in the fuel-rich Delaware Basin in western Texas causes an elastic stress change in the underground rock, which can then activate deep basement faults and induce earthquakes.

Shirzaei said there is a strong correlation between where earthquakes happen and changes in elastic stress at the location of faults with certain orientations.

“That’s a clue ... so that’s how we argued that seismicity, most overall seismicity, must be induced by the shallow injection,” Shirzaei said, noting that shallow injection is between 1 kilometer and 2 kilometers, with so-called deep injection happening below 4.5 kilometers.

The Delaware has experienced a “seismicity surge since 2014,” the study said, although Shirzaei said an exact number of earthquakes since that year isn’t known because “monitoring networks may miss many events and underestimate the actual seismicity.”

Managing oil field wastewater has evolved into a multibillion-dollar industry, with the Texas oil sector alone producing over 350 billion gallons of wastewater a year (*Energywire*, Nov. 13, 2019). Projections show that volumes of wastewater from industry are “likely to increase,” according to an EPA [report](#) last year, which delved into questions about reusing the wastewater, particularly in water-scarce parts of the country.

Shirzaei said there are “very few” deep injection sites in the Delaware but added that a 5.0 magnitude event near Mentone, Texas, last year was [associated](#) with one of those sites.

He said oil and gas companies pursue shallow injection because it is cheaper than deep injection or water treatment.

On top of “human interventions,” the tectonic settings themselves also help to “predetermine the magnitude and likelihood of the earthquake,” Shirzaei said in a release.

The study could help companies and regulators “rethink the ways induced earthquakes are caused,” Shirzaei said, and eventually help to mitigate associated hazards.

In addition to nearly 30 years of data, researchers used data analytics and computer modeling to better understand the “surge” in earthquakes in the Delaware and determined that earthquakes basinwide “mainly occur where the deep stress increases because of shallow injection.”

### **Policy battles**

Todd Staples, president of the Texas Oil and Gas Association, called earthquake events “rare in context of total activity” and said the industry is taking steps to reduce them further.

“The oil and natural gas industry is actively working to mitigate impact in the Delaware Basin through recommended practices, which include pre-completion risk assessment, proper monitoring and mitigation protocols,” Staples said in a statement.

“We believe that more data is always better,” he said, noting that the sector continues to work with centers at the University of Texas, Austin, that collect data on earthquakes in Texas.

Yet Sharon Wilson, a senior field advocate with the group Earthworks, said earthquakes induced by the disposal of oil and gas wastewater are only one threat from industry.

“Earthquakes caused by oil and gas waste injection, shallow or deep, shake the communities hosting disposal,” Wilson said in an email.

“Because Texas and other oil [and] gas producing states treat toxic, potentially radioactive waste as if it were harmless, quakes are just another oil [and] gas waste threat among several,” Wilson continued.

**Andrew Keese, a spokesperson for the Texas Railroad Commission**, said its “highest priority is protection of public safety and the environment, and our staff continues to enforce some of the country’s most stringent regulations on disposal wells in areas of seismicity.”

Keese said that since seismicity-related disposal well rules went into effect in 2014, the agency has received just over 900 disposal well applications in areas “of historic seismicity.”

Of those applications, nearly 600 permits have been issued with special conditions, Keese said in an email, with “requirements to reduce maximum daily injection volumes and pressure and/or to record volumes and pressures daily as opposed to monthly.”

Just over 200 applications were returned or withdrawn, he said, and the remainder were either sent to a hearing, were issued without special conditions or are pending technical review.

Brian McGovern, a spokesperson for the Texas Commission on Environmental Quality, said the agency does not regulate the type of injection wells that are addressed in the study but is “fully aware of the concerns with induced seismicity and links to underground injection.”

“TCEQ staff have participated in discussions on induced seismicity with other state and federal agencies,” McGovern said in an email, also noting that the agency hasn’t “had an opportunity to review the study to provide any technical comments.”

Twitter: [@cjanchondo](#) Email: [canchondo@eenews.net](mailto:canchondo@eenews.net)

---

## **Unwillingness to fix power supply: How politicians choose to leave Texans in the dark**

Reform Austin

May 27, 2021

In February 2021, the whole world stood in shock as they witnessed one of the most important economies unable to cope with a winter storm.

During the time, politicians argued that harsh weather was to blame, as it took a toll on ERCOT’S infrastructure forcing statewide outages. However, none mentioned the many times they had a chance to fix the power grid but simply chose not to.

As part of a three-piece series titled “[Failures of Power](#),” the Houston Chronicle makes a historic recall on three different times politicians willingly turned down the opportunity to solve power failures.

The first blown chance took place during the storm of 2011, when low temperatures froze ERCOT, causing rolling blackouts that impacted more than 4 million Texans throughout the state.

In response, both lawmakers and regulators promised to come up with solutions, especially ones that required energy companies to ensure reliability through weatherizing infrastructure.

At the same time, the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation stressed the need to implement stricter weatherization standards for power plants and natural gas operators alike.

However, the proposed legislation -based on a free-market power system- never stood a chance to solve the problem, as it made weatherization voluntary.



This minor piece of legislation that lacked authority to penalize noncompliance was authored by the current Texas comptroller Glenn Hegar, who 10 years later [stated](#) the Legislature should have taken a “much more active role” in 2011.

The second opportunity to fix the grid came nine years ago, as a vicious cycle of power loss involving the oil and gas industry unraveled during the aftermath of the 2011 storm.

When natural gas facilities shut down during the outages unable to feed electricity generation plants, two state agencies in charge of regulating utilities as well as the oil and gas industry advocated for lawmakers to urge gas suppliers and power plants to fix the problem.

Federal officials recommended minimum standards for the weatherization of natural gas wells and processing facilities, in addition to a labeling system with the objective of ensuring uniform guidelines. In this regard, the **Railroad Commission** issued a letter for operators of gas infrastructure to label them as critical loads, as reliable gas supply is a priority during power outages.

But as oil and gas companies are both big lobbyists and campaign donors, such recommendations were not enforced within Congress and ultimately not followed. Months later, temperatures fell, wells froze, gas production sank and gas operators who were not labeled as critical facilities were left without power.

Even to this day and after this year’s storm, despite an overall consensus on the need to weatherize operations, gas producers continue defending a market-based system, arguing it gives the necessary signals to ensure production flow.

A third opportunity to fix reliability was shot down in 2013 when warnings of the power grid’s reserve margin running extremely low were ignored.

Economists alerted that Texas’ free-market grid was disincentivizing companies to build plants that could eventually provide power in emergencies, an alert that was supposed to be solved through the increase of power rates in order to encourage plant construction and ensure reserves but it was ultimately ignored as well.

The alternative was a shift to a capacity market, where rates benefit both the electricity provision and capacity maintenance during high-demand periods as well. But this recommended solution to prevent an expected disaster was strongly opposed by the big industries including refining and petrochemical companies, who lobbied strongly with then-Governor Rick Perry.

Based on a self-regulating approach with the only constant of stable failure throughout the years, every blown opportunity to fix reliability by betting on profit instead of sound weatherization continues to impact millions of Texans.

“Our system now is more vulnerable than it was 30 years ago,” [said](#) Woody Rickerson, vice president of grid planning and operations at the Electric Reliability Council of Texas.

But as we continue losing lives disaster after disaster and as the opportunities to fix the power grid continue being knowingly disregarded, the reason behind unpreparedness is not lack of capacity but the lack of political will.

And while politicians continue lobbying, enlisting their campaign donors, and debating between a market-based system and a capacity-based system, today, the only assurance is that Texans’ wellbeing will remain in the dark.

## Opinion: Texas lawmakers make a big deal about nothing to prevent blackouts

By Chris Tomlinson

Houston Chronicle

May 28, 2021

No lawmaking body does a better job of applying cosmetics to the porcine than the Texas Legislature, and the bills intended to prevent more blackouts are the latest, greatest examples.

The [Texas House and Senate are winding up their work](#), and they have passed measures presumably addressing February's power failures that killed at least 200 Texans and left 4.8 million homes and businesses without electricity for days during the coldest storm in decades.

The Republican leaders and majorities in both chambers, though, did exactly [what I feared they would do](#). None of the bills heading for Gov. Greg Abbott's signature address core problems, such as the wholesale market design or the \$9,000 price cap. Nothing they did will prevent another blackout of equal scale.

They did agree on more than \$9 billion in bailouts for the electric utility industry that Texans will pay off over the next 20 or 30 years through mandatory charges on their utility bills. The goal is to spread the cost of the disaster to all Texans and make the monthly fee so low we do not complain.

This will bail out electricity providers who guarantee customers a set monthly rate, even though electricity is sold on a wholesale market where the price changes every 15 minutes between free and \$9,000 a megawatt-hour.

When the February freeze hit and prices maxed out, many retail providers went bankrupt and left behind \$2.5 billion in unpaid bills. [House Bill 4492](#) allows the state to issue bonds to pay off those bills and charge customers a monthly fee to repay them.

Electricity co-ops also ran up huge bills for electricity used to power critical facilities. [Senate Bill 1580](#) allows them to issue bonds estimated to total \$2 billion. Again, the co-op's customers will repay those bonds through their monthly bills.

Winter Storm Uri also triggered a 700 percent spike in natural gas prices, creating all kinds of financial pain for another sector that typically guarantees a set price. To help natural gas utilities, the Legislature authorized them [to issue \\$4.5 billion in bonds](#). We will repay these on our gas bills.

"Considering the extraordinary costs incurred in the recent winter storm, customers could see a dramatic increase in their monthly bills," Rep. Chris Paddie, R-Marshall, wrote as his intent for the bond authorizations. "This financing mechanism will provide rate relief to customers by extending the time frame over which the extraordinary costs are recovered."

The result will be an additional \$2-\$5 monthly charge on electricity and gas bills for the next 20-30 years.

Extraordinary costs are what you get when electric and gas utilities operate in competitive markets like the ones we have in Texas. When we need power and heat the most, prices skyrocket and companies that meet demand rake in massive profits, in this case, more than \$9 billion worth.

By issuing state-approved bonds and allowing private companies to escape the financial consequences of their poor planning before the storm, lawmakers are socializing the industry's losses and guaranteeing future profits.

The chance to make money was supposed to motivate electricity generators and natural gas well operators to prepare for a cold snap, but they didn't. Their facilities froze over, shut down and triggered the cascade of blackouts that left people cold, hungry and dead. They will not pay a price for their failure.

Most of the country has legal safeguards to guarantee power does not go out and prices remain stable. The Texas Legislature purposely rejected guard rails in the Electric Reliability Council of Texas market because [they valued cheap over reliable. They still do.](#)

Texas lawmakers gleefully passed bills requiring greater coordination and better communication, which cost very little. But [Senate Bill 3](#) is remarkably vague about weatherization requirements, and a House amendment would make the state finance them.

Only those parts of the electricity and natural gas supply chains identified as critical must be weatherized. Then the Public Utilities Commission and the **Railroad Commission** are responsible for determining what kinds of weather events to worry about, and the punishment for failing to comply are laughably insignificant.

The Legislature did not follow the examples set by other grids. They did not create a capacity market that guarantees there will always be enough power. They did not order ERCOT to connect to the rest of the country to obtain backup when needed.

Lawmakers are not promoting new technologies, such as grid-scale batteries distributed across the state to store electricity. Nor are they requiring energy efficiency improvements.

One day, I hope the Texas Legislature will make pundits like me eat our cynical words by passing measures that will solve our state's biggest problems. The end of the 87th Legislative Session on Monday will not be that day.

Chris Tomlinson writes commentary about business, economics and politics.

[twitter.com/cltomlinson](https://twitter.com/cltomlinson)

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

## The bills that died in the Texas Legislature this year

By Jef Rouner

Reform Austin

May 26, 2021

Texas has one of the shortest legislative sessions out of all the states, with the regular congress meeting just five months every two years. As such, there's a lot that does not get done even when it's very popular. As the 87th Legislative Session draws to a close, here's what was left unfinished.

### Power Grid Reform

Texas ended up in the national news when the state power grid failed during Winter Storm Uri, leaving millions in freezing temperatures with no electricity or water and over 150 people dead. As such, the state legislature made a lot of grand promises about fixing the problem, most of which [probably will not actually do much without a fundamental restructuring of the way Texas deals in power](#). Still, with so much finger-pointing going around, it was expected that the legislature would at least pass something to look like they were trying to avoid the next catastrophic event.

It is still possible that Senate Bill 3 will make it into law at the buzzer, but it has been a hard fight. The House version keeps the mandate that natural gas facilities properly winterize their systems, but it is restricted to only those that are directly connected to power plants and identified by a supply chain mapping committee by January 1, 2022. Also, the rules regarding winterization are left to the discretion of the **Railroad Commission**,

an entity well known to be weak on oversight of the natural gas industry, and they are given six months to adopt it, but there is no timeline to enforce the rules and the penalties are so low as to make it moot. There is significant debate about who will pay for that too. That debate is likely to continue in the Senate while a conference bill is ironed out, but the clock is ticking. As of right now, this is the least dead of the major bills.

### **Medicaid Expansion**

The state came as close as it's ever been to finally fully embracing the provision under the Affordable Care Act this session, but ultimately it didn't pass. The expansion of Medicaid, which would offer care to over a million Texans, would be paid for by more than 90 percent by the federal government, but Texas has refused to be a part of it.

State Sen. Nathan Johnson (D-Dallas), authored Senate Bill 117, which would have brought about the Medicaid expansion, and the bill actually had enough [bipartisan support](#) in the House to move forward. Unfortunately, committees in both chambers strangled the bill and kept it from coming to a full vote or even a hearing. On top of that, the legislature [seems allergic to even studying the negative effect](#) that refusing the expansion has had on Texans. A modest step to extend the existing Medicaid coverage for low-income new moms from being kicked off two months after childbirth to 12 months is also facing danger. It's scheduled on the last day House Bills can be considered in the Senate and it has been reduced by the upper chamber to six months after childbirth. More worrying for advocates is the budget conference committee report released today has a [contingency waiver](#) only for six months.

### **Medical Marijuana**

Marijuana reform advocates had high hopes for this session, but it looks like the most they might get [is the reduction of some penalties](#). That's not nothing, but it's a far cry from the wishes of many Texans. One of the most unfortunate failures of this session involves medical marijuana. While cannabis has been approved for the treatment of some conditions in the state, advocates have been rankled that a host of other problems are not being included on the list. The most prominent among these is PTSD, which is still prohibited for marijuana use.

House Bill 1535 would fix that, and it has remarkably high bipartisan support. It passed out of committee in both chambers unanimously, and easily cleared the House with only 12 nays. Late Tuesday evening, the Senate passed a watered-down version of House Bill 1535 that only keeps the THC cap at 1% and only includes PTSD and all cancer patients and not patients with chronic pain and those with "debilitating conditions". It's unclear whether the House, which was somewhat more expansive on who is eligible for medical marijuana and had a much higher % THC cap, will concur or try to hash out the Senate changes in the last few days of session.

### **Gambling**

New gambling legislation was always a long shot in Texas, with Governor Greg Abbott being consistently against the idea. However, the Las Vegas Sands Corporation [has been dropping huge money](#) into lobbying for more gambling in the state, as well as [the various sports gambling entities](#).

The bets do not appear to have paid off. Two measures, House Joint Resolution 133 and Senate Joint Resolution 49, which would have legalized more resort gambling, have seen their deadlines for hearings come and go. The same has been true of the sports gambling bills and the measure to repeal the gambling ban from the constitution that would have put the issue before the voters. Even the relatively popular measure of allowing the Ysleta del Sur Pueblo and the Alabama-Coushatta tribes to continue operating their bingo halls couldn't get gambling over the line this year.

### **Raising the Minimum Wage**

Texans hoping to see the minimum wage raised to \$15 an hour are out of luck. State Rep. Martinez Fischer (D-San Antonio) filed House Bill 1827 earlier this year which would have gradually increased the minimum up

closer to a living wage. Sadly, this bill was almost a non-starter from the beginning. It never even got brought up in committee.

Hopefully, at some point, the idea will be put up before voters, where it tends to pass even in fairly conservative states like Florida. For now, Texas is sticking with low wages that generally can't support a family. It's one of the many major initiatives that the state legislature let fall by the wayside as they focused on banning abortion and expanding the dominance of guns.

---

## **The Lege this week: bitterness and brinkmanship**

**Amid the theatrics that consumed the final full week of session, lawmakers still haven't finalized much of their already-lackluster winter storm response.**

Texas Observer

May 28, 2021

Welcome to the 87th Legislative Session. Since the last session came to a close in June 2019, Texas has been hit by an unrestrained pandemic and a crippling economic crisis—and now the fallout from deadly blackouts. Under unprecedented circumstances, lawmakers are faced with a [number of urgent challenges](#). The *Texas Observer* is following along every step of the way.

[Go here for last week's dispatch](#) from the state Capitol.

What we're following:

### **The Final Days**

Bitterness and political brinkmanship has flared up in the final days of the 2021 legislative session, as time runs out to pass bills.

In the final hours before a midnight deadline Tuesday to vote on Senate bills, House Democrats slowed floor debate to a crawl—a procedural delay tactic known as “chubbing”—in an attempt to block a slate of right-wing legislation. They ultimately succeeded in stopping bills that would have blocked transgender athletes from playing on school sports teams based on their gender identity, banned local governments from paying for lobbyists, and outlawed “censorship” by social media platforms. All of these were key priorities for Lieutenant Governor Dan Patrick. Democrats cheered and waved transgender pride flags on the floor as the clock struck midnight. “Ding dong the bill is dead,” [tweeted](#) Representative Erin Zwiener, a Hays County Democrat and member of the House LGBTQ Caucus, of the anti-trans sports bill.

Despite having passed most of the GOP's top priorities—including permitless carry and a near-ban on abortions—conservatives lashed out at House Speaker Dade Phelan for allegedly kowtowing to Democrats. The next day, Patrick [demanded](#) that Governor Greg Abbott call an immediate special session for his three priority bills that died in the House. Patrick then slow-walked the Senate through its own list of House bills to pass before its Thursday night deadline, threatening to hold key legislation hostage.

Does this all sound familiar? It should. As the 2017 session came to a close, Patrick threatened to hold must-pass bills hostage until the House passed his favored red-meat legislation, including the so-called “bathroom bill”—another attack on trans Texans. That ultimately died in the House, leading Patrick to call for a special session. Abbott caved and included the bathroom bill as part of an expansive summer session dubbed by critics the [“Session of Oppression.”](#) The bathroom bill still failed.

In a press conference Thursday, Abbott [tried to hold his ground](#), warning Patrick against trying to force a special session. “Not only am I the only one with the authority to call the special session, I get to decide when, and I get to decide what will be on that special session. And here’s what I would do if anybody tries to force this ... it’s not gonna be like it has been in the past.”

Patrick usually wins these political showdowns, but maybe not this time? In [response](#), he insisted he wasn’t holding anything hostage and committed to passing an essential bill to extend the life of some state agencies, including the Texas Commission on Law Enforcement. —*Justin Miller*

### **Another Failed Opportunity?**

Now forget all the theatrics, power plays, and ego-stroking. There are just three days left until *sine die*—the end of session—on Monday. What about the Texans who shivered in their homes for days on end during the winter storm in February? Whose loved ones froze to death, whose homes were ruined by burst pipes, who went without safe water, and who will likely be paying for the failures of their state government in utility bills for decades to come?

In the immediate wake of that deadly storm and power grid collapse, there was a rush of committee hearings, investigations, and promised reforms. Usually, the Legislature is out of session when major tragedies, like hurricanes, mass shootings, and pandemics, hit Texas. This was a rare exception.

But after introducing a flood of legislation in the weeks following the storm, Republicans took a sharp detour, focusing instead on sweeping voter restrictions, curbs on how race and history are taught in public schools, punitive restraints on urban police budgeting, abortion bans, a “Star Spangled Banner” mandate, lifting gun restrictions, and cracking down on local control, to name a few.

Lawmakers largely let the natural gas industry, whose failures were most responsible for triggering the winter storm catastrophe, and who still raked in billions of dollars from Texans’ suffering, off the hook. Natural gas operators are exempted from most of the proposed weatherization mandates, and any new regulations will be meted out by the gratuitously pro-industry **Railroad Commission**.

“Everybody better buy their generators or their storage or whatever to put in their garage, because [the failure to mandate winterization] basically means there would be nothing done to gas supply for this winter,” Doug Lewin, an energy expert and renewables advocate, [told the Houston Chronicle](#). “I guess the Legislature is OK with that. I imagine most Texans aren’t.”

In other words, the state will still rely on the unregulated whims of the free market to power Texas while Republican leaders’ aversion to considering what climate change means for extreme weather in Texas, and their attempts to scapegoat renewable energy, persist.

The [biggest and most important components](#) of the Legislature’s storm response still haven’t been finalized. Just before midnight, GOP Senator Kelly Hancock brought up House Bill 4292, a highly complex plan to spread out the exorbitant [costs](#) incurred by electricity providers during the winter storm over the long term. But in the dead of night, he swapped the bill with a completely different—seemingly more complex—version that had never received a public hearing. Hancock repeatedly insisted it was not a “bailout” for electric utilities while acknowledging that the [“debt is socialized,”](#) meaning customers will ultimately pick up the tab. The bill passed unanimously, which means the final version of the multi-billion dollar plan will be negotiated by members of the House and Senate behind closed doors in the final days of session. —*Justin Miller*

### **COVID-19 Liability and Workers’ Comp**

On Monday, the House signed off on a measure meant to stymie potential coronavirus-related lawsuits, a top priority of the governor and the business lobby. After U.S. Senator John Cornyn failed to pass such a policy at the federal level, dozens of states took up the anti-liability mantle. The Texas measure, [Senate Bill 6](#), institutes

new civil protections for a range of entities including physicians, manufacturers, nursing home operators, and small business owners. These last as long as a state of disaster is declared due to any pandemic disease.

SB 6 also broadly protects employers from employees and their families. Texas is the only state that [allows employers](#) to opt out of workers' compensation insurance. Those who opt out save money on insurance premiums, but they become far more vulnerable to lawsuits from employees and their families. In cases of COVID-19 exposure at work, SB 6 will retroactively shield employers who elected not to carry workers' comp. They won't be completely immune, but they'll be protected at roughly the same high level as bosses who chose to pay for workers' comp, says Jay Harvey, past president of the Texas Trial Lawyers Association. In return for early concessions from the Republican author, the group has remained neutral on the legislation.

In related news, lawmakers look set to pass [Senate Bill 22](#), which addresses trouble first responders and corrections officers have faced in drawing workers' comp benefits, or [state death benefits](#), in COVID-19 cases. The bill would not help any [other workers](#) such as teachers, bartenders, or grocery clerks. —*Gus Bova*

## **What We're Reading**

### **[A year after George Floyd's murder, only a few of Texas lawmakers' police reform measures appear likely to become law](#)**

Narrowly targeted pieces of Texas' George Floyd Act—like restricting chokeholds and requiring officers to provide first aid—are expected to pass. But the Act itself and many other related reforms have failed to progress. “There's going to be blood on your hands when you had the power to change it,” said Gary Bledsoe, president of the Texas NAACP. / *Texas Tribune*

### **[Guaranteed: Trigger provision requires Gov. Greg Abbott to consult lawmakers on COVID relief spending](#)**

After previously getting nixed, a House budget provision meant to ensure the governor doesn't get carte blanche when it comes to spending the state's \$16 billion share of federal recovery aid was added back in. / *Dallas Morning News*

### **[El Paso lawmakers say gun reform promises after Walmart massacre were broken](#)**

After the El Paso massacre, Republican leaders like Greg Abbott and Dan Patrick indicated support for gun-reform measures. Instead, when the Legislature convened more than one year later, Republicans went hard the other way, passing a law that will allow almost any Texan to carry a handgun without a permit. El Paso Representative Joe Moody gave a long and somber speech ahead of final passage: “All [victims' families] wanted was some accountability, yet here we are. ...I heard lots of promises. I haven't heard [them] since.” / *El Paso Matters*

### **[A false date rape drugging accusation against a lobbyist exposed claims of his role in the Texas Capitol's culture of sexual harassment](#)**

A DPS investigation concluded that the allegations against a lobbyist at a powerful firm were false. Still, the incident laid bare larger questions about a Capitol culture that many female staffers say often leads to allegations of misconduct and harassment being brushed under the rug by those with the power to act. The accused lobbyist has faced multiple accusations of inappropriate behavior with women as both a legislative staffer and lobbyist—and in at least two instances has been banned from visiting certain Capitol offices because of them. / *Texas Tribune*

### **[How 'critical race theory' came to dominate education debates in Texas](#)**

In the early hours of Saturday morning, after hours of debate on legislation that would supposedly ban critical race theory in Texas public schools by putting a host of restraints on how teachers can teach race and racism, the Senate passed its bill. Passed on a party-line vote, it now heads back to the Texas House. / *Dallas Morning News*

## **All Hat, No Cattle**

*The Texas Legislature is known for its outlandish members, ludicrous antics, and right-wing flare-ups. Here's your weekly dose.*

On Monday, as Democratic Representative Terry Canales laid out a [Senate bill](#) to impose fees on electric vehicles, Republican Representative Bryan Slaton promptly [raised a point of order](#)—a procedural tactic that can kill legislation during floor debates.

Slaton then said he would withdraw the objection if Canales could get House Speaker Phelan to give SB 29—the anti-trans school sports bill—a vote. Throughout the session, Slaton has repeatedly tried to advance anti-trans legislation, or attach anti-trans amendments to other bills, without success. Canales refused and Slaton's point of order was sustained, ultimately killing the bill.

Canales promptly took to Twitter to condemn Slaton's tactics: "My answer, Kill my Bill, BIGOT!"

---

## **Chapter 313 program doomed after Texas lawmakers miss deadline; 'We're going to lose a lot of projects'**

**Tesla, Samsung among big brands that secured property tax breaks through '313'**

By Kathryn Hardison

Austin Business Journal

May 27, 2021

Texas lawmakers missed an important deadline this session to extend a \$10 billion program that has been used to incentivize massive manufacturing and energy projects to the Lone Star State by lowering their school property tax bills.

The Texas Legislature missed a May 26 deadline to advance House Bill 4242, which would have extended the Chapter 313 incentives program by two years. Those incentives have been used for major local projects such as Tesla's \$1 billion gigafactory and Samsung Austin Semiconductor's massive East Austin facility, as well as tons of energy projects throughout the state.

The decision not to advance HB 4242 means the program will likely expire in December 2022. Many have questioned the program's effectiveness in its current form, while others have said that allowing the program to expire could have negative consequences for the future of Texas' economic development — a longtime badge of honor for Texas as companies pour into the state to seek a [business-friendly environment, lower costs of living and relatively lower taxes](#).

Texas, and its cities and counties, still have mechanisms — such as chapters 380 and 381 of the local government code — to offer property tax breaks and other incentives to incoming or expanding businesses, but the pending loss of Chapter 313 has set many economic development advocates back on their heels.

"This is going to leave a mark," said Glenn Hamer, president and CEO of the Texas Association of Business. "There's no other way to put it. I can't tell you how much of one right now."

University of Texas at Austin government professor Nate Jensen, a critic of incentives, said support for the Chapter 313 program has "frayed a bit" of late as interfaith groups and organized labor have joined organizations from both sides of the political spectrum in opposition of the program. For example, Central Texas Interfaith on May 24 sent a call to action urging members to ask their legislators to oppose HB 4242. The



email decried that “Chapter 313 costs taxpayers nearly \$1 billion a year in tax breaks” which largely benefit large petrochemical and manufacturing companies.

[Dale Craymer](#), president of Texas Taxpayers and Research Association, said on May 27 that it’s unlikely lawmakers will try to push the issue through before May 31, the last day of the session, or bring it back up in a special session. Agreements currently in place will remain intact, and companies can continue to apply for the program’s property tax breaks until the end of 2022.

Chapter 313 allows a school district to offer a cap of up to 10 years on a portion of the taxable property value of new manufacturing or renewable energy projects. This has been a major incentive for many companies because of the state’s high property taxes in lieu of no income tax. In addition to Samsung — which may seek incentives soon for a \$17 billion expansion that could land in Austin — and Tesla, companies that have benefited from the program include Freeport LNG [in the Houston area](#) and Caterpillar Inc. in Seguin. A total of 509 agreements were in effect as of earlier this year, according to the Texas comptroller. The projects incentivized by Chapter 313 represent \$217 billion in investments by companies and in turn have received gross tax benefits of \$10.8 billion, the state reports.

Craymer said many are worried companies won’t consider Texas for future economic development projects that are on the drawing board today — which are likely to break ground in three to four years — because there won’t be any assurance of incentives.

“We’re going to lose a lot of projects that companies are currently in the initial planning stages for. If Texas isn’t on their list now, we likely won’t be on their list in the future,” he said. “Even if we come back in 2023 and create a new program, it will create a gap of investment in the state.”

[Tony Bennett](#), president and CEO of the Texas Association of Manufacturers, said in a May 27 statement that nearby states are likely celebrating after the Legislature’s decision to not renew the program.

“Texas will be sidelined for major automotive, petrochemical, aerospace and high-tech manufacturing projects that cannot afford to locate in a state with the fourth-highest property taxes in the nation, especially when nearly all other states offer property tax discounts,” he said. “I never thought I’d see the day when Texas took the same path California took decades ago when lawmakers took manufacturing jobs for granted and hurt their economy.”

Craymer said Chapter 313 is crucial to attracting projects, though there are issues with the program. Over the years, the bulk of the savings has shifted to the school districts and away from businesses, he said, adding that after crunching the numbers, businesses typically end up with net tax savings of 36%.

“Chapter 313 is not a free ride, it is only a partial discount on your tax bill,” he said. “You get a 36% discount in Texas versus an 80% discount in Louisiana or a 100% discount in other states like Georgia. Chapter 313 is not as generous an incentive as what companies can get in other states.”

A large majority of the Legislature doesn’t like incentives programs, which has ultimately been the program’s downfall and why it’s become a controversial topic over the years. The Texas Public Policy Foundation praised lawmakers for not taking initiative to renew the program.

“Sunsetting this program is a critical victory for each and every Texan — made possible by a tidal wave of bipartisan support for free-market principles and broad property tax relief Texans sorely need,” [Kevin Roberts](#), TPPF’s CEO, said in a statement. “For two decades, Texas taxpayers have borne the brunt of special-interest corporate welfare that raises our property taxes and allows government to pick winners and losers. These 20 years of hard data have proven Chapter 313 doesn’t live up to its lofty promises to create jobs or lure new businesses to our state.”

Another effort to expand and extend the program was House Bill 1556, authored by Republican Rep. Jim Murphy. The bill, which stalled earlier this month, would have [extended the program for another decade](#) and allowed companies to apply for a tax cap on upgrades and renovations to existing facilities. It also proposed eliminating some types of projects that could qualify, like nuclear energy, and changed how a minimum qualified investment would be determined. Murphy's bill attracted scrutiny and was ultimately amended to leave much of the current program intact.

"Not only was it an incredibly costly bill at a time of serious budget constraints, but it was silent on most of the major criticisms of the program," Jensen wrote in a May 27 email. "Rather than proposing a reform to the program along with a renewal, supporters pushed for an expansion. This was a huge blunder and once this expansion died, there was no serious backup bill."

According to Hamer at the Texas Association of Business, the failure to extend Chapter 313 incentives will cast a pall over the 2021 Legislative session, despite other business wins surrounding education, broadband access and protections for businesses amidst the Covid-19 pandemic.

"This is a cloud and a significant disappointment," Hamer said. "I'm not going to say anything otherwise."

*Paul Thompson contributed to this story.*

---

## **Texas could give landowners more say in eminent domain negotiations under bill sent to Greg Abbott's desk**

**After failing last session, lawmakers finalized a bill — described as a “delicate compromise” — that provides new protections for landowners in negotiating with companies attempting to seize their land through eminent domain.**

By Erin Douglas

Texas Tribune

May 27, 2021

The Texas Legislature approved a bill early Thursday that will revise eminent domain negotiations between landowners and companies — such as railroads, pipeline and utility companies — that are seeking to condemn land, requiring that landowners be given the terms of the contract up front, as well as more information about the eminent domain process.

After six years of heated negotiations between groups that represent landowners and the groups that represent big pipeline, utility, railroad, and oil and gas companies, the Legislature passed a limited version of a [bill that failed in 2019](#).

The House approved the legislation on May 13. The Senate approved the bill unanimously in the early hours of Thursday morning; it now goes to Gov. [Greg Abbott](#) for his consideration.

Companies would also be required under the bill to restore the surrounding area to as close to the original condition as possible and compensate the landowner for damages to the surrounding land that isn't restored.

State law currently offers few protections for property owners after a company notifies state regulators of its intent to build; the company must compensate the owner for the land, but it isn't required to make other concessions, such as altering the route.

Eminent domain — always a contentious issue in Texas — became a political flashpoint in recent years due to Kinder Morgan’s 423-mile Permian Highway Pipeline that runs through the Texas Hill Country. Angered landowners sought to stop the project with lawsuits, [but lost](#). Last August, singers Willie Nelson and Paul Simon, who both live in the Texas Hill Country, [opposed the pipeline in a \*Houston Chronicle\* op-ed](#). The pipeline [began service in January](#).

State Sen. [Lois Kolkhorst, R-Brenham](#), who has worked on the issue since she joined the Senate six years ago, acknowledged that the legislation did not go as far as many landowners would have liked, but she described it as an effort to start giving landowners more leverage when companies want to seize private land to build oil or gas pipelines, railroads or power transmission lines that companies argue are in the public’s best interest.

“Giving the right to private companies to come in and take your land — that you do not want to sell — should be one of the highest privileges that we give in statute,” Kolkhorst said during a [Senate Jurisprudence Committee hearing last Thursday](#).

She said [House Bill 2730](#) is a first pass at creating more balance in negotiations. The final version of [House Bill 2730](#) requires companies to show landowners the contract terms up front, allows landowners to file complaints against a right-of-way agent and requires the state to give landowners more information about the eminent domain process.

“What you have is six years of negotiation by industry on all sides, including landowners, energy and infrastructure,” said Thomas Zabel, an oil and gas lawyer who spoke on behalf of the Texas Pipeline Association. “There’s a little give and take on both sides.”

During the 2019 legislative session, a [bill by Kolkhorst sought](#) to prevent companies from making low-ball offers to property owners, require public meetings between property owners and the companies, and restore damaged land to as close to its original condition as possible.

But after the bill was watered down in a joint House-Senate conference committee — an effort led by Rep. [Tom Craddick, R-Midland](#) — it [failed to make it to Abbott’s desk](#).

An initial version of this year’s bill, sponsored by state Rep. [Joe Deshotel, D-Beaumont](#), angered landowners who felt it favored companies. The Texas Farm Bureau publicly opposed it. Billy Howe, the Farm Bureau’s associate director of government affairs, said that after “intense negotiations,” lawmakers came back with language that the powerful agricultural and rural community interest group would support, because it was closer to the 2019 bill.

Craddick was the only member to vote against the bill in the House.

“We feel [this bill] is going to improve the process for landowners, so we’re going to support it and see if it works,” Howe said. He said the bill includes provisions that should result in more fair compensation for land taken through eminent domain.

“It’s going to take a good step forward in improving that initial offer,” Howe said.

Deshotel told his colleagues on the House floor May 12 that his goal was to put landowners and property owners closer to even standing with pipeline, electric and railroad companies that use eminent domain, which he said were “starting to have an advantage over landowners.”

“We wanted to give [landowners] a real say and real involvement in the process that affects their property,” Deshotel said.

Jaren Taylor, a utility and eminent domain lawyer who spoke on behalf of the Association of Electric Companies of Texas during the Senate committee hearing, said if the bill passed, it would be a signal of compromise.

“I don’t disagree that not everyone is happy with it, but frankly that’s a sign of quality negotiation and compromise,” Taylor said.



**Andrew Keese**

Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869





## Mia Hutchens

---

**From:** Luke Legate <luke@gfoxconsulting.com>  
**Sent:** Tuesday, May 25, 2021 7:50 AM  
**To:** Luke Legate  
**Subject:** Texas Energy Clips - May 25, 2021

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

### Texas Energy Clips

#### ***Houston Chronicle***

As Texas power grid reforms take shape, natural gas suppliers evade scrutiny

By Jeremy Blackman, Austin Bureau

May 25, 2021

<https://www.houstonchronicle.com/politics/texas/article/As-Texas-grid-reforms-take-shape-natural-gas-16200298.php>

#### ***NBC KXAN Austin***

Texas electricity grid one step closer to reform after House advances proposal

May 25, 2021

<https://www.kxan.com/news/texas-politics/texas-electricity-grid-one-step-closer-to-reform-after-house-advances-proposal/>

#### ***Austin American-Statesman***

Texas House passes sweeping legislation that seeks to fix power grid failures

By Madlin Mekelburg

May 24, 2021

<https://www.statesman.com/story/news/politics/state/2021/05/23/house-senate-bill-3-power-outages-response/5234238001/>

#### ***Bloomberg***

After Blackouts, Texas Moves to Make Power Plants Weatherize

By Mark Chediak

May 24, 2021

<https://www.bloomberg.com/news/articles/2021-05-24/after-blackouts-texas-moves-to-make-power-plants-weatherize>

#### ***Midland Reporter-Telegram***

Oil Surges With Iran Saying Differences Remain on Sanctions Deal

By Andres Guerra Luz, Bloomberg

May 25, 2021

<https://www.mrt.com/business/article/Oil-Trades-Above-63-as-Investors-Track-Virus-16197966.php>

#### ***Midland Reporter-Telegram***

Pfluger-introduced bill aims to expand LNG exports: Increased exports would provide new markets for Permian Basin natural gas

By Mella McEwen

May 25, 2021

<https://www.mrt.com/business/oil/article/Pfluger-introduced-bill-aims-to-expand-LNG-exports-16200504.php>

#### ***CBS DFW***

We Are Going To Stop Buying Fuel Abroad: Mexico Set To Buy Shell's Share Of Texas Refinery

May 25, 2021

<https://dfw.cbslocal.com/2021/05/24/buying-fuel-abroad-mexico-shell-texas-refinery/>

**KUT**

Should Electric Car Owners Pay A Fee To Use Texas Roads?

By Alexandra Hart

May 25, 2021

<https://www.kut.org/energy-environment/2021-05-24/should-electric-car-owners-pay-a-fee-to-use-texas-roads>

---

## Texas Energy Clips

### *Houston Chronicle*

As Texas power grid reforms take shape, natural gas suppliers evade scrutiny

By Jeremy Blackman, Austin Bureau

May 25, 2021

<https://www.houstonchronicle.com/politics/texas/article/As-Texas-grid-reforms-take-shape-natural-gas-16200298.php>

The Texas Legislature is nearing agreement on a sweeping set of energy reforms that experts say are encouraging but won't likely fix the biggest failures from this winter's deadly outages.

Senate Bill 3 passed the House on Monday and is headed for negotiations between both the House and Senate later this week; lawmakers have until May 31 Monday to send it on to the governor.

While a final draft is still being worked out, neither Republican-controlled chamber has shown support for forcing natural gas suppliers to prepare for extreme cold. Most of the state's power grid runs on natural gas, and disruptions in the gas supply were among the earliest and most significant causes of the blackouts. The version of the legislation passed by the House calls for some winterization, but limits it to wells and processing facilities that directly supply power plants — a hard designation to apply since gas from different sources is often combined as it enters pipelines. The measure also calls for minimal daily fines and tasks the industry-friendly Railroad Commission to set and enforce the rules.

Energy experts had hoped that at least new gas wells would have to be insulated, since they produce more than older wells. During Winter Storm Uri, the state's gas production fell more than 20 percent over five days.

The Federal Reserve Bank of Dallas found last month that safeguarding new wells would be among the cheapest preventative steps for the state, costing between \$85 million and \$220 million annually. The financial toll from the February outages is estimated to be at least \$80 billion.

Republicans in the House rejected amendments from Democrats that would have increased penalties for gas suppliers that don't winterize and would have required progress on winterization within six months of the measure becoming law. Gas producers say they recognize the need to equip their operations for the cold, but contend that mandates requiring them to do so are unnecessary...

### *NBC KXAN Austin*

Texas electricity grid one step closer to reform after House advances proposal

May 25, 2021

<https://www.kxan.com/news/texas-politics/texas-electricity-grid-one-step-closer-to-reform-after-house-advances-proposal/>

AUSTIN (Nexstar) — The troubled electricity grid that took the spotlight during the fatal February freeze is one step closer to seeing changes from state lawmakers — with one week remaining in the legislative session.

The Texas House spent roughly four hours debating more than two-dozen changes to Senate Bill 3 over the weekend, formally passing the legislation Monday morning. The plan to reform the grid tackles three main objectives "from wellhead to light switch," according to State Rep. Chris Paddie, R-Marshall, who led the House effort.

"And that is oversight and accountability, communication failures, which we saw throughout the system, and weatherization — to ensure that these facilities, both utility and natural gas facilities are prepared for these extreme weather events and will be able to continue to function and do the job that they are supposed to do," Marshall said.

SB 3 would require electricity providers operating on the grid managed by the Electric Reliability Council of Texas (ERCOT) to weatherize their equipment. The rules would be set by the Public Utility Commission six months after the law takes effect.

"Those would go a long way... to really making this situation go away," Curt Morgan, chief executive officer for Vistra Corp., said. "And I don't think the legislature can walk away in this session without fixing this."...

### ***Austin American-Statesman***

Texas House passes sweeping legislation that seeks to fix power grid failures

By Madlin Mekelburg

May 24, 2021

<https://www.statesman.com/story/news/politics/state/2021/05/23/house-senate-bill-3-power-outages-response/5234238001/>

State lawmakers on Sunday gave initial approval to an omnibus bill overhauling the state's electric supply system in response to February winter storms and power outages that left millions without power and more than 100 dead. With a week to go in the legislative session, the Texas House on Monday approved a sweeping bill aimed at shoring up the state's electric supply system and infrastructure, a proposal crafted in response to statewide power outages in February amid deadly winter storms that plunged millions of Texans into cold and darkness for days.

Senate Bill 3 would require infrastructure upgrades to prepare for extreme weather, seek to improve oversight of the state's electricity supply chain and create a statewide emergency alert system in the event of future power outages.

Rep. Chris Paddie, R-Marshall, who carried the bill in the House, said it targets "the systematic failures from wellhead to light switch to try to address three main buckets: oversight and accountability, communication failures, which we saw throughout the system, and weatherization."

"I don't think it is acceptable for us to leave this session not having passed this bill and these reforms," Paddie said. Now the bill heads back to the Senate, where members must decide whether to accept changes made in the House.

Rep. Trey Martinez Fischer, D-San Antonio, said he expects senators to form a conference committee instead of accepting the new changes to the bill, meaning select lawmakers from both chambers will meet behind closed doors to hash out a compromise...

### ***Bloomberg***

After Blackouts, Texas Moves to Make Power Plants Weatherize

By Mark Chediak

May 24, 2021

<https://www.bloomberg.com/news/articles/2021-05-24/after-blackouts-texas-moves-to-make-power-plants-weatherize>

Texas lawmakers advanced a sweeping and potentially costly measure that would require power plants and some gas facilities to prepare for extreme winter weather as part of an effort to avoid a repeat of February's energy crisis.

The Texas House of Representatives on Monday gave final approval to a bill requiring power generators and critical gas infrastructure to make upgrades enabling them to function during freezing temperatures. It's unclear how much the upgrades would cost power and gas companies, but violators would face a minimum penalty of \$5,000 a day. In extreme cases, fines could reach \$1 million.

The bill, which received initial approval after being amended in the House on Sunday, will head back to the state Senate for passage before it can go to the governor's desk for signature.

The measure is the most ambitious attempt yet by the legislature to address the causes of blackouts that left more than 4 million Texans in the dark for days and resulted in at least 100 deaths. The state grid operator had to institute the catastrophic power cuts when nearly half of the state's generation capacity failed during an Arctic blast that froze wind turbines, coal piles, power plant instruments and gas wellheads...

### ***Midland Reporter-Telegram***

Oil Surges With Iran Saying Differences Remain on Sanctions Deal

By Andres Guerra Luz, Bloomberg

May 25, 2021

<https://www.mrt.com/business/article/Oil-Trades-Above-63-as-Investors-Track-Virus-16197966.php>

Oil climbed the most in a month after Iran said that gaps remain in negotiations aimed at reaching a deal to end U.S. sanctions on its crude.

Futures rose 3.9% in New York on Monday with added support from a weaker dollar, which makes commodities priced in the currency more attractive, and a rally in U.S. equities. Iran said there are still differences around the timing of when



countries will return to compliance with the original 2015 nuclear agreement, allaying some concern about a rapid ramp-up in the Persian Gulf nation's output. While the market is anticipating the Islamic Republic's supply will pick up again by late summer, the demand recovery will be strong enough to absorb it, Goldman Sachs Group Inc. said. The bank expects Brent futures to hit \$80 a barrel in the next few months.

"Seasonally we're coming into a strong demand period, overwhelming concerns on supply," said Peter McNally, global head for industrials, materials and energy at Third Bridge. With the U.S. continuing to reopen, air travel picking up and Europe lifting pandemic-driven lockdowns, "it's more than likely those barrels can get absorbed."

Talks between Iran and world powers will continue in Vienna this week to resolve outstanding issues. As part of that process, Iran extended a United Nations nuclear inspections agreement, buying diplomats time to revive the landmark deal that would usher in an official return of the Persian Gulf nation to world oil markets.

"Statements over the weekend in the time between the expiration of the old monitoring agreement and the signing of the new deal made it clear that the sense of optimism (over a deal) that was pressuring prices last week was probably overdone," Bob Yawger, head of the futures division at Mizuho Securities, said in a note. "There is still a lot of work that needs to be done before a final agreement is finished."...

### **Midland Reporter-Telegram**

Pfluger-introduced bill aims to expand LNG exports: Increased exports would provide new markets for Permian Basin natural gas

By Mella McEwen

May 25, 2021

<https://www.mrt.com/business/oil/article/Pfluger-introduced-bill-aims-to-expand-LNG-exports-16200504.php>

The Permian Basin is hundreds of miles from the nation's seaports, but boosting exports overseas will be an economic boon to the landlocked region.

Rep. August Pfluger, the Republican who represents Midland as part of his District 11, and Rep. Henry Cuellar, the Democrat whose District 28 includes Laredo, Mission and San Antonio, have teamed up to introduce the Natural Gas Export Expansion Act to expedite approval of liquefied natural gas export permit applications. "I'm excited about this bill," Pfluger told the Reporter-Telegram in a telephone interview Monday afternoon.

He noted that he sits on the Foreign Affairs Committee and fellow members may wonder what energy exports have to do with foreign affairs. He explained that there are countries, particularly in Eastern Europe – Romania, Latvia, Lithuania to name a few – that need US oil and gas products.

"We need to get the federal government out of the way and let private companies export to any country that's not subject to sanctions or trade restrictions," he said.

The bill has garnered bipartisan support from the industry and from both Republicans and Democrats in the House, and Pfluger said he is working to build more industry support as well as support from Senate Democrats and Republicans to the companion bill introduced by Sen. Ted Cruz, R-Texas. Industry associations like the Permian Basin Petroleum Association have offered their support for the bill. Ben Shepperd, PBPA president, said in a statement when Pfluger and Cuellar introduced the bill, "The Permian Basin is the most prolific oil producing region in the world and is the second largest natural gas producer in the United States. The Natural Gas Export Expansion Act will help to fully utilize the Permian Basin's natural gas resources as a national security tool, promote safer and cleaner natural gas and expand worldwide markets for Permian Basin natural gas. These efforts will also help to reduce global emissions."

It involves educating Democrats and explaining why promoting LNG exports by cutting red tape, regulations and the time it takes to build and put a facility online benefits the country, he said...

### **CBS DFW**

We Are Going To Stop Buying Fuel Abroad': Mexico Set To Buy Shell's Share Of Texas Refinery

May 25, 2021

<https://dfw.cbslocal.com/2021/05/24/buying-fuel-abroad-mexico-shell-texas-refinery/>

Mexico said Monday, May 24, it will buy Shell's 50% share in the jointly-owned Deer Park refinery near Houston, Texas for about \$600 million.

The move comes as part of President Andrés Manuel López Obrador's central policy to build, acquire or renovate oil refineries, in an era when most countries are trying to reduce their reliance on fossil fuels. "We are going to stop buying fuel abroad... we will become self sufficient by 2023," said López Obrador, who is spending about \$9 billion to build a similar-size new refinery in his home state of Tabasco.

In a statement, Shell wrote that "Shell Chemical L.P. will continue to operate its 100% owned Deer Park Chemicals facility located adjacent to the site."

"Shell did not plan to market its interest in the Deer Park refinery," said Huibert Vigeveno, Shell's Downstream Director. "However, following an unsolicited offer from Pemex, we have reached an agreement to transfer our interest in the partnership to them." The Mexican president had complained recently that Deer Park had not yielded any benefits for Mexico since 1993, apparently because most of the profits had been reinvested.

But he acknowledged the refinery does process 340,000 barrels of crude per day, much of that Mexican crude...

## **KUT**

Should Electric Car Owners Pay A Fee To Use Texas Roads?

By Alexandra Hart

May 25, 2021

<https://www.kut.org/energy-environment/2021-05-24/should-electric-car-owners-pay-a-fee-to-use-texas-roads>

Drivers of electric vehicles, or EVs, in Texas may soon take a financial hit in the form of a new annual fee for "alternative fuel" vehicles. Texas lawmakers are considering a bipartisan bill that would charge EV drivers between \$190 and \$240 a year, depending on vehicle size. Electric vehicle drivers are pushing back, many claiming they'd end up paying quite a bit more in taxes than others on the road.

The idea of the fee is that since electric vehicle drivers aren't paying gas taxes, the government needs an alternative way to get money to fund infrastructure maintenance.

"If we're moving into an electric future, then a gas tax is a really terrible way to pay for our roads and bridges and other infrastructure that vehicles need," said Sebastian Blanco, contributing editor for Car and Driver magazine. "Instead of the way it works today, which is every time you gas up, some of your money goes to pay for those roads and bridges and things, the idea would be to just charge EV drivers an annual fee and so that ... the state can collect money from them just the way it does from gas powered vehicle drivers today."

Some electric vehicle drivers say that the fee that Texas wants to charge is unfair, because it is disproportionate to the amount that gas vehicle drivers pay through gas taxes. But the state does need to raise money for infrastructure maintenance. Blanco said there are several alternatives other states are trying out, including something called a road use charge.

"Exactly how this would be calculated is being tested in a lot of different places, particularly on the West Coast, in the Pacific Northwest or sort of western states that are kind of trying to figure this out where you would simply pay a set fee per each mile you drive," Blanco said. "And one of the issues with that is some people don't want to tell the government each year how many miles they put on their vehicle."...



## Mia Hutchens

---

**From:** Luke Legate <luke@gfoxconsulting.com>  
**Sent:** Monday, May 24, 2021 9:33 AM  
**To:** Luke Legate  
**Subject:** Texas Energy Clips - May 22-24, 2021

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

### Texas Energy Clips

#### ***San Antonio Express-News***

Commentary: Power grid faulty, not gas supply

By Todd Staples

May 22, 2021

<https://www.expressnews.com/opinion/commentary/article/Commentary-Power-grid-faulty-not-gas-supply-16194791.php>

#### ***Texas Tribune***

Two years after disastrous chemical fire, Texas close to creating new safety rules for industry: Sen. Carol Alvarado, D-Houston, spent years negotiating with industry groups to get new regulations placed on the chemical industry after the ITC fire in 2019. The bill has passed both chambers, but small changes need to be ironed out before it is sent to Gov. Greg Abbott

BY ERIN DOUGLAS

May 24, 2021

<https://www.texastribune.org/2021/05/23/texas-chemical-tanks/>

#### ***Midland Reporter-Telegram***

Rig activity remains stable, up dramatically over last year

By Mella McEwen

May 24, 2021

<https://www.mrt.com/business/oil/article/Rig-activity-remains-stable-up-dramatically-over-16195150.php>

#### ***Spectrum Local News***

Texas lawmakers work to pass bill requiring power plants to weatherize

By Niki Griswold

May 22, 2021

<https://spectrumlocalnews.com/tx/south-texas-el-paso/news/2021/05/21/texas-lawmakers-work-to-pass-bill-requiring-power-plants-to-weatherize>

#### ***Rigzone***

Five Reasons Why IEA's Net-Zero Drive Needs Oil and Gas

By Matthew V. Veazey

May 24, 2021

<https://www.rigzone.com/news/five-reasons-why-ieas-netzero-drive-needs-oil-and-gas-24-may-2021-165506-article/>

#### ***Houston Chronicle***

Time is running out for legislators to tackle fixing Texas' electrical grid

By Erica Grieder

May 24, 2021

<https://www.houstonchronicle.com/news/columnists/grieder/article/Time-is-running-out-for-legislators-to-tackle-16196616.php>

### **WFAA - Dallas**

In rare interview, CEO of Texas' largest generator of electricity said state economy at stake if lawmakers don't pass energy reform: "We can't miss on this one. We have to have electricity. It is fundamental," said Curt Morgan, Vistra Corp CEO on Inside Texas Politics  
May 23, 2021

<https://www.wfaa.com/article/news/politics/inside-politics/in-rare-interview-ceo-of-texas-largest-generator-of-electricity-said-state-economy-at-stake-if-lawmakers-dont-pass-energy-reform/287-812b2316-79a3-436f-af85-855fe61a56c0>

### **Midland Reporter-Telegram**

Opinion: Railroad Commission should tackle the state's orphan well problem  
By Joe Shuster Pecos County  
May 23, 2021

<https://www.mrt.com/opinion/article/Opinion-Railroad-Commission-should-tackle-the-16192927.php>

### **Corpus Christi Caller-Times**

Forum: Port of Corpus Christi a vital economic engine in South Texas  
By Charles W. Zahn Jr. Port of Corpus Christi Commission  
May 24, 2021

<https://www.caller.com/story/opinion/forums/2021/05/21/forum-port-corpus-christi-vital-economic-engine-south-texas/5182115001/>

---

## **Texas Energy Clips**

### **San Antonio Express-News**

Commentary: Power grid faulty, not gas supply  
By Todd Staples  
May 22, 2021

<https://www.expressnews.com/opinion/commentary/article/Commentary-Power-grid-faulty-not-gas-supply-16194791.php>

As Texans move past the damage of Winter Storm Uri, we must continue making meaningful changes that guarantee more reliability. No Texan should ever have to endure such dangerous and deadly conditions again because of insufficient reform to the electricity supply chain.

The most immediate action to ensure natural gas facilities operate during emergencies will be mapping the supply chain to see which production, distribution and storage facilities feed into plants that generate electricity.

Once the supply chain is mapped, the appropriate facilities can designate as critical load. If the power stays on for the most critical assets, the system will work. In Texas, 80 percent of the natural gas produced daily is not used to make electricity, so it is imperative we focus on the most directly impacted assets to ensure those products and services are accessible to generators.

We agree the proper weatherization of power generation sites and natural gas facilities that are directly connected to those generators are key elements of reform — and proper steps must be taken to ensure compliance. We also support tools to guarantee generators have access and availability to the fuel they need in extreme emergency conditions.

Some have suggested that all natural gas infrastructure - including 86,000 natural gas wells and 164,000 oil wells that produce associated natural gas - should weatherize. Many operators already weatherize at some level. Yet, without power no amount of weatherization matters. To achieve more reliability, all research points to the need for power generation units to stay online — and we want to ensure that happens through infrastructure, contracts, weatherization and storage that will maintain power generation through the next storm.

To fix any problem, you need to know what happened. A report from the Electric Reliability Council of Texas (ERCOT) confirmed power generation units from just about every source faced outages — and it named weather-related issues as the primary cause, with fuel limitation causing only 17 percent of challenges for natural gas power generators...

### **Texas Tribune**

Two years after disastrous chemical fire, Texas close to creating new safety rules for industry: Sen. Carol Alvarado, D-Houston, spent years negotiating with industry groups to get new regulations placed on the chemical industry after the ITC fire in 2019. The bill has passed both chambers, but small changes need to be ironed out before it is sent to Gov. Greg Abbott  
BY ERIN DOUGLAS

May 24, 2021

<https://www.texastribune.org/2021/05/23/texas-chemical-tanks/>

In March 2019, a massive chemical fire broke out after a leak at a chemical tank farm in Deer Park spread to almost a dozen other tanks.

A plume of smoke soon loomed over the Houston skyline and lingered there for three days. Residents of Deer Park were forced to shelter in place due to air pollution hazards, the Houston Ship Channel closed for three days, and millions of gallons of hazardous waste spilled on the ground and leaked into the water.

That chemical fire at Intercontinental Terminals Company's facility also rekindled a debate at the Legislature about the state's rapidly growing petrochemical industry, much of it in communities along the Texas Gulf Coast. Thousands of such tanks, typically made of steel plates, are in the Houston area alone, and state lawmakers had already become concerned after at least 15 tanks holding crude oil, gasoline and other hydrocarbons ruptured or malfunctioned during Hurricane Harvey in 2017.

Yet the 2019 legislative session ended without new regulations. Two years later, the Legislature is nearing approval of Senate Bill 900 authored by state Sen. Carol Alvarado, D-Houston, which will create new standards on the type of tanks that put so many people in her district at risk two years ago. It passed the Senate late last month and late Sunday night it received preliminary approval by the House.

"I'm very proud of this bill," Alvarado said. She said it took a long time to negotiate the bill with industry groups, but high-profile incidents like the ITC fire in her district forced the conversation...

#### ***Midland Reporter-Telegram***

Rig activity remains stable, up dramatically over last year

By Mella McEwen

May 24, 2021

<https://www.mrt.com/business/oil/article/Rig-activity-remains-stable-up-dramatically-over-16195150.php>

Drilling activity remains steady as the industry continues to recover from the COVID-19 pandemic.

Oilfield services firm Baker Hughes and data analytics firm Enverus said Friday the US rig count rose two to 455 and is 137 higher than the 318 rigs at work across the country last May. There were 356 rigs seeking crude oil, up 119 from 237 last year. There were 99 rigs drilling for natural gas, down one but up 20 from 79 last May.

Texas dropped two rigs to 214 but is up 76 rigs from the 138 working statewide a year ago. Louisiana joined Texas as the only other producing state to see a rig count decline. New Mexico added two rigs for 72 and was joined by Oklahoma as the only other producing state to gain rigs, rising by four. The Permian Basin was unchanged at 231 rigs and has 69 more rigs at work in the region than the 162 reported last year.

Lea County, New Mexico, remains the most active county in the Permian with 37 rigs, down one for the week. Eddy County, New Mexico, follows with 35 rigs, up three. Midland County had 32 rigs at work, unchanged for the week, while Reeves County had 22 rigs, down one. Loving and Martin counties each reported 18 rigs this week, unchanged for Loving County and down two for Martin County. There were 12 rigs at work within Upton County, unchanged for the week and 11 rigs in Reagan County, also unchanged. Howard County added a rig for 10 at work within county lines...

#### ***Spectrum Local News***

Texas lawmakers work to pass bill requiring power plants to weatherize

By Niki Griswold

May 22, 2021

<https://spectrumlocalnews.com/tx/south-texas-el-paso/news/2021/05/21/texas-lawmakers-work-to-pass-bill-requiring-power-plants-to-weatherize>

TEXAS — Texas lawmakers are one step closer to passing a bill that would require power plants and electricity providers to weatherize their facilities. The bill addresses a number of additional issues, including creating an emergency power outage alert system, and requiring utility regulators to regularly practice for emergencies.

It's a major push from the legislature to address the disastrous failure of Texas power grid during February's winter storm. "I would argue that we can't leave this session without passing this bill," said Rep. Chris Paddie, R-District 9.

As chairman of the House State Affairs committee, Rep. Chris Paddie is committed to getting Senate Bill 3 over the finish line and signed into law. The bill would require power plants to weatherize their facilities after February's winter storm caused widespread power failures across the state.

"Our first goal was to identify where were the failures, the problem areas. And primarily those fell into three categories, so those were oversight and accountability, communication failures, and then the weatherization issues, and I think with SB3, I think we've addressed all of those things," said Paddie. The House State Affairs committee unanimously approved the bill Tuesday night, with some changes, including only requiring certain natural gas facilities to weatherize.

"Not every gas facility out there in the state is related to the supply chain of electric generation and so in fact you have a lot of wells, in particular 70,000 or so, that are marginal wells and produce very little. If you start putting additional costs, unnecessary costs on those, it's probably going to force those wells offline," said Paddie...

### ***Rigzone***

Five Reasons Why IEA's Net-Zero Drive Needs Oil and Gas

By Matthew V. Veazey

May 24, 2021

<https://www.rigzone.com/news/five-reasons-why-ieas-netzero-drive-needs-oil-and-gas-24-may-2021-165506-article/>

Last week the International Energy Agency (IEA) issued a report outlining how to achieve a net-zero emissions energy system by 2050. The report, among other things, calls for immediately ending fossil fuel investments and envisions no sales of internal combustion engine-powered passenger cars by 2035. Two informed oil and gas market-watchers late last week offered Rigzone their perspectives on IEA's report.

Texans for Natural Gas (TNG), a Texas Independent Producers and Royalty Owners Association (TIPRO)-managed education campaign, has conducted its own assessment of the IEA "net-zero pathway" and contends the report confirms that the world will continue to rely on oil and gas.

"Most notably, the report outlined an extreme scenario for global oil and gas producers, which included no new investment in fossil fuel supply projects," remarked Ed Longanecker, TIPRO President, in a written statement emailed to Rigzone. "As anti-fossil fuel voices have continued to highlight the recommendation, they have failed to take a closer look at the report, which in its entirety emphasizes the ongoing role oil and gas have to play in the global population's everyday lives – even under the IEA's net-zero pathway."

In its take on the IEA report, TNG maintains:

IEA's document underscores oil and gas' importance to the world's energy future rather than anticipates an end to fossil fuels...

### ***Houston Chronicle***

Time is running out for legislators to tackle fixing Texas' electrical grid

By Erica Grieder

May 24, 2021

<https://www.houstonchronicle.com/news/columnists/grieder/article/Time-is-running-out-for-legislators-to-tackle-16196616.php>

Time is running out for the Texas Legislature to take action in response to the February winter storm that debilitated the state, leaving nearly 200 people dead, costing Texas roughly \$130 billion, and leaving us all of us painfully aware of problems with our power grid — problems that industry experts and federal regulators have long been warning about.

Now, politicians have just days to pass reforms that would require weatherization of power plants and some natural gas infrastructure and give the Lone Star state a chance of avoiding future disasters.

"We watched the collapse of the systems we rely on," said Jeffrey Clark, the president and CEO of the Advanced Power Alliance, in a Zoom-based briefing with several industry experts Thursday, three months after 10 million Texans were left without power. The inadequacies of our government have been on full display in the aftermath. Republican leaders — the majority of whom were in office when previous weather events spurred calls for reform — were quick to point fingers at renewable energy, the Public Utility Commission and the Electric Reliability Council of Texas, known as ERCOT.

"Our wind and our solar got shut down, and they were collectively more than 10 percent of our power grid, and that thrust Texas into a situation where it was lacking power on a statewide basis," Gov. Greg Abbott told Fox News' Sean Hannity in February. "This shows how the Green New Deal would be a deadly deal for the United States of America."

The failure is obviously a multifaceted one, and not one that we can avoid simply by sacking ERCOT's board or placing new burdens on the wind and solar industries.

"We have been fighting all year to make up lost ground because of that political response," said Clark...

#### **WFAA - Dallas**

In rare interview, CEO of Texas' largest generator of electricity said state economy at stake if lawmakers don't pass energy reform: "We can't miss on this one. We have to have electricity. It is fundamental," said Curt Morgan, Vistra Corp CEO on Inside Texas Politics

May 23, 2021

<https://www.wfaa.com/article/news/politics/inside-politics/in-rare-interview-ceo-of-texas-largest-generator-of-electricity-said-state-economy-at-stake-if-lawmakers-dont-pass-energy-reform/287-812b2316-79a3-436f-af85-855fe61a56c0>

DALLAS — In a rare television interview, the CEO of Vistra Corporation, the state's largest generator of electricity, said the state's economy is at stake if Texas lawmakers do not pass meaningful energy reform in the final week of the legislative session.

"When I go to a meeting, a chamber [of commerce] meeting, and I hear Texas Instruments say we're thinking twice about putting in a semi-conductor plant because of electricity, we can't miss on this one," said Vistra CEO Curt Morgan on Sunday's Inside Texas Politics. "We have to have electricity. It is fundamental to everyday life for businesses and people alike. And when it's that big a deal, it's my view that elected officials will come together and do the right thing."

When pressed on what he heard from Dallas-based Texas Instruments, Morgan said: "I didn't hear them say they were not going to do it, but they said it made them think."

With a week left in the legislative session, Morgan said he remains confident that Texas lawmakers will pass legislation that leaders called a priority after the deadly power outages in February left millions of Texans in the cold and dark.

The state House and Senate have both passed different versions of legislation to address the failures that Texans experienced but representatives from the chambers have yet to settle on specific, substantial changes...

#### **Midland Reporter-Telegram**

Opinion: Railroad Commission should tackle the state's orphan well problem

By Joe Shuster Pecos County

May 23, 2021

<https://www.mrt.com/opinion/article/Opinion-Railroad-Commission-should-tackle-the-16192927.php>

Massive power outages and freezing temperatures in February still have us thinking about how Texas leaders could have done a better job planning for our energy future. Meanwhile another energy crisis is quietly underway, one I hope the Railroad Commissioners and my fellow Texans will watch carefully.

Since 2015, the law firm Haynes and Boone has reported 129 bankruptcies of oil and gas companies in Texas alone. Dozens more are predicted to go bankrupt by the end of 2022. Contrary to what its name implies, the Railroad Commission of Texas oversees oil and gas development, not railroads. The agency is celebrating its 130th anniversary this year, and oil and gas development has been taking place in Pecos County for nearly as long. The legacy this development has left behind reflects not only as prosperity, but also as the dredges of bankrupt companies.

A recent report, "Unplugged and Abandoned," shows the number of orphaned inactive and unplugged oil and gas wells in Texas has remained stagnant, in spite of the Railroad Commission's efforts to plug them. These wells are called "orphans" because the companies that drilled them either can't afford to pay the cleanup costs or have long ago gone out of business.

Pecos County has the second highest number of orphan wells in the state at 263. There are 930 orphan wells in the entire Permian Basin, and another 10,400 are not yet orphaned but have remained inactive and unplugged for 10 years or more. These figures only include the orphan wells the Railroad Commission tracks.



Dozens of abandoned wells in Pecos County were drilled in the early years of oil and gas development and haven't even made it onto the Railroad Commission's orphaned wells list. Some of these wells were at one point reclassified as water wells, producing water that contains harmful chemicals and high salt concentrations -- making the water unusable for people, livestock or land crops. A collection of these unplugged, produced-water wells has formed what is now known as Boehmer Lake, a saltwater body spanning just more than four football fields not far from the Pecos River. The extreme salinity and the presence of hydrocarbons in Boehmer Lake threatens shallower groundwater formations...

### ***Corpus Christi Caller-Times***

Forum: Port of Corpus Christi a vital economic engine in South Texas

By Charles W. Zahn Jr. Port of Corpus Christi Commission

May 24, 2021

<https://www.caller.com/story/opinion/forums/2021/05/21/forum-port-corpus-christi-vital-economic-engine-south-texas/5182115001/>

As the Biden Administration starts looking for ways to jumpstart the economy through a much-needed infrastructure bill, the federal government needs to look no further than our very own Port of Corpus Christi to meet the goal to build back better. The Port of Corpus Christi for decades has been a key economic driver for not only the Texas Coastal Bend region, but has helped ensure economic stability for the state and nation as a whole. Success at the Port of Corpus Christi can — and will — mean success for the nation overall.

Over two decades ago, the journey to widen and deepen the Corpus Christi Ship Channel began, but it wasn't until 2017 that the Port of Corpus Christi and U.S. Army Corps of Engineers entered into a Project Partnership Agreement, officially kicking off work on the channel improvement project. The Port of Corpus Christi is now a leading innovative export gateway of American energy and has seen phenomenal growth over the past few years, necessitating the need for an improved ship channel to meet that demand.

As you can imagine, widening and deepening the port is no easy task, but I am proud to say that we have been able to undertake this project with full regard for the environment. And the great news is this long-term project is almost across the finish line!

As we continue to make progress on widening and deepening our ship channel, our local ecology remains our highest priority and it is essential we take care of the natural surroundings that have made our success possible. We have several projects in the pipeline that demonstrate that commitment, including the designation of 1,600 acres of submerged property for habitat creation.

In April of this year we joined the Environmental Protection Agency's Green Power Partnership as part of our ongoing commitment to be a leader in environmental stewards in the Coastal Bend region. The port has already made proactive commitments to be a leader in environmental protection and just finished its 13th consecutive year of being ISO 14001 certified, as well as being the first Texas port to achieve Green Marine certification in 2016...

**From:** Andrew Keese  
**Sent:** Thursday, May 20, 2021 9:45 AM  
**To:** NewsClips  
**Subject:** RRC News Clips: May 20, 2021

## **‘Collective amnesia’: Texas politicians knowingly blew 3 chances to fix the failing power grid**

By James Osborne, Eric Dexheimer, and Jay Root  
Houston Chronicle  
May 20, 2021

Ten years ago, Texas power plants froze during a fast-moving winter storm, causing rolling electricity blackouts across the state. Outraged Texas regulators and lawmakers, vowing to crack down, debated requiring energy companies to protect their equipment against extreme weather to ensure reliability.

But they didn’t.

Nine years ago, two state agencies that regulate utilities and the oil and gas industry warned that natural gas facilities that lost power during outages couldn’t feed electricity generation plants, creating a spiral of power loss. The agencies jointly recommended that lawmakers compel gas suppliers and power plants to fix the problem.

But they didn’t.

Eight years ago, economists warned that the state’s free-market grid left companies with little incentive to build enough plants to provide backup power during emergencies. With the support of then-Gov. Rick Perry, legislators and regulators considered increasing power rates to encourage the construction of more power plants, so that Texas, like other states, would have sufficient reserves.

But they didn’t.

In the wake of each power failure, or near-failure, over the past decade, Texas lawmakers have repeatedly stood at a fork in the road. In one direction lay government-mandated solutions that experts said would strengthen the state’s power system by making it less fragile under stress. The other direction continued Texas’ hands-off regulatory approach, leaving it to the for-profit energy companies to decide how to protect the power grid.

In each instance, lawmakers left the state’s lightly regulated energy markets alone, choosing cheap electricity over a more stable system. As a result, experts say, the power grid that Texans depend on to heat and cool their homes and run their businesses has become less and less reliable — and more susceptible to weather-related emergencies.

“Everyone has been in denial,” said Alison Silverstein, a consultant who works with the U.S. Department of Energy and formerly served as a senior adviser at the Federal Energy Regulatory Commission. “They treat each individual extreme event as a one-off, a high-impact, low-frequency event, which means, ‘I hope it doesn’t happen again.’”

With each passing year, the grid has steadily become less reliable. In 1989, Texas suffered a cold snap considered worse if not equal to the winter storm earlier this year yet managed to keep the grid functioning, with only a few hours of rotating outages.

By comparison, February's Winter Storm Uri brought the Texas power grid to within five minutes of complete collapse, officials acknowledged. Millions of residents were left without power for days in subfreezing temperatures; nearly 200 died.

"Our system now is more vulnerable than it was 30 years ago," said Woody Rickerson, vice president of grid planning and operations at the Electric Reliability Council of Texas. "With the generation mix we have now, the weather has the ability to affect wind and solar and (the gas supply). Those are things we can't anticipate."

### **Lower prices for big business**

The modern deregulated Texas power market was set up in the late 1990s to replace the state-controlled system through which Texans had gotten their electricity for close to a century. Rising power prices had become increasingly unpopular among the public and industry, in particular the petrochemical plants and refineries lining the Gulf Coast.

In terms of prices, the plan worked — especially for big business. Since 2001, the last year before deregulation, average industrial electricity rates in Texas declined by 7 percent, according to federal data ending in 2020. Over that same period, average residential rates grew almost 30 percent, though they remain well below the national average.

Cheap power for industry has fed the oil and petrochemical boom along the Gulf Coast and West Texas and attracted new companies to Houston, Dallas, San Antonio and Austin. It also created a new industry, power retailing, with hundreds of companies springing up to act as middlemen, negotiating lower prices from generators in order to amass more customers and boost their profits.

"This was never done to benefit the residential customer," said Robert Cullick, the former head of communications at the Lower Colorado River Authority, the Austin-based nonprofit that manages power plants and hydroelectric dams across Texas. "It was for the big guys and those who wanted to sell power into the market and make big profits."

Under the old system, utilities had to keep enough capacity to adequately serve every customer in their area. But under deregulation, that responsibility was handed to the so-called "invisible hand" of the free market.

The system worked for a time, relying primarily on old infrastructure built during the regulated era. But as that equipment aged and the state's population boomed, Texas' power grid has become increasingly strained.

### **2011: Anger, then sticker shock**

The first real sign of trouble came in February 2011, when freezing temperatures across Texas forced ERCOT to rotate outages for two days during Super Bowl weekend, impacting 4.4 million customers.

Lawmakers assessing the fallout were incredulous and angry. Was Texas — no stranger to hurricanes and other weather catastrophes — really so ill-prepared to handle a nasty winter storm?

"There's no secret that winter comes around once a year," said Sen. Mike Jackson, R-La Porte.

Legislators introduced a flood of bills, requiring the PUC to buy more backup generation and penalizing companies that didn't meet reliability standards. But as they would time and again in the years ahead, Texas elected leaders opted not to take significant action, convinced their free-market power system — less regulated than any grid in the country — ultimately would find a way to keep the lights on.

Public Utility Commission chairman Barry Smitherman was asked during the ensuing legislative hearings whether the Legislature needed to change the law to force power plants to weatherize. Smitherman demurred.

“I think we have all the authority we need, Mr. Chairman,” Smitherman said, adding that the PUC would consider tweaks to its rules to ensure that the grid remained reliable. “The companies are going to have to take the initiative to get this done.”

Behind the scenes, electric utilities and large consumers of electricity, such as refineries and computer manufacturers, were lobbying hard against stronger winterization measures, arguing it would raise energy costs, recalled Tom “Smitty” Smith, who at the time led the activist group Texas Public Citizen.

A [recent study by the the Federal Reserve Bank of Dallas](#) estimated the cost of winterizing natural gas plants after the 2011 storm — the largest source of outages during the February blackout — at \$95 million in today’s money. Much of that would have fallen on the state’s industrial companies, which account for more than half of Texas power consumption.

In Austin, those companies wield outsized influence. Representatives of the energy, natural resources and waste industries spent a combined \$64 million lobbying the Texas Legislature in 2011 — more than any other sector — according to [an analysis of 2011 lobbying contracts](#) by the liberal watchdog group Texans for Public Justice.

“It might have cost an extra few dollars a year on the average residential consumer electric bill to have protected ourselves from this problem,” Smith said. “Our legislators got convinced by the big electric utilities and industrial customers that this would cost too much.”

### **2011: Regulation with no teeth**

As a result, the only legislation to come out of the 2011 storm was a minor bill from then-state Sen. Glenn Hegar, a Katy Republican, which required power companies to file weatherization plans with the PUC each year.

Two months after that bill was signed into law, the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation put out a report of more than 350 pages, urging Texas to enact stricter weatherization standards for power plants and natural gas operators.

And they did to a degree, with ERCOT putting out best practices, conducting annual workshops and inspecting plants every three to four years.

But there were two problems. First, despite FERC’s recommendation, the state Legislature never gave the PUC authority to penalize power plants that did not comply, making weatherization voluntary. While progress was made, some companies opted not to bring their plants up to code, said Rickerson, the ERCOT vice president.

“Ultimately those were financial decisions that had to be made,” he said. “How much is someone willing to invest in a power plant that’s 50 years old and going to retire in a few years?”

More significantly, the best practices ERCOT was sharing were designed for a cold snap like that seen in 2011. While cold, with temperatures in Dallas dropping as low as 14 degrees, it was nothing compared to the 1989 winter storm, when temperatures dropped to 7 degrees in Houston and minus-7 in Abilene, let alone 1899, when the state’s all-time low temperature of minus-23 degrees was set in the Panhandle town of Tulia.

So when temperatures dipped into the single digits for days on end this February, most Texas power plants were simply not prepared. Exterior control equipment and fuel lines froze, not to mention coal piles and wind turbine blades.

“One power plant under freezing for 200-plus hours. That’s not a thing, right?” said Chris Moser, executive vice president of operations for NRG Energy, of expectations going into the winter. “If you look at the math ERCOT

did prior to the seasonal assessment, it looked like (there was plenty of power). But then you have 80 to 85 plants not showing up. It was a failure of imagination.”

As for Hegar’s legislation, it has proved even more toothless than it appeared at the time.

According to a recent report from ERCOT, the agency was never given authority to judge the weatherization plans but only to check that they were being implemented. And a requirement in Hegar’s bill that the PUC produce a one-time Weather Emergency Preparedness Report, which was [quietly published in 2012](#) and found that many power companies were still doing a poor job implementing reforms, drew little attention from state officials.

“When you’re on the commission, you’re dealing with what’s immediately in front of you,” said Ken Anderson, a former public utility commissioner. “I’m not sure how much follow-up occurred.”

A decade later, Hegar, now the Texas comptroller, described his bill as politics being the art of the possible, saying the Legislature should have taken a “much more active role” in 2011.

“It’s almost like an obstacle course,” Hegar said. “There’s a lot of people laying in the darkness and in the weeds that are trying to kill your stuff, and you don’t even know who they are.”

### **2012: A hard ‘no’ from oil and gas**

Texas’ natural gas system also froze up during the 2011 storm, but the gas producers got even less scrutiny than the power companies.

Shortly after that event, federal officials recommended the state consider “minimum, uniform standards” for winterizing natural gas wells and processing facilities, as well as labeling them critical facilities exempted from rolling blackouts, like hospitals and water treatment plants.

But oil and gas companies, a lobbying force without equal in Austin, resisted.

The industry has long held sway over politicians in Texas, where it is not only a huge employer but also a massive campaign contributor. Perhaps nowhere is that more apparent than the oddly named **Texas Railroad Commission**, where fundraising from the very companies the agency regulates is considered essential to winning a seat on the three-member commission.

“Gas is nearly unregulated,” said Peter Cramton, a former ERCOT board member and economist at the University of Maryland. “The **Railroad Commission’s** mission is quite different than the mission of ERCOT, which has a public service mission. Their mission is to support the oil and gas industry.”

There is no indication the **railroad commission** even considered the federal recommendation that it mandate gas facilities weatherize after the failures of 2011.

Even now, in the wake of the devastating blackout in February, railroad commissioners are resisting such standards, with **Railroad Commissioner Wayne Christian** calling those efforts part of a “never-ending war against fossil fuels” in a March op-ed in the *Wall Street Journal*.

Even the task of getting gas facilities exempted from rolling blackouts never came to fruition, with only small numbers of companies alerting utilities to their need.

In 2012, the Public Utility Commission and **Texas Railroad Commission** jointly published a report calling for better coordination between the gas and power sectors to ensure a more reliable gas supply during power shortages. The following spring, the **Railroad Commission** issued a letter urging operators of gas infrastructure

such as pipelines and compressors to sign them up as “critical loads,” warning, “many natural gas facilities rely on electricity to operate.”

But few gas facilities did, a failure that would come back to haunt them when Winter Storm Uri hit in February.

When temperatures first began falling around Midland three months ago, gas production plunged more than 20 percent over five days, according to estimates by the research firm Wood Mackenzie. But production would drop far further when ERCOT began rotating outages Feb. 14, leaving gas operators that had not enrolled as critical facilities without power.

Oncor, the utility covering North and West Texas, said only 35 gas operations in the Permian Basin had signed up prior to the February cold snap — compared to the almost 170 that signed up after they had already been shut off during the freeze.

Testifying at the Legislature after the storm, **Christi Craddick, chair of the Railroad Commission**, said she didn’t know that companies could sign up to avoid having power shut off.

“I didn’t know that was an opportunity,” she said. “We didn’t have anything on our website. And really it’s a function of working with those energy companies and ERCOT to put those people as priority.”

But when the **Railroad Commission** issued its 2013 letter about the importance of exempting critical gas infrastructure from blackouts, Craddick’s name was on the letterhead.

Jennifer Hubbs, a former analyst at the PUC who wrote the Texas Energy Assurance Plan, said there was little appetite among Craddick and other officials to effect real reforms in the system.

“The few steps we were permitted to take (such as the **RRC** letter) were ignored and forgotten,” she said.

**Craddick spokeswoman Mia Hutchens** said Craddick “was not aware” of the 2013 letter when she testified in February.

Under the existing system, there is limited incentive for natural gas plants to weatherize.

Unlike power plants, which under ERCOT rules are required to buy electricity in the event they cannot generate — often at inflated prices — natural gas producers are assessed no penalty for failing to deliver.

When wells freeze, they’re not producing gas and therefore not making money. But during such a shortage, a natural gas company producing at only half its normal output still could make 50 times what it would on a normal day. Gas prices on the Houston Ship Channel soared more than a hundredfold, from \$3.72 per Million British Thermal Units on Feb. 11 to \$400 on Feb. 17.

Vistra Energy, one of the state’s biggest power generators known for its TXU Energy brand, started receiving word from its gas suppliers on Friday, Feb. 12, that because of the freezing conditions it would not be able to deliver on its gas contracts for the coming weekend, said CEO Curt Morgan.

“We had to go into the open market and buy what gas we could find,” he said. “In that one week, we spent double what we spent in all of 2020.”

For the oil and gas sector, however, the blackout presented a potentially large financial windfall.

The president of Jerry Jones’ oil company, Comstock Resources, called the blackout a “jackpot” on a call with investors, while the pipeline company Kinder Morgan reported a \$1.4 billion profit for the first three months of the year, more than twice what analysts had anticipated, primarily on the basis of gas sales during the blackout.

In recent months, gas producers have acknowledged the need to weatherize their operations against the cold. Yet they continue to argue that government mandates requiring them to do so are unnecessary.

“The market can provide the signals that are necessary to make sure the product flows,” said Todd Staples, president of the Texas Oil and Gas Association.

### **2013: Scoffing at the safety net**

In 2013, lawmakers had another opportunity to make the grid more reliable. They didn’t just pass on it; they shot it down.

After the rolling blackouts in February 2011 and a historic run of hot days that summer, warnings came that Texas’ reserve margin — the amount of power the grid could generate in case of an emergency — was running dangerously low.

The Texas Public Utility Commission began to examine shifting to a so-called capacity market like those in the Northeast. Power plants there bill ratepayers not just for the electricity they sell but for maintaining capacity for times of high demand.

Armed with studies predicting imminent disaster, Texas power companies got the support of Gov. Perry, who in 2013 called his advisers to his office to debate the merits, said Pat Wood, the former chairman of the state utility commission and the Federal Energy Regulatory Commission.

Perry said, “Look, it’s a political issue and you guys know it better than I do,” according to Wood.

But the commission quickly drew the wrath of large industrial and commercial customers, including the influential refining and petrochemical companies, who argued forecasts of power shortages were overblown and predicted billions of dollars in costs for consumers if the commission went ahead.

“If something is a needed improvement to reliability, we will support it,” said Katie Coleman, an attorney representing large industrial and commercial power customers, in an interview. “The problem with the capacity market is it’s three-year forward projection that may have nothing to do with supply and demand.”

Outraged by the prospect of raising power prices, Troy Fraser, the state senator who had led the charge toward deregulation 15 years earlier, called a hearing three days before Thanksgiving, ordering industry and officials to explain themselves.

Testifying in the wood-paneled meeting room of the Senate Committee on Natural Resources, John Fainter, a veteran lobbyist for the power industry — since deceased — warned: “It’s important reliability be kept first and foremost, not profit.”

Republicans and Democrats alike were incensed, looking at the proposal not as a legitimate warning about the future of the grid but as a money grab at the expense of consumers and industry.

Fraser grilled utility commissioner Brandy Marty, a former chief of staff to Perry, asking how she thought \$4 billion a year in additional power costs might impact the surge of businesses moving to Texas.

“You have a history in the governor’s office of being very pro-business and trying to recruit business in Texas,” he said. “Our energy cost is about half of (California’s), and one of the reasons we’re getting a lot of our industry is because” of cheap electricity.

“How much is this going to cost our school districts?” asked Sen. Rodney Ellis, a Democrat representing Houston. “We don’t want blackouts or brownouts, but there ought to be some middle ground.”

Fraser declined an interview request, saying, “I don’t do interviews any more since I left.”

But his intent at the hearing was clear, said Bill Peacock, who at the time served as vice president of the right-leaning Texas Public Policy Foundation.

“It was the Legislature telling the PUC: ‘This is not your job,’” he said.

Ellis, now a Harris County commissioner, defended his opposition as protecting underfunded schools, adding the Legislature’s “biggest mistake” on power came in creating “a market-based system that does not adequately serve our state.”

It is unclear how much a capacity market would have changed the outcome of the winter storm earlier this year.

But the ferocity with which the oil and manufacturing firms attacked the capacity market proposal effectively sidelined the issue of substantive change in the Texas power market to improve resilience. Instead of a capacity market, the state utility commission — with the backing of industrial customers — opted for a more modest shift in the rules, allowing for payment to power plants that were at the ready to come on in times of power shortages.

Experts said gas plants today are better prepared for summer conditions than they were a decade ago. Yet the rule change has done little to get new power plants built, let alone weatherizing them for winter weather.

“The problem was everybody decided to get collective amnesia,” said Silverstein, the energy consultant. “Every August and September it’s all hands on deck, with everyone hand-wringing until we get through the summer peak. And then they say, ‘the ERCOT market worked.’”

Until it didn’t.

---

## **Documents reveal natural gas chaos in Texas blackouts**

By Edward Klump, Mike Lee, and Carlos Anchondo

E&E News

May 20, 2021

Texas’ electricity leaders were deeply focused on natural gas shortages days before blackouts crippled the state in February and plunged the state’s power industry into chaos, according to documents obtained by E&E News.

A phone log shows more than 100 calls to or from DeAnn Walker, then-chair of the Public Utility Commission of Texas, discussing gas curtailments. It begins Feb. 10 — well before massive power outages started on Feb. 15 — and runs through Feb. 19.

Walker spoke to everyone from the chief of staff of Texas Gov. Greg Abbott (R) to power company officials. During the cold blast, Abbott promoted fossil fuels and blamed renewable energy before walking back some of that criticism.

The PUC records provide a more detailed picture of how concerned state leaders were about the natural gas industry prior to and during the crisis. While gas is crucial to keeping the lights on in Texas, the industry’s powerful lobby has successfully avoided new regulations on its operations for years. The documents also show concern from Texas legislators that electric grid managers didn’t push the industry hard enough to weatherize the system after a 2011 storm that caused rotating power outages.



At least 151 people in Texas died in the wake of the winter storm that led to widespread power outages, according to a state tally. Millions of people lost access to clean tap water as treatment plants lost electricity, and there was widespread property damage from frozen pipes.

While numerous wind facilities had issues in Texas, gas-powered generation had the most megawatts of generating capacity offline of any resource during the February power crisis, according to the Electric Reliability Council of Texas, whose region includes about 90% of the state's power load.

Walker's diary of her daily activities — included with a [letter](#) to state lawmakers — shows she briefed Abbott's office and legislative leaders about gas shortages on Feb. 10 and Feb. 11. She also talked frequently during the energy crisis with Vistra Corp., according to the documents, which were released through a Texas Public Information Act request. Vistra is Texas' largest power producer.

On Feb. 10, "I received information from Vistra Corporation that they had received notices of gas curtailments at several power plants. I notified the Governor's office and Chairman Hancock about the information from Vistra," she wrote, referring to state Sen. Kelly Hancock, the Republican chair of the Senate Committee on Business and Commerce. Hancock did not respond to a request for comment.

About Feb. 11 she wrote, "I contacted **Chairman Craddick** about the gas curtailment concerns. I also advised the leadership in the House and Senate about the gas curtailment information." **Christi Craddick (R) chairs the Railroad Commission of Texas**, the state agency with extensive regulatory jurisdiction over Texas' oil and natural gas industry.

On Feb. 15, as the state's main electric grid began to experience blackouts, Walker said she briefed the governor's office about another problem — the power outages were affecting natural gas facilities, forcing them to shut down and cut off fuel to power plants.

Despite the briefing, Abbott told Fox News on Feb. 16 that the outages showed the dangers posed by the Green New Deal, a Democratic energy proposal that hasn't been enacted ([Climatewire](#), Feb. 17). Staffers for Abbott and Craddick did not respond to requests for comment this week.

Many of Walker's phone briefings came before ERCOT, the state's main grid operator, called for controlled electricity outages early on Monday, Feb. 15.

The phone log portrays an ad-hoc effort to communicate as Texas' power sector was headed for a failure that would leave more than 4 million homes and businesses without power for hours or days. It lists calls as well as some texts, emails and in-person events, such as a Feb. 13 press conference Walker attended.

By Feb. 13 and 14, which were a Saturday and a Sunday, a key representative of industrial power users said gas supply problems were on her radar.

"I became aware of the gas issues actually because the generators started calling me," Katie Coleman, energy counsel for Texas Industrial Energy Consumers, told *E&E News* recently. "They were trying to find out if we were experiencing the same issues at our facilities and trying to see if we had any gas under contract that they could buy from us because they were being told no."

Coleman said she also was getting calls that weekend from her group's members as some were being told they couldn't have gas for various purposes. She said she recalled some precautionary gas-related discussions before the weekend as well. Industrial users may reduce their power consumption during times with tight conditions and some can send electricity to the grid.

Walker said in her notes that there also was an effort to work with liquefied natural gas companies to reduce production.

“We moderated our electricity consumption and made the significant majority of gas we were unable to use — amounting to billions of cubic feet — available to utilities, pipelines, and power providers,” Cheniere Energy Inc. said in a statement.

Before the power crisis, the **Railroad Commission** issued an order prioritizing gas delivery to utility companies and power generators that serve “human needs customers” like homes, hospitals and schools. Industrial users were given lower priority.

Walker did address some gas concerns during a Feb. 12 open meeting of the PUC, but the reference was fairly brief. She said Craddick was helpful in working through issues related to gas generation plants.

“It’s going to be a really tight weekend,” Walker said. “It’s going to be particularly tight on Monday and Tuesday.”

She then pivoted to talk about frozen wind turbines, adding that “we’re working already to try to ensure that we have enough power.” But she said it was “taking a lot of coordination.”

Abbott had appointed Walker to the commission, but ultimately she and two other PUC members resigned following the blackouts as controversy swirled. Two new Abbott-appointed members have since joined the commission. It has three seats, though that could climb to five under pending legislation.

### **Lawmakers and oversight**

Some of Texas’ biggest power producers have been calling for more coordination with, and weatherization of, the gas industry in the state. Mauricio Gutierrez, the CEO of NRG Energy Inc., said recently that “the entire system, including natural gas, needs to be hardened as they say from wellhead to lightbulb.”

The Texas Oil & Gas Association has defended the industry’s record, saying gas producers and pipeline companies put in extra effort to keep fuel flowing during the crisis. It has resisted calls to fully weatherize gas production sites.

Most of the legislators, power companies and state officials that Walker spoke with didn’t provide detailed comments to *E&E News* this week when asked about their discussions with Walker. The former PUC chair also didn’t provide a statement through the agency.

Andrew Barlow, a spokesman for the PUC, said in a statement that Walker “worked tirelessly during the grid event, coordinating with decision makers across industry, agencies and government to solve problems revealed by the unprecedented strain on the system.”

The documents released by the PUC also show Texas legislators’ concerns that the state’s primary grid operator didn’t do enough to make sure facilities were weatherized after the storm-driven 2011 power outages. Those outages, while not as severe as this year’s, were largely blamed on the same problems, including poor communication and freezes at gas facilities.

In a Feb. 17 letter to ERCOT leadership, state Rep. Sam Harless (R) criticized the grid operator’s ability to handle extreme weather events.

“Rolling blackouts and power outages that spread throughout Texas’ power grid in both hot and cold weather would also seem to demonstrate the current administration and oversight board possesses insufficient

imagination or resources to properly assess and plan for the capacity needs of our critical electrical infrastructure,” Harless said.

Some power providers pushed back against efforts to write weatherization standards in 2014, state Rep. Matt Shaheen (R) wrote Feb. 28 in an email to Luis Saenz, chief of staff in the governor’s office.

“My bottom-line view is that the regulatory agencies, although they had their faults, were directing the utilities to have Emergency Operations Plans so that they would be prepared for an extreme weather event,” Shaheen wrote. “The [utilities’] planning for such an event was insufficient and ERCOT audited and concluded the Emergency Operations Plans were sufficient, which was an error.”

In response to the criticism, ERCOT said in a statement this week that it looks forward to working with lawmakers on potential changes.

Brad Jones is ERCOT’s interim CEO. He replaced Bill Magness, who was fired as chief executive after the blackouts. A number of ERCOT board members also resigned, and lawmakers are considering legislation that could alter the board’s makeup.

Still, the Texas Legislature’s energy reforms remain a work in progress. Efforts that have seen support in both chambers include plans for an annual audit related to ERCOT and work by regulators on a process to designate certain natural gas facilities as critical in an energy emergency.

But it’s not clear that tough weatherization of the gas system will be enacted despite the February crisis ([Energywire](#), May 12).

An amended version of [S.B. 3](#), a key bill meant to address power failures and weatherize generation, could impose penalties for companies that don’t prepare energy assets for weather emergencies. But it seeks to narrowly target gas facilities linked to the electricity supply chain instead of the broader gas system.

The penalties in the bill, while ranging as high as \$1 million, aren’t high enough to faze large energy companies, Virginia Palacios, executive director of the government reform group Commission Shift, said in an email.

The bill has already passed the state Senate and it passed out of the House Committee on State Affairs this week. A new section of the legislation endorsed by the House committee could benefit “dispatchable” generation tied to fuels such as gas, coal and nuclear.

Lawmakers are working to pass various changes before the end of the regular state legislative session on May 31. A special session is also possible.

“Any priority legislation that seeks to prevent a tragedy like this from happening again needs to be amended to protect the lives and livelihoods of Texans,” Palacios wrote.

*Reporter Mike Soraghan contributed.*

Twitter: [@edward\\_klump](#) Email: [eklump@eenews.net](mailto:eklump@eenews.net)

## 2 key bills in response to Texas winter power outages advance

By Jack Fink

KTVT

May 19, 2021

Video story on webpage: <https://dfw.cbslocal.com/2021/05/19/2-key-bills-advance-texas-winter-power-outages/>

Texas lawmakers are making progress on some key bills aimed at preventing February's widespread and deadly power outages.

On Wednesday, the Texas Senate passed a bill that requires the Public Utility Commission of Texas and the **Railroad Commission of Texas** to designate natural gas production facilities that supply electric generators as critical during an emergency.

Ideally, it would prevent the facilities from losing electricity, as some did during February's power outages, and would restore power quickly if they did.

Todd Staples, President of the Texas Oil and Gas Association, said that bill and others are ones they'd like to see passed. "Reliability is the goal, and I'm confident that the legislature will get meaningful reforms passed."

On Tuesday, a House committee approved Senate Bill 3 and sent it to the full House.

It requires electric power generators and key natural gas production facilities to winterize their facilities to prevent the outages experienced in February.

If that doesn't happen, operators could face fines of up to \$1 million a day.

Staples said, "Our processing plants all the way to power generation units are very important to be winterized in statute, and have those accountability requirements so that that product can get moved throughout the system."

The bill also requires state regulators to set up a statewide alert system to notify Texans about potential outages, map out key infrastructure and meet regularly to identify potential problems before an emergency.

Staples said, "They're all going to be in a war room. And they're really going to stay together and focused on how to make certain Texans get what they need."

Ultimately, lawmakers in the House and Senate will have to hash out their differences in these and other bills they're working on in response to the February storms.

---

## On foolish dependency and the Texas electricity grid

By David Blackmon

Forbes

May 19, 2021

I have written quite extensively about dependency recently, and the lack of wisdom in allowing it to linger until it evolves into a crisis. Whether it be the decision by policymakers in 17 states and the District of Columbia to rely on a single pipeline for most of their gasoline supply; the dependence of shale oil and gas companies on the preservation of the OPEC+ arrangement as a price support; the renewables industry's dependency on raw materials supply chains almost solely controlled by China and/or Russia; or even my own foolish dependency on an increasingly unstable Texas power grid managed by the Electric Reliability Council Of Texas (ERCOT)

for my home's electricity — dependency on unreliable and unpredictable sources of support ultimately leads to crisis.

This week produced developments on several of these fronts. Let's look at what it all means for ordinary people by working our way backwards up that list of issues, starting with the Texas power grid, and reforms likely to be enacted by the Texas legislature in the final two weeks of its current session.

During February's infamous arctic freeze/power blackout event, three key grid maladies were identified that need fixing:

- Lack of weatherization of key power generation and natural gas transportation facilities;
- Mismanagement at ERCOT, including decisions to cut power supply to many natural gas facilities during the freeze event; and
- Lack of adequate baseload reserve generating capacity that can be turned on during a crisis.

Obviously, there were many other issues identified during and after the crisis, but these are the three big ones that must be addressed if the grid is to ever be truly stabilized. As things stand today, the legislature appears prepared to address the first two issues while leaving the third still hanging unresolved.

The House State Affairs Committee, chaired by Republican Chris Paddie, approved SB 3, an omnibus electricity bill on a unanimous vote Tuesday, sending the bill to the House Calendars Committee to be scheduled for a floor vote by the full House. Unfortunately, language designed to address the reserve capacity issue that was included in the senate version of the bill was nowhere to be seen in the house version.

If approved, the bill would require weatherization of many of the state's power generation facilities as well as critical natural gas infrastructure that performs a role in the grid's supply chain. According to Todd Staples, President of the Texas Oil & Gas Association, [less than 20%](#) of the state's natural gas infrastructure performs such a role. Assuming that 20% or so can be properly identified and protected from having its power supply cut off during an emergency, requiring the remaining 80% to be weatherized would amount to a waste of effort and resources.

SB 3 would enact reforms to how ERCOT's board is constituted and how the entity manages the grid. The bill would also create a new entity called the Texas Electricity Supply Chain Security and Mapping Committee, which would be responsible for identifying the critical infrastructure to be weatherized and to be exempted from ERCOT-mandated blackouts.

The bill contains other provisions, but these are the key points that would potentially fortify the grid from future catastrophic, deadly failures like the one Texans experienced in February of this year, and in February, 2011.

But what this bill does not do is anything to mandate or incentivize the construction of additional reserve baseload power generating capacity in the Texas market. Nor does it do anything to reform the way the state's de-regulated market generates signals to generators to build new capacity, signals that have been notably absent for more than a decade now. It does authorize the Public Utilities Commission to "study" the issue related to market signals over the summer, but that also happened in the aftermath of the similar winter freeze/blackout event of 2011, and nothing came of it. Such studies are always where lobbyists attempt to consign proposed measures they wish to kill.

Rep. Paddie [told the Dallas Morning News](#) that this chronic problem will likely not be addressed during the regular session, which ends on May 31. However, he did hold out hope that the issue could be added to the agenda of an anticipated special session that Gov. Greg Abbott plans to call to address redistricting this fall. But

again, absent any real requirement that such action take place, Texas citizens will be left to the vagaries of the same political process that has proved as unreliable as the state's power grid in the past.

As a result, Texans will likely face a long, hot summer knowing that the ERCOT-managed power grid they foolishly depend on for electricity remains short of needed reserve baseload capacity, and the policymakers they elected to represent them in Austin continue to do nothing effective to address the problem that has lingered for more than a decade now.

Texans who have the financial means would be well-advised to get with their local dealers in backup natural gas generators or home solar providers as the most readily-available ways to relieve their foolish dependency on the grid. The 99% or so who don't have the financial means to do that are stuck waiting out another summer hoping for the best.

This is no way to manage a grid.

---

## **Texas Natural Gas Service assured in new construction with governor's OK**

By Carolyn Davis

Natural Gas Intelligence

May 19, 2021

Texas municipalities are prohibited from banning utility services based on energy sources, including the use of natural gas, under legislation signed into law by Gov. Greg Abbott.

[House Bill \(HB\) 17](#), which took effect Tuesday (May 18) with Abbott's signature, would prevent cities and municipalities from discriminating against any particular utility service or infrastructure based on the type of energy being used.

The law was supported by the Texas Independent Producers and Royalty Owners Association, Texas Oil and Gas Association and Texas Pipeline Association.

According to the Texas House Research Organization, supporters said the bill ensures homeowners, builders and businesses have "the ability to decide how best to meet their energy needs. Some states and cities around the country have moved to ban natural gas in new residential and commercial construction.

"By prohibiting policies that would ban or discriminate against a single energy source...HB 17 would preserve customer choice and access to energy sources in Texas, including to affordable and reliable sources such as natural gas."

Critics had argued the bill was "too broad and could have a chilling effect on programs that promote energy efficiency if the programs were interpreted as discriminating against a particular energy source," House researchers said.

State Rep. Joe Deshotel (D-Beaumont) said he had sponsored the legislation initially in response to bans on new natural gas service enacted by [West Coast municipalities](#). However, shortly after [Winter Storm Uri](#) led to a massive power outage across Texas during February, the bill gained momentum.

During a state House hearing on the bill, Deshotel said natural gas had "played an important part in helping a lot of people" who were able to use gas fireplaces and stoves during the blackout.

“I know in my own home, I was able to keep things going because we had a generator that kicked on and ran on natural gas,” Deshotel said.

The Texas bill follows similar legislation enacted in Arizona, Arkansas, Kansas, Louisiana, Mississippi, Oklahoma, Tennessee and Utah to preemptively prevent municipalities from banning gas use in new construction.

Beyond the West Coast, other states are considering gas bans. For example, last June the [Massachusetts attorney general](#) called for an investigation into phasing out gas by 2050 following a series of explosions in the Merrimack Valley. New York City [Mayor Bill de Blasio](#) also has called for a ban on new gas service.

---

## **Pipelines face prospect of tougher climate standard**

By James Osborne

Houston Chronicle

May 20, 2021

WASHINGTON – In the years ahead, the natural gas sector is planning billions of dollars in construction projects to expand the network of pipelines that transport its product around the country and solidify natural gas’ role in the nation’s energy supply for decades to come.

But first they need to convince federal regulators to sign off as President Joe Biden sounds the alarm on climate change and the nation’s reliance on fossil fuels.

The Federal Energy Regulatory Commission is reviewing whether to include contributions to climate change in the criteria for approving pipelines and other natural gas projects. The review is ongoing, with no timeline or a decision, but such a change stands to radically alter how the federal government decides whether to allow the construction of gas pipelines.

“FERC almost never denies (pipeline) applications. As long as there’s a contract in place they approve it,” said Max Sarinsky, an attorney with New York University’s Institute for Public Policy. “They have an obligation to review the impacts of these pipelines, both beneficial and adverse, and that’s not something they’ve been doing with climate impacts.”

That changed earlier this year when FERC, under new Chairman Richard Glick, a Democrat, considered the greenhouse gas implications of replacing an 87-mile-stretch of the Northern Natural pipeline, which runs from West Texas to Michigan. The commission approved the pipeline but the decision drew the angry dissent of Commissioner James Danly, Republican, who argued the commission was overstepping its authority in considering the project’s emissions.

“It appears to me that the (pipeline) industry and its customers are on the verge of experiencing some dramatic changes in the coming months and years,” he said during a FERC meeting in February.

Pipeline companies now face the question of whether their projects will pass muster with a more environmentally conscious FERC.

More than a dozen natural gas projects are under review at FERC, including a major expansion of Kinder Morgan’s Tennessee Gas Pipeline and Southern Gas Pipeline, which connect Texas and Louisiana gas fields to the eastern United States. Also, the Canadian firm TransCanada has five gas projects awaiting approval at

FERC, including the expansion of a pipeline in southern Louisiana to supply the Plaquemines LNG export terminal, which is being developed by the Virginia LNG firm Venture Global.

In the meantime, Glick has signaled he is not going to tread as lightly around pollution from natural gas as his predecessors, recently ordering FERC staff to review whether the expansion of a gas compressor station in Massachusetts was in the “public interest” after a series of accidental leaks into the surrounding community.

“A proposed pipeline’s contribution to climate change is one of its most consequential environmental impacts and we must consider all evidence in the record,” Glick said in a statement earlier this year.

### **Pushback in Congress**

That approach is drawing pushback in Congress. Earlier this month a group of 26 senators, including two Democrats, Sen. Joe Manchin, of West Virginia, and Kyrsten Sinema, of Arizona, wrote to FERC asking they move ahead on the pending projects without considering new standards on climate change.

“Many of the proposed projects before the commission, some pending for more than a year, are critical to addressing supply issues and strengthening our energy infrastructure,” read the letter, which was also signed by Texas’s Republican senators, John Cornyn and Ted Cruz.

Pipeline companies and their trade groups declined interview requests for this story, citing the ongoing debate within FERC. But behind the scenes, the prospect of the federal government digging into emissions data has widened an existing divide within the industry over climate change.

For some companies, it’s a reasonable request considering the need to reduce greenhouse gas emissions to net zero over the next three decades. But for others it’s a non-starter, giving environmental attorneys even more ammunition with which to tie up their projects in court.

“You have companies that want to be more proactive on methane and climate, but not everybody’s there yet,” said one energy attorney, who requested anonymity to discuss an active case before FERC.

The commission’s consideration of climate change, she said, “is not going to foreclose natural gas pipelines. That said it’s going to provide them with more cover and direction to consider climate impacts when they want to.”

The uproar over FERC’s certification process followed a recent trip by commissioner Danly to Houston, where he met with executives from natural gas and pipeline companies, said one executive, who declined to speak on record because his company has projects before FERC.

Danly “ said all these orders are going to come out and you need to intervene,” the executive recounted. “The message was resonating all through the community.”

Danly did not respond to requests for comment.

Some 3 million miles of natural gas pipelines crisscross the United States, supplying power plants, industrial facilities and homes with what remains one of the world’s cheapest sources of energy.

But with scientists warning that the world needs to cut emissions immediately, pressure is growing on national governments to stop the construction of fossil fuel pipelines and compressor stations that are designed to run for decades. This week, the International Energy Agency, which advises governments on energy supply, recommended that oil and gas development be halted if the world is to slow global warming and avoid environmental catastrophe.



## **Revolving door**

Biden took office promising to address climate change, which has become one of the preeminent issues of his party. But standing in the way are Republicans and Democrats from energy producing states, such as Manchin, who are not ready to give up on a fossil fuel industry that employs millions of people around the country.

In recent years, pipeline companies have beefed up their presence on Capitol Hill, employing former top congressional and federal agency staff to lobby on pipeline issues. Kinder Morgan recently hired Manchin's former chief of staff, Patrick Hayes, to lobby on their behalf. Dallas-based Energy Transfer Partners has Adam Ingols, the former chief of staff at the Department of Energy during the George W. Bush administration, lobbying on, "issues associated with the siting, permitting, and construction of liquid and gas pipeline infrastructure."

They likely have busy years ahead of them. Biden has put a temporary halt to oil and gas permitting on federal lands and committed the United States to cutting its greenhouse gas emissions by more than 50 percent by 2030, more than doubled the reduction pledged by former president Barack Obama.

"The Biden administration is taking climate very seriously," Sarinsky, the NYU attorney, said. "We're seeing agencies across the government make use of tools to assess the impacts of climate change."

FERC, as an independent body, is not bound by the Biden administration's policy choices. But later next month, the president will have the opportunity to decide on a replacement for Commissioner Neil Chatterjee, a Republican and former chief of staff to Senate Minority Leader Mitch McConnell, whose five-year term is coming to an end.

That would give Democrats a 3-2 majority on the commission.

[james.osborne@chron.com](mailto:james.osborne@chron.com)

[Twitter.com/@osborneja](https://twitter.com/@osborneja)

---

## **Ford's electric F-150 pickup raises stakes for truck-loving Texas' oil and gas industry**

By Paul Takahashi  
Houston Chronicle  
May 20, 2021

Ford Motor Co.'s all-electric version of its best-selling F-150 pickup is yet another sign of the accelerating energy transition, one that raises the stakes for the oil and gas industry concentrated in truck-loving Texas.

The Detroit automaker on Wednesday unveiled the F-150 Lightning, an electric pickup that starts at just under \$40,000, can travel 230 miles on a full charge and can tow up to 10,000 pounds. For hurricane and tornado-prone Texas, the Lightning also offers another perk: Texans can plug into the truck's 9.6 kilowatt battery pack to power their home for three days during a blackout.

"For both Ford and the American auto industry, F-150 Lightning represents a defining moment as we progress toward a zero-emissions, digitally connected future," Ford's executive chairman Bill Ford said in a statement. "F-Series is America's best-selling truck for 44 years, the backbone of work across the country, and a trusted icon for generations of customers. Now we are revolutionizing it for a new generation."

The F-150 is the top-selling vehicle in Texas. If the Detroit automaker can turn the F-150 Lightning into a best seller, the electric truck can accelerate widespread adoption of electric vehicles, which represent a small but growing segment of the gigantic automotive industry. It would also have profound implications for Houston's critical oil and gas industry, which has long relied on the automotive industry to drive demand for crude and petroleum products such as gasoline and diesel.

The International Energy Agency estimates that electric vehicles displaced nearly 600,000 barrels of oil products per day in 2019. That figure is expected to grow to 2.5 million barrels per day by 2030.

Ford's electric truck offering has been highly anticipated. Other automakers, including Tesla and startup Rivian, are rolling out their own electric trucks, but Ford's entrance into the space is a potential market mover.

Ford's F-series pickup over the past decade has been the best-selling vehicle nationally and the top-selling truck globally. There are 16.6 million F-series trucks on the road today, representing roughly 6 percent of all vehicles. Ford sold \$42 billion worth of F-series trucks in 2019, higher than McDonald's, Nike and Starbucks sales that year.

Although the F-150 is the most popular vehicle in 39 states, it's particularly beloved in Texas, where the truck reigns supreme. The luxury King Ranch version with leather and wood trim is a Texas icon.

The F-150 Lightning has the potential to kick electric vehicle sales into high gear. Most electric vehicles to date have been sedans such as the Chevrolet Bolt and Nissan Leaf, but analysts predict the introduction of more popular SUV and truck models could expand the market for EVs.

Demand for electric vehicles is expected to surge in the coming decade as Ford and other major automakers ramp up production and as battery technology continues to advance, helping to reduce prices and improve range. Industry leaders predict that the prices of electric vehicles will become competitive with those of gas-powered vehicles in the U.S. as early as 2023. An estimated 280 million electric vehicles are predicted to be on the roads globally by 2040, according to global energy research firm Wood Mackenzie.

*paul.takahashi@chron.com*

*twitter.com/paultakahashi*

---

## **'Rain chances are not going to go away:' Storms bring hail, damage trees, trigger tornado**

By Kelsey Bradshaw  
Austin American-Statesman  
May 19, 2021

Several days of storms and wet weather have helped the Austin area keep up with normal rainfall amounts for the year, and more rain in the coming days will be welcome to a region that remains abnormally dry, the National Weather Service said.

Storms that have developed over South Texas and Central Texas over the past few days have hit areas south and east of Austin with severe storms, weather service meteorologist Eric Platt said.

Hail up to an inch in diameter and 66-mph wind gusts were reported in the New Braunfels area and a tornado was reported in Fayette County on Tuesday, the weather service said. Quarter-sized hail was reported in Kyle, and downed tree limbs were reported in Buda on Tuesday, Platt said.

Meteorologists were in Fayette County, about 7 miles north of Schulenberg, on Wednesday to survey an area where they confirmed that a weak tornado had landed, he said. Surveying for a tornado includes looking at structural damage to determine the strength of winds.

Extra Fayette County sheriff's deputies were called into work on Tuesday between 6 p.m. and 9:30 p.m. to assist with incidents in the area, the sheriff's office said.

The sheriff's office reported three accounts of tornadoes, including on U.S. 77 near the Lavaca County line, near the Swiss Alp community, and on FM 609 in the O'Quinn area.

At least four crashes happened Tuesday night, and the Flatonia Volunteer Fire Department attended to five water rescues, the sheriff's office said. Downed tree limbs and washed-out roads were also reported.

In Austin, an additional 11 Austin-Travis County EMS medics were deployed Tuesday, and two swift water boats were readied as the area saw rain.

So far this month, 3.72 inches of rainfall have been recorded at Camp Mabry, Austin's main weather station. The month's rainfall total so far was filled out this week when 2.01 inches of rain fell between Sunday and Tuesday, according to the weather service.

In the 48 hours ending Wednesday at 9 a.m., some of the highest rainfall totals in Central Texas measured by the weather service included:

- 9.24 inches near Muldoon in Fayette County.
- 3.47 inches southwest of Austin in Travis County.
- 3.06 inches near Harwood in Caldwell County.
- 2.67 inches northwest of Spicewood in Burnet County.
- 2.53 inches west of Wimberley in Hays County.
- 2.5 inches in Smithville in Bastrop County.
- 2.45 inches east of Round Rock in Williamson County.

"Rain chances are not going to go away any time soon," Platt said. "They may start to dwindle a little bit as we head into next week, but we at least have a 30% or 40% chance."

Even though the rain has brought some gloomier days, it continues to be appreciated in the area as the western half of Travis County is abnormally dry, according [to the U.S. Monitor's latest update from May 11](#).

Even with the recent precipitation, Austin is still a bit behind on rainfall. Since Jan. 1, a total of 11.8 inches of rain have fallen in the area. Normally, Austin records 12.86 inches of rainfall by this time in the year, Platt said.

The rain falling this week is landing on ground already saturated from rainfall earlier this month. But meteorologists on Wednesday afternoon canceled the area's flash flood watch, which was supposed to last until Thursday afternoon.

Rain chances will continue into the weekend, though, with a half-inch of rainfall being possible on Friday and Saturday and a quarter-inch on Sunday, Platt said.

Storms in the coming days might bring hail and gusty winds to the area, but meteorologists don't expect tornadoes in the Austin area, Platt said.

"The main thing is watching for some locally heavy rainfall," he said.



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869





## Mia Hutchens

---

**From:** Luke Legate <luke@gfoxconsulting.com>  
**Sent:** Thursday, May 20, 2021 8:17 AM  
**To:** Luke Legate  
**Subject:** Texas Energy Clips - May 20, 2021

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

### Texas Energy Clips

#### **Natural Gas Intel**

Texas Natural Gas Service Assured in New Construction with Governor's OK

BY CAROLYN DAVIS

May 20, 2021

<https://www.naturalgasintel.com/texas-natural-gas-service-assured-in-new-construction-with-governors-ok/>

#### **NBC DFW/Yahoo News**

2 Key Bills In Response To Texas Winter Power Outages Advance

By Jack Fink

May 20, 2021

<https://dfw.cbslocal.com/2021/05/19/2-key-bills-advance-texas-winter-power-outages/>

#### **Houston Chronicle**

'Collective amnesia': Texas politicians knowingly blew 3 chances to fix the failing power grid

By James Osborne, Eric Dexheimer and Jay Root

May 20, 2021

<https://www.houstonchronicle.com/news/investigations/article/texas-politicians-power-grid-failures-blackout-16185399.php>

#### **Forbes**

On Foolish Dependency And The Texas Electricity Grid

By David Blackmon

May 20, 2021

<https://www.forbes.com/sites/davidblackmon/2021/05/19/on-foolish-dependency-and-the-texas-electricity-grid/?sh=4586d24f42bf>

#### **KTRE - East Texas**

Rep. Ashby bill requiring flood history for oil disposal passes vote in Senate committee

May 20, 2021

<https://www.ktre.com/2021/05/19/rep-ashby-bill-requiring-flood-history-oil-disposal-passes-vote-senate-committee/>

#### **Houston Chronicle**

Pipelines face prospect of tougher climate standard

By James Osborne

May 20, 2021

<https://www.houstonchronicle.com/business/energy/article/Pipelines-face-prospect-of-tougher-climate-16189628.php>

#### **CNBC**

The Prize for LNG Sellers Will Be 'Significant' as Demand in Asia Grows, Energy Consultancy Says

By Abigail Ng, CNBC

May 20, 2021

<https://www.nbcdfw.com/news/business/money-report/the-prize-for-lng-sellers-will-be-significant-as-demand-in-asia-grows-energy-consultancy-says/2636935/>

**Wall Street Journal**

Editorial: Biden's Gift to Putin on Nord Stream 2: He treats a Russian gas pipeline better than he does the Keystone XL in America

May 19, 2021

<https://www.wsj.com/articles/bidens-gift-to-putin-on-nord-stream-2-11621452707>

---

**Texas Energy Clips**

**Natural Gas Intel**

Texas Natural Gas Service Assured in New Construction with Governor's OK

BY CAROLYN DAVIS

May 20, 2021

<https://www.naturalgasintel.com/texas-natural-gas-service-assured-in-new-construction-with-governors-ok/>

Texas municipalities are prohibited from banning utility services based on energy sources, including the use of natural gas, under legislation signed into law by Gov. Greg Abbott. House Bill (HB) 17, which took effect Tuesday (May 18) with Abbott's signature, would prevent cities and municipalities from discriminating against any particular utility service or infrastructure based on the type of energy being used.

The law was supported by the Texas Independent Producers and Royalty Owners Association, Texas Oil and Gas Association and Texas Pipeline Association.

According to the Texas House Research Organization, supporters said the bill ensures homeowners, builders and businesses have "the ability to decide how best to meet their energy needs. Some states and cities around the country have moved to ban natural gas in new residential and commercial construction.

"By prohibiting policies that would ban or discriminate against a single energy source... HB 17 would preserve customer choice and access to energy sources in Texas, including to affordable and reliable sources such as natural gas."

Critics had argued the bill was "too broad and could have a chilling effect on programs that promote energy efficiency if the programs were interpreted as discriminating against a particular energy source," House researchers said. State Rep. Joe Deshotel (D-Beaumont) said he had sponsored the legislation initially in response to bans on new natural gas service enacted by West Coast municipalities. However, shortly after Winter Storm Uri led to a massive power outage across Texas during February, the bill gained momentum.

During a state House hearing on the bill, Deshotel said natural gas had "played an important part in helping a lot of people" who were able to use gas fireplaces and stoves during the blackout...

**NBC DFW/Yahoo News**

2 Key Bills In Response To Texas Winter Power Outages Advance

By Jack Fink

May 20, 2021

<https://dfw.cbslocal.com/2021/05/19/2-key-bills-advance-texas-winter-power-outages/>

Texas lawmakers are making progress on some key bills aimed at preventing February's widespread and deadly power outages.

On Wednesday, the Texas Senate passed a bill that requires the Public Utility Commission of Texas and the Railroad Commission of Texas to designate natural gas production facilities that supply electric generators as critical during an emergency. Ideally, it would prevent the facilities from losing electricity, as some did during February's power outages, and would restore power quickly if they did.

Todd Staples, President of the Texas Oil and Gas Association, said that bill and others are ones they'd like to see passed. "Reliability is the goal, and I'm confident that the legislature will get meaningful reforms passed."

On Tuesday, a House committee approved Senate Bill 3 and sent it to the full House. It requires electric power generators and key natural gas production facilities to winterize their facilities to prevent the outages experienced in February. If that doesn't happen, operators could face fines of up to \$1 million a day.

Staples said, "Our processing plants all the way to power generation units are very important to be winterized in statute, and have those accountability requirements so that that product can get moved throughout the system."

The bill also requires state regulators to set up a statewide alert system to notify Texans about potential outages, map out key infrastructure and meet regularly to identify potential problems before an emergency...

### ***Houston Chronicle***

'Collective amnesia': Texas politicians knowingly blew 3 chances to fix the failing power grid

By James Osborne, Eric Dexheimer and Jay Root

May 20, 2021

<https://www.houstonchronicle.com/news/investigations/article/texas-politicians-power-grid-failures-blackout-16185399.php>

Ten years ago, Texas power plants froze during a fast-moving winter storm, causing rolling electricity blackouts across the state. Outraged Texas regulators and lawmakers, vowing to crack down, debated requiring energy companies to protect their equipment against extreme weather to ensure reliability.

But they didn't. Nine years ago, two state agencies that regulate utilities and the oil and gas industry warned that natural gas facilities that lost power during outages couldn't feed electricity generation plants, creating a spiral of power loss. The agencies jointly recommended that lawmakers compel gas suppliers and power plants to fix the problem.

But they didn't.

Eight years ago, economists warned that the state's free-market grid left companies with little incentive to build enough plants to provide backup power during emergencies. With the support of then-Gov. Rick Perry, legislators and regulators considered increasing power rates to encourage the construction of more power plants, so that Texas, like other states, would have sufficient reserves.

But they didn't.

In the wake of each power failure, or near-failure, over the past decade, Texas lawmakers have repeatedly stood at a fork in the road. In one direction lay government-mandated solutions that experts said would strengthen the state's power system by making it less fragile under stress. The other direction continued Texas' hands-off regulatory approach, leaving it to the for-profit energy companies to decide how to protect the power grid.

This series documents how 20 million Texans lost power in a deadly freeze after state lawmakers brushed aside a decade of warnings about the increasingly vulnerable electric grid. In each instance, lawmakers left the state's lightly regulated energy markets alone, choosing cheap electricity over a more stable system. As a result, experts say, the power grid that Texans depend on to heat and cool their homes and run their businesses has become less and less reliable — and more susceptible to weather-related emergencies...

### ***Forbes***

On Foolish Dependency And The Texas Electricity Grid

By David Blackmon

May 20, 2021

<https://www.forbes.com/sites/davidblackmon/2021/05/19/on-foolish-dependency-and-the-texas-electricity-grid/?sh=4586d24f42bf>

I have written quite extensively about dependency recently, and the lack of wisdom in allowing it to linger until it evolves into a crisis. Whether it be the decision by policymakers in 17 states and the District of Columbia to rely on a single pipeline for most of their gasoline supply, the dependence of shale oil and gas companies on the preservation of the OPEC+ arrangement as a price support, the renewables industry's dependency on raw materials supply chains almost solely controlled by China and/or Russia, or even my own foolish dependency on an increasingly unstable Texas power grid managed by the Electric Reliability Council Of Texas (ERCOT) for my home's electricity, dependency on unreliable and unpredictable sources of support seldom fails to ultimately lead to crises.

This week produced developments on several of these fronts; thus, I will devote this piece and my next one to discussion of those developments and what they mean for ordinary people. Let's work our way backwards up that list of issues, starting with the Texas power grid and reforms to its operations likely to be enacted by the Texas legislature in the final two weeks of its current session.

During February's infamous arctic freeze/power blackout event, three key grid maladies were identified that need fixing:



Lack of weatherization of key power generation and natural gas transportation facilities;  
Mismanagement at ERCOT, including decisions to cut power supply to many natural gas facilities during the freeze event;  
and  
Lack of adequate baseload reserve generating capacity that can be turned on during a crisis.  
Obviously, there were many other issues identified during and after the crisis, but these are the three big ones that must be addressed if the grid is to ever be truly stabilized. As things stand today, the legislature appears prepared to address the first two issues while leaving the third still hanging unresolved...

#### ***KTRE - East Texas***

Rep. Ashby bill requiring flood history for oil disposal passes vote in Senate committee  
May 20, 2021

<https://www.ktre.com/2021/05/19/rep-ashby-bill-requiring-flood-history-oil-disposal-passes-vote-senate-committee/>

AUSTIN, Texas (KTRE) - An East Texas state representative's bill to protect groundwater around oil and gas disposal sites has passed the committee phase in the Texas Senate.

HB 2201, authored by Trent Ashby (R-Lufkin), was considered in a hearing for the Senate Committee on Natural Resources and Economic Development on Tuesday. It was approved on a 7-0 vote.

The bill requires the Texas Railroad Commission to look at the history of flooding over the past 10 years when it considers granting a permit to build a pit for the disposal of commercial oil and gas...

#### ***Houston Chronicle***

Pipelines face prospect of tougher climate standard

By James Osborne

May 20, 2021

<https://www.houstonchronicle.com/business/energy/article/Pipelines-face-prospect-of-tougher-climate-16189628.php>

WASHINGTON - In the years ahead, the natural gas sector is planning billions of dollars in construction projects to expand the network of pipelines that transport its product around the country and solidify natural gas' role in the nation's energy supply for decades to come.

But first they need to convince federal regulators to sign off as President Joe Biden sounds the alarm on climate change and the nation's reliance on fossil fuels.

The Federal Energy Regulatory Commission is reviewing whether to include contributions to climate change in the criteria for approving pipelines and other natural gas projects. The review is ongoing, with no timeline or a decision, but such a change stands to radically alter how the federal government decides whether to allow the construction of gas pipelines.

"FERC almost never denies (pipeline) applications. As long as there's a contract in place they approve it," said Max Sarinsky, an attorney with New York University's Institute for Public Policy. "They have an obligation to review the impacts of these pipelines, both beneficial and adverse, and that's not something they've been doing with climate impacts."

That changed earlier this year when FERC, under new Chairman Richard Glick, a Democrat, considered the greenhouse gas implications of replacing an 87-mile-stretch of the Northern Natural pipeline, which runs from West Texas to Michigan. The commission approved the pipeline but the decision drew the angry dissent of Commissioner James Danly, Republican, who argued the commission was overstepping its authority in considering the project's emissions...

#### ***CNBC***

The Prize for LNG Sellers Will Be 'Significant' as Demand in Asia Grows, Energy Consultancy Says

By Abigail Ng, CNBC

May 20, 2021

<https://www.nbcdfw.com/news/business/money-report/the-prize-for-lng-sellers-will-be-significant-as-demand-in-asia-grows-energy-consultancy-says/2636935/>

The buyers' market in liquefied natural gas may continue over the coming years due to oversupply, but sellers could stand to gain as demand in Asia grows, according to an energy research company.

Global demand is not expected to outpace supply until the mid-2020s, but even that respite may be short lived once new supply from projects in Qatar and the U.S. come online, said Valery Chow, head of Asia-Pacific gas and LNG research at

Wood Mackenzie. "Despite these developments, the prize for suppliers remains significant given the potential growth of future demand in Asia," he told CNBC in an email.

LNG demand in Asia is growing "significantly faster" than in the rest of the world because of the region's economic and population growth, he said.

#### Growing demand

In an April note, Gavin Thompson, Wood Mackenzie's Asia-Pacific energy vice chairman, said Asia's LNG markets have been "remarkably resilient." "Strong demand, weak domestic production and supportive policies mean Asia will account for an incredible 95% of global LNG demand growth between 2020 and 2022," he wrote.

Chow said he predicts that China, South Asia and Southeast Asia will drive incremental LNG demand in the world over the next two decades...

#### ***Wall Street Journal***

Editorial: Biden's Gift to Putin on Nord Stream 2: He treats a Russian gas pipeline better than he does the Keystone XL in America

May 19, 2021

<https://www.wsj.com/articles/bidens-gift-to-putin-on-nord-stream-2-11621452707>

President Biden has talked tough about Vladimir Putin, but his policy response has been mixed. This week's sanctions decision on the Nord Stream 2 natural gas pipeline provides more reason for concern.

Axios reported Tuesday that the State Department will send a report to Congress listing entities that should face sanctions over their association with the \$11 billion gas pipeline. Secretary of State Antony Blinken said at his confirmation hearing that he was "determined to do whatever we can" to stop the project. Turns out that's not entirely true.

While the Biden Administration wants to target Russian ships working on the nearly complete pipeline, the company running the project and its CEO won't face sanctions. State will recognize that Nord Stream 2 AG and its leader—a former East German intelligence officer—deserve to be sanctioned. Yet restrictions on a Putin crony will be waived in the name of "U.S. national interests." This is the kind of move that prompted the media to assert that Donald Trump must be a Russian agent.

The decision suggests Mr. Biden doesn't want to blow up his relationship with the German government, which strongly supports the pipeline. But this gets it backward. The project generates bipartisan opposition in the U.S., and in April the European Parliament called for it to be stopped. Germans have the responsibility to avoid damaging relations with Washington and the rest of the Continent...



## Mia Hutchens

---

**From:** Andrew Keese  
**Sent:** Wednesday, May 19, 2021 11:15 AM  
**To:** NewsClips  
**Subject:** RRC News Clips: May 19, 2021

### Severe weather causes flooding, damage in Fayette County

By John Krinjak

WAPP

May 19, 2021

Video story on webpage: <https://www.fox7austin.com/news/severe-weather-causes-flooding-damage-in-fayette-county>

LA GRANGE – Residents in [Fayette County](#) are dealing with damage left behind after severe storms swept through the area and there's a potential for more flooding as rain is continued to fall the rest of the week.

In [La Grange](#) on Baumbach Road near Rocky Creek, water washed out parts of the road and in one spot the damage left the road with a six-foot drop-off.

The railroad tracks at Madison and Lafayette got washed out due to flooding. There was also damage to the streets in the area which were closed overnight. The **Railroad Commission** was on scene last night to inspect the damage and crews worked on repairs this morning.

Officials say the Colorado River in La Grange rose by more than 10 feet overnight to nearly 16 feet at around 1 a.m. this morning.

West of La Grange, a tornado touched down about seven miles north of [Flatonia](#) at just before 7 p.m.

Flatonia is also dealing with major flooding over the past 12 to 18 hours. Cars dealt with several inches of water in spots along I-10 and the service road along I-10 was totally submerged.

Much of the severe weather in Central Texas has been in the Hill Country.

The Fayette County Sheriff's Office says it responded to several swift water rescues including one along FM 1295 at Highway 90 in Praha.

As more rain is expected, flooding of rivers and creeks is a concern, and, given those threats, [Gov. Greg Abbott has activated a number of resources](#). The state has boat squads, helicopter teams as well as forest service crews ready to go in case rescues need to be made, but officials are urging everyone to be prepared for potentially dangerous conditions.

Officials say it can only take an inch or two of rain to trigger flash flooding. Low-lying roads are of particular concern and officials say just a few inches of rain can sweep away a person, and less than a foot of water can sweep away a whole car.

There are some things you can do to make sure you are prepared for potential flooding:

- Know the flood risk in your area. You can learn more about this by checking out [FEMA's flooding map online](#)
- Have an emergency supply kit with essentials, especially if you're in a flood prone area.
- Move valuables to higher ground or put them in waterproof containers.
- If your property tends to flood, consider a sump pump with a battery.
- Be cautious of water on roadways. Never try to cross an area that's flooded or barricaded: "turn around, don't drown"

## **State Operations Center ordered to 24 hour operations in response to flood threat across Texas**

### **Report any flood damages to the Texas Division of Emergency Management**

By Sydnee Pennie

Crossroads Today

May 18, 2021

AUSTIN – In response to severe flooding threats across Texas, Governor Greg Abbott today ordered the Texas State Operations Center (SOC) to expand its daily operations to 24-hours a day through Friday. Severe storms are expected to bring significant river flooding and flash flooding to the Coastal Bend as well as North, East, and South Central Texas beginning today through the end of the week.

“As severe weather continues to threaten communities across the state, Texans need to stay vigilant against significant flash flooding that is expected to accompany these storms,” said Governor Abbott. “We are deploying a variety of resources to assist communities in the path of these severe weather events, and I continue to urge Texans to remain cautious and preparing ahead of time for flash flooding. “

State agencies responding to this severe weather event include:

- Texas A&M Engineering Extension Service (Texas A&M Task Force One and Task Force Two)
- Texas Department of Public Safety
- Texas Parks & Wildlife Department
- Texas Department of Transportation
- Texas Military Department
- Texas A&M Forest Service
- Department of State Health Services
- **Texas Railroad Commission**
- Texas Public Utility Commission
- Texas Commission on Environmental Quality
- State Mass Care

Texans who sustain damages from this event should report their damages to the Texas Division of Emergency Management (TDEM) through the iSTAT Tool found at [damage.tdem.texas.gov](http://damage.tdem.texas.gov). This will allow the state to identify damages across Texas and help emergency management officials understand whether we have met the requirements for requesting federal disaster aid.

Yesterday, the Governor [activated a number of resources](#) to assist local communities as they respond to this weather. At the direction of the Governor, TDEM activated the following resources:

- Texas A&M Engineering Extension Service (Texas A&M Task Force One and Texas Task Force Two): Swift Water Boat Squads and High Profile Vehicles
- Texas Military Department: Ground Transportation Platoons
- Texas Parks and Wildlife Department: Texas Game Warden Boat Teams and a helicopter with hoist capability
- Texas Department of Public Safety: Helicopters with hoist capability

Additionally, TDEM rostered the following resources in preparation for any requests for assistance from local officials:

- Texas A&M Forest Service: Saw Crews
- Texas A&M Engineering Extension Service (Texas A&M Task Force One and Texas Task Force Two): Urban Search and Rescue Packages
- Texas Department of State Health Services: Texas Emergency Medical Task Force Severe Weather Packages
- Texas Department of Transportation: High profile vehicles
- Public Utility Commission of Texas: Power outage monitoring/coordination with utility providers in the threat areas

Texans are urged to follow these flood preparations and safety tips during severe weather events:

- Know types of flood risk in your area. Visit [FEMA's Flood Map Service Center](#) for information here: <https://msc.fema.gov/portal/home>
- Sign up for your community's warning system. The Emergency Alert System (EAS) and National Oceanic and Atmospheric Administration (NOAA) Weather Radio also [provide emergency alerts](#).
- Build an emergency supply kit. For more information on how to build a kit, visit: <https://www.ready.gov/kit>
- Purchase or renew a flood insurance policy. Homeowner's policies do not cover flooding. It typically takes up to 30 days for a policy to go into effect so the time to buy is well before a disaster. Get flood coverage under the National Flood Insurance Program (NFIP).
- Keep important documents in a waterproof container. Create password-protected digital copies.
- Protect your property. Move valuables to higher levels. Declutter drains and gutters. Install check valves. Consider a sump pump with a battery.
- Be extremely cautious of any water on roads or in creeks, streams, storm drains, or other areas – never attempt to cross flowing streams or drive across flooded roadways and always observe road barricades placed for your protection. Remember, Turn Around Don't Drown.

## **Averting crisis: Path to weatherize Texas power plants and some gas wells set under compromise bill**

**The Legislature's biggest answer yet to weaknesses exposed by winter storm selectively weatherizes gas infrastructure, creates outage alerts and tightens coordination.**

By Morgan O'Hanlon and Robert T. Garrett

Dallas Morning News

May 18, 2021

AUSTIN – Texas would require weatherization of electrical generating plants and some natural gas wells and related pipelines and compressors under a compromise bill that House leaders unveiled Tuesday.

But in a concession to the oil and gas industry, a revised omnibus electricity measure would reduce how many natural gas facilities must be upgraded.

A newly created interagency “supply chain security and mapping committee” would identify which chunks of the natural gas industry actually feed power generators – and only those would have to be weatherized, under rules to be set later.

Environmentalists and consumer advocates, while wincing over the Texas natural gas industry’s clout, were relieved that the House’s version of the session’s major grid-overhaul bill took a softer approach to renewable energy than a Senate-passed version did.

The House version, approved unanimously by the House State Affairs Committee on Tuesday, would remove language that would potentially force wind and solar power companies to pay billions for replacement power needed when the grid faces maximum demand.

That change on “ancillary services” was hailed by Austin Democratic Rep. Donna Howard and spokesmen for groups such as Environment Texas, Public Citizen and the U.S. Green Building Council’s Texas chapter.

Senate Bill 3, which advances to the House Calendars Committee, constitutes the Legislature’s single most far-reaching response to this year’s winter storm.

Over several days in mid-February, Texas’ deregulated electricity market failed catastrophically, leading not just to widespread misery, water outages and outrage over soaring power bills [but at least 151 deaths](#).

In an interview, House State Affairs Chairman Chris Paddie, R-Marshall, acknowledged that some problems highlighted by the February crisis, such as a need for additional generating capacity and tweaks to pricing limits for wholesale power, probably will not be fixed in this year’s regular session.

It ends May 31. If lawmakers can fashion agreements on those matters over the summer, energy could be tacked onto the agenda of an expected fall special session on redistricting, he said.

But Paddie, who’s shepherding SB 3 through the House, said the wide-ranging measure has many virtues.

“I think we will have gone a long way toward [fixing] all the problems that we’ve identified” if the bill, as expected, winds up on Gov. Greg Abbott’s desk and is signed, he said.

Todd Staples, president of the Texas Oil and Gas Association, said in a written statement the House rewrite of SB 3 “is doing many good things to greatly improve our electricity delivery system. We believe mapping, communications, coordination [and] proper weatherization are essential to addressing the impacts of Winter Storm Uri.

Among other things, the bill would:

- Create power outage alerts. Many Texans complained they received only late notice, if any, that they should prepare for February’s arctic blast. Under the bill, state agencies would team up with broadcasters and other commercial entities to issue alerts, including radio and TV announcements and possibly dynamic messages on road signs.
- Limit sky-high residential bills. After the storm, now-bankrupt retailer Griddy sent some residential customers who had signed up for “variable-rate plans,” which were pegged to the wholesale price of electricity, bills as high as \$17,000. The Senate version of SB 3 would ban such plans. The House would limit prices charged by “wholesale indexed products” but not ban them. Paddie’s language was similar to, but less restrictive than, House Bill 16, currently sitting on the governor’s desk awaiting his signature.

- Require grid managers and utility regulators to practice for emergencies. Both chambers' versions of SB 3 would require the Public Utility Commission and the Electric Reliability Council of Texas to conduct twice-yearly "load shedding exercises" to improve grid management during crises.

Requiring weatherization so that polar blasts or August heat waves don't cause blackouts is among lawmakers' top priorities – and perhaps SB 3's most important safeguard.

Critics of the legislation, though, argue that concessions about what parts of the natural gas supply chain have to weatherize weaken the bill's ability to prevent a grid crisis like February's.

Although Paddie maintains his version of the bill holds all parties accountable for their roles in the crisis, including the natural gas industry and its regulatory body, the **Texas Railroad Commission**, some have accused the Legislature of [letting that sector off the hook](#) as it reaps the profits of high-demand pricing from the storm.

"They need to require the entire gas supply chain to weatherize within some reasonable period of time and follow through on that with some real enforcement mechanism which just isn't there," said Adrian Shelley, Texas director of the consumer group Public Citizen.

According to Staples, the oil and gas trade group leader, more than 80% of Texas' daily natural gas production is not used for Texas electric generation, which he said makes it unreasonable to require weatherization for all oil and gas wells across the state.

Paddie said that exceptions to weatherization requirements offer protection for smaller operators, who he said should not have to pay large costs if they're not even part of the supply chain.

"If you put additional restrictions on them, likely in many cases you'd force them to be shut down because they don't produce enough to justify the cost," Paddie said.

Rather than putting stress on those producers, Paddie said he'd like to prioritize mapping of critical infrastructure in the supply chain so that weatherization can be required only where it's most needed.

A new section in the bill's latest version would add a new layer to the state's energy bureaucracy in the form of the Texas Electricity Supply Chain Security and Mapping Committee. That proposal was originally suggested in Fort Worth Republican Rep. Craig Goldman's HB 14, which was left pending in a Senate committee.

Some consumer advocates also worry there won't be tough enforcement of the weatherization requirement, citing the legislation's tiered penalty system. SB 3 would require the Railroad Commission to devise a classification system for penalties, but fines of more than \$5,000 would be reserved for only the "highest class of violations." Under the House bill, there would still be potential fines of \$1 million a day, as approved by the Senate, if electricity and natural gas companies balk at weatherizing facilities – but only if violations were deemed highly serious.

Tom "Smitty" Smith, special projects director for Public Citizen, said he's frustrated that these fines could be less than what the cheapest weatherization option for a gas well would cost: \$16,000 per year.

"It's like putting antifreeze into your car – it injects antifreeze into the gas line," Smith explained. "This penalty is so low that it doesn't even force them to do the cheapest weatherization."

The renewable energy lobby collectively breathed a sigh of relief at the passage of Paddie's committee rewrite. It took out language that would penalize solar and wind generators for "intermittency." After the crippling blackouts and water outages, some state Republicans, including **Railroad Commissioner Wayne Christian**, Lt. Gov. Dan Patrick and Abbott, [placed blame](#) for Texas' grid failure on intermittency – the unreliability of



energy sources that depend on sunshine and wind. GOP leaders also hammered at what they consider unfair market advantages given to the renewable energy industry through subsidies.

Language approved by senators would require renewables to pay for ancillary services, which involve accounting for variability in a generator's output by having standby resources to fill any gap between "net peak load" and actual generation.

The Senate version "would have hamstrung the wind and solar industry and we appreciate Chairman Paddie and the [House] committee for significantly improving the legislation," Luke Metzger of Environment Texas said in a written statement.

Basically, the House version calls for a study of ancillary services, which currently are paid for by ERCOT – ultimately, by consumers.

Although the bill still calls for review of the costs of ancillary services, Michael Jewell, an energy lawyer with Conservative Texans for Energy Innovation, said he believes the House's changes are more fair and don't discriminate by generation type.

"It's basically saying, yes, let's look at ancillary services, let's see if there's any changes that need to be made," Jewell said. "It makes clear that all resources that can provide ancillary services are able to, and that the costs are going to be recovered in an equitable and nondiscriminatory basis. I don't know what more you can ask for than that."

However, the renewable industry isn't yet out of the woods. SB 1282, which passed out of House State Affairs earlier this month, is awaiting a House floor vote. That legislation would make renewable generators pay for the transmission costs, which, like ancillary services, is currently paid for by ERCOT on behalf of all generators regardless of generation type.

Also Tuesday, House State Affairs advanced one other electricity-related bill. SB 1580, approved unanimously, would help rural electric co-ops pay off the large debts they accrued during February's crisis, when utilities had to pay \$9,000 per megawatt hour for 32 hours.

The measure would help debtors, including Brazos Electric Cooperative and Rockwall-based Rayburn Electric Cooperative, which together owe ERCOT more than \$2 billion, through a financing mechanism called securitization. They'll be able to issue bonds, with low interest rates, to quickly pay the debts. Ratepayers will pay off the bonds for years.

[morgan.ohanlon@dallasnews.com](mailto:morgan.ohanlon@dallasnews.com) @mcohanlon

[rtgarrett@dallasnews.com](mailto:rtgarrett@dallasnews.com) /[bob.garrett.39](https://www.facebook.com/bob.garrett.39) @RobertTGarrett

---

## **Texas Gov. Greg Abbott signs law to bar city climate plans from banning natural gas as fuel source**

**House Bill 17 is a response to a trend in California, where cities have passed energy efficiency plans that prohibit new subdivisions from offering natural gas heating in order to reduce emissions.**

By Erin Douglas  
Texas Tribune  
May 18, 2021

Gov. [Greg Abbott](#) has signed a bill into law that prohibits Texas cities from banning natural gas as a fuel source for new construction and utility services.

[House Bill 17](#), which Abbott signed Tuesday, according to the Texas Legislature’s online portal, is a [response to a trend in progressive California cities](#). Abbott’s office did not immediately respond to a request for comment.

The bill’s sponsor, [state Rep. Joe Deshotel](#), D-Beaumont, argued that banning natural gas would restrict consumer choices. Deshotel was not immediately available for comment Tuesday, but [he previously told The Texas Tribune](#) that he filed the bill in response to “what is happening on the West Coast,” where cities have passed energy efficiency plans that prohibit new subdivisions from offering natural gas heating, requiring instead that new homes be heated by electricity.

Using electricity to heat homes rather than natural gas reduces greenhouse gas emissions. The bulk of emissions from residential and commercial buildings in San Francisco are attributed to burning natural gas, which spurred the city’s efforts to mandate a transition, [Inside Climate News reported in November](#).

In Austin, the city’s initial climate action plan would have virtually eliminated gas use in new buildings by 2030, but it was altered after Texas Gas Service opposed the measure, the [Texas Observer reported in March](#).

The [new law](#), which takes effect immediately, prevents cities or municipalities from “discriminating” against any particular fuel source.

At least a dozen similar bills were filed in states including [Kansas](#), [Minnesota](#) and [Ohio](#).

Bottom of Form

But in Texas, the legislation was promoted as a response to the power outages caused by February’s winter storm.

Lawmakers pointed to the ability of natural gas providers to largely continue supplying gas to homes during the storm. Gas-fired furnaces cannot run without power, but some people with gas service were able to use gas fireplaces and stoves.

---

## **Texas oil regulator takes firm positions against Washington in defense of oil and gas**

World Oil

May 18, 2021

AUSTIN –**Texas Railroad Commissioner Wayne Christian** authored and passed three resolutions to protect states’ rights, protect consumers, and encourage technological innovation in the oil and gas industry on Tuesday, May 18th. The resolutions are as follows:

**Resolution 21.052 - Opposition to the CLEAN Future Act** ([View here](#)): This resolution co-sponsored by Texas and North Dakota asks the Biden Administration and Congress to oppose the CLEAN Future Act and other similar pieces of legislation on behalf of oil and gas producing states.

“The so-called CLEAN Future Act is nothing more than the Green New Deal in lipstick,” said Christian. “This legislation would effectively federalize regulation of oil and gas, increasing costs to consumers and our national debt, while harming our energy independence and national security.”

**Resolution 21.054 - Reigning in ESG-style Investing ([View here](#)):** This resolution asks the federal government to formulate and enforce regulations relating to Environmental, Social, and Governance Funds (ESG). This style of investing has been utilized by activists to force divestment in oil and gas without regard to the rate of return for beneficiaries.

“We cannot allow activist investors to harm the investment and retirement portfolios of our constituents as collateral damage in their war against fossil fuels,” said Christian. “If ESG is not put in check, not only will future retirees face challenges in the years ahead, but we could see record bankruptcies and layoffs in the energy sector.”

**Resolution 21.055 - Encouraging Carbon Capture and Technological Innovation ([View here](#)):** This resolution acknowledges the key role technological innovation, including carbon capture, has played in our nation’s environmental progress and encourages the federal government to act in a bipartisan manner to continue encouraging this progress.

“A clean environment and oil and gas production are not mutually exclusive,” said Christian. “Because of technological innovation, over the last fifty years, our nation has decreased the six major pollutants by 77% while our energy consumption grew 48%, population grew 60%, and economy grew 285%. The key to environmental progress is innovation, not punitive regulations.”

Christian currently serves as Vice-Chairman of the Interstate Oil and Gas Compact Commission (IOGCC) under Chairman Kevin Stitt (Governor, Oklahoma). Christian has held a number of leadership roles in the organization since he was first appointed to the IOGCC by Governor Greg Abbott in 2017. At this year’s meeting, Christian was the author of three out of the four resolutions that passed.

---

## **Geoscientists find that shallow wastewater injection in oil and gas production fields drives deep earthquakes in Texas**

Sci Tech Daily

May 18, 2021

In a newly published paper, Virginia Tech geoscientists have found that shallow wastewater injection – not deep wastewater injections – can drive widespread deep earthquake activity in unconventional oil and gas production fields.

Brine is a toxic wastewater byproduct of oil and gas production. Well drillers dispose of large quantities of brine by injecting it into subsurface formations, where its injection can cause earthquakes, according to Guang Zhai, a postdoctoral research scientist in the Department of Geosciences, part of the Virginia Tech College of Science, and a visiting assistant researcher at the University of California, Berkeley.

The findings appear in the May 10, 2021, edition of the journal *Proceedings of the National Academy of Sciences*. Joining Zhai on the paper are Manoochehr Shirzaei, an associate professor of geosciences at Virginia Tech, and Michael Manga, a professor and chair of Berkeley’s Department of Earth and Planetary Science. In the U.S. Department of Energy-funded study, the team focused on the Delaware Basin in western Texas, one of the most productive and unconventional hydrocarbon fields in the United States.

Since 2010, the basin has experienced a significant increase in shallow wastewater injection and widespread deep seismicity, including the recent 5.0 magnitude event near Mentone, Texas. Most of the earthquakes were relatively small, but some have been large and widely felt.

“It is quite interesting that injection above the thick, overall low-permeability shale reservoir can induce an earthquake within the deep basement, despite a minimal hydraulic connection,” Zhai said. “What we have found is that the so-called poroelastic stresses can activate basement faults, which is originated from the fluid injection causing rock deformation.”

Poroelasticity is the resulting interaction between fluid flow and solid deformations within a porous formation, here sandstone. “This finding is significant because it puts poroelastic stresses in the spotlight as the main driver for basinwide earthquakes in the Basin,” said Shirzaei, who is also an affiliated faculty member of the Virginia Tech Global Change Center.

Yet, predicting the amount of seismic activity from wastewater injection is problematic because it involves numerous variables, one of which is injection depth, Zhai said. Although it is well known that fluid pressure increase due to deep injection is the dominant reason for the recent seismicity increase in the central and eastern United States, it is still questionable exactly how shallow injections cause earthquakes.

During the study, the team looked at how varying amounts of injected brine perturbed the crustal stresses deep under the Delaware Basin and how these disturbances lead to earthquakes on a given fault. Added Zhai, “Fluids such as brine and natural groundwater can both be stored and move through rocks that are porous.”

The trio used data analytics and computer modeling to mimic the large volume of fluid extraction from shale reservoirs from more than 1,500 shale production wells during 1993 to 2020, with 400 wells injecting brine in sandstone formations from 2010 to 2020. To make the scenario realistic, the model included the mechanical properties of rocks in the Delaware Basin, Shirzaei said.

The team found that the basinwide earthquakes mainly occur where the deep stress increases because of shallow injection. This means there is a causal link between deep earthquakes and shallow fluid injection via elastic stress transfer.

“The deep stress change is sensitive to shallow aquifer properties, especially the hydraulic diffusivity, which describes the ease of fluid flow in porous medium,” Manga said. “One question to ask is why some areas that host lots of shallow injection lack seismicity. Our approach offers a way to investigate other significant factors that control induced earthquakes.”

In addition to human interventions, the tectonic settings themselves also help predetermine the magnitude and likelihood of the earthquake, Shirzaei said. This study and future work will provide a viable way to assess induced seismic hazards, combining natural and human factors. The ultimate goal: to minimize the hazards from disposing of wastewater during natural gas production until long-term, renewable energy technologies become available to all.

“As the future energy demands increase globally, dealing with the enormous amount of coproduced wastewater remains challenging, and safe shallow injection for disposal is more cost-efficient than deep injection or water treatment,” Zhai said. “We hope the mechanism we find in this study can help people rethink the ways induced earthquakes are caused, eventually helping with better understanding them and mitigating their hazards.”

Reference: “Widespread deep seismicity in the Delaware Basin, Texas, is mainly driven by shallow wastewater injection” by Guang Zhai, Manoochehr Shirzaei and Michael Manga, 10 May 2021, *Proceedings of the National Academy of Sciences*.

---

## **Colonial touts cyber ‘best practices.’ It was still hacked**

By Christian Vasquez and Peter Behr

E&E News

May 19, 2021

The pipeline company at the center of the most disruptive cyberattack in U.S. energy history says it followed defensive guidelines set by the government and private sector.

But a ransomware cyberattack this month still forced Colonial Pipeline Co. to shut down its 5,500-mile system, which supplies nearly half the fuel used along the U.S. East Coast. The weeklong disruption led to panic buying at gas stations and an outcry for more stringent and enforceable cybersecurity measures for the oil and gas industry.

Colonial defended many of its cybersecurity actions in a statement to E&E News yesterday, pointing out that it “had many best practices in place” before the May 7 attack by the DarkSide ransomware gang.

But the fact that the suspected Russia-based hackers managed to break into the Georgia company’s networks raises questions about whether the voluntary security standards for U.S. pipelines are up to the task of protecting critical infrastructure from cyberthreats — even if followed to the letter.

Colonial told E&E News that the company participates in “annual interview assessments” led by the Transportation Security Administration, the agency charged with overseeing pipeline security. The company added that the reviews “have historically included assessments of our cybersecurity controls.”

Colonial spokesperson Meredith Griffanti said the company also participated in a Pipeline and Hazardous Materials Safety Administration virtual assessment last year, which included a review of its “cybersecurity capabilities.”

The ransomware attack, which locked up Colonial’s computer files and demanded payment for the key, has renewed calls from some lawmakers and cybersecurity experts to reassess TSA’s ability to manage digital defenses of the roughly 2.7 million miles of U.S. pipeline networks. And a separate IT outage at Colonial yesterday — which briefly blocked some critical communications with shippers — highlights the challenges of recovering from severe cyberattacks (*Greenwire*, May 18). Colonial said those “network issues” did not disrupt fuel deliveries and were due to the “hardening efforts that are ongoing and part of our restoration process” rather than a malware reinfection.

The Government Accountability Office issued a [blog post](#) yesterday reviving long-held concerns over pipeline cybersecurity oversight by both the federal and private sector. The watchdog noted that three of its recommendations relating to pipeline cybersecurity workforce and risk management have yet to be implemented.

The explanations Colonial provided yesterday still leave basic questions about why an attack on the company’s IT systems, presumably including business and commercial networks, posed such a threat to operational technology (OT) systems that it had to shut its pipeline network. That shutdown decision was made “in the name of safety and in effort to protect the integrity of the OT systems,” Griffanti said, even though the company did not believe there was a “high risk” that such networks would be harmed directly.

“But given the seriousness of the situation, however, we needed to take our OT systems offline and take the time to ensure that environment was secure before resuming operations,” she said.

Griffanti said Colonial maintains “stringent segmentation between our IT and OT environments, as well as our policies that have for years blocked direct connection between OT and the internet.”

Colonial also said it aligns its security strategy with “industry best practices” provided by the National Institute of Standards and Technology, other best practices from the American Petroleum Institute, and the MITRE ATT&CK framework, which maps out cyber-criminal behavior.

Griffanti said the company intends to share “appropriate information with regulatory bodies and trade organizations” following an investigation of the root cause and scope of the cyberattack.

She also touted Colonial’s involvement in several information-sharing programs, such as the Department of Energy’s Cybersecurity Risk Information Sharing Program, the Oil and Natural Gas Information Sharing and Analysis Center, and the National Cybersecurity and Communications Integration Center run by the Department of Homeland Security’s top cyber office.

“We receive alerts and valuable threat intelligence from many of these entities and incorporate them into our methodologies for incident response,” Griffanti said.

### **Natural gas worries**

While Colonial made significant investments and training in cybersecurity, it apparently did not anticipate the specific threats it could face from a wide-ranging ransomware attack, leaving a hole unplugged in its defenses.

Jonathon Monken, a principal with Converge Strategies LLC, a consultancy that advises clients on defense and recovery strategies, said gas pipelines could be forced to curtail or shut down operations if their commercial systems were tied up by ransomware hackers, simply because they might not be sure where their gas deliveries were going in every case. That could put payments in jeopardy, creating a potential major financial loss.

Before joining Convergence Strategies, Monken was a security official at the PJM Interconnection LLC, the grid operator for 13 Eastern and Midwestern states and the District of Columbia.

In 2018, PJM made an investigation of the security of gas deliveries for its gas-fired generators, a vital energy source for its system. The investigation was unusual because PJM was joined by a large pipeline that agreed to join in the threat analysis — a level of grid-gas cooperation that isn’t common, Monken said in an interview.

PJM spokesperson Jeffrey Shields said the goal was to “test the resilience of the natural gas pipeline system to respond to an extended outage due to a physical or cyberattack and then to analyze the impact of such an extended outage on reliability of the PJM system.” The analysis results are confidential, but were shared with key federal agencies, he added.

“The analysis deliberately stressed the system to find the tipping point at which issues would arise and to identify key drivers of reliability risk,” Shields said. “Overall, the analysis found no immediate threat to the PJM system. It is reliable and will remain reliable into the future.”

Monken said natural gas industry leaders are correct in noting that pipeline operating systems are not an easy target for hackers.

Pipeline networks rely on a series of compression stations along the route to maintain pressure and gas flow.

Operators sent to run a compression station manually in an emergency rely on computer information and local human-machine interface terminals that are maintained on-site, not shared among many stations. So to take down a pipeline network’s operating system requires imagining a team of terrorists able to plug infected jump drives into each of the compression stations along the route — much like the infamous Stuxnet cyberattack bypassed defenses at an Iranian nuclear facility over a decade ago.

The PJM study “rightly assessed the risk to be low,” Monken said. “The opportunity to ‘brick’ a group of stations at the same time is virtually nil, as long as they aren’t networked together.”

“But that’s not the end of it,” he added.

The commercial risk remains if a pipeline with a compromised IT system tried to keep operating without the huge amount of data required to manage and fulfill orders and track and record payments. Without that record, a pipeline could not be certain of getting paid, Monken said.

“Am I literally pushing gas to customers without being sure I’d be compensated? The losses might not be calculable,” he said.

Colonial said financial risk was not part of its decision to shut down. Its statement indicated that it apparently has not fully restored its invoicing system, but it resumed operation anyway.

Griffanti added that Colonial “has the ability to run parts of its system manually” in the event of a cyber or other emergency. But she also pointed out that “we have restarted our entire pipeline system, and product delivery has commenced to all markets we serve.”

Infrastructure security officials said protecting against such a complex threat calls for development of a “design basis threat,” a carefully worked-out scenario for assessing a potential attacker’s capabilities and tactics, in light of a network’s most critical vulnerabilities.

There is not an established threat definition process for gas pipelines, Monken said. Each pipeline makes its own assessments and response. “It’s up to them,” he said.

One lesson from the Colonial attack is that pipelines and the generators that depend on them for fuel “need a much more realistic assessment of the cyber risks they face,” Monken added.

Twitter: [@chrismvasq](#) Email: [cvasquez@eenews.net](mailto:cvasquez@eenews.net)

---

## **Opinion: Fossil fuel exploration companies need to find a new business line**

By Chris Tomlinson

Houston Chronicle

May 19, 2021

Operators of businesses engaged in the exploration for oil and natural gas reserves need to make a plan to do something else or wind up their companies.

No need to act rashly; the industry has maybe a decade left. But the velocity of the energy transition is accelerating quicker than most pundits expected.

Today, Ford will launch the F-150 Lightning, an all-electric version of America’s all-time best-selling vehicle. Anyone who drives their current F-150 less than 200 miles a day will have difficulty passing up this clearly superior motor vehicle. Bonus: It does not look like Tesla’s Cybertruck.

The unveiling comes the same day the International Energy Agency released research confirming what environmentalists have said for a decade. [We have already found more oil and natural gas than we can ever use](#) without ruining the planet.

Fossil fuel exploration must stop now if the world wants to reach net-zero emissions of carbon dioxide by 2050. Failure to achieve that goal will result in global warming greater than 1.5 degrees centigrade, which will trigger irreparable environmental damage.

The IEA is no namby-pamby, head-in-the-clouds environmental group. Climate activists have denounced the IEA's pro-industry stance for decades. Just a few years ago, its executive director called on fossil fuel companies to step up exploration and production. Not anymore.

“Since the IEA's founding in 1974, one of its core missions has been to promote secure and affordable energy supplies to foster economic growth,” the new report on Net-Zero by 2050 says. “The enormous challenge of transforming our energy systems is also a huge opportunity for our economies, with the potential to create millions of new jobs and boost economic growth.”

The concept here is straightforward. We've known since the 1860s that increasing the amount of carbon dioxide in the atmosphere increases its retention of heat. We've known since the 1960s that burning fossil fuels is raising the amount of CO<sub>2</sub> in the atmosphere to dangerous levels.

The deterioration of coral reefs, the melting of glaciers and changing weather patterns have proven that a warmer atmosphere causes damage to ecosystems. Therefore, we can only put so much carbon in the atmosphere, and we've already found more carbon than we can emit safely.

No serious person can dispute those basic facts any longer. Some of the world's most giant corporations, and perhaps more importantly, their shareholders, are speeding up the transition to a global economy where we no longer emit more carbon than we take out of the atmosphere.

Every supermajor oil and gas company has announced plans to either move away from carbon-based fuels or create methods to remove carbon from the atmosphere. Occidental Petroleum was among the first corporations to announce it will become a carbon management company in addition to producing energy.

While 90 percent of 179 oil and gas companies contacted by the consulting firm Accenture said they recognize the need to change, only 21 percent “are moving beyond significant change to true reinvention,” according to [a new report](#).

“Competition from new energy sources, environmental accountability, talent scarcity, investor apathy and the COVID-19 pandemic have led most oil and gas companies to realize the need to transform to ensure profitability, embrace sustainability and maintain their relevance,” Muqsit Ashraf, who leads Accenture's energy industry group. “What's required isn't just piecemeal transformation but wholesale business reinvention.”

Ashraf identified several things that leading companies are doing: becoming more competitive with peers through technology, carbon management, and customer service. But equally important is creating a corporate culture that recognizes clean energy as the ultimate goal.

The other major consulting firm to energy companies, Deloitte, calculates oil and gas companies [should redeploy \\$838 billion in capital expenditures](#) to “optimize their hydrocarbon business and/or pursue new growth areas including new energy ventures.”

“Many companies are eager to act but are seeking guidance on the speed and extent to which they expand into new, potentially high-growth areas, be it in new regions, markets, products or technologies,” said Amy Chronis, Deloitte's vice chairman and U.S. oil, gas and chemicals leader. “By taking a strategic, purpose-driven approach, companies can sustainably and profitably build a future-ready portfolio.”



While the research may be new, the message has been around for a long time. For years, the Greater Houston Partnership has said that Texas companies must embrace the energy transition to remain relevant and profitable. Workers must embrace the change or see their careers evaporate.

Lately, fossil fuel advocates have stopped talking about the need for energy and shifted to begging for job-loss protection from clean energy competitors. But if you argue that we should continue damaging the planet just to preserve your job, you will always lose.

Tomlinson writes commentary about business, economics and politics.

[twitter.com/cltomlinson](https://twitter.com/cltomlinson)

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

## **Gov. Greg. Abbott says no public schools or government entities will be allowed to require masks**

**While 30% of Texans have been fully vaccinated against COVID-19, the vast majority of children are unvaccinated. The Pfizer vaccine was authorized last week for children as young as 12.**

By Patrick Svitek

Texas Tribune

May 18, 2021

Gov. [Greg Abbott](#) announced Tuesday that public schools can no longer require masks on their campuses starting June 5. The decision was part of a [new executive order](#) that bans government entities in Texas — like cities and counties — from mandating masks in the fight against the coronavirus pandemic.

Starting Friday, any government entity that tries to impose a mask mandate can face a fine of up to \$1,000, according to the order. The order exempts state supported living centers, government-owned or -operated hospitals, Texas Department of Criminal Justice facilities, Texas Juvenile Justice Department facilities, and county and municipal jails.

The order is arguably the most consequential for public schools. After Abbott ended the statewide mask requirement in early March, school systems were allowed to continue with their own mask-wearing policies unchanged. But after June 4, “no student, teacher, parent, or other staff member or visitor may be required to wear a face covering,” according to Abbott’s new order.

While 30% of Texans have been fully vaccinated against COVID-19, the vast majority of children are unvaccinated. The Pfizer vaccine was authorized last week for children as young as 12. The Moderna and Johnson & Johnson vaccines are still only authorized for those 18 and older. School-age children have seen lower infection rates than other age groups. COVID-19 cases among those 5-17 years old make up 10% of total cases in the country, according to the [latest data from the Centers for Disease Control and Prevention](#).

Last week, the CDC said fully vaccinated people no longer have to wear masks outdoors in crowds and in most indoor places.

Despite dire warnings about the potential impact of removing the statewide mask mandate, key pandemic metrics in Texas have not spiked since then and have gone down in most cases. On Sunday, the state health department had its first day in over a year without reporting a COVID-19 death.

“The Lone Star State continues to defeat COVID-19 through the use of widely-available vaccines, antibody therapeutic drugs, and safe practices utilized by Texans in our communities,” Abbott said in a statement on his latest order. “We can continue to mitigate COVID-19 while defending Texans’ liberty to choose whether or not they mask up.”

The Texas State Teachers Association called Abbott’s latest move premature. In a statement, the head of the association, Ovidia Molina, said Abbott should have waited until the CDC issued updated guidance on masks for the 2021-22 school year. Molina acknowledged that some Texas school districts have already ended their mask requirements but said the association believes “that also is ill-advised.”

“The health and safety of our students, educators and communities must remain our first priority as we attempt to emerge from this pandemic,” Molina said.

Abbott’s new rules will take effect as the school year is winding down for most students — or already over. The last day of classes for the state’s biggest school district, Houston ISD, is June 11. May 27 is the last day for some students in the state’s second-biggest district, Dallas ISD.

The Texas American Federation of Teachers was also critical of Abbott’s decision, calling it “unconscionable” given that a vaccine is not yet available for kids under 12 years old. Even if the normal school year is coming to a close, both TSTA and Texas AFT noted Abbott’s order will impact students who attend in-person summer school.

Austin ISD Superintendent Stephanie Elizalde said the district will continue to ask everyone on its campuses to wear masks through June 4. After that, she noted, “there is nothing in the Governor’s order that forbids people from wearing masks. It only means we cannot require them.”

Abbott’s order also applies to public colleges and universities. After the announcement, Texas A&M University told students that the end of its mask requirement was “effective immediately and therefore applies to remaining commencement ceremonies, as well as indoor and outdoor facilities and venues.”

Leaders of some of Texas’ largest cities — all Democrats — were critical of Abbott’s latest order but seemed to accept it and showed no signs they planned to fight back. Houston Mayor Sylvester Turner called Abbott’s move a “clear overreach” and encouraged city employees and visitors to city facilities to wear masks if they are not fully vaccinated, but he added that “we are not mandating it.” Austin Mayor Steve Adler and Travis County Judge Andy Brown said they will “continue to be careful” and will spend the next few days “speaking with parts of our community most impacted by the Governor’s order, including schools and nursing homes.” And Dallas County Judge Clay Jenkins also voiced criticism of Abbott’s order, noting it “deviates” from CDC guidance saying unvaccinated people should continue to wear masks indoors.

The governor’s most recent order comes roughly two and a half months after Abbott lifted the statewide mask mandate. In that order, he said “no person may be required by any jurisdiction” to wear a mask. Now, he is saying a specific type of jurisdiction — government entities — can face a penalty for mandating masks.

After Abbott initially lifted the statewide mask policy, some local governments said they would continue to require masks. Texas Attorney General Ken Paxton sued Austin and Travis County over their plan to continue mandating masks, and in late March, a district judge denied Paxton’s request for a temporary halt of the local mask requirement.

Abbott’s latest order leaves untouched the ability of private businesses to require their customers or workers to wear masks.

Despite ending the statewide mask requirement, Abbott has continued to take hits from some fellow Republicans over his pandemic response. One of them, former state Sen. Don Huffines of Dallas, [launched a primary challenge](#) to Abbott last week and [said after Abbott's announcement Tuesday](#) that Texas “never should have never allowed mask mandates in the first place.”



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**From:** Andrew Keese  
**Sent:** Wednesday, May 12, 2021 10:08 AM  
**To:** NewsClips  
**Subject:** RRC News Clips: May 12, 2021

## **Gas lobbying raises fears of another blackout crisis**

By Mike Lee and Edward Klump

E&E News

May 12, 2021

Texas' powerful fossil fuel industry is lobbying to exempt parts of the natural gas system from legislation aimed at preventing a repeat of blackouts that left millions of people in the cold and dark in February.

The pressure campaign has Gov. Greg Abbott (R) and the Republican-controlled Texas Legislature on the verge of leaving the state's main power grid vulnerable to future storms, environmentalists, power company executives and academics say.

The debate is being watched across the country, as Texas' response will help inform what actions other states and grid operators take to maintain grid reliability given climate concerns and the expansion of intermittent wind and solar resources. For Texas, a replay of the February crisis is a possibility.

Lawmakers have until the end of May to pass legislation during their regular biennial session, and the only significant gas-focused reform bill to pass both chambers is one that prohibits municipalities from banning energy sources such as gas. A special session also remains possible.

The Texas House and Senate have spent considerable time on nonenergy issues, varying from tighter voting restrictions to looser gun regulations. The lack of customer-focused answers to the February power disaster is drawing criticism from some conservative Republican lawmakers.

"We keep forgetting what happened — death, pain and suffering, and people picking up the bills," state Rep. Todd Hunter, a Republican from Corpus Christi, said during a committee hearing last week.

"You look in this room, this is the money room," he said. "Everybody in here is trying to make sure they don't pay."

A group of gas producers, transporters and traders — including BP PLC and Kinder Morgan Inc.— saw billions of dollars of collective gains because of price spikes tied to the February storm.

Last year, natural gas-fueled units provided about 46% of power on the grid managed by the Electric Reliability Council of Texas. Gas-powered generation also had the most megawatts of generation capacity offline of any resource during the February power crisis, according to ERCOT, whose region includes about 90% of the state's power load.

Despite promises to winterize the power system and various bills floating around, lawmakers could leave the gas system largely unchanged outside of some new registration efforts for critical facilities. And, critically, the same group of elected officials could still be in charge of enforcing any winterization rules for the natural gas sector.

The full cost of the February storm, meanwhile, is still being calculated. More than 4 million homes and businesses lost power, some of them for two or three days. Frozen pipes and power failures also crippled water treatment plants around the state, leaving more than 14 million people without access to clean tap water.

At least 151 people in Texas died from hypothermia, carbon monoxide poisoning and other causes related to the winter storm that led to massive power outages, [according to](#) the Texas Department of State Health Services.

### **Gas loopholes?**

Natural gas producers and their allies were lobbying against significant changes to the energy system just days after the storm.

**Christi Craddick**, a Republican who is the state's top oil and gas regulator as **chair of the Railroad Commission of Texas**, said during a February hearing that the industry's widespread problems during the storm had little impact on the power crisis.

"These operators were not the problem," she said. "The oil and gas industry was the solution."

In the months since then, powerful trade associations have been pushing lawmakers to water down the bills that overhaul the power and gas system.

While the final outcome isn't clear, the industry and legislators seem focused on [S.B. 3](#), an omnibus measure containing a number of reform proposals. Provisions include a Texas Energy Reliability Council and weatherization requirements for power generation and other aspects of the energy system. It also would impose fines up to \$1 million per offense for certain violations and allow the state attorney general to enforce some rules.

The words "gas well" have already been removed from S.B. 3, and the Texas Oil & Gas Association is circulating amendments to the bill that would weaken it further.

One of the bill's key provisions is a requirement for state regulators to map the gas supply chain that feeds the state's electric generators and require those gas facilities to be weatherized. The industry amendments, obtained by *E&E News*, would exempt some producing and treating facilities from those rules.

They also would ensure that the weatherization rules only apply to facilities "directly serving natural gas electric generators whose sole purpose is putting power on the ERCOT grid," remove the attorney general from the enforcement process and exempt co-generation plants at the state's oil refineries from weatherization requirements. Those plants normally are used to provide power for their owners but can be used to supply the statewide electric grid during shortages.

TXOGA President Todd Staples said the trade association talks frequently to legislators and is in favor of most of the proposed reforms, but he added that weatherizing individual wells won't protect the system. Instead, power companies need to pay for gas storage and firm supply contracts ahead of time, which will guarantee power to both the gas industry and to customers statewide.

"It is a knee-jerk reaction to think going all the way back to the wellhead is going to improve reliability," he said.

But Alison Silverstein, an energy consultant who previously worked for the Public Utility Commission of Texas, said TXOGA would leave the state's power generators with gas shortages if there's another winter storm.

“That won’t prevent a freeze-up or failure downstream at the wellhead, processor, storage or pipeline away from the plant from blocking gas delivery to the plant,” she said in an email.

A broader concern is that the legislation would largely avoid changes at the **Railroad Commission**, which oversees the Texas oil and gas industry.

The commission’s members are elected statewide and get the bulk of their campaign funding from the oil, gas and pipeline companies they oversee, something that’s not allowed in some states. And Craddick herself gets a substantial amount of income from oil and gas property she owns in West Texas, something that’s allowed in Texas but is also prohibited in some places (*Energywire*, Nov. 1, 2018).

The commission’s critics say the agency rarely enforces rules against oil and gas operators for pollution and other problems. Regulators also took limited actions after a 2011 storm and other previous storms.

“The Legislature really needs to be cautious about how much flexibility it gives the **Railroad Commission**,” said Virginia Palacios, executive director of Commission Shift, a nonprofit group dedicated to reforming the agency. “What we’ve seen year after year is that these commissioners aren’t interested in showing leadership.”

### **Profit bonanza**

While some oil and gas companies lost money during the freeze, the ones who were able to keep gas supplies flowing reaped at least \$5 billion in profit.

Natural gas prices jumped hundredfold or more during the storm, partly because of the jump in demand for heat and power. The supply of gas also dropped because parts of the system went out.

Energy Transfer LP, the company behind projects such as the Dakota Access pipeline, reported a \$2.4 billion boost to its earnings from the winter storm. The company packed extra gas into its pipelines ahead of the storm, rented portable generators and other equipment to keep its plants running and had crews standing throughout the storm.

Kinder Morgan, the Houston-based pipeline giant, took similar measures and reported a \$1 billion gain from its gas operations during the storm. BP likely made over \$1 billion related to energy trading, the *Houston Chronicle* reported. Other small and medium-size companies reported hundreds of millions of dollars in profits.

Much of the gas system, though, experienced a cascade of failures. The freezing conditions and snow knocked out individual gas wells and froze the plants and equipment used to separate liquids from the gas stream.

Compressor stations that push gas into long-haul pipelines lost power because of a series of coordination mishaps, which in turn cut off fuel to power generators. Many of them had failed to fill out paperwork designating themselves as critical power users, which would have prevented them from being blacked out.

What’s more, a number of natural gas facilities had signed up for a program that called for them to reduce power use during tight conditions in return for financial benefits.

In a statement, ERCOT said the program is a good way to help manage power, but it said gas facilities shouldn’t be in the program if they’re critical to the energy system.

There’s existing technology that can winterize gas facilities cheaply, Democratic state Rep. Jon Rosenthal, who’s also an oil field engineer, said in an interview.

Gas wells can be protected by injecting chemicals similar to antifreeze into the gas stream. Processing plants and pump stations can be protected with temporary buildings, portable heaters and backup generators.

“We could solve the problem and it wouldn’t bankrupt these companies,” Rosenthal said.

It would cost \$20,000 to \$50,000 apiece to winterize new gas wells in the state, for a total of \$85 million to \$200 million annually, according to an [update](#) from the Dallas Federal Reserve Bank. That pales in comparison to the cost of the freeze and outages, which the Fed said could cost the Texas economy \$80 billion to \$130 billion in direct and indirect economic losses based on early estimates.

### **Electricity fallout**

Texas power providers varying from big publicly traded companies to electric cooperatives and municipal utilities bear financial scars from the February storm.

Irving, Texas-based Vistra Corp. has announced a roughly \$1.6 billion financial hit. Houston-based NRG Energy Inc. pegged its negative impact at about \$500 million to \$700 million. Those figures were after taking into account various mitigation efforts at the companies.

There also have been bankruptcy filings by Brazos Electric Power Cooperative Inc. and certain competitive power providers, including Griddy Energy LLC.

While blackouts generally started the morning of Feb. 15, power companies said they began experiencing gas shortages before then. Vistra said about 70% of the force majeure claims it saw happened before Feb. 15, and some occurred as early as Feb. 12.

NRG Energy Inc. CEO Mauricio Gutierrez told investors and analysts this month that he supports formal winterization rules as well as certain penalties and audits.

“With that said, one of the biggest lessons learned from this storm is how interactive and interconnected the electric and natural gas sectors are, and our focus is not just on hardening the power generation side of the equation,” Gutierrez said. “Instead, we believe the entire system, including natural gas, needs to be hardened as they say from wellhead to lightbulb.”

The stakes are high for Texas considering that its pro-business message relies heavily on light regulation and low-cost power. The widespread blackouts tarnished that image.

Texas’ electricity regulators don’t appear to be driving the reform discussion in Austin, but they have been in touch with state lawmakers.

Some good news for Texas this summer is that natural gas access is expected to be less of a concern during hot weather, but better coordination and communication will remain crucial.

Peter Lake, the recently installed PUC chairman, told a group of ERCOT market participants that Texas will be closely watched, including during the summer power season.

“All eyes will be on us like never before,” he said.

Twitter: [@mikeleefw](#) Email: [mlee@eenews.net](mailto:mlee@eenews.net)

---

## **Winter storm triggered largest monthly decline in natural gas production**

By Marcy de Luna

Houston Chronicle

May 10, 2021

The severe winter weather that swept across the country drove a record decline in U.S. natural gas production, led by the plunge in Texas, the Energy Department said Monday.

The nation's natural gas production in February fell by an average of 8.1 billion cubic feet per day, or 7 percent from January, the largest monthly drop ever recorded, according to the Energy Department. Texas accounted for more than half the decline, as the state's average production for the month plunged by 4.3 billion cubic feet per day, or 15 percent.

The winter storm hit Texas in mid-February, knocking out power plants, disrupting natural gas supplies, and leaving more than 4 million Texans without electricity and heat as temperatures plummeted. Nearly 200 people died from causes related to the extended power outages.

Natural gas power plants generate about half the state's electricity, and fuel shortages contributed to plant failures during the bitter winter weather.

The Energy Department attributed the plunge in natural gas production to so-called freeze-offs. Extreme cold caused water and other liquids in natural gas wells to freeze at the wellhead and gathering lines, blocking the flow.

Natural gas producers and processors also have blamed power outages that knocked out operations. Last week, the state's grid manager, the Electric Reliability Council of Texas or ERCOT, confirmed that it forced dozens of natural gas facilities to offline during the storm under a program that pays large industrial users to shut down when electricity supplies are short.

The contractual outages affected a small portion of the thousands of oil and gas facilities in Texas.

In the period between Feb. 8 and Feb. 17, which spans the storm and the run-up to it, natural gas production plummeted by 10 billion cubic feet a day, according to the Energy Department.

Texas, which does not require natural gas and power companies to winterize equipment to the same extent as natural gas production companies in colder, northern states, the Energy Department said. The state also does not provide incentives for power companies to maintain extra generating capacity in case of emergencies.

Texas is the nation's biggest energy consumer. Residential consumption of natural gas in February soared to record levels, surging more than 50 percent from a year ago and 64 percent above the five year average, according to the Energy Department.

That was more than offset by a sharp decrease in natural gas consumption by industrial users, which shut down because of outages, skyrocketing power prices and natural gas shortages, according to the Energy Department. Industrial consumption of natural gas fell 23 percent from February 2020, a record decline.

---

## **CSB adopts report on deadly hydrogen sulfide (H<sub>2</sub>S) release**

By Guy Burdick

EHS Daily Advisor

May 12, 2021



On May 4, the U.S. Chemical Safety and Hazard Investigation Board (CSB) adopted a final report on an October 26, 2019, [hydrogen sulfide \(H2S\)](#) release at the Aghorn Operating waterflood station in Odessa, Texas. The toxic gas release fatally injured an Aghorn employee who was working at the facility, as well as his spouse, who attempted to locate him at the facility after he did not return home.

The CSB had several recommendations for the employer but also recommended that the Occupational Safety and Health Administration (OSHA) issue a safety alert or safety bulletin addressing control of hazardous energy (lockout/tagout) requirements to protect workers from hazardous air contaminants such as H2S.

Water injection, or “waterflooding,” is used to increase the volume of petroleum extracted from an oil reservoir. At the Aghorn site, pumps in a building called the “pump house” are used to pressurize and inject water into the oilfield, adding pressure to the reservoir. Water is removed from the extracted oil, but the water can contain contaminants such as toxic H2S gas, as well as some residual oil.

“Waterflood stations are common throughout Texas,” CSB Chairman Katherine Lemos said in a board statement. “The CSB report determined that additional safeguards are needed to help ensure that a similar event is prevented.”

CSB investigators Lauren Grim and William Houglund identified several safety issues at the Aghorn facility, including failure to use a personal H2S detector; the lack of lockout/tagout policies or procedures; the lack of adequate ventilation in the pump house, confining toxic H2S inside the building; the lack of a formal company safety management program; a nonfunctioning H2S detection and alarm system; and deficient site security.

Investigators found that on the night of the incident, the waterflood station’s control system activated an oil level alarm on a pump. An Aghorn pumper was notified. He then drove to the waterflood station and attempted to isolate the pump from the process by closing two valves.

The CSB found that the pumper failed to perform a lockout procedure to isolate the pump from energy sources before performing the work. While the pumper was near the pump, it automatically turned on, and water containing H2S escaped into the pump house. The pumper was overcome and fatally injured by the toxic gas.

However, the board’s investigators could not determine whether the pump failure and toxic release happened before the pumper arrived at the facility or when the pump automatically turned on while the pumper was closing the valves.

When the pumper failed to return home, his spouse drove with their two children to the station to check on him. She located him on the floor of the pump house and also was overcome and fatally injured by the toxic H2S gas. The children remained in the car and were uninjured.

The CSB has several recommendations to Aghorn Operating, Inc.:

- Mandate the use of personal H2S detection devices.
- Develop a site-specific, formalized, and comprehensive lockout/tagout program for each facility.
- Commission a comprehensive, independent analysis of each facility to examine ventilation and mitigation systems.
- Develop and demonstrate the use of a safety management program that includes a focus on protecting workers and nonemployees from H2S.
- Ensure that H2S detection and alarm systems are properly maintained and configured, and develop site-specific detection and alarm programs and procedures.

- Ensure that H2S detection and alarm systems employ multiple layers of alerts unique to H2S.
- Develop and implement a formal, written, site-specific security program to prevent the unknown and unplanned entrance of nonemployees.

The CSB also recommended that the **Railroad Commission of Texas** develop and send a notice to all oil and gas operators that fall under its jurisdiction describing the safety issues identified in the CSB's report.

Text of the final report will be released in a few weeks, but the [presentation](#) for the board is available on the board's website.

---

## South Texas Drilling Permit Roundup: Sanchez successor drilling in Dimmit County

**Mesquite Energy used to have a different name and a much bigger presence in the Eagle Ford Shale.**

By Jessica Corso

San Antonio Business Journal

May 11, 2021

The company formerly known as Sanchez Energy — a once prolific driller in the Eagle Ford Shale — submitted applications for three new wells in Dimmit County last week.

Mesquite Energy Inc. plans to explore for oil and gas in the Eagle Ford Shale 13 miles west of the town of Catarina, according to applications submitted to the **Railroad Commission of Texas** last week. Mesquite has submitted 12 applications to drill new wells in South Texas so far this year, mostly in the same region of Dimmit County where it hopes to drill this latest round of wells.

The company was once much more ubiquitous in the region and was the top producer of condensate and the second-most prolific producer of gas in the Eagle Ford as recently as 2018, according to the **Railroad Commission**. That year the company, then known as Sanchez Energy, submitted 249 applications to drill new wells in the region. A year later, it filed for bankruptcy.

Sanchez Energy emerged from bankruptcy with a new name — Mesquite Energy — and [its \\$2.3 billion in debt wiped clean](#). But it hasn't yet seen the same heights as it did in 2018. In 2019, the company filed for 113 permits in South Texas, and it filed for 25 last year, when the oil and gas industry as a whole pulled back on drilling new wells.

Mesquite Energy files for permits under operator names SN EF Maverick LLC and SN Operating LLC.

### South Texas Drilling Permit Roundup

The South Texas Drilling Permit Roundup is a weekly review of new drilling permit applications filed with the **Railroad Commission of Texas** over a 67-county area of South Texas. For the full drilling data table, see above.

Date Range: May 3 to 9

Permit Applications: 19

Companies Filing: 11

Most Active Company: Murphy Oil Corp. with five applications

Most Active County: Karnes County with five applications

**New and Noteworthy:**

Dallas area independent Headington Energy Partners LLC submitted an application last week to drill for oil and gas near Corpus Christi. The permit application is the first for Kleberg County in

year with the submission of a permit application in nearby Kenedy County. The Kleberg County permit uses the same lease name as several nearby EOG Resources Inc. wells, and the well itself is set to be drilled on the same field where EOG's last well in the area was drilled in 2018.

Forth Worth-based Wheeler Operating Corp. submitted for its first 2021 permit. The company plans to look for oil via a directional, 8,900-foot well in Madison County, 4 miles northeast from Madisonville. Wheeler Operating last drilled in the area in March of 2020 and has produced eight to 126 barrels of oil per month from that well.

**Operators Drilling in Eagle Ford**

Ranked by No. of drilling permits in Eagle Ford Shale

<b>Rank</b>	<b>Business Name, Prior Year's Rank</b>	<b>No. Of Drilling Permits In Eagle Ford Shale</b>
<b>1</b>	<b>EOG Resources Inc.</b>	<b>405</b>
<b>2</b>	<b>Chesapeake Operating LLC, aka Wildhorse Resources</b>	<b>216</b>
<b>3</b>	<b>ConocoPhillips Co.</b>	<b>208</b>

[View This List: https://www.bizjournals.com/sanantonio/subscriber-only/2020/09/18/operators-drilling-in-eagle-ford.html](https://www.bizjournals.com/sanantonio/subscriber-only/2020/09/18/operators-drilling-in-eagle-ford.html)

---

**NBC 5 investigates how colder states avoid winter blackouts**

**What can Texas learn from cold-weather states?**

By Scott Friedman and Eva Parks

KXAS-TV

May 11, 2021

Video story on webpage: <https://www.nbcdfw.com/investigations/nbc-5-investigates-how-colder-states-avoid-winter-blackouts/2629784/>

They live through brutal winters, year after year. But the lights stay on. NBC 5 investigates what Texas can learn from colder states to prevent future disasters.

When the lights went out in Texas in February, other states with even colder temperatures still had power.

So how do they prevent power outages in places where brutal winters are just a part of life? NBC 5 Investigates traveled to the frequently frozen Midwest to find out, in the third episode of our digital series “Powerless.”

The answers found in one cold-weather state provided a road map for how Texas could prevent future winter disasters. But right now there is no guarantee that Texas will require some of the things that work best in more harsh winter climates.

---

## U.S. sees less oil supply through 2022 despite rising prices

By Sheela Tobben

Bloomberg

May 11, 2021

The U.S. reduced its forecast for oil output through 2022 as drillers across the prolific shale patch pledge austerity over the allure of increasing prices.

Oil explorers throughout the country will [produce](#) 20,000 barrels a day less than previous forecasts for this year, at 11.02 million barrels. Supply next year is set to reach 11.84 million barrels a day, down from prior estimate of nearly 11.9 million, the Energy Information Administration said in a [report](#) Tuesday. This marks the second straight downward revision for 2021 and 2022 forecasts.

The agency’s reduced forecasts come even as U.S. crude futures prices have risen more than 30% this year. In fact, the EIA raised its price projections for West Texas Intermediate oil next year by 25 cents a barrel.

Still, pressure from Wall Street investors has put a lid on any potential supply growth, forcing drillers to increase cash flow and dividends to shareholders. In their quarterly earnings calls last month, the largest U.S. drillers, [Chevron Corp.](#) and [Exxon Mobil Corp.](#), indicated they are [holding firm](#) to austerity measures adopted during last year’s pandemic-fueled crisis, easing concerns that recent price recovery would spur another round of runaway production growth.

With the U.S. unlikely to return to previous peak output, the Organization of Petroleum Exporting Countries and its allies have moved to roll back part of their supply cuts starting in May. OPEC itself boosted estimates for the call on its output this year by a [modest](#) 230,000 barrels a day as supply from the group’s biggest rival declines again.

Nonetheless, the EIA expects producers to add new wells while oil prices stay above \$55 a barrel, but only enough to offset natural declines from existing wells. Oil supply will also benefit from the [new projects](#) in the U.S. Gulf of Mexico, the agency said in its Short-Term Energy Outlook. It added that the nation has fully recovered from February’s cold snap-related supply outages, with volumes rebounding more than 1 million barrels a day to nearly 11 million barrels a day in April.

---

# Huge corporations are saving \$10 billion on Texas taxes, and you're paying for it

By Mike Morris, John Tedesco, and Stephanie Lamm

Houston Chronicle

May 12, 2021

As millions of Texans struggle with the economic devastation of COVID-19, the biggest corporate tax giveaway in Texas has helped businesses cut more than \$10 billion from their property taxes — and there are no limits on the program's exponential growth.

The gusher of tax incentives is flowing to firms ranging from petrochemical plants on the Gulf Coast to sprawling wind farms in the Panhandle. Companies are saving billions by promising to bring their business to Texas — even if evidence suggests some never would have gone anywhere else.

Meanwhile, nothing has changed during the pandemic for Texas homeowners who must pay their property tax bills on time or face stiff penalties.

For renters, it took Texas until mid-February, nearly a year after the pandemic hit, to launch a rental and utility assistance program. It was [plagued for months by long waits](#).

“We're living paycheck to paycheck,” said Dulce Cramer, who was laid off at her new job in Houston last year when the pandemic began. Cramer said she was denied state unemployment benefits while her husband's employer cut his hours, and they could barely afford the rent at their Westchase apartment.

“It was hell,” she said.

It's a far different story for the energy and manufacturing companies that qualify for assistance under an obscure section of the Texas Tax Code [called Chapter 313](#).

Twenty years ago, state lawmakers created the program in response to unfounded fears that Texas was losing bidding wars with other states to attract new business.

Since then, the program has ballooned into the largest corporate tax incentive in Texas — and lawmakers are working to renew it this year.

Here's how it works: An eligible company that promises to spend, say, \$200 million on a manufacturing plant can apply for a Chapter 313 incentive and lower the appraised value of its property on a school district's tax rolls, erasing millions of dollars in property taxes over the course of a decade.

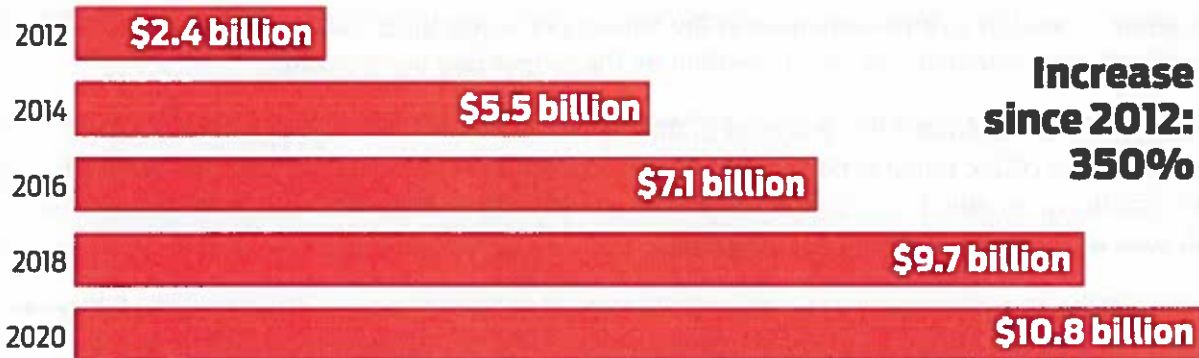
With more than 500 active projects in Texas, the program has become more popular than ever. State officials predict it will cost nearly \$10.8 billion in tax breaks over the life span of each project, according to a report on the program that covers all active deals through early 2020.

Since then, some projects have dropped out of the program, but records recently released by the comptroller's office show another 90 projects have since been approved that will save companies an additional \$900 million.

## Tax breaks soar to \$10 billion

The projected costs of the Chapter 313 program in Texas have more than tripled since 2012, when there were 128 projects scheduled to receive a total of \$2.4 billion during the 10-year life span of each deal. In 2020, more than 500 projects stand to receive nearly \$10.8 billion in tax breaks over 10 years.

### Gross tax benefits vs. year



Source: Texas Comptroller of Public Accounts

Staff graphic

To make up for the taxes these companies are not forced to pay, the Legislature must allocate more general revenue — the taxes all Texans pay — to public education, leaving fewer dollars not only to increase school spending but to build roads, provide health care and fund other vital services.

In essence, Chapter 313 asks all Texas taxpayers — renters, homeowners and small business owners — to help some of the world’s largest companies get a discount on their taxes.

“What we’re doing is building a two-tiered tax system where large industrial companies get a discounted tax rate and small businesses and homeowners pay full freight,” said Dick Lavine, a senior fiscal analyst with the left-leaning research group Every Texan and a longtime critic of the program.

Supporters say Chapter 313 has lured major employers to Texas — companies such as Samsung, Toyota and Tesla. They contend the tax breaks create high-paying jobs and encourage manufacturing and energy companies to make marquee investments here.

“We brag about how we don’t have a personal income tax in Texas. We make up for that with very high property and high sales taxes,” said Dale Craymer, president of Texas Taxpayers and Research Association, which has long supported the program. “Those high property taxes not only burden homeowners, but it also creates a substantial barrier against new capital investment, so 313 helps reduce that barrier to new investment.”

But a *Houston Chronicle* review of thousands of pages of state documents, corporate filings, reports and audits going back nearly two decades shows the program often falls short of its goals. It also functions without the guardrails lawmakers insist they have enacted to ensure the tax burden does not needlessly shift from major companies to individual taxpayers.

Among the *Chronicle*’s findings:

- Chapter 313 does create jobs — but at a steep price. By even a conservative measure, Texas is paying \$211,600 in tax incentives for each job created under the program. Using a different metric cited in the past by state officials, the cost per job tops \$1.1 million.

- At least 30 companies failed to fulfill their job-creation promises since 2019 but faced no repercussions. Their tax breaks stayed intact, and they paid no fines.
- As long as companies phrase their applications the right way, records show, they are nearly guaranteed to get the subsidies. Less than 2.5 percent of all Chapter 313 applications have been denied — and nearly a dozen of those reapplied with new phrasing and got approved.

The comptroller's office declined to make its staff available for an interview, citing the ongoing legislative debate about the program. It said in written responses to the newspaper's questions that its staff does not track the rate at which applications are denied and has no opinion on the proper rate of rejections.

"Our office works diligently to administer this program in the manner prescribed by the Legislature," said spokesman Chris Bryan. "Our office remains neutral and tries to answer questions from all parties. Similarly, we make a lot of information available to the public and media so that others have sufficient information from which to make their own informed opinions on the program."

As Chapter 313 saved billions for businesses, Gov. Greg Abbott declined to act on calls from appraisal districts and Texas lawmakers at the beginning of the pandemic to freeze property-tax values at 2019 levels to offer relief to property owners or extend the deadline to pay their tax bills.

"That's what galls me. They don't give a damn," said Steve Tallent, 71, a heavy equipment operator in Mont Belvieu who fell behind on his property taxes after falling ill in 2019 and ended up owing more than \$4,800 in taxes and penalties on his house.

Tallent hoped to pay his bills with income from a bar he owns — but he was temporarily forced to close it because of the pandemic and couldn't pay that tax bill on time, either.

The governor's office did not respond to repeated requests for comment.

Tallent lives in the Chapter 313 capital of Texas. Trustees of the Barbers Hill Independent School District, which serves Mont Belvieu, have approved more Chapter 313 deals than any other school district in Texas.

The total cost of incentives over the 10-year duration of each deal: nearly \$900 million.

"Yes, we do have the most (projects). And they've been tremendous," said Superintendent Greg Poole, an avid supporter of the program who moonlights as a consultant to help other school districts negotiate deals under the law.

Poole and other proponents say Chapter 313 has lured businesses to Texas that would have invested in other states. The law requires the comptroller's office to scrutinize every deal, they say, ensuring that tax breaks go only to companies that truly need them.

Some even argue the program costs taxpayers nothing because without the incentives, the companies would have invested elsewhere.

The law has never required such a stringent review.

The comptroller's office is charged only with deciding whether the tax break is "a determining factor" in a firm's decision to proceed with the project — a low hurdle for companies to clear.

The program's other gatekeepers — elected members of local school boards — usually have few reasons to turn down an application. That's because state education funding formulas ensure that school districts don't feel the

gain from the property tax breaks. And districts stand to bring in millions in extra payments from the very companies seeking the incentives.

“I’ve never seen a beast like 313. It’s essentially free money for big business,” said Nathan Jensen, a professor at the University of Texas at Austin who has long studied the program.

But in scores of cases reviewed by the Chronicle, records show some tax breaks might not even be necessary.

### **The shale boom**

It was early 2011, and the Eagle Ford Shale boom in South Texas was helping reinvent the American energy industry.

The region’s first successful horizontal fracking well had been drilled in La Salle County more than two years earlier, unlocking enormous deposits of oil and gas trapped in rock formations deep beneath the earth.

All that oil and gas had to go somewhere.

For Texas energy companies, the shale revolution has married ingenuity with good fortune — the geological reality that the state straddles some of the richest oil and gas reserves on the continent.

Yet some of the world’s largest companies have raked in tens of millions of dollars in state subsidies for doing what simply made sense — building the pipelines, processing plants and petrochemical facilities necessary to profit from this windfall of resources.

Enterprise Products Partners, like its competitors, had begun building a network of new pipelines dedicated to transporting “natural gas liquids” in the Eagle Ford to its processing plants in South Texas.

The Houston-based energy company said enormous demand for its services soon would overwhelm its South Texas plants. But in April 2011, the company sought taxpayers’ help in building a new gas processing plant in Lavaca County by applying for a Chapter 313 incentive for the project.

To prove the project qualified for the tax break, Enterprise told the comptroller’s office that it had a large pipeline network and gas processing plants in four other states, allowing “substantial flexibility in plant location.”

But like so many of its competitors, Enterprise had told its investors a different story.

The company had discussed the plant in public statements dating back 10 months — its location, its capacity, its construction timeline, the length of pipe needed to connect it to the company’s network — and described it as part of a series of projects necessary to “meet the needs of producers” in the Eagle Ford.

If the comptroller’s office was aware of these statements, they were not mentioned in the office’s letter recommending the \$41 million in tax incentives be approved.

In all, at least 35 gas plants in Texas received about \$380 million in Chapter 313 incentives, almost all of them in the Eagle Ford or West Texas’ Permian Basin.

At least 10 of them were publicly announced before the companies applied for tax breaks, either by name or with the same capacity, construction timeline and region as the plants the companies described in their applications.



Twice, another company, Energy Transfer, not only announced a gas plant before applying but even acknowledged starting construction and site work months before — with \$16 million invested at one site and \$20 million at the other — yet still got the subsidies.

Energy Transfer spokeswoman Alexis Daniel did not address the timing of the tax incentives but said the company is “proud to be a Texas-based, Fortune 100 company” with many employees in the Houston region.

“In 2020 alone, we paid approximately \$218 million in property taxes on our pipelines and facilities in Texas,” she said. “These taxes support schools, hospitals, community centers, roads and various other projects and services that are important to our state.”

Enterprise Products spokesman Rick Rainey, meanwhile, said a Chapter 313 incentive is one of many factors the company considers in evaluating investments.

“The economic viability of a project is analyzed, including the impact of 313,” he said, “and helps determine where a project will be built, or whether it will be built at all.”

Energy analysts, however, said the state’s dozens of gas plants were certain to be built here.

“The processing plants would have had to come up no matter what,” said Ajay Bakshani, an oil and gas analyst with East Daley Capital Advisors. “You need these plants in order to extract value out of the gas that’s coming out of the ground.”

And these plants, said Rusty Braziel, president of the Houston energy analytics firm RBN Energy, are typically no more than 25 miles from the cluster of wells producing the gas in need of processing. Just nine of the 35 gas plants that got Chapter 313 deals are that close to neighboring states.

The subsidies have become so ubiquitous that companies routinely remind the comptroller’s office in their applications that their competitors often have received tax breaks to build comparable projects.

While Craymer, the program supporter, said the review process usually works, he acknowledged some projects destined to build in Texas likely slip through.

“I do think this is an area of discomfort with many, and, quite honestly, we’re willing to work with folks on a better approach,” Craymer said.

Hector Rivero, president of the Texas Chemistry Council, agreed.

“Someone that has got a project that’s coming here regardless, that’s an abuse,” he said. “We want the comptroller to be able to ferret those out.”

Bryan, of the comptroller’s office, said his colleagues weigh public statements as part of their review process, adding, “Our determinations don’t typically rely on a single document or issue.” He gave the same answer when asked about projects that had started construction and still received tax breaks.

A similar pattern can be found in the renewable energy industry. Wind farms are projected to receive \$2.1 billion in Chapter 313 tax breaks. Yet West Texas’ bountiful supply of wind and transmission lines already makes it the perfect location for such investments, according to a 2016 state Senate committee report.

In their Chapter 313 applications, both wind and solar farms often acknowledge selecting their sites based on their proximity to state-financed transmission lines but say the incentives are still needed.

Wind farms frequently start construction to secure federal tax credits but then seek Chapter 313 subsidies as well. They tell the comptroller's office that their investments do not commit them to the sites, and they routinely say they cannot compete on price with their competitors who already have received the state subsidies.

In sheer numbers, most Chapter 313 applications are filed by renewable energy companies. But most of the tax breaks — more than \$7.6 billion — are going to more expensive projects in the manufacturing industry that include huge petrochemical firms.

The subsidies can be traced through the entire production process of the Texas shale boom.

When natural gas liquids leave processing plants, they flow mostly through pipelines to facilities called “fractionators” that split them into their separate components — chiefly ethane and propane — which are then sold, exported or refined into fuels and plastics.

In North America, the chief hub for this activity has long been Mont Belvieu, a town 25 miles east of Houston in Chambers County, which sits atop scores of salt caverns — some larger than the Empire State Building — that let companies store massive amounts of oil and gas products.

As these liquids flowed to Mont Belvieu, the tax breaks followed.

### **Unavoidable projects**

Chapter 313 has subsidized at least 36 fractionators in Texas at a combined cost of \$770 million, a figure that includes a few other projects that were submitted on the same applications as the fractionators. All of them are near the Gulf Coast; 26 of them are in Mont Belvieu.

At least 15 times, companies announced the fractionators publicly before filing their tax break applications. Ten other times, the companies did not prematurely announce the projects in detail but did indicate they soon would need to add capacity.

Enterprise Products received tax breaks for nine such units in Mont Belvieu, the most of any company. Enterprise announced two of its fractionators were “under construction” weeks before seeking tax breaks to build them — and still got approved.

The projects were inevitable, energy analysts said. Once the newly abundant gas liquids were gathered and processed, they would need to flow through a fractionator in order to be usable.

In theory, more gas liquids could flow to Louisiana, New Mexico or Kansas, Braziel said. But, though Mont Belvieu's salt caverns put it on the map, the town is the world's gas liquids hub for another reason: 70 percent of these compounds are exported or sold to petrochemical plants, and both industries are clustered along the Gulf Coast.

There are docks, refineries and petrochemical plants in Louisiana, too, Braziel said — but not enough. The notion that three dozen Texas fractionators would have gone to Louisiana in the absence of tax breaks, he said, is folly.

“Could some? Yes. Could all of them? No,” he said. “The majority are going to land in Texas.”

What's more, Bakshani said, by the time a fractionator is announced, most or all of the material the unit will produce is typically already under contract with customers — often petrochemical plants planning to use it in specific units nearby.

“A lot of the companies now have such a presence at Mont Belvieu that if they suddenly come out and say they’re building a fractionator in Louisiana, it would be a head-scratcher,” Bakshani said. “Why not take it to all the fractionators you already have that are next to all the facilities you already own?”

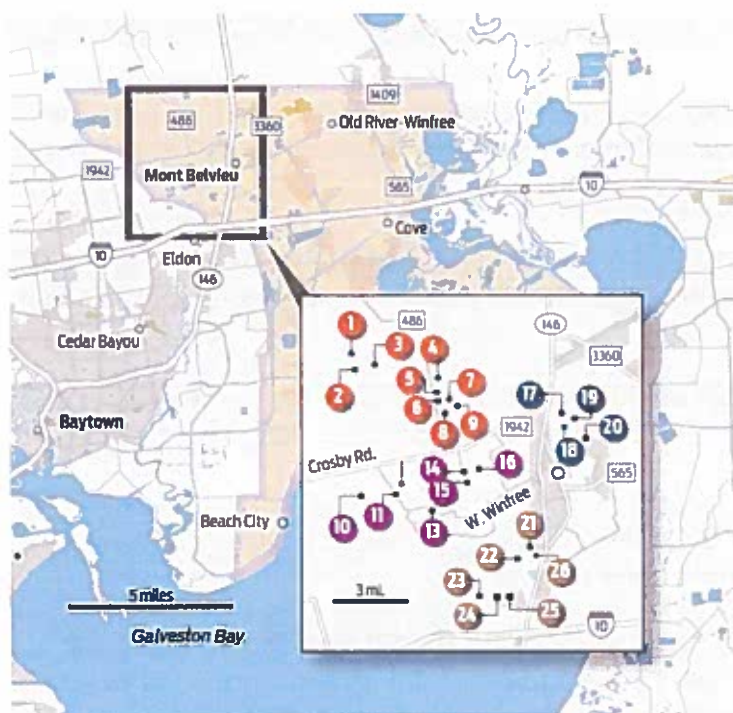
The flurry of Chapter 313 activity didn’t go unnoticed by competitors.

In early August 2017, Permico announced its Texas NGL project, an effort to pipe gas liquids from the Permian to a new fractionator in Corpus Christi.

When the company applied for a Chapter 313 subsidy, Permico CEO Jeffrey Beicker learned the comptroller’s office had questions. He was furious. Why didn’t his competitors face the same scrutiny?

“All these other companies have multiple news releases, quarterly reports and annual reports that state their intentions,” Beicker [wrote in an email](#) to his consultant. “We refuse to lie to receive the tax abatement. Apparently our competitors do not share this moral dilemma.”

Beicker’s company got the tax break. A Permico executive referred questions to Beicker, who did not respond to requests for comment.



### Big tax breaks in Barbers Hill ISD

The Texas shale boom has produced huge volumes of natural gas liquids, which must flow through facilities called fractionators before they can be used. Texas taxpayers have provided subsidies to 26 such units in Mont Belvieu – which experts say is home to the largest cluster of fractionators in the world because it sits atop a salt dome ideal for storing gas liquids underground. The fractionators shown received incentives from Mont Belvieu’s Barbers Hill ISD, with the dates when the companies applied and the projected value of the tax break for each project.

ENTERPRISE PRODUCTS			ONEOK HYDROCARBON		
1	July 2019	\$46.0 million	17	Aug. 2010	\$15.5 million
2	May 2019	\$29.5 million	18	Oct. 2012	\$17.5 million
3	July 2018	\$54.4 million	19	June 2018	\$13.2 million
4	Nov. 2013	\$17.5 million	20	Aug. 2018	\$11.7 million
5	Nov. 2012	\$19.0 million	<b>TARGA / CEDAR BAYOU FRACTIONATORS</b>		
6	Nov. 2012	\$19.2 million	21	Aug. 2010	\$15.3 million
7	Aug. 2010	\$20.9 million	22	Aug. 2013	\$13.4 million
8	Sept. 2009	\$17.5 million	23	June 2018	\$13.0 million
9	July 2010	\$17.1 million	24	June 2018	\$13.0 million
<b>LOWE STAR NGL (ENERGY TRANSFER)</b>			25	June 2018	\$12.8 million
10	Jan. 2019	\$18.6 million	26	Nov. 2017	\$11.0 million
11	Nov. 2014	\$14.4 million			
12	Nov. 2014	\$20.6 million			
13	Oct. 2018	\$12.4 million			
14	Nov. 2012	\$19.9 million			
15	June 2011	\$22.2 million			
16	July 2014	\$18.5 million			

Source: Texas Comptroller of Public Accounts  
Staff graphic

### ‘Building and building’

More than a third of gas liquids go to petrochemical plants, which pounced on the cheap fuels the shale boom produced by launching a staggering array of projects.

As the compounds flowed from Mont Belvieu and elsewhere to chemical plants along the coast, in dozens of cases the subsidies followed them.

Some of the biggest Chapter 313 subsidies have been for petrochemical units called “crackers.” These turn ethane — the main material flowing from all the new fractionators — into ethylene, a key building block of plastics.

Chevron Phillips Chemical [announced](#) it would build one such unit in Baytown in late 2011 — months before it applied for incentives to do so — then sought tax breaks for another as part of a larger project in Orange in 2019. Combined subsidies: \$491 million over 10 years.

LyondellBasell secured three Chapter 313 incentives in 2013 to increase ethylene production at its [Channelview](#), [La Porte](#) and [Corpus Christi](#) plants despite announcing all three publicly before applying.

And ExxonMobil was already building an ethylene cracker in Baytown that had gotten Chapter 313 subsidies when it filed more tax break paperwork in 2016 as part of a joint venture with the Saudi firm SABIC.

The companies' new chemical plant near Corpus Christi includes an ethylene cracker and accompanying units and will get a projected \$457 million in subsidies over a decade.

Exxon spokesman Todd Spittler said the company supports “a business environment that encourages capital investment and job-creating activities,” but he did not comment on its Chapter 313 deals.

Chevron Phillips spokesman Bryce Hallowell said the company's announcement of its Baytown project was followed by “significant” analysis. Chapter 313 tax breaks were “a key component” of that review before the company made a final decision to build the project, he said.

Lyondell spokesman Chevalier Gray said public policy is among the factors the company considers when considering a new project, adding, “Our projects provide increased tax revenues, among other economic benefits, across the region for many years after economic incentives expire.”

The windfall of natural gas not only made it a cheap raw material for petrochemical giants. The materials soon were so abundant that companies sought buyers overseas.

In a five-year span beginning in the summer of 2010, federal regulators approved more than 20 requests from companies to build facilities to load gas liquids onto ships for export.

Among them were seven sites along the Texas coast — four of which were approved for Chapter 313 tax breaks. Some touted their proximity to the Eagle Ford and the Permian as competitive advantages; all four announced their plans months before seeking subsidies.

“The shale story just kept building and building over the past few years until, finally, we did the engineering and it just made sense,” Freeport LNG CEO Michael Smith said in November 2010, months before his company applied for a tax break to turn its recently opened facility to import gas into a hub for exports.

The projected tax breaks for these export projects are among the program's largest: \$456 million to Freeport LNG; \$354 million to Sempra Energy's docks near Port Arthur; \$857 million to Cheniere's site near Corpus Christi; \$388 million to Exxon and Qatar Petroleum's joint venture near Port Arthur.

Freeport LNG spokeswoman Heather Browne stressed that the company provides hundreds of jobs — and thousands more when the facility was under construction — and will pay a projected \$2 billion in state and local taxes during the project's first two decades of operations.

“The Chapter 313 value limitation tax subsidies, approved and entered into prior to Freeport LNG making its final investment decision to construct our facility in 2014, helped our project compete in the global marketplace for customers, and thereby assisted the company in moving forward with the project in Texas,” Browne said.

The three other Texas projects were in Brownsville. One never sought a Chapter 313 deal, and two — opposed by a coalition of shrimpers, fishermen, environmentalists, Native Americans and others — had their tax-subsidy applications rejected by the Port Isabel school board.

Yet, neither spurned company stopped work when their subsidies were denied. Only last month, six years later, did Annova LNG [announce](#) it was abandoning the project, blaming market shifts. The other two companies still plan to build.

At least eight times, in fact, the Chronicle found companies said they needed the subsidies to build, had their applications rejected by a school district or the comptroller's office or withdrew them under questioning — then proceeded anyway.

Nor do all companies say they need the subsidies. The owners of dozens of gas processing plants, including some just south of the New Mexico border, built without ever filing requests for a tax break.

### **Nothing for homeowners**

There's simply nothing like Chapter 313 for everyday Texans and small-business owners.

"We don't think this program should exist," said Carine Martinez, director of research and publications at the Texas Public Policy Foundation, a conservative research group that has been calling for the repeal of Chapter 313 for years. "We favor a broad-based tax system so we can lower it for everyone instead of favoring some."

Homeowners are eligible for some protections such as the homestead exemption, which cuts appraised values by \$25,000 for taxes owed to school districts. But with the median home value in Texas at [\\$170,000](#), many owners are still responsible for paying taxes on a large share of their property appraisals.

"I'm one of those people who believe that you should do everything on your own as much as you can, but we keep handing money to these corporations and nothing to the citizens," said Mark Varnado, a Mont Belvieu homeowner who owes more than \$3,200 in overdue taxes and penalties. "That doesn't quite make sense to me."

Varnado acknowledges falling behind on his taxes in 2019 and says he meant to catch up last year. But business from his side gig as a disc jockey dried up during the pandemic, and he had to support a son who lost his job. Now Varnado is falling even deeper in the hole as late fees add up.

The Texas Comptroller's Office almost never penalizes Chapter 313 companies that fail to meet their job-creation targets. And unlike the homestead exemption, Chapter 313 lets many businesses pretend a large portion of their investments are invisible on tax rolls.

Why are Texas officials approving so many deals, even for projects that might have been built anyway?

The answer is simple: That's how Chapter 313 was designed.

---

## **A controversial tax program promised high-paying jobs. Instead, its costs spiraled out of control.**

By Mike Morris, John Tedesco, and Stephanie Lamm  
Houston Chronicle  
May 12, 2021

When Houston lawmaker Jim Murphy tried to expand Texas' most lucrative corporate tax incentive six years ago, Gov. Greg Abbott vetoed Murphy's legislation, fearing it would cost taxpayers even more money.

"I cannot support expansion of an incentive program that has not been proven to deliver the value taxpayers deserve," Abbott said at the time.

The governor complained that the state's Chapter 313 program, named after a section of the Texas Tax Code that erases billions of dollars in property taxes for eligible companies, was costing taxpayers \$341,000 for every permanent job it created.

His veto, however, didn't slow the program's growth. Since then, that price tag has more than tripled.

Using the same calculation Abbott cited, Chapter 313 now costs more than \$1.1 million in tax breaks per new job, according to state data analyzed by the Houston Chronicle. By any metric, costs are rising — and there's no telling how high they'll go. The program has no limits.

The spiraling costs of Chapter 313 — which soon are projected to top \$1 billion per year — are just one example of how the program falls short of the benefits touted by supporters.

Ever since lawmakers created the program 20 years ago, they've repeatedly amended the law in the name of reforming it. Not only have promised protections for taxpayers not materialized, however, but the revisions have undercut the program's job-creation goals and weakened wage requirements for the workers at the subsidized job sites.

A *Houston Chronicle* review of hundreds of records in legislative archives and on file with the Texas Comptroller's Office found that the law was written in ways that encourage the gatekeepers of the program — the comptroller's office and local school districts — to approve nearly every Chapter 313 application they receive.

The review also found the comptroller's office often has shied away from applying a more stringent interpretation of the law, though doing so could have recouped public money from companies that broke their jobs promises or prevented a project from being needlessly subsidized.

Chapter 313 — a reference to its place in the Texas Tax Code — lets companies pretend that a portion of their property values are invisible on school district tax rolls for a decade. More than 500 manufacturing and energy projects are projected to save nearly \$10.8 billion in property taxes over the duration of their deals, according to a comptroller's report on the program that covers all active projects through early 2020.

Since then, some projects have dropped out of the program, but recently released records by the comptroller's office show another 90 projects have since been approved that will save companies an additional \$900 million.

Supporters of Chapter 313 promise that everyone benefits when the incentives end and properties return to the tax rolls at full value.

But the Chronicle's analysis shows that many projects quickly lost their value over time. Texas is missing out on the peak years of potential tax revenue, when property appraisals are at their highest.

Advocates say Chapter 313 guarantees high-paying jobs. But the pay at some tax-subsidized projects isn't keeping pace with wages at other manufacturing businesses in the same region. And in 64 percent of cases, local school boards let companies hire fewer workers than the law's already modest minimum standards require.

Comptroller spokesman Chris Bryan said his colleagues don't track the program's cost per job or the diminished property values of projects when they return to tax rolls after their incentives end. He offered no opinion on either measure.

Dale Craymer, president of Texas Taxpayers and Research Association, which has long supported Chapter 313, said the figures companies report to the comptroller often do not represent all workers employed in connection with a project, nor all the value added to the tax rolls.

And sales tax revenue produced in connection with new projects isn't tracked at all, said Texas Chemical Council president Hector Rivero.

"In some instances, the data doesn't show what we'd like it to, but then the question is, is that because the program isn't working as we'd like it to or because we're not getting all the data that we should be getting?" Craymer said. "The reporting associated with the program, while it's very transparent, it's also very limited."

Supporters also dispute the high cost-per-job metric cited by Abbott and take a dim view of such benchmarks, arguing that higher numbers simply mean a project cost more to build.

Abbott's metric, which relied on figures published by the comptroller's office, used two different time frames in its comparison. It divided the companies' total tax breaks over the entire 10-year life of the deals by the number of high-paying jobs they had created as of their most recent reports. After Abbott cited the metric, the comptroller stopped reporting it.

Even by more conservative measurements, however, the cost per job is still high — and rising.

Dividing the \$2.5 billion in tax breaks companies had received as of 2019 by the number of total jobs they had created as of the same year yields a cost of \$211,600 per job.

Meanwhile, another of the state's marquee economic development programs, the Texas Enterprise Fund, has awarded about \$6,500 per promised job.

In a recent report on Chapter 313, Craymer's research group — whose board includes many recipients of the tax breaks and program consultants — noted that such jobs calculations don't include thousands of temporary construction jobs that aren't reported under the program.

Lauding Chapter 313's benefits, the report repeated a frequent claim: that the jobs in question wouldn't exist at all if it weren't for the program's success in luring business to Texas.

"Consequently, the state is not 'losing' any tax dollars," the group concluded.

Murphy, who filed new legislation this year to renew Chapter 313 for 10 years and expand it to allow more types of projects, emphasized the same point — that companies are investing hundreds of billions of dollars in Texas thanks solely to the program.

"No one's getting money from the state," Murphy said of the companies. "It's simply a reduction of taxes for 10 years, and then it goes up to the full rate for the rest of time."

But in case after case, the Chronicle found companies had announced projects and even started construction long before applying for Chapter 313 subsidies, suggesting they would have built the projects without the tax break.

Critics of Chapter 313 include Republicans and Democrats — both state parties have listed the program's abolition in their platforms — as well as the conservative Texas Public Policy Foundation and the progressive nonprofit Every Texan. These skeptics say it's time to rein in the program — or kill it altogether.

"This is a large, expensive and, I think, badly flawed program," said Dick Lavine, senior fiscal analyst for Every Texan, who testified at a legislative hearing this year against bills that would renew Chapter 313.

Vance Ginn, chief economist at the Texas Public Policy Foundation, agreed.

“We should have a tax system that doesn’t pick winners and losers,” Ginn said at the same hearing. “There are many businesses that come to Texas every day without these incentives. There are also many mom-and-pop shops, small businesses, that don’t receive these Chapter 313 property tax abatements.”

### **The gatekeepers**

Businesses applying for a Chapter 313 agreement want the all-important tax limitation that makes the program tick.

This cap lets a company pretend that, for example, a \$500 million petrochemical plant is worth anywhere from \$10 million to \$100 million on a school district’s tax rolls for a decade, depending on the size of the district. The limitation can save a company tens of millions of dollars in property taxes.

The savings apply only to the school district’s operations taxes. Districts also levy taxes to pay off debts, and Chapter 313 recipients pay all taxes on that portion of their bill, which is typically a far smaller amount.

For companies seeking these incentives, the process starts and ends at a local school district.

School officials are important gatekeepers in the program and ultimately decide whether to approve the agreements. But districts also have a powerful incentive to never deny a Chapter 313 deal: They can make money each time they approve one.

State funding formulas ensure that school districts don’t bear the cost of granting property tax breaks. And school officials negotiate additional payments from companies that can be used for a variety of education purposes — money they never would have received under the state’s educational allotments.

Over the 10-year life of each deal, these extra payments are providing a \$1.5 billion windfall for districts across Texas that participate in the Chapter 313 program. School boards occasionally reject an application if there’s a community outcry against a project. But that seldom happens.

The comptroller’s office itself, in a December 2010 report on the program, said these supplemental payments to schools “are evidence that the incentives awarded are higher than necessary to attract these projects, and represent unnecessary costs to the state.”

Nathan Jensen, a University of Texas at Austin professor who has studied Chapter 313, has noted the perverse incentives these payments create.

“The thing that makes it particularly unique is how politically clever it is,” Jensen said. “It’s kind of an evil-genius program where you’ve essentially bought off the normal opposition for these kinds of programs. School districts always vote yes because it’s set up like that.”

Chapter 313 creates a system of winners and losers among Texas school districts. Only a portion attract the sort of manufacturing investments that qualify for the program. Roughly 1,000 school districts, including the Houston Independent School District and nearly every other big, urban district in Texas, don’t have any active Chapter 313 agreements.

Just a sixth of all Texas school districts — about 170 — are granting tax breaks under the program this year. A majority of the incentives are concentrated in just eight districts, all but one of them petrochemical hubs on the Gulf Coast.

Fully half of the \$95 million in supplemental payments companies make to schools this year will go to just six school districts in industrial areas.



The nonprofit Industrial Areas Foundation argues the program's beneficiaries are limited to the companies themselves and districts serving just 5 percent of Texas schoolchildren.

"Most districts don't have these industrial facilities, and if you don't have these industrial facilities then you don't get any (extra) revenue," said Broderick Bagert, an analyst with the foundation.

### **Few denials**

Once a school district initially approves a Chapter 313 deal, the Texas Comptroller's Office reviews the application. Lawmakers and program supporters say state regulators make sure that tax breaks are going only to companies that need the incentive to build in Texas.

Records show their claims are incorrect.

For the program's first 12 years, companies were supposed to get the incentives only if their projects could "locate or relocate in another state or another region of this state."

The comptroller recommended that just one of the nearly 400 applications filed during that period be denied for failing that test.

Dow filed the first Chapter 313 application in September 2002 for a new polymer plant it called "a critical part of Dow's future growth in Texas," arguing that its global reach gave it "substantial flexibility in plant location."

Yet Dow also acknowledged it had begun construction on the project seven months before filing its application. The Chapter 313 deal saved the company \$14 million in taxes.

Dow spokeswoman Ashley Mendoza noted the company's application had blamed the late filing on state officials taking months to produce the necessary application forms.

"Our applications have met the requirements of the statute and the district rules," she said.

Caterpillar applied for tax breaks in August 2009 for a new plant in Seguin, [telling](#) the comptroller's office it had "many attractive opportunities" and had considered locations outside Texas. But company officials had already [chosen](#) Seguin, even hosting a groundbreaking ceremony seven months earlier with then-Gov. Rick Perry and other state leaders.

"The good people of Caterpillar have chosen Texas for the new home for their worldwide assembly, test and paint operations," [Perry said](#). The company cut \$9.5 million from its tax bill.

Caterpillar declined to comment.

In 2013, lawmakers promised to strengthen the program by adding more stringent oversight.

State Sen. Bob Deuell, a Republican sponsor of the bill, said it included provisions to make sure projects would not have come to the state without an incentive.

This view is still prevalent. At a December conference hosted by the tax research organization that supports Chapter 313, Dallas Rep. Rafael Anchia, a Democrat, stressed the comptroller's oversight role.

"But for the state investment, the private entity would not have made the investment," he said. "Without that, there's a rejection of the incentive."

The reality is far different.

The 2013 reforms instructed the comptroller to decide only whether the incentive is “a determining factor” in the company’s decision to proceed with the project — not the sole, overriding factor.

Of the more than 550 applications filed under this phrasing of the law, only eight have failed the “determining factor” test. Of those, four rewrote their applications, applied again, and were approved.

“The “determining factor” criterion is ... difficult to assess,” the comptroller’s office acknowledged in a November [article](#) posted to its website. “It’s generally impossible to determine the factors that ultimately cause a company to make a final decision, but it’s plausible to assume that the availability of a large tax break is often a determining factor, if one of many.”

### **Lackluster benefits**

Supporters of Chapter 313 say the huge tax incentives are worth it. The program brings in high-paying jobs, they say, and at the end of the 10-year deals, the properties return to the tax rolls at their full value.

“It’s a win-win-win situation,” said Pete Pape, president of Texas Schools for Texas Economic Development, who testified at a legislative hearing this year in support of the program. “It’s definitely a win for the corporation. It’s a win for the school district. And it is a win for the community.”

But upon closer inspection, Chapter 313’s benefits are fraught with problems. Chief among them: depreciation.

Like a new car that loses its luster as soon as it leaves the showroom, the value of manufacturing plants, wind farms and other facilities can fall over time. In scores of cases, records show Texas is missing out on the years when Chapter 313 projects’ appraisals are at their peak.

In all, 81 projects had finished their Chapter 313 deals by 2019 and fully returned to the tax rolls, having received \$1.3 billion in tax breaks.

These projects, at the height of their taxable value, were worth \$22 billion. But in the first year after their tax breaks ended, they were worth just \$9 billion — 41 percent of their peak values. For manufacturing projects, the figure was 44 percent; for wind projects, it was 35 percent.

Motiva Enterprises, which applied in 2006 for a tax break at its refinery in Port Arthur, reported investing \$10.3 billion — the largest amount of any single Chapter 313 deal — but never reported a taxable value of more than \$3.5 billion. By the time the limitation ended, the facility’s taxable value was \$1.1 billion, a tenth of what the firm reported invested at the site.

The company received \$237 million in tax breaks.

After the refinery returned to the tax rolls at full value, Motiva protested its valuation and was successful; Port Arthur superintendent Mark Porterie said the district had to repay the company \$8 million.

Porterie said he supports the Chapter 313 program, under which the district has approved 10 applications, and welcomes the extra payments companies make to school districts.

But he has been critical of the companies’ efforts to reduce their taxable values and has called for Chapter 313 recipients to be banned from doing so while their values are artificially capped.

“We have these companies that come before us and they tell us that the business is going to be at a certain value at the end of the 10-year period,” he recently told a legislative committee debating a Chapter 313 bill. “At the end of the 10-year period ... it has lowered tremendously, and then we have to fight. It’s not always what it seems to be at the beginning of the process.”

Motiva declined to comment.

What about the high-paying jobs touted by Chapter 313's supporters? Records show that some Chapter 313 companies aren't paying wages that keep pace with the region's prevailing wages in similar industries.

The law doesn't require them to.

When Chapter 313 was created in 2001, 80 percent of new jobs had to be high-paying "qualifying" jobs, with wages required to exceed 110 percent of the local average manufacturing wage.

Over the years, lawmakers have chipped away at these requirements.

Applicants have never been required to create more than 25 jobs, or 10 jobs in rural areas. But in 2007, job waivers entered the program, letting companies lower their job-creation requirements or scrap them altogether. Among active projects, 64 percent have received job waivers.

In 2009, the wage target was "clarified" as being set using data as of the time the company applied for tax breaks, ensuring companies could avoid increasing employees' pay over time.

Of the roughly 310 projects that reported jobs data in 2019, a fifth reported paying workers a median salary lower than the average manufacturing wage in that region; at 20 projects, companies reported paying workers 80 cents or less on the dollar.

Among them was the Caterpillar plant in Seguin, which by itself is responsible for 13 percent of all permanent jobs created in Texas under the state's active Chapter 313 agreements. Lawmakers carved an exemption in the law's wage requirements for Caterpillar so it could qualify for the program.

The comptroller's office confirmed only one applicant has ever had to repay a tax break — a project in the Corpus Christi area that canceled its agreement after it recognized its wages would not satisfy minimum requirements.

Some companies fail to meet their job-creation promises altogether. Records show the comptroller's office sent warning letters to 30 companies since 2019 after they promised to create more than 600 jobs but didn't reach half that goal.

The comptroller's office didn't issue any penalties, even under new rules lawmakers added with the stated goal of strengthening the program. Bryan said they took no action because their initial enforcement efforts were unclear and gave businesses too little time to comply.

"We have since clarified our direction to companies," Bryan said.

In one case, wood products manufacturer Corrigan OSB promised to create 145 jobs in Polk County in return for a tax break worth \$13 million. The comptroller's office warned the company in 2019 and again in 2020 that it created only 11 jobs — 8 percent of its promised goal.

Company president Scott Poole blamed the shortfall on regulatory delays and said the facility has now met its job targets.

Poole said he has heard criticisms of the program — that the tax breaks are going to companies that might have built their projects anyway. But Poole insisted Chapter 313 worked as intended in his case: It enticed the company to build in Texas, not its home state of Louisiana.

"It is truly a tool Texas can use to recruit new jobs," Poole said.

## **Bipartisan support**

Controversies surrounding the program have sparked rare bipartisan support to kill it. Yet Chapter 313 has survived the legislative chopping block every time it has been up for renewal.

Critics of the program say one reason it has lasted so long is because so many interests have a stake in it.

Environmentalists support Chapter 313 because it funds wind and solar farms. School officials support it because of the stream of extra revenue they receive from companies. Business groups support it because they say it helps Texas compete against other states to attract new investments.

Lawmakers simply don't encounter widespread opposition.

"The public may not have all the information," said Carine Martinez, director of research and publications at the Texas Public Policy Foundation. "We hear a lot about all the positives — this company coming with a billion-dollar investment — and we don't really see that there's another side to the coin and the incentives might cost us more in the end."

Only a handful of lawmakers have publicly expressed skepticism about Chapter 313.

"Many Texans on both the right and left of the political spectrum would prefer to see a lower tax rate across the board, rather than the current complex system of off-the-books accounting that picks winners and losers in an opaque system and leaves other taxpayers paying the tab," said state Sen. Lois Kolkhorst, R-Brenham, who this year filed a bill to require more verification of the companies' job-creation claims.

But the skeptics are outnumbered at the Texas Legislature. The program is now bigger than ever as some lawmakers proclaim their support for renewing it yet again.

One Chapter 313 bill filed this session came from Murphy, the Houston Republican whose legislation was previously vetoed by Abbott for its attempt to expand the program by making it easier for companies to propose projects spanning multiple school districts.

In his latest bill, Murphy proposed altering Chapter 313 in more far-reaching ways. Among the changes: Expand the program by allowing companies to receive tax subsidies for renovations, not just for new projects.

Murphy was unaware that the Republican party platform in Texas calls for the repeal of Chapter 313, but he insisted that abolishing the program would be a grave mistake.

"We are reforming it, and we are renewing it," Murphy said.

Murphy joins a long tradition of Texas lawmakers who have made such promises before. Their past reforms of Chapter 313 — the "determining factor" test, the wage requirements, the job-creation targets — often have fallen short of the rhetoric.

Whether Murphy's legislation would be any different was hotly debated in the House Ways and Means Committee and on the House floor. His House Bill 1556 sparked a flurry of objections and amendments by lawmakers, and Murphy finally withdrew the bill from consideration.

But there's no shortage of bills filed by other lawmakers of both parties who want to extend Chapter 313.

One filed by Morgan Meyer, the Republican chairman of Ways and Means, has passed the House. It would simply renew Chapter 313 for two years. Members of the committee discussed studying Chapter 313 during that time to find ways to improve the program.

Even longtime boosters such as Craymer acknowledge some aspects of the program could benefit from scrutiny.

“This is a program that’s been around for 20 years. Every session we use a little more Scotch tape, we use a couple more paper clips,” Craymer said. “It’s probably due for a refresh.”

Lavine, the fiscal analyst who has opposed Chapter 313 for years, objects to any legislation to renew it. But he also has called for a “sunset review” of the program to fix its weaknesses. He believes Meyer’s bill, which passed the House on Saturday, is the most promising option to make that happen.

“It’s our strong feeling that just as we have sunset review of all our state agencies, we need sunset review of tax exemptions — including a program like this that offers tax breaks,” Lavine told lawmakers at a committee hearing.

Is there a better way, Lavine asked, to do what the law was created to do? Or does Texas need the program at all?



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**From:** Andrew Keese  
**Sent:** Monday, May 10, 2021 10:07 AM  
**To:** NewsClips  
**Subject:** RRC News Clips: May 10, 2021

## **Facing questions after 2021 power crisis, Texas natural gas industry opposes new protective measures**

By Bob Sechler

Austin American-Statesman

May 10, 2021

Advocates for the Texas natural gas industry have spent much of the 11 weeks since February's deadly power blackouts downplaying the sector's culpability in the crisis and working to stop lawmakers from requiring winterization of far-flung wells and pipelines.

But new data suggest failures by natural gas producers and suppliers to keep the commodity flowing might have triggered as much as a fifth of the freeze-related power outages near the peak of the calamity.

What's not up for debate is that statewide production of natural gas — a major source of fuel for electricity generation — slumped dramatically amid the historic winter freeze and prices for it soared.

Production fell by nearly half at one point during the emergency, compared with levels earlier in February, according to IHS Markit, a company that aggregates information about the energy sector. Natural gas spot prices climbed from an average of about \$2.80 per million British thermal units at the main West Texas trading hub to a high of \$206.19 — a 73-fold increase.

At least 151 people, including 12 in Travis County and three in Williamson County, died statewide for reasons related to the frigid temperatures and others [lost limbs to frostbite](#), as many power plants faltered just when needed most. Property damage from the power outages has been estimated at over \$200 billion, while water service to more than 12 million people across the state also was disrupted because pipes froze and burst.

Proponents of the state's natural gas industry — in addition to its regulator, the Texas Railroad Commission — have largely deflected blame for the overall crisis, saying [freeze-related outages at power plants](#) exacerbated issues at natural gas production and supply facilities because they rely heavily on electricity to operate and to resolve their own weather-induced problems.

The sector's main trade group, the Texas Oil and Gas Association, has been aiming to blunt protective measures in the Legislature that might include wells and pipelines statewide, along with power plants and related infrastructure, in potential new winterization regulations. A [recent report paid for by the trade group](#) concluded that the grid crisis likely "started at power generation units" — not at wellheads or pipelines — and cascaded from there.

The industry's efforts are paying off, with the term "gas well" removed from [the latest version of Senate Bill 3](#), legislation designed to shore up the electricity grid in part by mandating winterization of infrastructure deemed critical to power generation and establishing fines for noncompliance.

But an updated analysis released by the Electric Reliability Council of Texas, the operator of the state's electricity grid, indicates that the difficulty some power plants had in obtaining natural gas played a sizable, even if not primary, part in the crisis.

According to the ERCOT data, about 23% of freeze-related outages or reduced production at gas-fueled generation plants was attributed by generators to "fuel limitation" on the morning of Feb. 16, the period in which the greatest amount of generating capacity was offline. Those outages totaled 4,420 megawatts, enough to power about 885,000 homes and businesses — 20% of the estimated 4.5 million without power at the peak of the emergency.

In addition, estimates from IHS Markit indicate natural gas production in the state had already fallen about 13% by Feb. 13, compared with the daily average during the first week of February — which is before electricity generation on the ERCOT power grid entered its steep slide, according to the U.S. Energy Department's statistical agency, the Energy Information Administration.

Stephen York, an industry economist with the federal agency, said he thinks the bulk of the declines in natural gas production in Texas resulted from freeze-offs at wellheads or gathering facilities. At least initially, the declines "were mostly unrelated" to electricity generation by power plants, he said — an assertion that calls into question the Texas Oil and Gas Association's conclusion that the outages at power plants were the trigger for them.

Freeze-offs are phenomena that occur when small amounts of water and other liquids that accompany natural gas crystallize and impede gas flow. They are relatively common occurrences, York said, but more so in Texas when temperatures take a dive because of less winterization in the state compared with northern regions of the country.

The *Wall Street Journal* has reported that some natural gas production and supply facilities also were shut down during the emergency because they were part of a voluntary ERCOT program in which large industrial users are paid to stop using power when demand for electricity risks outstripping generation. According to the Houston Chronicle, however, such contractual outages affected a small portion of the thousands of oil and gas facilities in Texas.

York said the likelihood of freeze-offs at wellheads and related infrastructure can be reduced through winterization measures that don't require electricity from the grid, such as insulation, wind blocks and methanol drips that lower the freezing point of water.

"There have been a number of studies (in the past) that have suggested winterization would have helped (natural gas) production and electric power generation in Texas," York said. "That does tend to back up the idea that winterization would have helped" in February.

Economists with the Federal Reserve Bank of Dallas have estimated the cost of winterizing gas wells at \$20,000 to \$50,000 each, meaning the price tag to winterize all 85,000 in Texas in one fell swoop could range from about \$1.7 billion to \$4.25 billion. But limiting the effort to new wells would cost significantly less initially — \$85 million to \$200 million annually — and "may offer a targeted and effective approach in the long run" because new wells eventually will account for the bulk of production, the Dallas Fed said in a recent report.

Still, the ERCOT data indicate the biggest overall culprit in the grid calamity was the combined impact of "weather related" problems and "equipment issues" at natural gas-fueled power plants — meaning failures ranging from frozen valves to control system malfunctions — not the inability to obtain enough natural gas to keep plants running. Taken together, they accounted for outages totaling 14,653 megawatts on the morning of Feb. 16, or enough to power the equivalent of more than 2.9 million homes and businesses.

## **Opposed to new mandates**

Todd Staples, president of the Texas Oil and Gas Association, said the ongoing effort to enact new regulations designed to safeguard the grid should focus on power plants and directly related grid infrastructure, including some natural gas pipelines if they serve electricity demand, instead of the tens of thousands of wells and other facilities across the state that don't directly do so.

Only about 20% of natural gas production in Texas — the largest producer of the commodity in the United States — goes for electricity generation, according to the trade group, while the rest is used for other purposes or is exported nationally and internationally.

“We want to be part of the solution,” Staples said. But “there are many better ways to ensure reliability (of the power grid) for Texans” other than “mandating more requirements at the individual well level.”

He also disputed the notion that increased winterization of wells would have made a difference in the February calamity.

“Our producers were winterizing, to a large extent,” he said. “They could have encapsulated their wells in a building like it's done in Alaska — but without power you cannot produce gas (and) you cannot transport gas.”

As for the downturn in natural gas production just prior to the grid emergency, Staples pointed to his group's study indicating it wasn't significant enough to have precipitated the calamity.

But some operators of gas-fueled power plants contend the natural gas sector bears plenty of the blame.

## **'Unprecedented failure'**

Executives of Vistra Corp., the largest owner of generators in Texas, leveled blistering criticism at the sector during a recent conference call with Wall Street analysts for what Vistra described as an “unprecedented failure” amid the emergency.

Vistra CEO Curt Morgan told analysts that suppliers began curtailing his company's contracted natural gas as early as Feb. 12 — well before the grid emergency and the start of rolling electricity blackouts. The calamity cost Vistra about \$1.6 billion, according to the company, much of which resulted from sky-high prices for natural gas on the spot market that it said it was forced to buy when its contracted gas didn't come through.

“In a nutshell, the issue stemming from the natural gas system cost us dearly, and there wasn't anything we could do about it while we were in the middle of the event,” Morgan said.

He also said Vistra is contemplating legal action against natural gas suppliers that broke contracts.

If the company does go to court over the issue, it will be one of dozens of parties already involved in lawsuits related to the natural gas supply problems during the emergency and the financial fallout stemming from them. Billions of dollars are at stake in suits filed by power plant operators — alleging price gouging, in some cases — as well as by suppliers contending their bills haven't been paid.

Staples, speaking about the supply issues and not the lawsuits, said fuel constraints experienced by generators could have been alleviated had they had contracts in place in advance of the emergency enabling them to access the huge volume of natural gas in storage in Texas if needed. He also noted that, even during the week of the crisis, production in Texas exceeded demand in the state.

“Texas is awash in natural gas,” said Staples, who formerly served as Texas agriculture commissioner.

But other observers view the calamity as a textbook example of why stepped-up oversight of the natural gas sector, along with the rest of the power grid, is a necessity.



“If we end up going through this entire process (of crafting new rules to safeguard the grid) and we never require gas wellhead winterization, we are going to end up with power outages again, potential deaths, possibly billions of dollars in damages again and higher utility bills,” said Virginia Palacios, executive director of Commission Shift, a group that contends the **Texas Railroad Commission** is too cozy with the oil and gas industry that it’s charged with regulating.

“I think (a lack of requirements for) basic wellhead winterization is going to be the chink in the armor if we don’t get it right,” Palacios said.

---

## **Texas Legislature moves flurry of winter storm bills**

By Greg Perliski and Taylor Girtman

Community Impact Newspaper-Lake Travis

May 7, 2021

A number of legislative bills are underway in the Texas House and Senate in response to the February winter storm that swept the state, causing power outages, water outages and widespread damage that have led the state to report at least 133 storm-related deaths as of April 15. This included 12 Travis County residents.

Of the many bills, eight hold prominence as low-numbered bills—often bipartisan—that address energy board reforms, government communication in emergencies, preparation for extreme weather and other issues that arose from the February storm.

The storm hit west Travis County residents particularly hard as treacherous ice and snow on Hill Country roads stranded many residents in homes for days without power and water service.

State Rep. Donna Howard, D-Austin, who represents West Lake Hills in the Legislature, said the winter storm was a “crisis” that resulted from a lack of communication among key state government agencies. The lack of communication was particularly evident when looking at the widespread power outages that were required to keep the state’s energy grid from collapse, she said.

“One of the biggest things we saw as a result of the winter crisis was that the right arm didn’t know what the left arm was doing,” she said. “And so we ended up with all kinds of unintended consequences. We turned off the electricity to the gas plants, and the gas producers could not get gas to the electric generators ... that’s mind-boggling what happened.”

To address these and other issues, Gov. Greg Abbott on Feb. 16 declared reform of the Electric Reliability Council of Texas to be an emergency legislative item and called on the Legislature to investigate the council to prevent the statewide issue from recurring. ERCOT, which was largely criticized for its role in the February storm, manages the flow of electric power to more than 26 million Texas customers and represents about 90% of the state’s electric load.

The first of the major bills to flow from this legislative session is Senate Bill 3, authored by state Sen. Charles Schwertner, R-Georgetown. It adds winterization requirements to energy-generating infrastructure with a \$1 million fine per day for noncompliance, he said. The bill would take effect Sept. 1, if approved. Municipal-owned utilities, such as in Georgetown and Austin, and energy companies, such as Pedernales Electric Cooperative and Oncor Electric Delivery, would not be treated differently.

The bill also addresses issues raised by Howard and Schwertner concerning communication. A board, known as

the Texas Energy Reliability Council, or TERC, would be created with members from the Public Utility Commission, ERCOT, the **Texas Railroad Commission**, the Texas Commission on Environmental Quality and governor-appointed oil-gas industry representatives. These entities were working in silos during the storm without fluid communication, Schwertner said.

“We are very much wanting to reinvigorate the coordination and communication among market participants and regulators to make sure this never happens again,” Schwertner said.

State senators unanimously approved SB 3 on March 29. Now, it heads to the House State Affairs committee, of which Howard is a member, for consideration and approval before it can be sent to Abbott for a final signature.

As the state grows, so will demand on the state’s power grid, Schwertner said. And its reliability is ever more important, particularly on the many days when temperatures reach above 100 degrees Fahrenheit. The bill would apply to extreme heat, hurricanes or whenever there is unbalanced supply and demand, he said.

“The most often times when you have a significant strain on the grid is every August and in the summer months,” Schwertner said.

### **ERCOT reform**

Over two-thirds of Texans lost electricity at some point in the storm for an average of 42 hours, according to a survey from the University of Houston’s Hobby School of Public Affairs. Nearly half of all Texans lost access to running water with an average loss of 52 hours, per the survey.

To address this, the Senate passed SB 2, an ERCOT reform bill, on April 14. The bill is now under House committee consideration before the other chamber passes it.

The bill increases oversight of the nonprofit that controls the state’s power grid and reforms ERCOT’s board, including requiring its members to live in Texas. This was previously an issue as five of the 16 members did not reside in Texas when the storm hit, according to other news reports.

The governor would also appoint the board chair and the board’s unaffiliated members; the Senate would approve the governor’s selections.

SB 2 bill passed the day after ERCOT announced it may enter into emergency conditions April 13 as a result of facilities being offline for maintenance and the state experiencing higher-than-expected temperatures and power demand. No outages were needed at that time as emergency conditions were not reached after ERCOT requested conservation.

“This week’s conservation alert reinforces the fact that Texans need and deserve a comprehensive legislative response that keeps our eye on the main goal: real reliability,” state Sen. Kelly Hancock, R-North Richland Hills, said in an April 14 release.

Other prominent bills include SB 2154, which is similar to SB 2 in that it reforms the Public Utility Commission, the entity that oversees ERCOT and regulates telecommunication and other utilities. The bill, authored by Schwertner, would require the commission to have five members, an increase from three, and requires members to be Texas residents.

“It really starts at the top,” Schwertner said. “With good leadership, you can get through a lot of crises.”

## **Remaining work**

Howard said she is confident the Legislature will successfully address reforms in how ERCOT and the PUC function, but with the current legislative session ending May 30, there are other issues that may not be fully studied and addressed.

“The part that we are leaving out is the railroad commission, which is responsible for [regulating] oil and gas,” she said. “That part of the equation is a very significant part of this, and that has not had as much focus as it needs to have.”

The **Texas Railroad Commission** is led by three elected commissioners and regulates the oil and gas industry, pipeline transporters, natural gas utilities, the liquid pipeline industry, coal and uranium surface mining operations, and the LP-gas industry.

It sets monthly production quotas, issues drilling permits and orders inspections of wells. In addition to participating in TERC, railroad commissioners said in a March press release that they are working with the Texas Legislature to ensure that oil and gas producers, during future mandated blackouts from ERCOT, are considered “critical infrastructure.”

“This along with increased communication through TERC will ensure we are able to plan and prepare for weather events much better in the future,” **railroad Commissioner Jim Wright** stated in the release.

Still, other areas remain under study as the legislative session enters its final month, Howard said.

First, there is a plan to fund mandated weatherization programs using the Texas Economic Stabilization Fund, also known as the “rainy day fund.”

Second, is a method for statewide wholesale electric providers to manage and cover the high cost of natural gas during a prolonged weather event, and doing so in a manner that does not adversely pass those high costs to retail consumers.

“We have many small utilities, cooperatives and municipal-owned utilities,” Howard said. “Some are looking at bankruptcy. Somehow we have to keep the power on, keep it reliable, but also figure out a way to share the burden of what that cost was.”

---

## **Lawmakers try new solution to minimize winter storm debt**

**Most agree that securitization is an effective proposal to fairly and quickly pay off storm debt. Not all agree how to do it, and what costs should be covered.**

By Morgan O’Hanlon  
Dallas Morning News  
May 7, 2021

AUSTIN – One lingering question from February’s devastating winter storm is what, if anything, to do about the debt of some electricity market participants caused by the high price of power during the crisis.

Unpaid bills for nearly \$3 billion worth of wholesale power piled up at grid manager the Electric Reliability Council of Texas between Feb. 12 and Feb. 20, and efforts to retroactively reprice the extraordinary cost of electricity — \$9,000 per megawatt hour — during a 32-hour period [didn’t go far](#).

At least 10 bills this legislative session propose securitizing winter storm debt, meaning it would be paid off more quickly through the use of state-sanctioned bonds. These include bills introduced by lawmakers in each chamber that would create a Texas electric securitization corporation to provide low-cost financing for paying off the debt in ERCOT's wholesale power market from February.

Normally, the "short pays" feature fewer zeros after the dollar sign. And if buyers can't pay, there's an "uplift" process that assesses all market participants a bit of money so that the unpaid power sellers are eventually made whole. But ERCOT and Public Utility Commission rules limit the amount of monthly uplift to \$2.5 million, meaning it would take more than 96 years to collect enough uplift fees to pay off the whopping, almost \$3 billion of bad debt from this year's storm.

Such measures are attractive because faster payment of debts from the winter storm would allow power sellers who were stiffed to get some money faster.

"Say you're South Texas Electrical Cooperative or whatever and you've been short-paid where you had to pay the gas producers for all that gas that you consumed in your gas plants that week," explained Doug Lewin, an energy consultant for Stoic Energy, using a Victoria-based rural electric coop as a hypothetical example. "And now you're not getting paid back — it's like this little tiny trickle, right? ... And drip, drip, drip each month for the next 100 years. That's a problem. You need to get that money and pay ... for the gas."

Lewin said securitization would allow the loss to be socialized, "evenly spread like peanut butter across load-serving entities [utilities or retail electric providers], generators — like, everybody pays."

But fights are emerging over how to "securitize," or allow bonds to be issued, to pay off the ERCOT debt.

House Bill 4492 was voted out of the House on Thursday, 129-15, with two amendments added by the bill's author, Marshall GOP Rep. Chris Paddie, a top ally of Speaker Dade Phelan.

According to Michael Jewell, an attorney and policy adviser for Conservative Texans for Energy Innovation, the amendments make that bill more similar to Senate Bill 2227 by Mineola GOP Sen. Bryan Hughes, which received a Senate committee hearing on Wednesday.

Although the two bills differ on what debts securitization would cover, the amendments add in uplift charges that were not on there before, add in ancillary services charges to the amount to be securitized, and put in an opt-out for industrial customers who want to go ahead and pay the debts they owe.

Based on testimony for SB 2227, Lewin gathered that some of the changes to HB 4492 could cause additional charges to energy consumers, which he estimates could be \$1.50 each month.

"But I don't know that, and Chairman Paddie said on the floor he doesn't know either," Lewin said. "So they literally just passed a bill that has potential to charge every single person in the state \$18 a year for the next 15 years, and they don't know."

When Austin Democrat Rep. Donna Howard questioned him on the House floor about what the average cost to retail consumers would be, Paddie responded, "Ms. Howard, I really don't know at this point." He explained the numbers are subject to change before the bill is final.

During testimony Wednesday on SB 2227, which was introduced in late April, Katie Coleman, an attorney for the Texas Association of Manufacturers, which represents some of the state's largest energy consumers, testified against the bill. Also against the bill were multiple electric co-ops.

Thomas Hardy testified against the bill representing the Lower Colorado River Authority, explaining that he believes the bill would shift costs and increase losses on the river authority and its customers.

Coleman explained in testimony that the way SB 2227 structures its financing would put unnecessary charges on consumers.

Separately, bills have been filed and are moving toward passage that would let the bonding occur to pay off winter storm debts amassed by gas utilities such as Atmos, rural electric co-ops and electric utilities in East Texas and West Texas that are not served by ERCOT's grid.

Previously, Coleman told *The Dallas Morning News* she's a proponent of securitization bills that would help electric co-ops and other debtors from the winter storm pay their bills while minimizing the amount of money that gets uplifted to the market. Of the nearly \$3 billion in short pays, nearly \$1.9 billion is owed by Brazos Electric Cooperative and almost \$642 million is owed Rayburn Country Electric Cooperative. Coleman said that either way customers are going to have to end up paying for some of the accrued debt.

"Those are all fair outcomes, [but] the things that make less sense is there have been proposals to put several billion dollars in those securitization bonds that would go to generate or weatherization," she said.

Earlier in the session, some members and stakeholders tried to push legislation that could wrap other costs, including those of weatherization, into securitization bills, Coleman said.

"What we're really worried about is that this will just become kind of a dumping ground for anything people don't want to pay for," Coleman said.

During February's polar vortex, about 69% of Texans lost power, which contributed to at least 151 deaths and delivered an economic toll estimated as high as \$295 billion.

Although Lewin said he's not opposed to the idea of debt being distributed, he wrote in a tweet that what he dislikes about the securitization bills is that they're the closest the Texas Legislature will get this year to adopting a policy to prepare for climate change and a possible increase in volatile weather. As Weatherford GOP Rep. Phil King said at a committee hearing last month, the state has securitized "at least six times" before this year.

"This is now the de facto climate adaptation policy of the state of Texas: Wait for a massive costly event, securitize the costs. Repeat," Lewin wrote.

[morgan.ohanlon@dallasnews.com](mailto:morgan.ohanlon@dallasnews.com) [@mcohanlon](https://twitter.com/mcohanlon)

---

## **It's becoming clearer who profited from the blackouts, and that's raising questions of price gouging**

By Mose Buchele

KUT

May 10, 2021

The blackouts that hit Texas in February left more than 100 people dead and caused billions of dollars in debt for those who found themselves on the wrong side of the state's famously laissez-faire energy market. For others, it created huge earnings the full scope of which are now coming into focus.

Until recently, companies that made a lot of money during the freeze have tried to keep a low profile about it. But quarterly financial reports have come due making that information harder to conceal.

The big winners: companies that sold natural gas.

During the blackouts both electricity and gas were in short supply, and both could be sold at a premium. The price for wholesale electricity in Texas is capped by state regulators. There is no such market control for gas, which increased [hundreds of times](#) its normal value.

That price hike let companies like [BP, Kinder Morgan and Energy Transfer make billions](#). Big banks that had invested in electricity and gas contracts before the freeze, like Goldman Sachs and Bank of America, also cashed in.

The size of the profits has led some to question whether price gouging took place.

“If a gas station raises prices from \$2 to \$5/gal during a hurricane they go to jail for price gouging,” [UT Professor Michael Webber posted on Twitter after the blackout](#). “If a natgas provider raises prices from \$2 to \$200/MMBTU during a cold snap even though their costs didn’t materially change, that seems just fine with Texas authorities.”

One group that has not been “fine” with it are power companies that had to pay those high prices for gas.

Those deals have triggered lawsuits. In one high-profile example, San Antonio’s municipally owned electric utility, CPS Energy, is involved in litigation with multiple suppliers. Those include BP, Enterprise Products, Chevron and Energy Transfer, a company that reportedly made [\\$2.4 billion from the storm](#).

The Texas attorney general is also investigating the possibility of market manipulation on the part of electricity and natural gas suppliers.

But, as the lawsuits and investigations continue, state legislators are creating laws to ensure that the companies that profited in the freeze get paid.

The tactic they seem to have settled on is known as “securitization.” This is a way of quickly paying off gas suppliers, but it locks utility ratepayers into slowly paying off that debt over decades — with interest.

Proponents of the plan say it’s a way of handling the enormous financial fallout from the blackouts, something many utilities and their ratepayers could not afford to pay all at once.

But people who work in the field of utility securitization say such deals must be crafted carefully, so you’re paying money you actually owe. Once you’re locked into the debt, you’re locked in.

“Before you add up the total that’s going to be paid back [through securitization], there’s got to be a really strong look at how much of that is legit,” says Ronald Lehr, a former chair of the Colorado Public Utility Commission who now consults on securitization.

“Was anybody in that market manipulating it? Were people particularly withholding [gas] supplies to drive up prices?” Lehr says. “There ought to be a really hard look at how much really needs to be paid back.”

*Got a tip? Email Mose Buchele at [mbuchele@kut.org](mailto:mbuchele@kut.org). Follow him on Twitter [@mosebuche](#).*

---

## **ERCOT forced dozens of natural gas facilities offline during winter storm**

By Paul Takahashi and James Osborne

Houston Chronicle

May 8, 2021

ERCOT confirmed that it forced dozens of natural gas facilities to go offline during the February winter storm under a program that pays large industrial users to shut down when electricity supplies are short.

Hundreds of major electricity users, such as data centers, manufacturing plants and oil and gas facilities, have entered into “demand response” contracts with the Electric Reliability Council of Texas, requiring them to install an automatic circuit switch or manually shut down operations when power demand threatens to exceed supply on the grid. Under these contracts, the state’s grid operator has the authority to interrupt power to large industrial customers when there are less than 1,750 megawatts of spare power on the grid.

“We confirmed that some of (these industrial customers) are related to oil and gas,” ERCOT spokeswoman Leslie Sopko said.

ERCOT said it is unclear how much of an effect contractual shutdowns of natural gas facilities had on natural gas supplies and gas-fired power plants, which accounted for about half the power plant outages during the freeze. Other natural gas wells, pipelines and compressor stations suffered freezes and power outages during ERCOT’s mandated rolling blackouts.

There are thousands of oil and gas facilities in Texas. These contractual outages affected a small portion of them.

Power plant operators have blamed inadequate natural gas supplies for the catastrophic power failure during the storm, which led to nearly 200 deaths and billions of dollars in property damage. Natural gas production in Texas fell by nearly half during the storm, and the largest share of generation outages occurred at natural gas power plants, according to the Energy Department.

“This is just incredibly incompetent,” said Ed Hirs, an energy economist with the University of Houston. “It’s remarkable that ERCOT would do exactly what was necessary to drive gas prices up and hurt consumers.”

There were 447 industrial customers who voluntarily installed the automatic circuit devices to shut down power to their operations as of the end of 2019, according to ERCOT. These industrial customers have the ability to shed more than 5,550 megawatts of power from the grid, enough to power some 1.1 million Texas homes on a hot summer day.

ERCOT did not release a list of industrial users participating in the demand response program, but a *Wall Street Journal* analysis of ERCOT data and electrical substation maps found several dozen instances where power was cut off to facilities in the Permian Basin, the nation’s most prolific oil and gas field. The *Journal*, which first reported the contractual shutdowns Friday, found that ERCOT shut off power to five facilities in Loving County in West Texas, where nearly all the industrial activity is related to oil and gas production.

The Texas Oil and Gas Association, the state’s largest oil and gas trade group, said it was unaware if members have signed voluntary contracts with ERCOT to cut power or shut down operations during grid emergencies. The association said Texas had enough natural gas supply and that fuel limitations represented a small percentage of problems at power plants during the storm.

ERCOT started the demand response program as a sort of insurance that helps the grid operator balance power demand and supply on the grid. When demand exceeds supply, ERCOT can call on heavy industrial power users that have signed contracts to reduce electricity consumption. If that fails to stabilize the grid, ERCOT can mandate rolling blackouts, such as those during the storm.

Industrial users can potentially save millions of dollars by entering into a demand response contract with ERCOT and other utilities operating similar programs. There is a cottage industry of demand service providers who help industrial users enter into contracts with ERCOT and utilities.

Companies that fail to shut down operations in a timely manner per contract can be penalized by ERCOT and the Public Utility Commission.

It's rare that ERCOT calls on its industrial volunteers to cut power or shut down operations, so the financial incentive usually outweighs the risk. However, in a grid collapse such as during the winter storm, these contractual shutdowns can have the potential to exacerbate power plant failures.

"Keeping electricity on to infrastructure tied to power generation units will vastly improve reliability of natural gas power generating facilities," Todd Staples, president of the Texas Oil and Gas Association, said in an email.

paul.takahashi@chron.com

james.osborne@chron.com

---

## **ERCOT releases summer outlook assessment, reassures Texans the state power grid will hold up**

**Outside analysts aren't convinced, but the grid operator said it would be ready to handle record-breaking demand during the hottest months.**

By Morgan O'Hanlon

Dallas Morning News

May 6, 2021

AUSTIN – ERCOT released its annual summer outlook Thursday with reassurances that the power grid will be ready to handle record-breaking demand for power as Texans prepare to crank up their air conditioning for the state's hottest months.

In [the report](#), the grid operator outlined several scenarios that could lead to situations like February's outages, but said there is a less than 1% chance they would occur.

Some energy consultants and analysts are not convinced.

"Instability like what we've seen recently should make Texans worried for summer," said Daniel Cohan, an atmospheric scientist and an associate professor of environmental engineering at Rice University

Insecurity about the [state grid operator's ability](#) to handle extreme weather events was first spurred by February's winter storm, when higher-than-expected demand exceeded the amount of power available on the grid. To prevent longer statewide blackouts, the Electric Reliability Council of Texas initiated outages that affected 70% of Texans over the course of a week.

Fears were again stoked last month when, on a mild spring day, [ERCOT issued a conservation notice](#) to residents and businesses as it struggled to meet demand that was higher than forecasted.

Woody Rickerson, vice president of grid planning and operations for ERCOT, reassured consumers in late April that the spring scare was due to taking more generators offline for maintenance so that they would be ready to handle peak demand over the summer.



Dan Woodfin, ERCOT's senior director of system operations, said Thursday in a news conference about the report that during summer there are typically very few planned generation outages.

"A lot of generation was coming off the February event, so we may have had units that needed some repairs due to that," he said. "(Springtime is) when units schedule their maintenance outages to get ready for the upcoming summer peak season."

According to ERCOT's forecast, the new record for energy consumption will be set this summer with a peak demand of 77,144 megawatts. The current systemwide peak demand record for ERCOT is 74,820 MW set in August of 2019. During February's storm, a new peak demand record of 69,222 MW was recorded as Texans fired up heaters to keep them warm.

"While the risk for emergency conditions remains low this summer based on many of the scenarios studied, a combination of factors in real time, including record demand, high thermal generation outages and low wind/solar output could result in tight grid conditions," Rickerson said in a statement about the summer report. "We cannot control the weather or forced generation outages, but we are prepared to deploy the tools that are available to us to maintain a reliable electric system."

In the statement, ERCOT also explained that some of the risk for this summer comes from a changing mix of generation resources.

"While tight grid conditions have historically been limited to the hours of highest electric consumption, ERCOT now sees the potential for tight conditions during low wind conditions, or during the early evening hours when solar resources come offline," the statement says. "As the capacity of battery storage increases in ERCOT, these resources are expected to help mitigate some of this risk."

Warren Lasher, ERCOT's senior director of system planning, said during Thursday's news conference that a combination of things would have to go wrong to cause outages like those in February.

"In three of the four primary scenarios, we expect to meet peak customer demands while maintaining normal operating conditions," Lasher said. "Only in the fourth primary scenario, which reflects the potential for very low wind generation output on the peak summer day — only in that scenario would we expect to have to enter emergency conditions in order to maintain reliability while meeting peak demand."

Cohan does not believe the likelihood of outages this summer is as small as ERCOT says. He noted that ERCOT also said the outages caused by February's winter storm were also a "one-in-100 event." According to Cohan, ERCOT's assessment of probability is skewed because many of the factors that caused the winter storm and could also cause insecurity this summer, including increased volatility of the weather, increased demand, and the domino effect of extreme weather that causes more outages.

"A lot of things tend to go wrong at once," Cohan said. "It's the same hottest days that make us run our air conditioning the most that also can dry up the water supplies for power plants and come with very slow winds for wind farms."

At least one of ERCOT's "extreme scenarios" for the summer that could cause rolling blackouts, or worse, center on a combination of extreme demand caused by high heat, which could also cause some power generation to go offline. Cohan explained that wind generation tends to decrease on extremely hot days.

Although the decline of solar generation does move the stress of demand later in summer evenings, increased solar generation added to the grid has overall helped increase reserve margins, meaning the amount of installed generation capacity on the system beyond projected peak electricity demand. The report forecasts that this summer the reserve margin will be 15.7%.

“We expect to see increasing reserve margins over the next few years most notably due to significant interest in developing solar resources,” Lasher said.

According to Charlie Hemmeline, executive director of the Texas Solar Power Association, the industry has added 5,000 MW of wholesale solar generation capacity to the grid since 2017, with several additional gigawatts of planned projects. By the end of this year, nearly 12 GW of solar power is expected to be online in Texas.

[morgan.ohanlon@dallasnews.com](mailto:morgan.ohanlon@dallasnews.com) @mcohanlon

---

## **RRC: Midland region again dominates Texas for permits, completions**

Midland Reporter-Telegram

May 8, 2021

### **Texas drilling permits and completion statistics for April:**

#### Midland

Drilling permits: 357

Oil completions: 254

Gas completions: 31

More than 56 percent of the drilling permits and greater than 53 percent of the oil completions inside the state of Texas during the month of April took place in the Midland region, according to **Railroad Commission of Texas**.

The RRC’s Midland region accounted for 357 of the 629 permits from around the state. The next closest region was Refugio with 57. RRC statistics also showed the Midland region with 254 of the 403 oil completions from the 12 commission regions around the state. The next closest region was the San Angelo region with 36.

The third category is gas completions, and the Midland region was second to the East Texas region. The Midland region accounted for 31 gas completions or 36.47 percent of the 85 across the state. East Texas accounted for 33.

The **Railroad Commission** reported a total of 732 original drilling permits – which also includes permits to re-enter plugged well bores and permits for re-completions of existing well bores) -- in April compared to 456 in April 2020.

In April, commission staff processed 449 oil, 106 gas and 98 injection completions for new drills, re-entries and re-completions.

---

## **Pipeline hack roils U.S. energy**

By Christian Vasquez

E&E News

May 10, 2021

A cyberattack on the massive Colonial pipeline caused the company to shut down its entire 5,500-mile fuel system over the weekend, in what appears to be the most disruptive energy-sector hack in U.S. history.

Colonial Pipeline Co., which operates pipelines that carry diesel, gasoline and other fuels from Texas to New Jersey, revealed it was the victim of a ransomware attack Friday.

“We proactively took certain systems offline to contain the threat, which has temporarily halted all pipeline operations, and affected some of our IT systems,” Colonial said.

Ransomware hackers encrypt victims’ computer files and demand digital payment to unlock them. Colonial did not say whether it had paid the hackers, nor did the company offer a timeline yesterday for when its pipeline system — which supplies an estimated 45% of all fuel used on the East Coast — will be fully online.

President Biden was briefed about the cyberattack early Saturday, and the incident has triggered a flurry of responses from federal agencies including the Department of Energy. The attack is already raising pointed questions about possible gaps in U.S. critical infrastructure security as top intelligence and energy officials warn of an unprecedented rise in cyberthreats ([Energywire](#), April 14).

A White House official said the administration has set up an interagency working group that worked through the weekend and will “continue to plan for a number of scenarios, including possible additional measures to mitigate potential supply impact, as needed.”

The official also noted that DOE is leading the federal government response.

For its part, Colonial said it has launched an investigation into the cyberattack and is working with law enforcement and other agencies.

The Alpharetta, Ga.-based company noted in a [statement](#) last night that its operations team is developing a “system restart plan” and that some smaller lines between fuel terminals are now running again.

There’s no indication that the ransomware attack that encrypted the company’s files spread into the operational technology that manages the flow of fuel through its pipeline system. Colonial said that it took systems offline in an abundance of caution but didn’t answer requests for comment on whether operational networks were infected by the ransomware.

Cybersecurity firm FireEye Inc., best known for its discovery of the SolarWinds espionage campaign, said it is working with Colonial.

The cyberattack could cause a spike in U.S. gasoline prices, experts say. Analysts at ClearView Energy Partners LLC said in a report Saturday that the shutdown is “potentially significant from a product price perspective,” depending on how long it lasts.

“The Colonial outage comes at a critical juncture for the recovering U.S. economy: the start of the summer driving season,” the ClearView researchers wrote. “We therefore think lawmakers could begin a ‘blame game’ immediately, and a sustained disruption that leads to a significant pump price spike could increase prospects of domestic policy interventions.”

Ransomware is not a new problem with pipelines. Just last year, the Cybersecurity and Infrastructure Security Agency said a ransomware attack on a natural gas company forced the shutdown of a pipeline for two days ([Energywire](#), Feb. 19, 2020). In that case, the ransomware known as “Ryuk” moved from the IT side into the more critical OT — operational technology — networks, where it infected computers linked to a natural gas compression station.

An Eastern European criminal ransomware gang known as DarkSide is believed to be behind the latest attack on Colonial, *The Washington Post* reported.

According to a post from cybersecurity firm Cybereason, DarkSide first appeared in August 2020, and the group's ransom demands can go as high as \$2 million. DarkSide quickly made a name for itself for being a "highly organized" cybercriminal operation, Cybereason said.

"We should not underestimate these groups," said Marty Edwards, vice president of OT security at cybersecurity firm Tenable and a former Department of Homeland Security official. "Many of them now have help desks, technical support, payroll processing and subcontractors. They are essentially full-fledged criminal corporations operating in the digital world."

The U.S. energy sector is growing particularly vulnerable to ransomware attacks as OT merges with IT like business and email networks, experts say. The increasing digitization of power grid and pipeline equipment means it's becoming easier for ransomware attackers to move from the IT side to the OT.

"Ransomware has been a favored attack vector of cybercriminals because of its effectiveness and return on investment. That's precisely why bad actors have recently set their sights on critical infrastructure," said Edwards.

"Shutting down operational technology (OT) environments can cost hundreds of millions of dollars, which forces providers to outweigh the costs," Edwards said.

### **Who's in charge?**

DOE is the federally designated "sector-specific agency" for energy-sector cybersecurity. However, pipeline cyber oversight falls to the Transportation Security Administration.

Edwards said one of the unique challenges of protecting pipelines from hackers is the "complexity of the regulatory and oversight environment."

"Because pipelines cross state lines, you have the Department of Transportation involved. DHS has the Transportation Security Administration. Because petroleum is involved, the Department of Energy has a role," Edwards said. "Couple that with the fact that it is a large industry geographically — it can be a challenge simply to get incident response personnel to all of the impacted locations."

The distributed nature of pipelines means it's not cost-effective to send workers to far-flung locations to twist valves. But many of "the tools that are used to enable asset operators' remote connectivity are optimized for easy access and not for security," said Grant Geyer, chief product officer at Claroty, a cybersecurity firm that specializes in OT networks.

DOE, CISA, TSA and the Federal Energy Regulatory Commission all said they were working with other agencies and the energy sector in response to the attack.

"FERC is in communication with other federal agencies, and we are working closely with them to monitor developments," Richard Glick, the Democratic chairman of the independent energy regulator, said in a statement.

FERC sets mandatory cybersecurity rules for the bulk electric power grid, but the requirements don't apply to the natural gas pipelines that also fall under the agency's purview.

A DOE spokesperson said the agency is "coordinating with Colonial Pipeline Company, the energy industry, states and interagency partners to provide situational awareness and support response efforts to this incident."

The agency is also “monitoring any potential impacts to energy supply,” the spokesperson said.

Eric Goldstein, executive assistant director for cybersecurity at CISA, said: “We are engaged with the company and our interagency partners regarding the situation. This underscores the threat that ransomware poses to organizations regardless of size or sector.”

The complex bureaucracy has long been a bane to some policymakers and is likely to come up again as the Biden administration weighs major changes to U.S. cybersecurity policy.

FERC Commissioner Neil Chatterjee (R) has warned for years about the U.S. grid’s dependence on natural gas.

“I am concerned that, because of our nation’s growing use of natural gas for power generation, a successful cyberattack on the natural gas pipeline system could have a significant impact on the electric grid,” Chatterjee said in [testimony](#) before the Senate Energy and Natural Resources Committee in 2019.

### **TSA scrutiny**

Glick and Chatterjee [penned](#) an op-ed for *Axios* in 2018 calling for stricter oversight of gas pipelines.

The two wrote that DOE should be in charge of gas pipeline security oversight and not TSA, citing the few full-time employees at TSA who are tasked with reviewing the security of the millions of miles of pipelines around the U.S. They also pointed to TSA’s decision to rely on voluntary cybersecurity standards.

“Given the high stakes, Congress should vest responsibility for pipeline security with an agency that fully comprehends the energy sector and has sufficient resources to address this growing threat,” Glick and Chatterjee wrote.

Shortly after the Colonial cyberattack was announced, Chatterjee re-upped the *Axios* op-ed, [tweeting](#) that “we must rethink the @TSA voluntary approach to #cybersecurity.”

Lawmakers have joined in the chorus as well. Sen. Ed Markey (D-Mass.) called for regulatory change on Saturday, [tweeting](#) that “an understaffed, underprepared TSA cannot successfully ensure the security of dangerous and susceptible natural gas pipeline infrastructure.”

“The Transportation Security Administration had only six full-time staff on pipeline security as recently as 2019. We cannot ignore the longstanding inadequacies that allowed for, and enabled, cyber intrusions into our critical infrastructure,” Markey wrote.

Asked for comment on Markey’s remarks, TSA said in a statement that the agency “has worked in partnership with pipeline owners and operators and interagency partners to enhance the security preparedness of the Nation’s hazardous liquid and natural gas pipeline systems.”

TSA pointed to several initiatives, including the development of pipeline security guidelines and “voluntary corporate security and critical reviews.”

“TSA has expanded its Surface Operations capability to include Transportation Security Inspectors, and is partnered with CISA and Idaho National Labs to provide advanced cybersecurity training,” TSA said.

Another issue is the lack of transparency surrounding ransomware attacks, said David White, founder and president of Axio Global, an Atlanta-based cyber risk management company. Few companies are willing to admit when they’ve been hacked.

“I strongly believe we need more transparency into attacks. That would help everyone understand the risks,” White said.

He added that he supports the congressionally chartered Cyberspace Solarium Commission's recommendation last year to create a center within the Commerce Department for sharing cyberthreat information, "not to out individual companies, but to make everyone more aware."

Better public data on risks and threats could create a deeper understanding that helps persuade regulators to support investment in defenses, White said.

*Reporter Peter Behr contributed.*

Twitter: [@chrismvasq](#) Email: [cvasquez@eenews.net](mailto:cvasquez@eenews.net)

---

## **'Responsibly sourced' gas grows despite green washing claims**

By Mike Lee

E&E News

May 10, 2021

Some of the biggest natural gas companies are moving to brand their product as low-emissions — a plan that could transform the industry even as it spurs accusations of green washing.

The gas producers and exporters are turning to third-party companies to prove their products release less methane and other pollutants than competitors, partly in an effort to stand out in a market that prioritizes environmentally conscious investments.

Environmentalists say, though, that certifying a portion of the industry's production won't solve the overall problem of methane pollution from oil and gas activity. And new research shows that cutting methane, a potent greenhouse gas, is a key strategy to battling the climate crisis.

EQT Corp., the biggest U.S. gas producer, is working with the nonprofit groups MiQ and Equitable Origin to certify that gas from its Marcellus Shale wells is from low-emitting sites. Chesapeake Energy Corp., which helped pioneer the use of horizontal drilling and fracking, has started a pilot program with a technology company, Project Canary, to install monitoring equipment at well sites, which will allow it to market its gas as "responsibly sourced."

NextDecade Corp., which is building one of the biggest gas-export terminals in Brownsville, Texas, said it will work with Project Canary to monitor the emissions of gas it sells, from the wellhead to the loading dock.

Baker Hughes, the century-old oil field service company now owned by General Electric Co., offers a [methane monitoring service](#) and recently announced a partnership with Northeast Natural Energy, a small gas producer in West Virginia.

The energy companies and the certifiers said they hope that customers will be willing to pay a premium for gas that comes from low-emitting fields.

"We see more and more utilities, end users and buyers want to know the methane emissions from the gas they're buying," Georges Tijbosch, a senior adviser at MiQ, said in an interview.

Environmentalists, while applauding the companies for acknowledging their emissions problem, said the idea of certifying gas raises several questions, however. Methane emissions are only one of the pollutants that come with drilling and fracking, and gas still produces carbon dioxide when it's burned.

“The question on everyone’s mind is, is this real or is it just greenwashing of some sort — I don’t think that is an either-or question,” said Clark Williams-Derry, an energy finance analyst at the Institute for Energy Economics and Financial Analysis.

If only part of the industry opts for certification, for instance, it won’t necessarily lead to widespread reductions in methane emissions.

“The flip side of responsibly sourced gas is irresponsibly sourced gas,” Williams-Derry said.

Natural gas produces less carbon dioxide than coal when it’s burned. But the gas itself, which is mostly methane, traps 84 times more heat in the atmosphere than carbon dioxide.

Last week, the United Nations said the world’s industrial countries need to cut methane emissions by 45% by 2030 to achieve their goal of limiting global temperature increases to 1.5 degrees Celsius. About 35% of the reduction would have to come from the fossil fuel industry.

Methane is relatively cheap to control, the United Nations said in a summary of its report. And because it’s a short-lived pollutant, cutting it now would have an outsize effect over the next 10 to 20 years.

“Lower methane concentrations would rapidly reduce the rate of warming, making methane mitigation one of the best ways of limiting warming in this and subsequent decades,” the summary said.

The oil and gas industry has a long-standing problem with so-called fugitive emissions of gas from wellheads, storage tanks and other equipment.

The industry is under pressure from governments and investors to reduce such leaks. Money management firms like Blackrock Inc., which controls \$9 trillion, have said they want their investments to meet environmental, social and governance (ESG) standards.

Six months ago, the French utility company Engie SA opted out of a \$7 billion deal to import liquefied natural gas from NextDecade over concerns about the emissions footprint of natural gas ([Energywire](#), Nov. 4).

### **A methane report card?**

Project Canary, based in Denver, uses a system of cameras and sensors to check methane emissions at well sites and other facilities. The equipment can record data continuously and alert the operator when pollution levels rise above a preset threshold.

Using the system “will provide transparency and give confidence to our customers who are increasingly focused on securing low greenhouse gas-intensive LNG,” said Matt Schatzman, NextDecade’s CEO.

Chesapeake plans to use Project Canary’s system at sites in two gas fields — the Marcellus Shale in the Northeast, and Haynesville Shale along the Texas-Louisiana border.

MiQ is a nonprofit formed by RMI (formerly the Rocky Mountain Institute) and the research company Systemiq. Its goal is to develop standards that will allow individual gas facilities, like pad sites, to be graded on an A through F scale, depending on their level of fugitive emissions.

The companies themselves would select the monitoring systems, report the results, and pay for audits to show that they have complied with MiQ’s standards, Tijbosch said in an interview.

Equitable Origin, founded in 2009, has a separate certification process that’s intended to cover the impacts of energy developments on surrounding communities.

EQT said on its website that getting its production certified will help it maintain access to investors and lenders, and also to global customers.

The company started working with Project Canary in January to measure emissions from a handful of its pad sites. Once it goes through the certification process with MiQ, more than half its output will be considered responsibly sourced, the equivalent of 4.8% of U.S. production, according to a news release.

MiQ and Equitable Origin are also working to certify Northeast Natural Energy's production, according to a news release. It's the first time Baker Hughes' monitoring technology, which is being sold by the company's Avitas subsidiary, has been used to certify a company's emissions levels.

Other energy companies were already looking to differentiate themselves. In January, Occidental Petroleum Corp. said it had produced and sold a 2-million-barrel cargo of "carbon neutral oil" to an Indian refinery, by buying enough carbon offsets to account for the crude's emissions ([Energywire](#), Feb. 3).

Cheniere Energy, which runs two gas export terminals on the Gulf Coast, said in February that it would provide emissions data for all the gas it ships.

Last week, Cheniere said it had sold a cargo of "carbon neutral" gas to Royal Dutch Shell PLC. Cheniere and Shell said they had bought enough "nature based" carbon offsets, such as free farming projects, to offset the emissions associated with producing the gas.

#### **'Is there any benefit?'**

But the focus on methane won't offset all the potential problems that come along with gas development. Traffic accidents, for instance, are one of the leading causes of death for oil and gas workers.

And the industry's wastewater — each gas well can produce tens of thousands of gallons of salty, chemical-laden fluid — is arguably a bigger impact on surrounding communities, said Ted Auch, Great Lakes program director at the FracTracker Alliance.

"All the people see where I live is a bunch of brine trucks running roughshod over the roads," Auch said.

So far, most of the producers that have signed up to certify their gas production also are operating in relatively low-emitting fields like the Marcellus.

But the bulk of the industry's emissions come from places like the Permian Basin and Bakken Shale, where the gas is a byproduct of oil production. Oil tends to be more profitable than gas, so companies frequently flare the gas rather than ship it to market.

And except for NextDecade, it's unclear how widely the certification trend will reach into pipelines, processing and pump stations, distribution systems, and other LNG terminals.

"If you have responsible gas that goes to a leaky system — is there any benefit there whatsoever?" Williams-Derry, with IEEFA, said.

*Reporter Carlos Anchondo contributed.*

Twitter: [@mikeleefw](#)

Email: [mlee@eenews.net](mailto:mlee@eenews.net)



## **Opinion: University Lands should commit to end flaring**

By Luke Metzger

San Antonio Express-News

May 8, 2021

Last month, BP announced its plans to end routine flaring by 2025. Flaring, the practice of burning unwanted gas in the oilfields, is dirty — and the damage it causes to the planet has given Texas' reputation a black eye.

So, why is it still happening on land owned by the University of Texas?

UT prides itself on leading the way toward a clean, renewable future — a fact that's evident through the rooftop solar arrays and a long list of LEED-certified buildings on its campuses. But its less-visible oil operation in West Texas tarnishes this green sheen.

About 180 miles west of Austin — amid the sand dunes, grasslands and tumbleweeds of West Texas — lie a whopping 10,000 oil and gas wells on land owned by UT.

UT's deep involvement in the oil industry makes the University Lands operation the fifth-largest oil producer in all of Texas. This drilling creates a host of environmental and public health problems, not least of which is the flaring and venting of methane gas.

Wells typically produce both oil and gas. If the company operating the well is interested only in producing oil, the gas is an unwanted byproduct to address. Well operators can send this gas into the market through a pipeline or burn it on-site through a flare if pipeline infrastructure is not available.

Too often in Texas, however, operators rely on flares despite the availability of pipelines, use flares that only partially burn the gas before releasing it, or directly vent uncombusted methane into the atmosphere.

Flaring, venting and methane leaks are major sources of global warming pollution and may erase any climate benefit that natural gas has over coal. Such concerns recently led the French company Engie to cancel plans to buy Texas gas.

Flaring is also bad for public health. A recent study found that pregnant women exposed to more than 10 nightly flares within 3 miles of their home had a higher risk of giving birth prematurely.

Public outcry led BP to announce its plan to end flaring in the Permian Basin by 2025 and spend \$1.3 billion to create pipelines for natural gas. It's joined by Apache Corp., another large operator in the Permian Basin, which plans to eliminate all routine onshore flaring in the U.S. by the end of the year. Alaska, Colorado and, recently, New Mexico have all banned routine flaring.

The University of Texas isn't blind to the problem: Its researchers have published study after study on the topic; its representatives have spoken out about it; and, last spring, the university convened a large group of experts for a workshop on problems and solutions regarding methane flaring in the industry.

University Lands says it "is proud of its environmental record" — but it hasn't committed to ending flaring. In fact, satellite data reveal oil and gas companies drilling on University Lands flared 5.2 billion cubic feet of natural gas in 2017 — enough gas to fuel 124,000 homes.

As a leader in the Texas energy market, UT faces a choice: Stay the course of waste and pollution — modeling an approach that has led Texas to become the worst methane polluter in the country — or step up and showcase energy innovation and best practices with real standards to reduce pollution on university lands.

The University Lands Flaring Act, introduced by state Rep. Gina Hinojosa and Sen. Sarah Eckhardt in the Texas Legislature, would direct the UT System to eliminate routine methane flaring on its land by 2025.

Climate change is a major threat to all Texans. Summers are getting hotter; hurricanes are getting stronger; and droughts are getting longer. It's critical to our future that we act quickly to eliminate global warming pollution.

For nearly 150 years, the University of Texas System has been a center of innovation and leadership in our state. As one of the biggest players in the oil industry, it can lead the way in meeting the greatest challenge of our time: the fight against climate change. UT System leaders should act immediately to rein in methane pollution on university-owned land — and if they do not, the Legislature should.

*Luke Metzger is the executive director of Environment Texas, a nonprofit advocate for clean air, clean water, open spaces and a livable climate.*



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869





## Mia Hutchens

---

**From:** Luke Legate <luke@gfoxconsulting.com>  
**Sent:** Monday, May 10, 2021 8:08 AM  
**To:** Luke Legate  
**Subject:** Texas Energy Clips - May 8-10, 2021

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

### Texas Energy Clips

#### ***Austin American Statesman***

Winterization dispute continues

By Bob Sechler

May 10, 2021

<https://app.meltwater.com/newsletters/analytics/view/5674190e75d7d27709aae347/newsletter/56741b3384f54741158b572a/distribution/609894b8004a262705b40bb9/document/AAS0000020210509eh590002y>

#### ***Houston Chronicle***

ERCOT forced dozens of natural gas facilities offline during winter storm

By Paul Takahashi and James Osborne

May 10, 2021

<https://www.houstonchronicle.com/business/energy/article/ERCOT-forced-dozens-of-natural-gas-facilities-16161273.php>

#### ***Victoria Advocate***

STEER recommends issues to watch in the legislative session

By Stephanie Moreno

May 10, 2021

[https://www.victoriaadvocate.com/news/business/steer-recommends-issues-to-watch-in-the-legislative-session/article\\_da9bab4a-acf4-11eb-beba-0fed6c129873.html](https://www.victoriaadvocate.com/news/business/steer-recommends-issues-to-watch-in-the-legislative-session/article_da9bab4a-acf4-11eb-beba-0fed6c129873.html)

#### ***Dallas Morning News***

ERCOT releases summer outlook assessment, reassures Texans the state power grid will hold up: Outside analysts aren't convinced, but the grid operator said it would be ready to handle record-breaking demand during the hottest months

By Morgan O'Hanlon

May 10, 2021

<https://www.dallasnews.com/news/politics/2021/05/06/ercot-releases-summer-outlook-assessment-reassures-texans-the-state-power-grid-will-hold-up/>

#### ***Dallas Morning News***

Lawmakers try new solution to minimize winter storm debt: Most agree that securitization is an effective proposal to fairly and quickly pay off storm debt. Not all agree how to do it, and what costs should be covered

By Morgan O'Hanlon

May 10, 2021

<https://www.dallasnews.com/news/2021/05/07/lawmakers-try-new-solution-to-minimize-winter-storm-debt/>

#### ***KUT***

It's Becoming Clearer Who Profited From The Blackouts, And That's Raising Questions Of Price Gouging

By Mose Buchele

May 10, 2021

<https://www.kut.org/energy-environment/2021-05-10/february-winter-storm-blackouts-natural-gas-energy-price-gouging>

### **Midland Reporter-Telegram**

RRC: Midland region again dominates Texas for permits, completions

May 9, 2021

[https://www.chron.com/eye\\_on\\_development/article/RRC-Midland-region-again-dominates-Texas-for-16162881.php](https://www.chron.com/eye_on_development/article/RRC-Midland-region-again-dominates-Texas-for-16162881.php)

### **CNBC**

A major U.S. pipeline is still mostly shut due to a cyberattack. Here's what you need to know

May 10, 2021

<https://www.cnb.com/2021/05/10/largest-us-fuel-pipeline-colonial-still-mostly-shut-impact-and-reopening.html>

### **San Antonio Express-News**

Commentary: University Lands should commit to end flaring

By Luke Metzger

<https://www.expressnews.com/opinion/commentary/article/Commentary-University-Lands-should-commit-to-end-16160361.php>

---

## **Texas Energy Clips**

### **Austin American Statesman**

Winterization dispute continues

By Bob Sechler

May 10, 2021

<https://app.meltwater.com/newsletters/analytics/view/5674190e75d7d27709aae347/newsletter/56741b3384f54741158b572a/distribution/609894b8004a262705b40bb9/document/AAS0000020210509eh590002y>

Advocates for the Texas natural gas industry have spent much of the 11 weeks since February's deadly power blackouts downplaying the sector's culpability in the crisis and working to stop lawmakers from requiring winterization of far-flung wells and pipelines. But new data suggest failures by natural gas producers and suppliers to keep the commodity flowing might have triggered as much as a fifth of the freeze-related power outages near the peak of the calamity.

What's not up for debate is that statewide production of natural gas — a major source of fuel for electricity generation — slumped dramatically amid the historic winter freeze and prices for it soared.

Production fell by nearly half at one point during the emergency, compared with levels earlier in February, according to IHS Markit, a company that aggregates information about the energy sector. Natural gas spot prices climbed from an average of about \$2.80 per million British thermal units at the main West Texas trading hub to a high of \$206.19 — a 73-fold increase.

At least 151 people, including 12 in Travis County and three in Williamson County, died statewide for reasons related to the frigid temperatures and others lost limbs to frostbite, as many power plants faltered just when needed most. Property damage from the power outages has been estimated at over \$200 billion, while water service to more than 12 million people across the state also was disrupted because pipes froze and burst.

Proponents of the state's natural gas industry — in addition to its regulator, the Texas Railroad Commission — have largely deflected blame for the overall crisis, saying freeze-related outages at power plants exacerbated issues at natural gas production and supply facilities because they rely heavily on electricity to operate and to resolve their own weather-induced problems.

The sector's main trade group, the Texas Oil and Gas Association, has been aiming to blunt protective measures in the Legislature that might include wells and pipelines statewide, along with power plants and related infrastructure, in potential new winterization regulations. A recent report paid for by the trade group concluded that the grid crisis likely "started at power generation units" — not at wellheads or pipelines — and cascaded from there...

### **Houston Chronicle**

ERCOT forced dozens of natural gas facilities offline during winter storm

By Paul Takahashi and James Osborne

May 10, 2021

<https://www.houstonchronicle.com/business/energy/article/ERCOT-forced-dozens-of-natural-gas-facilities-16161273.php>

ERCOT confirmed that it forced dozens of natural gas facilities to go offline during the February winter storm under a program that pays large industrial users to shut down when electricity supplies are short.

Hundreds of major electricity users, such as data centers, manufacturing plants and oil and gas facilities, have entered into "demand response" contracts with the Electric Reliability Council of Texas, requiring them to install an automatic circuit switch or manually shut down operations when power demand threatens to exceed supply on the grid. Under these contracts, the state's grid operator has the authority to interrupt power to large industrial customers when there are less than 1,750 megawatts of spare power on the grid.

"We confirmed that some of (these industrial customers) are related to oil and gas," ERCOT spokeswoman Leslie Sopko said. ERCOT said it is unclear how much of an effect contractual shutdowns of natural gas facilities had on natural gas supplies and gas-fired power plants, which accounted for about half the power plant outages during the freeze. Other natural gas wells, pipelines and compressor stations suffered freezes and power outages during ERCOT's mandated rolling blackouts.

There are thousands of oil and gas facilities in Texas. These contractual outages affected a small portion of them.

Power plant operators have blamed inadequate natural gas supplies for the catastrophic power failure during the storm, which led to nearly 200 deaths and billions of dollars in property damage. Natural gas production in Texas fell by nearly half during the storm, and the largest share of generation outages occurred at natural gas power plants, according to the Energy Department.

"This is just incredibly incompetent," said Ed Hirs, an energy economist with the University of Houston. "It's remarkable that ERCOT would do exactly what was necessary to drive gas prices up and hurt consumers." There were 447 industrial customers who voluntarily installed the automatic circuit devices to shut down power to their operations as of the end of 2019, according to ERCOT. These industrial customers have the ability to shed more than 5,550 megawatts of power from the grid, enough to power some 1.1 million Texas homes on a hot summer day...

#### ***Victoria Advocate***

STEER recommends issues to watch in the legislative session

By Stephanie Moreno

May 10, 2021

[https://www.victoriaadvocate.com/news/business/steer-recommends-issues-to-watch-in-the-legislative-session/article\\_da9bab4a-acf4-11eb-beba-0fed6c129873.html](https://www.victoriaadvocate.com/news/business/steer-recommends-issues-to-watch-in-the-legislative-session/article_da9bab4a-acf4-11eb-beba-0fed6c129873.html)

For those of us who thought the global anomalies of 2020 were behind us, 2021 quickly reminded us that strange is the new norm. While families were attempting to get their lives back to COVID-normal, a historic winter storm devastated our great state and overwhelmed our communities. In the midst of an unprecedented start to 2021, let's not forget that we are also in the middle of one of the most important legislative sessions Texas has ever encountered. Here are a few things to look out for and why they are important to you:

**Storm bills.** Elected officials throughout the state have pledged to do better in preparing for extreme weather events. To "do better" requires an evaluation of what worked, what failed, and what can be improved. Most people don't realize just how vast and complicated our electricity supply chain is. A new analysis of natural gas performance during the storm indicates that loss of power, which began after outages began at power generation units, was the principal factor for natural gas production and transportation reductions and shutdowns. TXOGA President Todd Staples said, "Texans deserve a thoughtful and factual evaluation of what really went wrong. Moving forward, the most immediate action to ensure natural gas facilities can operate during emergencies will be supply chain mapping to determine which natural gas production, distribution and storage facilities feed into the natural gas electricity generation and local distribution companies."

**Eminent Domain.** These two words can create real challenges amongst utilities, pipeline companies, developers and landowners. In reality, most right-of-way acquisition deals are entered into freely and voluntarily. However, when eminent domain does come into play, it is important to have a transparent and reliable process to ensure everyone has the information and resources they need to come to a final resolution. In order to continue our collective economic success, Texans must be able to support infrastructure development while protecting landowner rights. Fair and agreed-to eminent domain legislation allows critical infrastructure to continue to be built and ensures that landowners are informed, treated fairly and compensated fairly during the process.

**Prohibition on natural gas bans.** The Texas Legislature is moving to pre-emptively prohibit California-style city ordinances that ban natural gas in homes or businesses. If the recent winter freeze taught us anything, it's that natural gas is reliable and essential to fueling Texas homes and businesses. Without natural gas, millions more Texans would have been

without heat and power. Banning a person's freedom to choose their source of energy for their home or business is bad for consumers, the economy and it is bad for Texas...

### ***Dallas Morning News***

ERCOT releases summer outlook assessment, reassures Texans the state power grid will hold up: Outside analysts aren't convinced, but the grid operator said it would be ready to handle record-breaking demand during the hottest months  
By Morgan O'Hanlon

May 10, 2021

<https://www.dallasnews.com/news/politics/2021/05/06/ercot-releases-summer-outlook-assessment-reassures-texans-the-state-power-grid-will-hold-up/>

AUSTIN — ERCOT released its annual summer outlook Thursday with reassurances that the power grid will be ready to handle record-breaking demand for power as Texans prepare to crank up their air conditioning for the state's hottest months.

In the report, the grid operator outlined several scenarios that could lead to situations like February's outages, but said there is a less than 1% chance they would occur.

Some energy consultants and analysts are not convinced. "Instability like what we've seen recently should make Texans worried for summer," said Daniel Cohan, an atmospheric scientist and an associate professor of environmental engineering at Rice University

Insecurity about the state grid operator's ability to handle extreme weather events was first spurred by February's winter storm, when higher-than-expected demand exceeded the amount of power available on the grid. To prevent longer statewide blackouts, the Electric Reliability Council of Texas initiated outages that affected 70% of Texans over the course of a week.

Fears were again stoked last month when, on a mild spring day, ERCOT issued a conservation notice to residents and businesses as it struggled to meet demand that was higher than forecasted. Woody Rickerson, vice president of grid planning and operations for ERCOT, reassured consumers in late April that the spring scare was due to taking more generators offline for maintenance so that they would be ready to handle peak demand over the summer...

### ***Dallas Morning News***

Lawmakers try new solution to minimize winter storm debt: Most agree that securitization is an effective proposal to fairly and quickly pay off storm debt. Not all agree how to do it, and what costs should be covered

By Morgan O'Hanlon

May 10, 2021

<https://www.dallasnews.com/news/2021/05/07/lawmakers-try-new-solution-to-minimize-winter-storm-debt/>

AUSTIN — One lingering question from February's devastating winter storm is what, if anything, to do about the debt of some electricity market participants caused by the high price of power during the crisis.

Unpaid bills for nearly \$3 billion worth of wholesale power piled up at grid manager the Electric Reliability Council of Texas between Feb. 12 and Feb. 20, and efforts to retroactively reprice the extraordinary cost of electricity — \$9,000 per megawatt hour — during a 32-hour period didn't go far.

At least 10 bills this legislative session propose securitizing winter storm debt, meaning it would be paid off more quickly through the use of state-sanctioned bonds. These include bills introduced by lawmakers in each chamber that would create a Texas electric securitization corporation to provide low-cost financing for paying off the debt in ERCOT's wholesale power market from February.

Normally, the "short pays" feature fewer zeros after the dollar sign. And if buyers can't pay, there's an "uplift" process that assesses all market participants a bit of money so that the unpaid power sellers are eventually made whole. But ERCOT and Public Utility Commission rules limit the amount of monthly uplift to \$2.5 million, meaning it would take more than 96 years to collect enough uplift fees to pay off the whopping, almost \$3 billion of bad debt from this year's storm.

Such measures are attractive because faster payment of debts from the winter storm would allow power sellers who were stiffed to get some money faster.

"Say you're South Texas Electrical Cooperative or whatever and you've been short-paid where you had to pay the gas producers for all that gas that you consumed in your gas plants that week," explained Doug Lewin, an energy consultant

for Stoic Energy, using a Victoria-based rural electric coop as a hypothetical example. "And now you're not getting paid back — it's like this little tiny trickle, right? ... And drip, drip, drip each month for the next 100 years. That's a problem. You need to get that money and pay ... for the gas."...

#### **KUT**

It's Becoming Clearer Who Profited From The Blackouts, And That's Raising Questions Of Price Gouging

By Mose Buchele

May 10, 2021

<https://www.kut.org/energy-environment/2021-05-10/february-winter-storm-blackouts-natural-gas-energy-price-gouging>

The blackouts that hit Texas in February left more than 100 people dead and caused billions of dollars in debt for those who found themselves on the wrong side of the state's famously laissez-faire energy market. For others, it created huge earnings the full scope of which are now coming into focus.

Until recently, companies that made a lot of money during the freeze have tried to keep a low profile about it. But quarterly financial reports have come due making that information harder to conceal.

The big winners: companies that sold natural gas.

During the blackouts both electricity and gas were in short supply, and both could be sold at a premium. The price for wholesale electricity in Texas is capped by state regulators. There is no such market control for gas, which increased hundreds of times its normal value.

That price hike let companies like BP, Kinder Morgan and Energy Transfer make billions. Big banks that had invested in electricity and gas contracts before the freeze, like Goldman Sachs and Bank of America, also cashed in.

The size of the profits has led some to question whether price gouging took place. "If a gas station raises prices from \$2 to \$5/gal during a hurricane they go to jail for price gouging," UT Professor Michael Webber posted on Twitter after the blackout. "If a natgas provider raises prices from \$2 to \$200/MMBTU during a cold snap even though their costs didn't materially change, that seems just fine with Texas authorities."...

#### **Midland Reporter-Telegram**

RRC: Midland region again dominates Texas for permits, completions

May 9, 2021

[https://www.chron.com/eye\\_on\\_development/article/RRC-Midland-region-again-dominates-Texas-for-16162881.php](https://www.chron.com/eye_on_development/article/RRC-Midland-region-again-dominates-Texas-for-16162881.php)

More than 56 percent of the drilling permits and greater than 53 percent of the oil completions inside the state of Texas during the month of April took place in the Midland region, according to Railroad Commission of Texas.

The RRC's Midland region accounted for 357 of the 629 permits from around the state. The next closest region was Refugio with 57. RRC statistics also showed the Midland region with 254 of the 403 oil completions from the 12 commission regions around the state. The next closest region was the San Angelo region with 36.

The third category is gas completions, and the Midland region was second to the East Texas region. The Midland region accounted for 31 gas completions or 36.47 percent of the 85 across the state. East Texas accounted for 33...

#### **CNBC**

A major U.S. pipeline is still mostly shut due to a cyberattack. Here's what you need to know

May 10, 2021

<https://www.cnb.com/2021/05/10/largest-us-fuel-pipeline-colonial-still-mostly-shut-impact-and-reopening.html>

The United States' largest fuel pipeline has been mostly shut since Friday after a cybersecurity attack — and it's not clear how long the outage will last.

Wells Fargo says the restart date is key, and outlined three possible scenarios for reopening that could help investors gauge the possible impact.

The operator of Colonial Pipeline fell prey to a ransomware attack on Friday, forcing all pipeline operations to stop. Colonial Pipeline said Sunday it is developing a system restart plan, and that some smaller lines are now operational.



The company said it will "bring our full system back online only when we believe it is safe to do so, and in full compliance with the approval of all federal regulations."

3 possible scenarios

"Timing of the restart is the critical issue," said analyst Roger Read in a note on Sunday. He outlined three possible date ranges...

### ***San Antonio Express-News***

Commentary: University Lands should commit to end flaring

By Luke Metzger

<https://www.expressnews.com/opinion/commentary/article/Commentary-University-Lands-should-commit-to-end-16160361.php>

Last month, BP announced its plans to end routine flaring by 2025. Flaring, the practice of burning unwanted gas in the oilfields, is dirty — and the damage it causes to the planet has given Texas' reputation a black eye.

So, why is it still happening on land owned by the University of Texas?

UT prides itself on leading the way toward a clean, renewable future — a fact that's evident through the rooftop solar arrays and a long list of LEED-certified buildings on its campuses. But its less-visible oil operation in West Texas tarnishes this green sheen. About 180 miles west of Austin — amid the sand dunes, grasslands and tumbleweeds of West Texas — lie a whopping 10,000 oil and gas wells on land owned by UT.

UT's deep involvement in the oil industry makes the University Lands operation the fifth-largest oil producer in all of Texas. This drilling creates a host of environmental and public health problems, not least of which is the flaring and venting of methane gas.

Wells typically produce both oil and gas. If the company operating the well is interested only in producing oil, the gas is an unwanted byproduct to address. Well operators can send this gas into the market through a pipeline or burn it on-site through a flare if pipeline infrastructure is not available.

Too often in Texas, however, operators rely on flares despite the availability of pipelines, use flares that only partially burn the gas before releasing it, or directly vent uncombusted methane into the atmosphere.

Flaring, venting and methane leaks are major sources of global warming pollution and may erase any climate benefit that natural gas has over coal. Such concerns recently led the French company Engie to cancel plans to buy Texas gas. Flaring is also bad for public health. A recent study found that pregnant women exposed to more than 10 nightly flares within 3 miles of their home had a higher risk of giving birth prematurely...

## Mia Hutchens

---

**From:** Luke Legate <luke@gfoxconsulting.com>  
**Sent:** Monday, May 3, 2021 8:54 AM  
**To:** Luke Legate  
**Subject:** Texas Energy Clips - May 1-3, 2021

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

### Texas Energy Clips

#### **Midland Reporter-Telegram**

Upstream employment continues to grow

By Mella McEwen

May 1, 2021

<https://www.mrt.com/business/oil/article/Upstream-employment-continues-to-grow-16143108.php>

#### **Houston Chronicle**

Exxon, Chevron return to solid footing

By Paul Takahash

May 1, 2021

<https://www.houstonchronicle.com/business/article/Exxon-Chevron-return-to-solid-footing-16143339.php>

#### **Austin Monthly**

Austin: The State's Unlikely Energy Capital: How the city is innovating Texas' fossil fuel industry and leading the charge on renewables

By Omar Gallaga

May 3, 2021

<https://www.austinmonthly.com/austin-the-states-unlikely-energy-capital/>

#### **Dallas Morning News**

Flaring pollutes and wastes resources. Stop it: BP plans to end flaring by 2025. Everyone in the Permian Basin should do the same

May 3, 2021

<https://www.dallasnews.com/opinion/editorials/2021/05/03/flaring-pollutes-and-wastes-resources-stop-it/>

#### **Midland Reporter-Telegram**

RRC continues to exceed well-plugging targets

By Mella McEwen

May 1, 2021

<https://www.mrt.com/business/oil/article/RRC-continues-to-exceed-well-plugging-targets-16143121.php>

#### **San Angelo Standard-Times**

Texas legislators must stay focused on renewing Chapter 313

By Michael Looney

May 2, 2021

<https://www.reporternews.com/story/opinion/contributors/2021/05/02/texas-legislators-must-stay-focused-renewing-chapter-313/4878973001/>

#### **Reuters**

U.S. drillers add oil and gas rigs for ninth month -Baker Hughes

May 3, 2021

<https://www.reuters.com/business/energy/us-drillers-add-oil-gas-rigs-ninth-month-baker-hughes-2021-04-30/>

### **Reuters**

Exxon CEO says advancing U.S. carbon capture project with rivals, government

May 3, 2021

<https://news.trust.org/item/20210430165555-2y9d8>

### **News West 9**

Senate votes to allow federal control to limit methane emission: A perceived shot at the oil and gas industry with this news from the U.S. Senate, but industry experts don't seem too concerned

May 1, 2021

<https://www.newswest9.com/article/news/local/senate-allow-federal-control-limit-methane-emission/513-9e2bed7d-3897-4200-ae0e-24a01a6b9ad4>

---

## **Texas Energy Clips**

### **Midland Reporter-Telegram**

Upstream employment continues to grow

By Mella McEwen

May 1, 2021

<https://www.mrt.com/business/oil/article/Upstream-employment-continues-to-grow-16143108.php>

Recovery is flowing through the economy – which grew at a 6.4 percent rate in the first quarter, the government says – and that is being seen in the energy economy.

The Texas Oil and Gas Association reported that the upstream sector of the state's oil and gas industry added jobs for the third consecutive month in March. Citing data from the Texas Workforce Commission, TXOGA said the sector added 4,300 jobs in March, the largest single month-over-month gain since the summer of 2011.

"As the global pandemic recedes and our state, nation and world transition back into normalcy, the need for abundant, affordable and reliable oil and natural gas will return with it," Todd Staples, president of the association, told the Reporter-Telegram by email. "The Texas oil and natural gas industry will always need bright minds of women and men who will continue to contribute to its work and pioneer the cutting-edge technology that is leading to a cleaner energy future."

Staples said Workforce Commission data showed the most growth in the support activities for mining category, typically jobs in oilfield services...

### **Houston Chronicle**

Exxon, Chevron return to solid footing

By Paul Takahash

May 1, 2021

<https://www.houstonchronicle.com/business/article/Exxon-Chevron-return-to-solid-footing-16143339.php>

The nation's two largest oil companies on Friday posted their first profitable quarters since the coronavirus pandemic started a year ago, offering the clearest signs so far that the industry has rebounded from the historic downturn. Irving-based Exxon reported a first-quarter profit of \$2.7 billion, compared with a loss of \$610 million in the same period last year. First-quarter revenue rose to \$59.1 billion, up from \$56.2 billion a year earlier.

Its rival, San Ramon, Calif.-based Chevron, said it made \$1.4 billion in the same three-month period, compared with a \$3.6 billion profit a year earlier. First quarter revenue rose to \$32 billion, up from \$31.5 billion during the first quarter of 2020. Their European counterparts BP, Royal Dutch Shell, Total and Equinor also reported profits during the first quarter.

Oil majors appear to have put the worst of the pandemic behind them as the rollout of vaccines is lifting many economies, buoying crude demand. The price of West Texas Intermediate, the U.S. crude benchmark, has risen above \$65 this year and settled Friday at \$63.58. A year ago this month, crude prices had plunged into negative territory as the pandemic slashed demand for petroleum products such as gasoline and jet fuel.

As crude prices have rebounded in recent months, the number of operating rigs in the U.S. grew by 27 percent during the first quarter. Drillers added two rigs last week, bringing the nation's count to 440, according to oil-field services firm Baker Hughes and research firm Enverus, which provide the weekly tally. Exploration and production companies added 4,300 jobs in March, the largest single month gain in nearly a decade, according to the Texas Oil and Gas Association.

"The rise in the oil price is clearly helping Exxon Mobil recover from the record pandemic-induced losses," said Peter McNally, an energy leader at New York consulting firm. "The company still has work to do to achieve a full recovery across all of its business lines, but for the time being the direction on earnings at Exxon Mobil is higher."...

### ***Austin Monthly***

Austin: The State's Unlikely Energy Capital: How the city is innovating Texas' fossil fuel industry and leading the charge on renewables

By Omar Gallaga

May 3, 2021

<https://www.austinmonthly.com/austin-the-states-unlikely-energy-capital/>

In 1901, Anthony Lucas struck black gold on Spindletop Hill in Beaumont. The massive gusher, which produced 100,000 barrels of oil that day, instantly made Texas the epicenter of American energy. Since then, oil's allure has drawn hundreds of thousands of workers to the state, transforming Houston and West Texas' Permian Basin into global energy hubs in the process.

Naturally, Austin, with its progressive support of green initiatives, is the last Texas town you'd associate with fossil fuels. Whether it's new resident Elon Musk's potential to transform the state with a giant battery connected to our energy grid or the city's rapid transition from gas guzzlers to electric vehicles (EVs), Austin appears increasingly untethered from the state's oil-rich days of yesteryear.

But February's brutal winter storm, which left millions of Texans without power or clean water, provided a sobering reminder of how reliant our state is on traditional energy sources. And yet, while some point to the cold weather crisis as proof of our need to move beyond oil and gas, the reality is that Austin is far more connected to fossil fuels than you'd expect. Yes, the capital city is teeming with artificial intelligence startups and semiconductor producers, but it's also the headquarters for major oil and gas players like Venado Oil & Gas, Luxe Energy, and Ameredev II LLC, as well as the Texas Oil & Gas Association (TXOGA).

Todd Staples, the organization's president, says Austin's tech, innovation, and proximity to state government make it a critical component for the industry. For instance, emerging technologies such as drones, emissions control systems, robotics, and carbon capture tech are all being deployed by oil and gas outfits.

The capital city is also where much of the fossil fuel industry's research and talent development originates. John Foster, an associate professor in UT's Hildebrand Department of Petroleum and Geosystems at the Cockrell School of Engineering, says his students have entered the field for years. But with some workers being automated out of jobs by machine learning and other cutting-edge technologies—or, more recently, falling victim to severe recession-fueled layoffs, including during the COVID-19 pandemic—concern for the industry's lack of employment security is growing. So, Foster's students are learning skills like coding and data science, a big shift for the traditionally slow-moving industry. "There's been massive realignment, a lot of mergers, a lot of jobs lost," he says. "There's a lot of interest currently for our students to diversify themselves."...

### ***Dallas Morning News***

Flaring pollutes and wastes resources. Stop it: BP plans to end flaring by 2025. Everyone in the Permian Basin should do the same

May 3, 2021

<https://www.dallasnews.com/opinion/editorials/2021/05/03/flaring-pollutes-and-wastes-resources-stop-it/>

Imagine you're a wheat farmer in the Texas Panhandle. Last summer, you harvested a bumper crop. When the combines left, you baled the straw into round half-ton rolls and stacked them on the edge of your field.

And then you set them on fire. No farmer would do such a thing, but that's a pretty accurate representation of flaring, a common method of disposing of natural-gas byproduct at oil wells. According to the U.S. Energy Information Administration, Texas producers wasted 700 million cubic feet of natural gas every day in 2019. That's enough to provide natural gas to every home in the state. At times, producers have to burn off natural gas for safety reasons, but millions of cubic meters are wasted in what is called "routine flaring."

Technically, flaring is illegal without a permit, but the Texas Railroad Commission, the agency that regulates the industry, hands out waivers like campaign flyers — more than 200 per month according to a 2018 analysis by The Texas Tribune. As of August, the commission had granted 35,000 flaring permits since 2013 without a single denial, according to Colin Leyden of Environmental Defense Fund. A spokesperson for the commission said it issued eight denials last year. Punishment for breaking the rules is rare. Earlier this month, BP announced it would end routine flaring in the Permian

Basin by 2025. BP spent \$300 million on a processing facility to bring the gas to market, which reduced flaring from 13% of the gas it produced in the second half of 2019 down to 3.5% in the second half of 2020. That's still above the rates for Exxon (0.9%) and Chevron (0.4%).

It's important to remember that these aren't gas wells. What producers are after is oil, which is much more profitable than its gas byproduct. According to a 2016 report by the EIA, it costs \$4.9 million to \$8.3 million to drill a new well. So companies are asking themselves: "Do we invest \$300 million in a long-term ROI on gas, or drill 40 new, profitable oil wells?"...

### **Midland Reporter-Telegram**

RRC continues to exceed well-plugging targets

By Mella McEwen

May 1, 2021

<https://www.mrt.com/business/oil/article/RRC-continues-to-exceed-well-plugging-targets-16143121.php>

Tasked with carrying out the state's well-plugging program, the Railroad Commission is again exceeding expectations.

The agency says it is on track to exceed the target of plugging 1,400 wells this fiscal year, set by the Texas Legislature. This would make the fifth consecutive year the agency has exceeded the target set by the legislature. Already the agency has plugged 1,083 wells with four months to go. While agency managers couldn't pinpoint a specific date for meeting the goal, they tell the Reporter-Telegram by email that, with more than 75 percent of the goal already being met, the target should be met before the Aug. 31 end of the fiscal year.

"With the current well-plugging rate set to exceed our legislative goal for this fiscal year, I am proud of the Railroad Commission's commitment to health and safety standards in Texas," Christi Craddick, commission chair, told the Reporter-Telegram by email. "Ensuring that wells are plugged in a timely, safe, and responsible manner has always been a priority for me and the agency and will continue to be important as we move forward. I appreciate our staff who work hard to identify, assess, and plug abandoned wells, and the legislature for continuing to fund this critical program."

Railroad Commission Director of Field Operations Clay Woodul said in a statement announcing the achievement, "We've picked up our pace plugging wells in recent months. During the last fiscal year, the pandemic posed special challenges to ensure the safety of contractors plugging wells and RRC field staff overseeing those operations, but we have clear protocols in place to ensure the work can proceed in a timely manner."

In addition, Andrew Keese, spokesman for the agency, told the Reporter-Telegram, the achievement has roots in improvements to the State Managed Plugging Program made several years ago when staff took a close look at the program and streamlined internal processes. That, Keese said, along with improved employee retention, has contributed to its success in exceeding legislative goals...

### **San Angelo Standard-Times**

Texas legislators must stay focused on renewing Chapter 313

By Michael Looney

May 2, 2021

<https://www.reporternews.com/story/opinion/contributors/2021/05/02/texas-legislators-must-stay-focused-renewing-chapter-313/4878973001/>

In 2001, the Texas Legislature passed the Texas Economic Development Act – a tool intended to bring investment and economic growth to Lone Star State.

Called Chapter 313 after the Texas Tax Code section it modifies, the act allows school districts to compete for large-scale capital investments in their areas by offering temporary property tax abatements to companies. With one of the highest property tax rates in the nation, Texas found a way to become more competitive with other low-tax states and now, local leaders across the state, like myself, are hoping to see this vital economic development program continue -- it's set to expire in 2022.

Over the past 20 years, Chapter 313 has done exactly what it needed to do: create jobs and strengthen the Texas economy. According to the Texas Comptroller, in 2020, 222 school districts had more than 500 active Chapter 313 agreements. Overall, these projects have created more than 9,000 jobs and brought \$217 billion of new investment to the state.

Of this new investment, \$53.1 billion has come from renewable energy. The wind industry alone employs more than 25,000 Texans with well-paying jobs, produces enough energy to power nearly 8 million homes, and pays \$285 million in state and local taxes each year.

Chapter 313 is the driving force in local leaders' ability to attract investment, with much of it calling our slice of Texas home. Our region has seen \$25 billion of renewable energy investment, \$105 million in land lease payments a year, and \$158 million in local and state taxes each year. Thousands of renewable energy jobs are right here in the Concho Valley. These jobs build technical skills and provide well-paying jobs for decades at a time, with most projects' lifespans exceeding 20 years.

This legislative session, many bills have been filed to extend or modify Chapter 313, and I'd like to share my support for Jim Murphy's House Bill 1556. The bill extends Chapter 313 through 2032 but shifts some authority and decision-making abilities from local government to the state. Renewable energy has been an economic boon to many regions across the state that had a difficult time attracting investment in the past. Many of the communities with major renewable energy projects can't supply the workforce for big industrial investment, while the handful of well-paying and stable jobs that we see through wind and solar fit the bill...

#### **Reuters**

U.S. drillers add oil and gas rigs for ninth month -Baker Hughes

May 3, 2021

<https://www.reuters.com/business/energy/us-drillers-add-oil-gas-rigs-ninth-month-baker-hughes-2021-04-30/>

U.S. energy firms added oil and natural gas rigs this week, leading to a ninth straight monthly rig count increase, as a recovery in prices lured some drillers back to the wellpad. The oil and gas rig count, an early indicator of future output, rose two to 440 in the week to April 30, its highest since April 2020, energy services firm Baker Hughes Co (BKR.N) said in its closely followed report on Friday. , ,

That was the sixth time the count increased in the past seven weeks and put the total number up 32, or 8%, over this time last year. It was also up 80% since falling to a record low of 244 in August 2020, according to Baker Hughes data going back to 1940.

This week was the first time the current rig count rose over the year ago since April 2019 due in part to the massive 263 rig drop in the number of units operating in April 2020 when energy demand destruction from the coronavirus caused oil futures to turn negative.

For the month, the total count rose 23 rigs, increasing for a ninth month in a row for the first time since July 2017. Oil rigs rose for a eighth straight month, to their highest since April 2020.

U.S. oil rigs fell one to 342 this week, while gas rigs rose two to 96, their highest since April 2020...

#### **Reuters**

Exxon CEO says advancing U.S. carbon capture project with rivals, government

May 3, 2021

<https://news.trust.org/item/20210430165555-2y9d8>

Exxon Mobil Corp is advancing a carbon capture and storage project along the U.S. Gulf of Mexico through talks with rivals and government officials, Chief Executive Darren Woods said in an interview on Friday. The largest U.S. oil producer this month floated a public-private initiative that would collect and sequester planet-warming carbon dioxide emissions from petrochemical plants along the Houston Ship Channel, a 50-mile (80-km) long waterway that is part of the Port of Houston.

Woods declined to identify by name the businesses Exxon hopes to attract to the project, saying he aims to lure the region's top 50 CO2 emitters, and is lobbying federal, state and local officials for support.

"I've been very involved with conversations with the mayor and the local government officials in Houston, with the governor and officials here in Texas, and at the federal level in the administration on this opportunity," Woods said in an interview.

It would cost at least \$100 billion from companies and government agencies to finance a project that could store 50 million tonnes of CO2 by 2030 and double that amount by 2040, Exxon has said. Exxon and U.S. rivals Chevron Corp and Occidental Petroleum are "uniquely positioned to scale" carbon capture and storage technology, said Morgan Stanley

analyst Devin McDermott in a report on Friday. The Houston Ship Channel proposal would require "new policies to drive investment," he said.

The project faces enormous hurdles, including financing and support from government agencies for permitting and carbon regulations...

**News West 9**

Senate votes to allow federal control to limit methane emission: A perceived shot at the oil and gas industry with this news from the U.S. Senate, but industry experts don't seem too concerned

May 1, 2021

<https://www.newswest9.com/article/news/local/senate-allow-federal-control-limit-methane-emission/513-9e2bed7d-3897-4200-ae0e-24a01a6b9ad4>

MIDLAND, Texas — The U.S. Senate has voted in favor of allowing federal control over methane emissions in the oil and gas industry. This was all done in the name of climate change.

"What's crazy is the natural gas industry, the people that produce it, have dramatically changed climate because more people are switching to cleaner natural gas to burn and make electricity than coal and even oil fired power in some different places, so the industry is doing an incredible job reducing greenhouse gas emissions," Kirk Edwards, the former chairman for the Permian Basin Petroleum Association said. While efficiency is a good thing in the industry, what's even better is that Edwards predicts oil and gas production will continue to go up despite new regulations.

"We don't have any federal lands in Texas, and so the policies [Biden is] putting in place don't affect us here in the Permian," Edwards said. "So that's gonna make our oil and gas production even more valuable here in the Permian because as you can tell with oil prices coming back up in the 60s, things are getting busier here in Midland and Odessa, which is a really good sign."

Financial expert and president of Cargile Investment Management, Mickey Cargile, said that new regulations likely won't hurt many companies' bottom line...

**Sandra Morris**

Electronic Notebook for the June 22, 2021 Conference (Excel Workbook 3 - O&G Podium Items)

June 15, 2021 at 1:52 PM EDT

To: Bill Black, Travis McCormick, Jeremy Hagen, Randall Collins, Alex Schoch, Kari French, Wei Wang, Molly Silkenson, Callie Farrar, Jamie Andrews, Danny Sorrells, Dana Lewis, Carmen Calderon, Kathleen Hayden, Caroline Chadwick, Amy Jones, Jona Burkhalter, Sharon Walter, R. J. Desilva, Andrew Keese, Christopher Hotchkiss, Kate Zaykowski, Megan Moore

---

Everyone,

Please find, attached to this email, the Electronic Notebook for the June 22, 2021 Conference (Excel Workbook 3 - O & G Podium Items).

Please let us know if you have any questions.

Sincerely,



Sandra Morris  
Program Specialist, Hearings Division  
Railroad Commission of Texas  
512-463-0065

[Take our Customer Service Survey](#)





**Megan Moore**

Event Briefs

June 15, 2021 at 9:29 AM EDT

To: Jim Wright

Cc: Kate Zaykowski, Christopher Hotchkiss

---

Hi Jim,

Here are the event briefs for June 17 and 18. Attached is the parking map for the 18 as well. Call me if you have any questions.

Best,



Megan Moore

Executive Assistant – Commissioner Jim Wright

Railroad Commission of Texas

(737) 900-5377

[Take our Customer Service Survey](#)



**Megan Moore**

Fwd: Request for Meeting with RRC Commissioner Jim Wright

July 12, 2021 at 7:25 PM EDT

To: Kate Zaykowski

---

Get [Outlook for iOS](#)

---

**From:** Alexandria Glenn <Alexandria.Glenn@senate.texas.gov > >

**Sent:** Friday, July 9, 2021 12:14 PM

**To:** Megan Moore

**Subject:** RE: Request for Meeting with RRC Commissioner Jim Wright

Hi Megan,

Yes, here at the main capitol office, room 3E.10, is perfect! I will go ahead and add it to the Senator's calendar.

Warmest regards,

**Alexandria Glenn**

Administrative Aide

Senator Charles Schwertner

[Alexandria.Glenn@senate.texas.gov](mailto:Alexandria.Glenn@senate.texas.gov)

---

**From:** Megan Moore <Megan.Moore@rrc.texas.gov > >

**Sent:** Friday, July 9, 2021 11:51 AM

**To:** Alexandria Glenn <Alexandria.Glenn@senate.texas.gov > > ; Lauren Spreen <lauren@laurenspreen.com > >

**Subject:** RE: Request for Meeting with RRC Commissioner Jim Wright

Hi Alexandria,

10:30am tomorrow works for Commissioner Wright. To confirm, Commissioner Wright will meet Senator Schwertner in his senate office, correct?

Thanks,

Megan Moore

Executive Assistant – Commissioner Jim Wright

Railroad Commission of Texas

(737) 900-5377

[Take our Customer Service Survey](#)



---

**From:** Alexandria Glenn <[Alexandria.Glenn@senate.texas.gov](mailto:Alexandria.Glenn@senate.texas.gov)> >  
**Sent:** Friday, July 9, 2021 11:20 AM  
**To:** Lauren Spreen <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)> > ; Megan Moore <[Megan.Moore@rrc.texas.gov](mailto:Megan.Moore@rrc.texas.gov)> >  
**Subject:** RE: Request for Meeting with RRC Commissioner Jim Wright

Hi Lauren and Megan!

If Commissioner Wright wants to come over at 12:30 today, that would work! Otherwise, the meeting would have to be tomorrow at 10:30, unless the commissioner would rather meet at a later date. Let me know what works for y'all!

Warmest regards,

**Alexandria Glenn**  
Administrative Aide  
Senator Charles Schwertner  
[Alexandria.Glenn@senate.texas.gov](mailto:Alexandria.Glenn@senate.texas.gov)

-

**From:** Lauren Spreen <[lauren@laurenspreen.com](mailto:lauren@laurenspreen.com)> >  
**Sent:** Friday, July 9, 2021 10:57 AM  
**To:** Alexandria Glenn <[Alexandria.Glenn@senate.texas.gov](mailto:Alexandria.Glenn@senate.texas.gov)> >  
**Cc:** Megan Moore <[megan.moore@rrc.texas.gov](mailto:megan.moore@rrc.texas.gov)> >  
**Subject:** Request for Meeting with RRC Commissioner Jim Wright

Hi Alex,

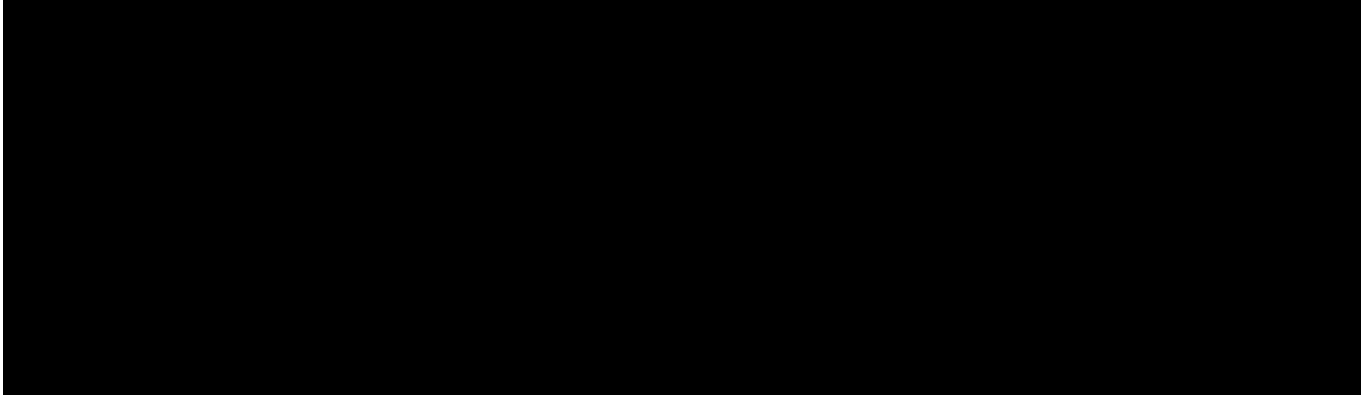
RRC Commissioner Jim Wright asked me to help set up a meeting for him with Chairman Schwertner. He'd like to come over for a quick meeting to discuss the electric grid and potential legislation or future legislative efforts.

I've also copied his executive assistant, Megan Moore, for scheduling purposes. Commissioner Wright is happy to come over to the Senate office at Senator Schwertner's convenience.

Thank you for your consideration, and please let me know if you have any questions or need anything further from me.

Lauren Spreen

(225) 892-9565



---

**From:** Caleb Troxclair <caleb@troxclairpc.com>  
**Sent:** Sunday, May 30, 2021 10:50:49 AM  
**To:** Kate Zaykowski <Kate.Zaykowski@rrc.texas.gov>  
**Subject:** Fwd: SB 3 docs

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

FYI

Sent from my iPhone

Begin forwarded message:

**From:** Shannon Rusing <srusing@txoga.org>  
**Date:** May 30, 2021 at 9:50:24 AM CDT  
**To:** Shannon Rusing <srusing@txoga.org>  
**Subject:** SB 3 docs

To: Legislative Committee  
Legislative Consultants

Attached is the Conference Committee Report and Side by Side for SB 3. We encourage you to review the CCR to ensure your comfort level with the final version that should be adopted and will become law. Please let us know immediately if you identify any concerns.

Upon review, the Conference Committee Report is consistent with conversations we have had with the authors.

Specifically, weatherization requirements for the natural gas supply chain and gas

pipeline facilities was adopted according to the House version and Chair Paddie's floor amendment which contained language that provided clarity for the industry.

Other items worth noting:

- The CCR adopted the Senate version of the Texas Energy Reliability Council
- The CCR generally adopted the House language on mapping and critical load designation language making conforming changes.

Floor Amendments of interest:

- ADOPTED. Amendment by Howard: including the climatologist predictions in creating rules for weatherization. Multiple sections.
- ADOPTED. Amendment by Zweiner: Subjects the Mapping Committee to the 552.008 Government Code regarding Information for Legislative Purposes. Does not apply to physical locations of critical facilities, maps created under this subchapter, or proprietary information created or gathered during the mapping process.

Please let me know if you have any questions or concerns.

Shannon Rusing  
Vice President of Operations and Chief of Staff  
Texas Oil and Gas Association  
304 W. 13<sup>th</sup> ST  
Austin, TX 78701  
512.478.6631  
512.217.3303 (cell)



**From:** [Kate Zaykowski](#)  
**To:** [Megan Moore](#); [Christopher Hotchkiss](#)  
**Subject:** Fwd: [EXTERNAL] Halliburton needs  
**Date:** Tuesday, May 11, 2021 6:35:19 PM

---

Fyi  
Get [Outlook for iOS](#)

---

**From:** Chris Hosek <chris@texasstaralliance.com>  
**Sent:** Tuesday, May 11, 2021 4:24:10 PM  
**To:** Kate Zaykowski <Kate.Zaykowski@rrc.texas.gov>  
**Subject:** Fwd: [EXTERNAL] Halliburton needs

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Hi Kate,

Please see below for the studies.

Also, Hal can do the pre call (Zoom) Monday/ Tuesday (17/18) of next week to compare and get more data. Let me know what works best for you on these dates.

Hal is good for Wei and his Oil gas team in person meeting May 26th 1:30Pm

Chris Hosek  
Texas Star Alliance Energy Solutions  
1210 Nueces  
Austin Tx 78701  
512-468-3212  
[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)

Begin forwarded message:

**From:** Todd Ennenga <[Todd.Ennenga@halliburton.com](mailto:Todd.Ennenga@halliburton.com)>  
**Subject:** RE: [EXTERNAL] Fwd: Halliburton needs  
**Date:** May 11, 2021 at 4:03:56 PM CDT  
**To:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>

McGill university study  
link, <https://www.mcgill.ca/newsroom/channels/news/methane-emissions-abandoned-oil-and-gas-wells-underestimated-327816>

University of Cincinnati Professor Amy Townsend-Small has published some papers around the true cost of Orphan Wells. Here is the article:

[The quest to quantify the environmental cost of abandoned oil wells | Grist](#)

---

**From:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Sent:** Tuesday, May 11, 2021 3:28 PM  
**To:** Todd Ennenga <[Todd.Ennenga@halliburton.com](mailto:Todd.Ennenga@halliburton.com)>  
**Subject:** [EXTERNAL] Fwd: Halliburton needs

**External Sender: Use caution with links/attachments.**

FYI

Chris Hosek  
1210 Nueces  
Austin, TX 78701  
512-468-3212  
[Chris@texasstaralliance.com](mailto:Chris@texasstaralliance.com)

Begin forwarded message:

**From:** Kate Zaykowski <[katez@jimwrightfortexas.com](mailto:katez@jimwrightfortexas.com)>  
**Date:** May 11, 2021 at 3:26:00 PM CDT  
**To:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Cc:** Megan Moore <[megan@jimwrightfortexas.com](mailto:megan@jimwrightfortexas.com)>, Chris Hotchkiss  
[REDACTED] >  
**Subject: Halliburton needs**

Hey Chris,

Here is what we need:

- The link to the McGill Study (Jan. 2021)
- The link to the University of Cincinnati study about the methane from orphan wells vs. flaring

We need a meeting with someone from HB (excel guy) and our RRC staff and me and Christopher. Can we do it this Thursday afternoon? Can be on Teams or Zoom or whatever.

After we see what was going on with the discrepancy between the RRC



figures and HB's figures, then we can get the meeting with Wei on the books.

Let us know what you need from us to get this wrapped up. Thanks!

This e-mail, including any attached files, may contain confidential and privileged information for the sole use of the intended recipient. Any review, use, distribution, or disclosure by others is strictly prohibited. If you are not the intended recipient (or authorized to receive information for the intended recipient), please contact the sender by reply e-mail and delete all copies of this message.

**Barbara LeBlanc**

Item Nos. 5-9; OG-20-00003542 ETAL; Stronghold Energy II Oper, LLC

June 18, 2021 at 5:19 PM EDT

To: Bill Black, Travis McCormick, Jeremy Hagen, Randall Collins, Alex Schoch, Kari French, Wei Wang, Molly Silkenson, Callie Farrar, Jamie Andrews, Danny Sorrells, Dana Lewis, Carmen Calderon, Kathleen Hayden, Caroline Chadwick, Amy Jones, Jona Burkhalter, Sharon Walter, R. J. Desilva, Andrew Keese, Christopher Hotchkiss, Kate Zaykowski, Megan Moore

---

**RE: Item Nos. 5-9:**

**OG-20-00003542:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 179 Battery, Commingle Permit 5789, Various Fields, Crane County, Texas; District 08.

**OG-20-00003543:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 1 Battery, Commingle Permit 1086, Various Fields, Crane County, Texas; District 08.

**OG-20-00003544:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 11 Battery, Commingle Permit 1031, Various Fields, Crane County, Texas; District 08.

**OG-20-00003545:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 16 Battery, Commingle Permit 1031, Various Fields, Crane County, Texas; District 08.

**OG-20-00003546:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 203 Battery, Commingle Permit 6594, Various Fields, Crane County, Texas; District 08.

**Item Nos. 5-9; Applicant's Late-Filed Exceptions to Proposal for Decision; June 18, 2021**

Good afternoon.

Please find attached the Applicant's late-filed exceptions to the Proposal for Decision filed for the items posted for the upcoming conference.

Copies will be provided upon request.

Please let us know if you have any questions.



Barbara A. LeBlanc

Legal Assistant | Hearings Division  
Railroad Commission of Texas  
512-936-3421

[Take our Customer Service Survey](#)



**Sandra Morris**

Master Pre-Agenda Summaries 6/22/2021 Conference

June 03, 2021 at 4:37 PM EDT

To: Bill Black, Jeremy Hagen, Travis McCormick, Wei Wang, Garnet Cantwell, Caroline Chadwick, Kari French, Randall Collins, Dana Lewis, Alex Schoch, Kathleen Hayden, Megan Neal, Jona Burkhalter, Amy Jones, Jeremy Mazur, Carmen Calderon, Callie Farrar, Sharon Walter, R. J. Desilva, Andrew Keese, Kate Zaykowski, Christopher Hotchkiss, Megan Moore

---

Good afternoon, Everyone

Please find attached the Master Pre-Agenda Summaries for the June 22, 2021 Conference.

Let Carmen Calderon and Sandra Morris know if you have any questions or concerns.

Thank you,



Sandra Morris

Program Specialist and

Interim Legal Assistant for Petar Buva| Hearings Division

Railroad Commission of Texas

512-463-0065

[Take our Customer Service Survey](#)



**Chris Hosek**

REGROW Act

June 15, 2021 at 3:30 PM EDT

To: Kate Zaykowski, christopher.hotchkiss@rrc.texas.gov

---

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

FYI-

Chris Hosek  
Texas Star Alliance Energy Solutions  
1210 Nueces  
Austin Tx 78701  
512-468-3212  
[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)

**From:** [Kinnan Golemon](#)  
**To:** [Kate Zaykowski](#); [Lauren Spreen](#)  
**Subject:** RE: Commissioner Wright's Task Forces  
**Date:** Tuesday, June 15, 2021 10:57:50 AM

---

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Kate:

Thanks. I remember the "printing on wallboards" & was wondering status when headlines came my way! Best regards, KG

---

**From:** Kate Zaykowski [mailto:Kate.Zaykowski@rrc.texas.gov]  
**Sent:** Monday, June 14, 2021 3:45 PM  
**To:** Lauren Spreen <[REDACTED]>; Kinnan Golemon <[REDACTED]>  
**Subject:** RE: Commissioner Wright's Task Forces

Hey! No announcement, he just spoke at an event in Midland last weekend. Article is below.

## **Railroad Commissioner Wright launches tasks forces to study industry issues**

By Mella McEwen  
Midland Reporter-Telegram  
June 11, 2021

Having been on the **Railroad Commission** only five months, **Commissioner Jim Wright** has already been active member of the panel.

"I ran for office for fair and consistent regulations," he told his audience at the Shale Energy Conference and Trade Show Thursday. "I ran for market sustainability."

To that end, market sustainability is the focus of one of three task forces he has established, with the goal of looking at ways to sustain markets and mitigate price volatility.

When the state's shale revolution took off, Wright said it brought Texas into a different dynamic, yet the industry didn't have a chance to figure out what its market was or how to compete in that market.

A second task force, on education, has already met twice and grew out of his campaign for office. He was shocked to find many of the people he talked to did not know what the commission was, what it did, nor did they fully understand the contributions the oil and gas industry is making to the state, he told the crowd.

He hopes that in the next budget cycle, the agency will receive funding for advertising and social media postings explaining the commission and the industry's contributions, he said.

His third task force, comprised of industry representatives, landowners and environmentalists, is charged with looking at the commission's environmental regulations and crafting guidance documents to help commission staff enforce regulations. That way, he said, rules when applied, are applied evenly and across the board.

Emissions and flaring are a dominant environmental topic, he noted, and he expressed his belief that one solution is to create more market for that gas to create electricity. Creating a closed-loop system whereby the gas is dedicated to plants that would extract the carbon dioxide, thus qualifying them for the same incentives renewable energy receives.

Mexico could become an important market for Texas natural gas, he said. More and more natural gas is being converted to liquefied natural gas and exported around the world – to Asia and Europe. The problem is, the tankers carrying the LNG have to traverse the Panama Canal and can frequently get backed up. Wright said he's told there is significant demand in Asia for US LNG, but it's not reliable because of the canal.

Building LNG export facilities on Mexico's coast to help send supplies to Asia and Europe could be one way around the Panama Canal bottleneck, he said.

Increased natural gas supplies and ensuring gas compression facilities are designated as critical could help the state avert the blackouts experienced during Winter Storm Uri in February, Wright said. He stressed that natural gas production facilities did not all freeze up in the frigid temperatures. Rather a lack of electricity to the processing and compression plants prevented operators from getting the gas where it needed to go – the power-generating plants.

Legislation signed this week – Senate Bill 3 and House Bills 3648 and 1520, designed to ensure facilities are weatherized and that improved communication between entities like the **RRC**, Public Utility Commission and Energy Reliability Council of Texas means processing and compression facilities are designated as critical during extreme weather, he said.

The legislation, especially SB 3, are a step in the right direction, Wright said, but more work needs to be done to ensure blackouts are avoided in the event of extreme weather in the future.

Wright stressed he supports all forms of energy, whether fossil fuels or renewables, as long as they benefit the consumer and are reliable.

His final topic was the State Plugging Fund to plug orphaned wells. Recounting legislators expressing their frustration to him that funds are appropriated to plug these wells, yet the number to be plugged doesn't seem to change, he cautioned that changes will be coming to plugging rules. The goal is to make greater headway in plugging the inventory of orphaned wells, he said.

---

**From:** Lauren Spreen <[REDACTED]>

**Sent:** Monday, June 14, 2021 3:18 PM

**To:** Kinnan Golemon <[REDACTED]>

**Cc:** Kate Zaykowski <[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)>

**Subject:** Re: Commissioner Wright's Task Forces

---

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

I'm not either, Kinnan and was hoping to read that story. I may subscribe if we can't find it elsewhere and will send to you. They used to be an open publication, not behind a paywall.

Kate, see note from Kinnan below. Is there an announcement elsewhere? Thanks in advance for any help.

Lauren Spreen

On Jun 14, 2021, at 2:26 PM, Kinnan Golemon <[REDACTED]> wrote:

Lauren:

I see in the clips a reference to the Midland newspaper article about Commissioner Wright has made an announcement of his "Task Forces". Are you aware of where one can find a copy of his announcement. I am not a subscriber to the Midland newspaper.

Thanks, KG



**From:** [Paul Dubois](#)  
**To:** [Kate Zaykowski](#)  
**Cc:** [Christopher Hotchkiss](#)  
**Subject:** RE: Executive Updates  
**Date:** Monday, May 3, 2021 2:04:11 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[image003.png](#)  
[image004.png](#)  
[image005.png](#)  
[image006.png](#)

---

Thanks! The Rule 32 system NTO goes out tomorrow, and the Form PR NTO will go on Wednesday.

Regards,



Paul Dubois, P.E.  
Assistant Director, Technical Permitting | Oil & Gas Division  
Railroad Commission of Texas  
512-463-6778  
[Take our Customer Service Survey](#)



---

**From:** Kate Zaykowski <[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)>  
**Sent:** Monday, May 3, 2021 1:59 PM  
**To:** Paul Dubois <[Paul.Dubois@rrc.texas.gov](mailto:Paul.Dubois@rrc.texas.gov)>  
**Cc:** Christopher Hotchkiss <[Christopher.Hotchkiss@rrc.texas.gov](mailto:Christopher.Hotchkiss@rrc.texas.gov)>  
**Subject:** RE: Executive Updates

Yes, here ya go!

Todd Staples, [dts@txoga.org](mailto:dts@txoga.org)  
Shannon Rusing, [srusing@txoga.org](mailto:srusing@txoga.org)  
Ben Sheppard, [ben@pbpa.info](mailto:ben@pbpa.info)  
Michael Lazano, [michael@pbpa.info](mailto:michael@pbpa.info)  
Ed Longanecker, [elonganecker@tipro.org](mailto:elonganecker@tipro.org)  
Thure Cannon, [thure.cannon@texaspipelines.com](mailto:thure.cannon@texaspipelines.com)  
Jason Modglin, [jasonm@texasalliance.org](mailto:jasonm@texasalliance.org)

---

**From:** Paul Dubois <[Paul.Dubois@rrc.texas.gov](mailto:Paul.Dubois@rrc.texas.gov)>  
**Sent:** Monday, May 3, 2021 11:46 AM  
**To:** Kate Zaykowski <[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)>  
**Cc:** Christopher Hotchkiss <[Christopher.Hotchkiss@rrc.texas.gov](mailto:Christopher.Hotchkiss@rrc.texas.gov)>  
**Subject:** RE: Executive Updates

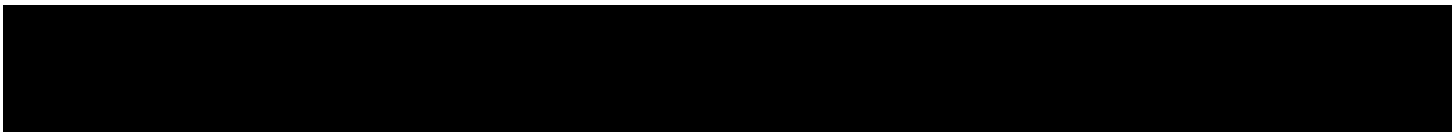
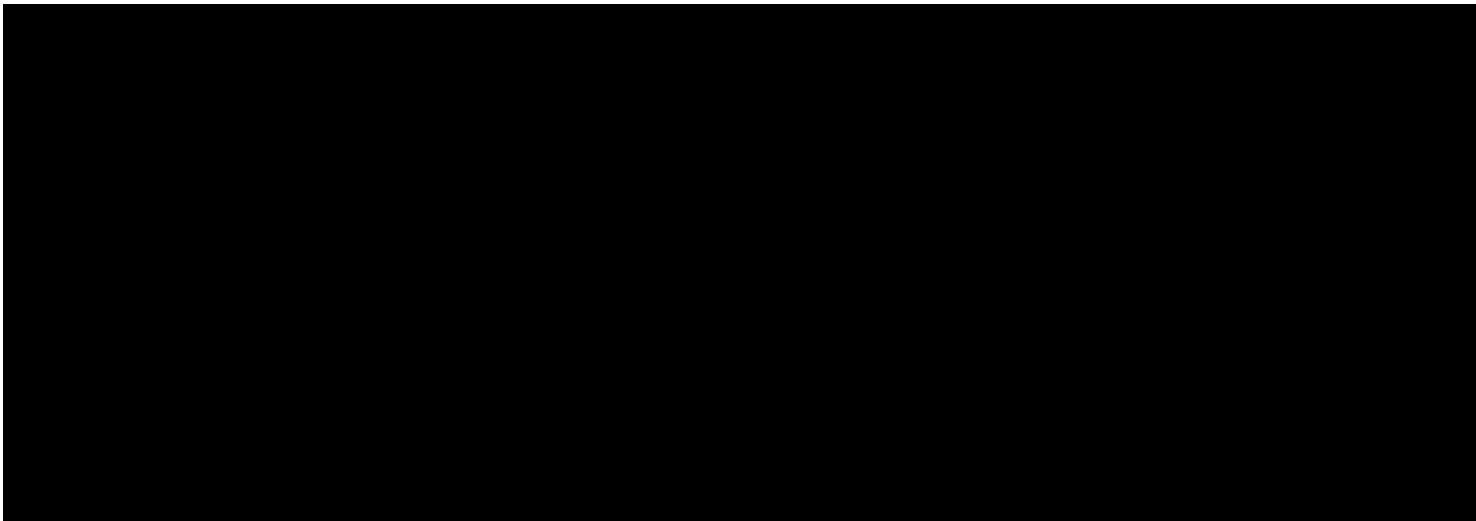
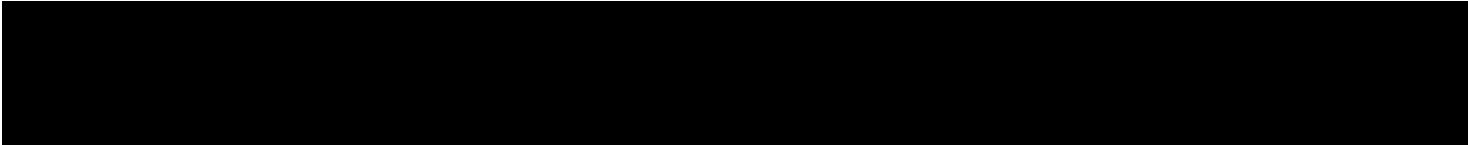
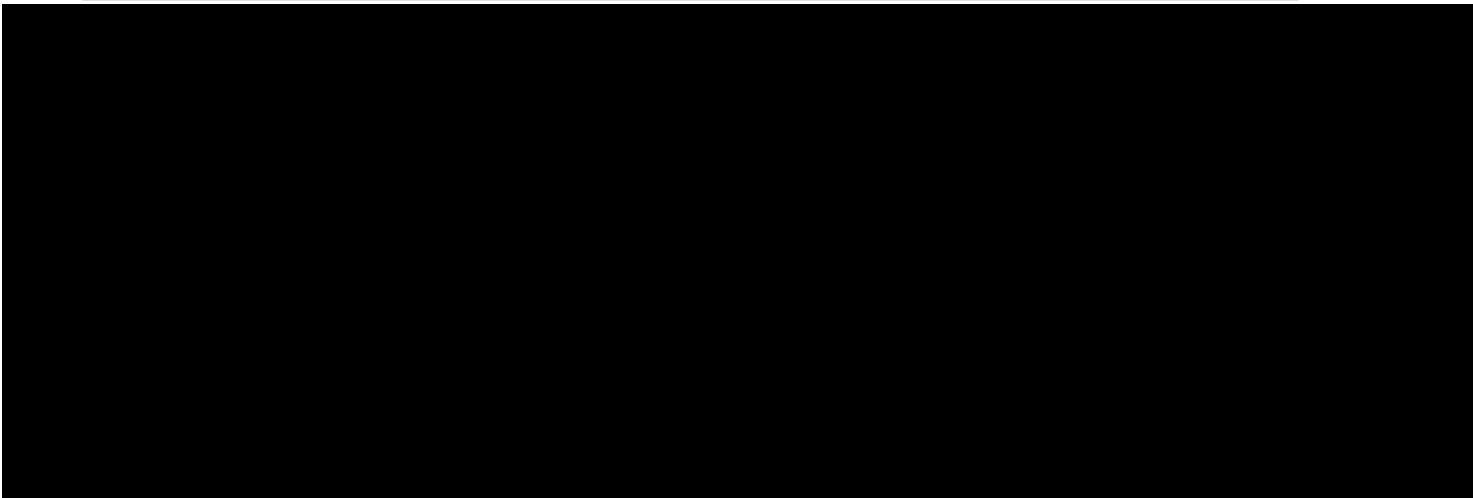
Kate,

Can you send me the trade contacts you want the NTO to go to? They are probably already on the Communications distribution list, but we can send separately as well. Thanks!

Regards,



Paul Dubois, P.E.  
Assistant Director, Technical Permitting | Oil & Gas Division  
Railroad Commission of Texas  
512-463-6778  
[Take our Customer Service Survey](#)



**Clay Woodul**

RE: Texas RRC Data

May 24, 2021 at 4:43 PM EDT

To: Jesse Gagliano

Cc: Chris Hosek, Todd Ennenga, Rob Hull, Christopher Hotchkiss, Wei Wang, Danny Sorrells

---

Jesse,

The reports that we talked about last week are attached. Included is the median and average plugging costs reports and the list of priority 1 and 2H orphans. Each report includes data from fiscal year 2020, 2021 YTD, and then a report that combines the two.

Let me know if you have any questions.



Clay Woodul  
Assistant Director | Oil & Gas Division, Field Operations  
Railroad Commission of Texas  
512-463-7037

[Take our Customer Service Survey](#)



---

**From:** Jesse Gagliano <Jesse.Gagliano@Halliburton.com > >

**Sent:** Monday, May 24, 2021 11:16 AM

**To:** Clay Woodul <Clay.Woodul@rrc.texas.gov > >

**Cc:** Chris Hosek <chris@texasstaralliance.com > > ; Todd Ennenga <Todd.Ennenga@halliburton.com > > ; Rob Hull <Rob.Hull@halliburton.com > >

**Subject:** Texas RRC Data

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Clay,

I wanted to follow up to see what the status of the data that RRC was going to share with Halliburton?

We discussed the RRC sharing the last 20 months of completed wells (ave/well & Median by depth) and the critical wells that are outstanding.

Let me know if you have any questions. Thanks!

---

**Jesse Gagliano, PMP**

Project Management  
Sr. Project Manager

3000 N Sam Houston Pkwy E  
Houston, TX 77032-3219  
Email: [jesse.gagliano@halliburton.com](mailto:jesse.gagliano@halliburton.com)  
Mobile: +1 346-561-5148

Follow Halliburton: [LinkedIn](#) | [Facebook](#) | [Twitter](#) | [YouTube](#) | [Blog](#)

---

**HALLIBURTON**

This e-mail, including any attached files, may contain confidential and privileged information for the sole use of the intended recipient. Any review, use, distribution, or disclosure by others is strictly prohibited. If you are not the intended recipient (or authorized to receive information for the intended recipient), please contact the sender by reply e-mail and delete all copies of this message.

**From:** [Megan Moore](#)  
**To:** [Chris Hosek](#)  
**Cc:** [Kate Zaykowski](#); [Christopher Hotchkiss](#)  
**Subject:** RE: [EXTERNAL] Halliburton needs  
**Date:** Thursday, May 13, 2021 3:33:11 PM

---

Hi Chris,

Here are the email addresses for the meeting on Tuesday, May 18:

[Jim.Wright@rrc.texas.gov](mailto:Jim.Wright@rrc.texas.gov)  
[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)  
[Christopher.Hotchkiss@rrc.texas.gov](mailto:Christopher.Hotchkiss@rrc.texas.gov)  
[Clay.Woodul@rrc.texas.gov](mailto:Clay.Woodul@rrc.texas.gov)  
[Wei.Wang@rrc.texas.gov](mailto:Wei.Wang@rrc.texas.gov)  
[Jamie.Andrews@rrc.texas.gov](mailto:Jamie.Andrews@rrc.texas.gov)  
[Megan.Moore@rrc.texas.gov](mailto:Megan.Moore@rrc.texas.gov)

Best,  
Megan Moore

---

**From:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Sent:** Wednesday, May 12, 2021 5:04 PM  
**To:** Megan Moore <[Megan.Moore@rrc.texas.gov](mailto:Megan.Moore@rrc.texas.gov)>  
**Cc:** Kate Zaykowski <[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)>; Christopher Hotchkiss <[Christopher.Hotchkiss@rrc.texas.gov](mailto:Christopher.Hotchkiss@rrc.texas.gov)>  
**Subject:** Re: [EXTERNAL] Halliburton needs

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

We created a Teams Meeting.

Can you send me the addresses you want on the call?

Chris Hosek  
1210 Nueces  
Austin, TX 78701  
512-468-3212  
[Chris@texasstaralliance.com](mailto:Chris@texasstaralliance.com)

On May 12, 2021, at 3:56 PM, Megan Moore <[Megan.Moore@rrc.texas.gov](mailto:Megan.Moore@rrc.texas.gov)> wrote:

Yes! Want me to send a calendar invite?

Best,  
Megan Moore

Get [Outlook for iOS](#)

---

**From:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Sent:** Wednesday, May 12, 2021 3:53:34 PM  
**To:** Megan Moore <[Megan.Moore@rrc.texas.gov](mailto:Megan.Moore@rrc.texas.gov)>  
**Cc:** Kate Zaykowski <[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)>; Christopher Hotchkiss <[Christopher.Hotchkiss@rrc.texas.gov](mailto:Christopher.Hotchkiss@rrc.texas.gov)>  
**Subject:** Re: [EXTERNAL] Halliburton needs

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Can we confirm [Tuesday @ 2:00 pm](#)?

Chris Hosek  
1210 Nueces  
Austin, TX 78701  
512-468-3212  
[Chris@texasstaralliance.com](mailto:Chris@texasstaralliance.com)

On May 12, 2021, at 3:32 PM, Megan Moore <[Megan.Moore@rrc.texas.gov](mailto:Megan.Moore@rrc.texas.gov)> wrote:

Hi Chris,

Do any of these times work for you?

Monday May 17: 10am,11am, or 1:30pm.

Tuesday May 18: 10am, 11am or 2pm.

Best,  
Megan Moore

---

**From:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Sent:** Tuesday, May 11, 2021 4:24:10 PM  
**To:** Kate Zaykowski <[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)>  
**Subject:** Fwd: [EXTERNAL] Halliburton needs

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Hi Kate,

Please see below for the studies.

Also, Hal can do the pre call (Zoom) Monday/ Tuesday (17/18) of next week to compare and get more data. Let me know what works best for you on these dates.

Hal is good for Wei and his Oil gas team in person meeting May 26th 1:30Pm

Chris Hosek  
Texas Star Alliance Energy Solutions  
1210 Nueces  
Austin Tx 78701  
512-468-3212  
[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)

Begin forwarded message:

**From:** Todd Ennenga <[Todd.Ennenga@halliburton.com](mailto:Todd.Ennenga@halliburton.com)>  
**Subject:** RE: [EXTERNAL] Fwd: Halliburton needs  
**Date:** May 11, 2021 at 4:03:56 PM CDT  
**To:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>

McGill university study  
link, <https://www.mcgill.ca/newsroom/channels/news/methane-emissions-abandoned-oil-and-gas-wells-underestimated-327816>

University of Cincinnati Professor Amy Townsend-Small has published some papers around the true cost of Orphan Wells. Here is the article:

[The quest to quantify the environmental cost of abandoned oil wells | Grist](#)

---

**From:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Sent:** Tuesday, May 11, 2021 3:28 PM  
**To:** Todd Ennenga <[Todd.Ennenga@halliburton.com](mailto:Todd.Ennenga@halliburton.com)>  
**Subject:** [EXTERNAL] Fwd: Halliburton needs

**External Sender: Use caution with links/attachments.**

FYI

Chris Hosek  
1210 Nueces  
Austin, TX 78701  
512-468-3212  
[Chris@texasstaralliance.com](mailto:Chris@texasstaralliance.com)

Begin forwarded message:

**From:** Kate Zaykowski  
<[katez@jimwrightfortexas.com](mailto:katez@jimwrightfortexas.com)>  
**Date:** May 11, 2021 at 3:26:00 PM CDT  
**To:** Chris Hosek <[chris@texasstaralliance.com](mailto:chris@texasstaralliance.com)>  
**Cc:** Megan Moore  
<[megan@jimwrightfortexas.com](mailto:megan@jimwrightfortexas.com)>, Chris  
Hotchkiss <[REDACTED]>  
**Subject: Halliburton needs**

Hey Chris,

Here is what we need:

- The link to the McGill Study (Jan. 2021)
- The link to the University of Cincinnati study about the methane from orphan wells vs. flaring



We need a meeting with someone from HB (excel guy) and our RRC staff and me and Christopher. Can we do it this Thursday afternoon? Can be on Teams or Zoom or whatever.

After we see what was going on with the discrepancy between the RRC figures and HB's figures, then we can get the meeting with Wei on the books.

Let us know what you need from us to get this wrapped up. Thanks!

**This e-mail, including any attached files, may contain confidential and privileged information for the sole use of the intended recipient. Any review, use, distribution, or disclosure by others is strictly prohibited. If you are not the intended recipient (or authorized to receive information for the intended recipient), please contact the sender by reply e-mail and delete all copies of this message.**

**Chris Hosek**

Rig tour

June 03, 2021 at 10:53 AM EDT

To: Megan Moore

Cc: Kate Zaykowski, christopher.hotchkiss@rrc.texas.gov

---

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Confirmed 11am - 2pm

Reminder is for guests to bring their own steel-toe boots

Additional details to follow soon...

Chris Hosek

Texas Star Alliance Energy Solutions

1210 Nueces

Austin Tx 78701

512-468-3212

chris@texasstaralliance.com

**Andrew Keese**

RRC News Clips: July 14, 2021

July 14, 2021 at 11:07 AM EDT

To: NewsClips

---

## **UT report: Failure of natural gas system ‘exacerbated’ winter storm blackouts**

By Paul Takahashi

Houston Chronicle

July 13, 2021

The failure by natural gas producers to supply adequate fuel to power plants “exacerbated” the electricity shortage during the February freeze, according to a new report from the University of Texas at Austin.

A dozen researchers from UT’s Energy Institute found that while all power sources — including coal, wind, solar and nuclear — faltered during the winter storm, failures to weatherize natural gas wells and ensure electricity to critical equipment compounded the catastrophic power failure. The storm and blackouts killed at least 200 people and caused billions of dollars in property damage across Texas.

“Days before ERCOT called for blackouts, natural gas was already being curtailed to some natural gas consumers, including power plants,” the report’s authors wrote. “Natural gas output started to decline rapidly before the electricity forced outages began early on February 15, with production declining about 700 million cubic feet per day from February 8-14. This decline is likely due to weather-related factors and not a loss of power at natural gas facilities.”

The 101-page report didn’t break new ground on what caused the widespread Texas blackouts, but it provided more details and a solid baseline of facts as policymakers debate ways to improve the electricity grid and natural gas system to prevent future blackouts. UT’s report was published on the same day as the Electric Reliability Council of Texas unveiled a roadmap to improve the state’s power grid.

“I think it’s a really good step forward,” said Jay Zarnikau, one of the report’s authors. “It’s not necessarily going to address all failures identified in our report, but I think it was a good roadmap.”

UT researchers looked at public data and legislative testimony, but also were given access to confidential data from ERCOT, including the performance of certain power plants, communications about the winter storm and ERCOT’s emergency program that automatically shut off power to some natural gas producers. The study was funded in part by the Public Utility Commission, which oversees the Electric Reliability Council of Texas.

Researchers found that frozen wells caused natural gas production to fall by 85 percent in the days leading up to Feb. 16, with up to two-thirds of processing plants in the Permian Basin experiencing an outage. Researchers looked at a sample of 27 natural gas processing plants, and found that as many as 18 of them had zero output at the worst of the storm. Natural gas producers are not required to weatherize their equipment in Texas.

Other power sources also failed during the storm. Wind turbines and solar panels froze, a sensor at a nuclear plant malfunctioned and coal plants struggled to keep their fuel dry and plants running.

As the cold temperatures endured, Texas' natural gas production fell to 11.8 billion cubic feet per day on Feb. 17 from an average of 21.3 billion cubic feet during the week ended Feb. 13. The Permian Basin produces about half of the natural gas in Texas. UT's report contradicts an oil and gas trade group, which has said power outages to producers and pipelines were the main reason natural gas production plummeted during the storm.

Austin-based energy research firm Enverus, commissioned by the Texas Oil and Gas Association, found in April that the declines in natural gas production before rolling blackouts began were minimal compared to the declines that occurred after power was cut in the oil field.

“Without debate, Texas natural gas carried the load of keeping Texans warm during winter storm Uri by providing over 60 percent of daily generating capacity, and this UT Energy Institute report and two ERCOT reports confirmed that weather-related issues at the power generation facilities were the primary cause for power outages, while fuel limitations represented a relatively small percentage of the overall challenges experienced,” TXOGA President Todd Staples said in an email. “Recently adopted legislation, including enhanced communication and coordination such as critical load designation, Texas Energy Reliability Council, and mapping the entire system, will ensure Texas will be better prepared during emergency weather events, thereby minimizing the possibility of lost production.”

UT researchers also found that the natural gas industry failed to ensure that power flowed to critical pipelines supplying fuel to power plants. There were 67 electricity customers in the natural gas industry enrolled in ERCOT's voluntary Emergency Response Service program, which automatically cuts electricity to large industrial power users during a power shortage. At least five critical natural gas production and pipeline locations were enrolled in the program, researchers said. Dozens of natural gas facilities failed to file a two-page application that would have exempted them from power outages.

TXOGA said the critical load application explicitly stated that these blackout exemptions did not apply to oil-field services.

“We don't exactly know what they were, but they were in that fuel supply chain of moving fuel to power plants, said researcher Carey King. “So these entities would have been turned off whenever the Emergency Response Program was triggered.”

Ultimately, 25,000 megawatts of natural gas generation went offline during the storm. One megawatt can power 200 Texas homes on a hot summer day. Natural gas power plants provide a little less than half of Texas' power.

---

**Texas Senate signals support for drastic power market reforms spurred by freeze**

By James Osborne  
Houston Chronicle  
July 13, 2021

WASHINGTON – Texas state senators during a hearing Tuesday signaled their support for plans to redesign the state’s power market to focus on reliability over cheap electricity in a bid to avoid a repeat of February’s deadly blackout.

The grid manager Electric Reliability Council of Texas in collaboration with the state’s Public Utility Commission, earlier released a 60-point plan to improve the Texas power grid, including proposals to increase payments to power generators capable of supplying electricity during times of extreme weather conditions, as well as manage the variability around wind and solar power generation.

Such a system would present a significant shift from the existing power market, which almost exclusively pays power plants for the electricity they generate, not their ability to deliver electricity during a deep freeze or hot summer days when power plants typically break down. It also would likely mean higher electricity costs for Texas residents and businesses.

While a decision by regulators is likely months away, PUC Chairman Peter Lake told senators the existing model of cheap electricity during normal conditions and huge spikes at times of shortage had to change.

“We’re not tweaking around the edges,” he said. “The way the market is designed, there’s only a reward (for power generators) when you get into crisis. We need to move away from that model to one where if you provide reliability, that’s where the financial incentive is presented.”

The PUC has begun holding workshops to figure out a new system for compensating power companies, with plans to decide on a new market design by the end of the year, Lake said.

The commission considered similar action almost a decade ago, following a far less severe blackout during a winter storm in 2011. But the Legislature fought back, criticizing plans to pay generators extra for maintaining reliability as a giveaway to power companies.

Following February’s blackout, in which millions of Texans were left without power for days and nearly 200 people died as a result, the Legislature appears in the mood to take action — and swiftly.

“The bottom line is reliability is an issue we feel needs to be addressed soon,” State Sen. Charles Schwertner, R-Georgetown, chairman of the Senate Business and Commerce Committee, said. “It is vitally important.”

In June, Gov. Greg Abbott signed into law legislation that requires power plants, natural gas facilities and other infrastructure to better weatherize their systems, with penalties of up to \$1 million for not complying. The following month he directed the PUC and ERCOT to take steps to improve reliability, including getting more generation built and increasing power reserves.

### **Market rules**

But under Texas’s system state officials have no authority to order more generation, instead requiring the creation of new market rules to get power companies to invest. Brad Jones, who

replaced the ousted ERCOT president Bill Magness in May, is pushing several changes, including keeping closer tabs on power plant maintenance, paying generators to store fuel on site — so they can keep running if pipelines freeze.

Jones, the interim ERCOT president, also has raised the possibility of creating a so-called capacity market system in which power companies receive compensation just for having generation available, whether they use it or not.

“Ultimately where we want this grid and this market to be is serving Texas,” Jones, told senators. “It will continue to drive the growth of business and industry in Texas.”

How much ERCOT’s plan would raise power prices remains to be seen. But it is likely to mean significant increases in energy costs for refineries, manufacturing plants and other commercial and industrial operations, which have lobbied against past efforts to raise power prices.

“At some point the leadership of this state needs to stand up to the industrials and say even with these protections in place, your power is going to be cheaper than anyone else in the country,” said Tom “Smitty” Smith, a long-time activist in Austin and executive director of the nonprofit Texas Electric Transportation Resources Alliance.

Texas Industrial Energy Consumers, which represents large power consumers, did not return a phone call for comment Tuesday. The Association of Electric Companies of Texas, which represents power plants, also did not respond to a request for comment.

Even after Tuesday’s collegial Senate hearing, efforts to reform the state’s power market are likely to face significant questions in Austin. Both residents and lawmakers continue to distrust power companies following the events of February

“Most didn’t know what ERCOT was prior to the freeze. I still have to write it down,” said state Sen. John Whitmire, D-Houston. “It’s a shame the public doesn’t have the confidence in the system.”

### **Here comes August**

State Sen. Donna Campbell, R-New Braunfels, urged the PUC to move with urgency, reminding commissioners that “we still have the heat of August to come in.”

But change is unlikely to come that quickly. The rules proposed by ERCOT and the PUC, which they have the legislative authority to enact, represent the biggest change to the Texas power market since the state deregulated electricity more than two decades ago.

“We have to provide economic incentives for companies to invest not only in existing generation but new generation,” Lake said. “It’s something we absolutely have to get right.”

---

## **Is Gov. Abbott planning to add energy issues to special session?**

Texas Energy Report

July 12, 2021

Rumors that electricity, natural gas and nuclear waste or related issues will be added to the special session agenda remain just that — for now.

---

## **Officials in charge of Texas' power grid try to reassure lawmakers and the public that they're fixing lingering problems**

**Lawmakers cannot pass laws to improve Texas' power grid during the special legislative session. They're discussing it anyway.**

By Mitchell Ferman

Texas Tribune

July 13, 2021

Gov. [Greg Abbott](#) did not include improving Texas' main power grid in his [11-item agenda](#) for the special legislative session that began earlier this month, so lawmakers cannot pass new grid-related laws.

That didn't stop a Senate committee from calling the state's top electricity and utility regulators to the Capitol Tuesday morning to discuss the state of the power grid following [unexpected power plant outages](#) in June, lingering issues with the state's energy infrastructure from February's deadly winter storm and plans to implement legislation that lawmakers [approved](#) in the spring during the regular legislative session.

Tuesday's hearing was more of a status update on the power grid, but it was the first public opportunity for lawmakers to question the grid operator's interim president, Brad Jones, and the three-member board of the Public Utility Commission, [which oversees](#) Jones and the Electric Reliability Council of Texas. All four regulators replaced officials ousted after the winter storm that crippled the grid for days during subfreezing weather.

"It's a shame the public doesn't have confidence in the system," state Sen. [John Whitmire](#), D-Houston, told Jones.

Other senators questioned why in June, two weeks after the regular legislative session ended, some Texas power plants [unexpectedly went offline](#), spurring ERCOT to ask Texans to set thermostats higher during a heat wave to conserve energy.

Jones said the June power crunch was caused by issues stemming from the February freeze.

"We're seeing those problems show themselves today," Jones said. He did not elaborate.

Bottom of Form

Energy experts have raised concerns about the state's aging energy infrastructure following the February storm, and state Sen. [Angela Paxton](#), R-McKinney, questioned the grid officials about those concerns. Jones acknowledged the problem, adding that the state hasn't "invested enough in part of our generation fleet."

On Tuesday, Jones released a 60-point plan aimed at building lawmakers' and the public's confidence in the power grid's reliability.

Some key points in the plan include requiring CEOs of energy companies to sign a letter that their equipment is prepared to withstand inclement weather, incentivizing power plant operators to store reserve fuel onsite in case of emergencies and re-writing ERCOT's external communications materials to better inform the public about the state of Texas' power supply.

"My guarantee to you is that we intend to communicate more clearly than we've done in the past," Jones told lawmakers. "To remove industry jargon, to speak to you in ways that all of us can understand."

State Sen. [Brandon Creighton](#), R-Conroe, said some of the fault lies with state lawmakers, who have failed [over the last decade to implement meaningful grid-related improvements](#) following a severe winter storm in 2011 that highlighted that power companies and natural gas producers hadn't properly prepared their facilities for cold weather.

"There are many things that are on us," Creighton said.

Creighton added that it may take the PUC and ERCOT months or years to implement some of the changes lawmakers approved in the spring, such as requiring power plants to protect critical infrastructure from extreme weather.

When lawmakers reconvene for another special session in the fall, some are hoping grid-related issues will be on the agenda.

"It should be included in the next special session," said Tom Smith, longtime former director of Public Citizen's Texas office.

---

## **ERCOT has a long list of improvements for Texas electric grid. What's in the plan?**

By Haley Samsel

Fort Worth Star-Telegram

July 13, 2021

Five months after a winter storm caused widespread power outages and [an estimated death toll](#) of hundreds of people, the Electric Reliability Council of Texas [announced a 60-item list](#) of reforms that the agency hopes will improve the state's power grid and repair its strained relationship with Texans.

"Change is required for ERCOT to continue to reliably serve the millions of customers and businesses that depend on us," Brad Jones, the agency's interim president and chief executive, said in a statement. "These changes will benefit all Texans and support continued economic growth for the state of Texas."



The “[roadmap](#)” [released on Tuesday](#) comes just a week after Gov. Greg Abbott [issued a public letter](#) instructing the Public Utility Commission of Texas, which oversees ERCOT, to incentivize energy companies to develop and maintain more natural gas, coal and nuclear power resources.

He also instructed the three-member board, which the governor appoints, to establish a regular maintenance schedule to prevent too many power plants from going offline at one time and require renewable energy companies to pay for power when wind and solar aren’t able to provide it. State legislators rejected the renewable energy idea in May, [according to \*The Texas Tribune\*](#).

ERCOT’s plan addresses some of Abbott’s requests, vowing to “adopt a more aggressive approach” to operating the grid. That will mean bringing more power online sooner if necessary and purchasing more reserve power in advance to keep the grid stable on days when the weather is uncertain.

The checklist will be updated regularly throughout the rest of the year, according to an ERCOT press release. Jones and his staff worked with the Public Utility Commission, retired industry executives, environmental advocates and companies participating in the energy market to “ensure all areas for improvement were considered and included,” the release reads.

Jay Zarnikau, a research fellow for UT Austin’s economics department and an author of [a new report analyzing ERCOT data](#) during the February winter storm, said he was “really impressed” by what he had seen of the roadmap, though it may not accomplish each of Abbott’s priorities. The Public Utility Commission funded the UT Austin study and provided previously unreleased data, though researchers say the agency did not influence the content or findings of the analysis.

“I think (the roadmap) is a really good step forward,” Zarnikau said. “It’s not necessarily going to address all failures identified in our report, but I think it’s a good document.”

Of the 60 items on its list, the agency has completed 20 as of Tuesday. Those actions include proposing a new rule requiring energy generators to report all forced outages — such as those due to weather-related complications — and automatically release outage information to ERCOT. Companies would also have to provide operational updates more frequently under the proposed rule.

In addition, ERCOT has conducted more than 30 on-site inspections of power plants to ensure that companies are “following their weatherization plan in preparation” for hot summer weather. The agency also says it has improved its assessment and communication of “extreme low-probability, high-impact weather scenarios,” which includes information like temperatures, rainfall and wind speed.

Still, the agency has a long way to go in accomplishing all of the priorities listed on its roadmap. The legislature [passed several new laws this spring](#), including the creation of a winter storm emergency alert plan, changes to how ERCOT can [price energy during periods of scarcity](#) and a mandate for companies to prepare their power plants for extreme weather.

ERCOT must now implement those laws across the state, and the agency has introduced an idea of its own: requiring the chief executives of power companies to sign a letter twice per year “attesting that their companies have completed their weatherization preparations” for summer and winter conditions.

In addition, ERCOT staff acknowledged the need to “eliminate industry jargon” from its communications materials in order to reach a broader audience, including people who speak Spanish. Staff members are also planning a listening tour to hear the perspectives of different communities across Texas, according to ERCOT documents.

The agency also pledged to review how it sends out alerts to “minimize false alarms and public fatigue.” Last month, [an ERCOT alert urging residents](#) to reduce electricity use for a week raised concerns that the grid [could not withstand the hot Texas summer](#). The number of unplanned outages at Texas power plants [increased more than tenfold in June](#) compared to May, and the agency has not yet explained what led to the issues.

It remains to be seen how Jones, the interim chief executive of ERCOT, will enforce some of his proposed reforms. ERCOT is expected to hire a new president by the end of the year, [according to The Houston Chronicle](#).

Jones was scheduled to testify before state legislators Tuesday and face questions about some of his more controversial ideas, including paying gas-fired power plants to store fuel on site so it could be used in case of emergencies.

“It’s a very thorough plan,” Michael Greene, a former ERCOT board chairman, told the Chronicle. “They talk about reforming the market, but a lot is going to depend on what the (Public Utility Commission) does.”

---

## **U.S. coal production plummeting again**

By James Osborne  
Houston Chronicle  
July 14, 2021

WASHINGTON – U.S. coal production plummeted to [an all-time low in 2019](#), following a brief upswing in 2017, according to data from the U.S. Department of Energy.

In 2019 the United States produced [706.3 million short tons of coal](#), a 7 percent decline from the previous year and the lowest level since 1965. That resulted in almost 800 lost coal mining jobs, leaving the industry at a little under 53,000 workers.

The drop came as U.S. coal consumption fell 15 percent to 586.5 million short tons, as the industry’s primary customer, the power sector, shifted towards cleaner sources of energy in a bid to address climate change.

In the first year of former president Donald Trump’s administration coal production increased 6 percent before continuing on its longstanding decline through the remainder of his administration, according to federal data.

---

## **Cyberattacks and ransomware: How can we protect our energy infrastructure?**

**The ransomware attack that brought down the Colonial Pipeline highlighted the industry's vulnerability. We asked experts to weigh in on how the U.S. can bolster its defenses.**

By Collin Eaton  
Wall Street Journal  
July 12, 2021

A ransomware attack forced the largest U.S. fuel pipeline to shut down for six days in May and led to gasoline shortages across several Southeastern states. In its wake, U.S. officials have sought to bolster the defenses of an industry that for years has had fewer cybersecurity rules compared with other critical infrastructure sectors.

The Transportation Security Administration, which has regulatory authority over pipeline cybersecurity, recently issued a directive that would require pipelines to quickly report attacks to a cybersecurity division of the Department of Homeland Security. The Biden administration also has ordered agencies to improve their efforts to detect attacks and to strengthen their partnerships with private industries, and several cybersecurity-related bills are moving through Congress.

Meanwhile, Joseph Blount, chief executive of Colonial Pipeline Co., the target of the May attack, has defended his decision to pay ransom of \$4.4 million in cryptocurrency to the attack's perpetrators, saying he needed every tool at his disposal to restore the 5,500-mile pipeline's systems. The Federal Bureau of Investigation for years has advised companies not to pay when hit with ransomware, a type of code that takes computer systems hostage for payment, because it supports a booming criminal marketplace. The Justice Department said last month it recovered about \$2.3 million worth of the cryptocurrency.

The attack on Colonial Pipeline showed the vulnerability of the nation's vast energy infrastructure and has spurred debate over how the U.S. and the oil-and-gas industry can better protect critical infrastructure against assaults.

The Wall Street Journal spoke with three experts in oil-and-gas cybersecurity about how companies, regulators and policy makers can advance the security of the nation's energy infrastructure. Jim Guinn is global managing director for cybersecurity in energy, chemicals, utilities and mining at Accenture Security. Suzanne Lemieux is manager for operations security and emergency-response policy for the energy trade group American Petroleum Institute. Chris Bronk is associate professor of computer information systems and information system security at the University of Houston. Here are edited excerpts of the conversation:

WSJ: How can companies and the government make the energy industry more resilient against cyberattacks?

MS. LEMIEUX: We need to have a better information-sharing process from government agencies to private companies. There's a lot of intelligence coming through right now that just doesn't make its way to private-sector operators who need it to make better defenses for their

systems. We've seen a security directive from TSA that requires incident reporting. We want to make sure there's a process in place on the government side to anonymize and share that information back with the sector so that we know what the current threats are. It takes months to declassify things. We need to really improve how they're postured to share with the private sector.

MR. BRONK: There's been a real mania about cyber intelligence, and a lot of emphasis on information sharing. But the fundamental issue is getting the intelligence community to move information around. Declassifying intelligence and rapidly kicking it out to entities that don't have the capacity to process classified information is just impossible. It's not going to get better. When the Ukraine power-grid hack happened in 2015, we waited months for Homeland Security to give us a finalized assessment, and it was essentially something that other smart people had put together long before.

If an industry wants to protect itself, it's going to have to adopt an industrial-related set of activities. This has to be the kind of event that an organization prepares for regularly, that it drills on.

WSJ: For oil-and-gas pipelines, there's no equivalent to the North American Electric Reliability Corp., or NERC, which regulates parts of the utilities sector's cybersecurity and imposes fines on companies that do not meet certain standards. Should the U.S. government create a similar body to ensure oil and gas companies have minimum standards?

MS. LEMIEUX: The oil-and-gas industry is very different for many reasons from the electric sector. The utilities don't have the antitrust issues and the competitive markets that we have in the oil-and-gas industry. There's a very long supply chain in oil and gas, a lot of different company structures, from individual owner operators to integrated companies, and lots of complexity that we see as much more difficult to cover with one standard or one regulation. We would not want to see a monolithic approach to this, because it just wouldn't work.

TSA does have regulatory authority to regulate pipeline cybersecurity. They have chosen in the past to do it through guidelines, which the industry worked on with them. We're hearing that the TSA is going to issue a second directive, and that some of these directives will have fines if you're found in violation. There's a misconception that operators won't take steps to protect against cyber threats unless they are mandated to by regulators. That overlooks the fact that companies across all industries have a business incentive to protect their data and operations from malicious actors.

MR. BRONK: The TSA directive is not a radical piece of regulation. It basically says, consult with the federal government. When you look at the grand struggle for having capacity to do cybersecurity in the federal government, TSA is just really far down the ladder. The question is whether it will create something that looks a lot like NERC's critical-infrastructure-protection plan. That's up to Transportation Secretary Pete Buttigieg, who is focused on infrastructure renewal. There aren't teeth there. But with each of these incidents, the capacity for rule-making and regulation will increase.

The industry has had an incredible aversion to regulation. The oil-and-gas industry was born out of the breakup of Standard Oil. Government changed the industry radically and I think that probably left a deep mark on the culture of the companies that were the successors to Standard Oil.

MR. GUINN: There need to be standards that we adhere to, for the minimum security control.

Everybody should have a baseline. If you achieve resilience beyond that, you should be incentivized for it, not penalized. If this turns into an audit exercise, you will be less successful.

WSJ: What else can U.S. agencies do to improve public policy on energy cybersecurity?

MR. GUINN: An integrated energy company can deal with wind, solar, oil and gas, refining, pipelines, trains and terminals. If you look at all of that, how many different agencies are you having to respond to if you have a material situation? The Department of Energy, Homeland Security, the Pipeline and Hazardous Materials Safety Administration, the Coast Guard. There are so many that there is confusion. Every dollar you spend on coordination across all those agencies is \$1 you could have spent to become more cyber resilient. I would love to see there be just one entity that can help the energy industry.

WSJ: Why are ransomware attacks against the energy industry increasing?

MR. GUINN: Because many organizations are paying the ransoms. Our threat-intelligence team's report on the energy industry, meaning everything outside of utilities, found that when you compare the full year 2020 to the first five months of 2021, there was a 42% increase in publicly known ransomware attacks against energy companies. It went from 19 last year to 27 from January to May.

We have energy moving from 10th-most-targeted industry last year to No. 4 this year. Once an industry starts paying, attacks increase. In the year since the pandemic started, in March 2020, we saw eight out of 10 operational technology cybersecurity programs canceled, reduced or deferred. They know they have to have cyber resilience. But when commodity prices get so distressed, so fast, you have to make a business decision about what spending you could stop. That's a perfect storm.

WSJ: What's your stance on whether companies should or should not pay the ransoms?

MR. BRONK: Many of these ransoms are a rounding error for companies. It's like that Austin Powers scene where Dr. Evil says "we're going to hold the world ransom for \$1 million," and everyone is like, that's not very much money. The ransomers are going where the payouts are. And these ransomers have gotten pretty businesslike. The outcome of paying the ransom and getting the keys to unlock your stuff has gotten a lot better. But still, every ransom that gets paid is legitimizing this illegal business activity.

MR. GUINN: When you're dealing with critical infrastructure, every business needs to make the determination if they would pay. When you ask energy companies, do you have a cyber incident response plan, the answer is usually yes. But do you have a strategy and business imperatives laid out for what will trigger you to pay? Most say no. You don't want to be faced with that decision in the throes of an actual event. You need to tabletop it. You need to exercise it. You need to debate it internally. You need to be able to figure out what your protocols would be to determine whether you would or would not pay.

*Mr. Eaton is a Wall Street Journal reporter in Houston. He can be reached at [collin.eaton@wsj.com](mailto:collin.eaton@wsj.com).*

---

## **Pfluger files bill to modify federal Endangered Species Act**

By Caitlin Randle

Midland Reporter-Telegram

July 13, 2021

a bill that he says will “modernize” the federal Endangered Species Act and prevent it from “being used as a weapon against critical agriculture and energy industries.”

House Resolution 4370, or the Listing Reform Act, would reform the ESA and limit federal regulations regarding endangered species, according to a press release Tuesday. The release notes that environmental groups have sought to have the sagebrush lizard and lesser prairie chicken listed as endangered species, which could have an impact on the oil industry.

“Extreme environmental groups regularly wield the outdated Endangered Species Act as a weapon against the agriculture and energy industries,” Pfluger said in the release. “This legislation reforms the ESA to deliver reasonable, common-sense protections for endangered species while preventing overbearing regulations coming from Washington, D.C.”

The bill would require the federal government to further analyze the cost of reviewing petitions for the ESA. Text of the bill was not yet available as of Tuesday afternoon.

HR 4370 has been endorsed by the Texas Farm Bureau, the Texas & Southwestern Cattle Raisers Association, the Permian Basin Petroleum Association, the National Endangered Species Act Reform Coalition and Texas Cattle Feeders Association, according to the release.

“Texas Farm Bureau appreciates Congressman August Pfluger for introducing the Listing Reform Act, which creates commonsense solutions to streamline the Endangered Species Act,” TFB President Russell Boening said in the release. “Easing regulatory burdens on farmers, ranchers and landowners has long been a priority for Farm Bureau.”

PBPA President Ben Shepperd said the purpose of the ESA has been distorted and the act has been misused.

“This bill represents exactly the kind of changes that supporters of true reform, including PBPA, have been calling for,” he said. “This legislation stands as a shining example of how incremental, but important, changes can go a long way towards the modernizing and updating of the nearly-50 year old ESA, that the nation so desperately needs.”

The bill was introduced to the U.S. House on July 6 and referred to the House Committee on Natural Resources.

---

## **‘In hell’: Nowhere has been drier than this stretch of Texas**

By Daniel Cusick

E & E News

July 14, 2021

A West Texas cotton farmer in a desiccated field in 2014, during a historic drought that struck the region for a decade. Jim Brandenburg/ Minden Pictures/Newscom

Ten years ago this month, two North Texas counties began to feel the squeeze of what farmers in the Southern Great Plains call a “long dry spell.”

No one in Wilbarger or Wichita counties — or the rest of Texas, for that matter — imagined just how dry it would get.

By the end of the 2011, Wilbarger, home to the legendary Waggoner Ranch (once hailed as “the largest ranch under one fence”), was running a rain deficit of nearly 20 inches, roughly 65% below average over the calendar year.

The rest of Texas was not far behind.

Deep-pocketed ranchers, like Waggoner, shipped livestock to cooler climates in Montana and Wyoming. The less fortunate shipped underweight “killer cattle” to auction, where they were sold for hamburger.

“During that peak time, everybody was selling out. Cows weren’t worth a lot,” said Langdon Reagan, agriculture extension agent for Wilbarger County.

Texans prayed for soaking rain. It came 42 months later, in May 2015, ending one of the longest, deepest, most crippling droughts in modern U.S. history.

“We went from trying to raise crops and cattle to just trying to stay alive,” Michael White, a fourth-generation wheat, cotton and cattle producer from south Wilbarger County, recalled in a telephone interview. “They say you can’t feed yourself through a drought. Luckily we did.”

But will future generations be as lucky?

It’s an existential question in the Southern Plains, where average temperatures are projected to rise 4.4 to 8.4 degrees Fahrenheit by the end of the century, compared to 1976-2005 averages, according to the 2018 National Climate Assessment.

“Temperatures similar to the summer of 2011 will become increasingly likely to reoccur, particularly under higher [greenhouse gas emissions] scenarios,” the [assessment](#) said. If emissions remain high, “the region is projected to experience an additional 30-60 days per year above 100°F than it does now.”

### **‘Kind of like living in hell’**

Relatively few people in Wilbarger and Wichita counties are familiar with the National Climate Assessment. But nearly everybody remembers the string of uninterrupted triple-degree temperatures from June to August 2011. It was the precursor to the four-year drought of record for Texas.

“It was kind of like living in hell, we all think,” recalled Kyle Miller, general manager of Wichita County Water Improvement District No. 2, which provides irrigation water to farmers across 41,000 acres of cropland.

“Between 2011 and 2015 we were so desperate for rain, we weren’t able to provide water to our farmers,” he added. “Our lake that we irrigate out of got down to about 18%” capacity. That was a game-stopper.”

Today, the lake is at 100% after a wetter-than-average spring. The irrigation season started a month early to reduce risk of overspill. “This part of the world, we’re praying for rain, and sometimes we wonder if we’re going to get any or we’ll get all of it at one time,” Miller said.

Acute drought followed by heavy precipitation is becoming more common in the South compared to other regions like the Northern Great Plains or the Pacific Northwest, which is still emerging from this month’s history-making heat wave. What made the 2010s Texas drought so devastating, experts say, was the duration of deadly heat and the compounding impacts on the landscape — from dead seedlings to soil erosion and livestock dying in the field.

A recent [analysis](#) of D4 exceptional drought — the worst kind — shows that Wilbarger and Wichita counties experienced the hottest, driest conditions of the 2010-2019 decade — in all of the U.S. It was a period of remarkable drought elsewhere, too. There was crushing dryness in California and a 2019 “flash drought” that enveloped the Southeast and Ohio Valley ( [Climatewire](#) , Oct. 4, 2019).

But none compared to the scorched Texas counties.

Becky Bolinger, a Colorado State University climatologist who published the analysis, found that Wilbarger County spent more than 20% of the 2010s under D4 drought, a direct outcome of the 2011-2015 period. Wichita and Tillman County, Okla., just across the state border, closely followed at 19%.

In a telephone interview, Bolinger stressed that D4 drought can happen across much of the United States, particularly in the West and South, where precipitation and temperature swings are becoming more volatile.

But she was struck by Wilbarger’s singular status.

“To me what was interesting is that it was one small county popping out in a sea of other small counties,” Bolinger said. “I would say, without looking at all of the data, there is a pattern of increased variability in the Southern Plains. Over the long term, conditions there are expected to become hotter and drier.”

### **Desperate times, ‘Draconian’ measures**

The city of Wichita Falls, population 104,000 and home to Sheppard Air Force Base, isn’t waiting for conditions to become less stable. Last decade’s drought triggered a crisis. The city’s primary drinking water reservoir fell to below 20% of capacity. The same thing happened to two backup reservoirs.

“Residents were selling their homes and moving, industries began closing their doors and



Sheppard Air Force Base was considering and planning to move missions from Wichita Falls to other bases,” the city’s public works department noted in a post-disaster summary.

At Sheppard AFB, the region’s largest employer, commanders faced the prospect of moving some operations to other installations. Instead, the base dramatically reduced its water consumption, including through the use of “gray water” and eco-friendly latrines. Sheppard’s swimming pool was spared from at least one water restriction in 2014 when an anonymous off-base entity paid for water to be trucked onto the base to fill the pool.

Daniel Nix, the city’s utilities operations manager, said industrial facilities were the first to step up. They cut their net water discharges to near zero by capturing all wastewater through a closed-loop reuse system. The measure helped, but it was a Band-Aid on a bleed-out.

Other water conservation measures were more “draconian,” according to the public works summary. One involved asking the city’s roughly 35,000 metered water customers to accept treated and blended wastewater piped directly to their home taps without passing through an environmental buffer like a lake, wetland or aquifer.

The process, called “direct potable reuse” had been studied for years, and some experts say it will become an essential tool in water-constrained places in the future. Currently only Texas allows DPR for drinking water, and only two communities in the state have deployed it: Wichita Falls and Big Spring in west central Texas.

Hesitancy to send treated wastewater to drinking taps has slowed DPR’s adoption. But Wichita Falls embraced it, even pushing Texas officials to fast track its approval process ( [Climatewire](#), July 11, 2014).

“We were getting outcries from citizens asking what was taking so long. Didn’t the state of Texas know we were running out of water?” Nix said.

Today, Wichita Falls continues to repurpose water for drinking, mostly via “indirect potable reuse,” where treated and filtered wastewater is first released into Arrowhead Lake before returning to taps via standard water treatment. The program will continue indefinitely, Nix said, conserving between 2 million and 4 million gallons of water per day during peak summer demand months.

“We’re confident that the system will play its part in helping us get through future droughts,” Nix said. “Will it completely drought proof us? Probably not, especially if the next drought is worse than the one we just went through.”

### **‘Crazy dry’ weather or climate change?**

In North Texas, like much of rural America, worsening drought remains for many an act of God, rather than a catastrophe linked to human behavior.

White, 58, the wheat and cotton farmer, acknowledges “that some things have changed climate-wise” in Wilbarger County. But he contends that over the 100-year history of his family’s farm, extreme conditions have challenged every generation at least once, probably more.

“I’m not a big true believer in climate change the way it’s presented,” he said. “I think we have

cycles in everything. Some things have changed, sure, but I don't think it is necessarily a man-made deal, but a natural deal.

“Early this year, everywhere you read there was another La Niña setting in, and it was going to be another very dry year. We probably just had the wettest last 60 days in a long time. But 30 miles west of me, it was totally different.”

Scientists say such conditions are consistent with climate change. Temperature and precipitation extremes can shift over relatively short periods and within tightly defined geographic areas, like the space occupied by one or two counties.

Miller, of the Wichita County Water Improvement District, isn't fully buying it either.

“I don't know what it's like in Washington, but here we think it's pretty foolish to try to predict the weather,” he said.



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: June 4, 2021

June 04, 2021 at 1:29 PM EDT

To: NewsClips

---

## Texas gas companies to pay steep bill to avoid another power crisis

By Tsvetana Paraskova

Oil Price

June 3, 2021

Texas legislators have hashed out their differences in proposed legislation to address the failures at power plants and gas infrastructure and prevent another deadly power crisis like the disaster in February, which led to the death of more than 100 people and left over 11 million without electricity for days.

The Texas House and Senate passed the new legislation, Senate Bill 3, in the nick of time, and sent it to Governor Greg Abbott one day before 87th Texas Legislature expired, which was on Memorial Day. In the [version](#) passed by the House and sent to the Senate, the state would require power plants to weatherize to be prepared for extreme weather events such as the Texas Freeze in February. Some gas infrastructure—related to feeding gas to gas-fired power plants—considered critical will also be required to weatherize to avoid a repeat of this winter’s disastrous crisis. The state will identify which gas facilities and infrastructure are “critical” by mapping the electricity supply chain in Texas, while the **Railroad Commission of Texas** will have the authority to say what upgrades should be made at those gas facilities.

The bill also sets penalties of between \$5,000 and \$1 million for operators who fail to comply with the requirements to be better prepared for harsh weather.

The potential costs for winterization would be high. But the cost of doing nothing and not increasing oversight or improving the communication between power facilities and gas infrastructure would be even higher and even more disastrous in future extreme weather events, analysts say.

Texas House Representative Chris Paddie, who presented the bill, said, as carried by [Bloomberg](#), that it was the legislation’s best attempt “to try to address the systematic failures from wellhead to light switch”.

### Critical Gas Infrastructure

Some energy analysts criticized the provision that only some gas facilities would be required to upgrade and winterize, describing it as “a half step” which does not address the bigger-picture issues with supply to electricity generators.

“If there’s a take-home message for legislators to consider, are we requiring the gas plants, which were the biggest part of the outages, to winterize?” Daniel Cohan, an energy researcher at Rice University, commented on the legislation for [RTO Insider](#).

“There’s been more to winterize the power plant side than the gas side. We’ll just have more plants that don’t have fuel to burn. It’s hard to see how this provides the full coverage of winterization that we need,” Cohan added.

The oil and gas industry, however, says that 80 percent of the natural gas produced in Texas is not used for electricity generation, and the immediate step should be to map the supply chain to determine which natural gas production, distribution, and storage facilities feed into the gas electricity generation and local distribution companies.

“We also agree that proper weatherization of both power-generation and natural gas facilities directly connected to power generation are key elements of reform,” Todd Staples, president of the Texas Oil and Gas Association (TXOGA), wrote in an op-end for [The Dallas Morning News](#) last month.

“Some have suggested that all natural gas infrastructure – including 86,000 natural gas wells and another 164,000 oil wells that produce associated natural gas – should weatherize. In fact, many operators already weatherize at various levels. Yet without power, no amount of weatherization matters,” Staples said.

According to TXOGA president, “Improved communications, supply chain mapping, designation of critical load, storage and weatherization of power generation and those natural gas facilities directly connected to generation are all keys to ensuring natural gas does its part to keep Texans warm in the winter and cool in the summer.”

### **How Much Would Weatherization Cost?**

Following the crisis this winter, economists and economic policy advisors at the Dallas Fed indicated in an [analysis](#) last month that “winterizing for extreme winter weather events appears financially reasonable.”

Early estimates indicated that the freeze and outage may cost the Texas economy \$80 billion–\$130 billion in direct and indirect economic loss, while the amount of power lost along with value of lost load (VOLL) estimates suggest the power outage cost \$4.3 billion, according to estimates compiled by the Dallas Fed.

There is a range of preventive measures that could be implemented, each at a cost.

“Winterizing standards on new oil and gas wells may offer a targeted and effective approach in the long run,” the Dallas Fed economists said, adding that many companies already implement winterizing measures. Winterizing equipment costs between \$20,000 and \$50,000 per well, so these measures statewide would total \$85 million to \$200 million annually.

Another fix, statewide and perhaps inexpensive, would be to prioritize electricity delivery to gas infrastructure. “If power plant and pipeline operators improve coordination to identify and constantly monitor the gas infrastructure requiring such prioritization, some of the problems experienced during the freeze could be prevented,” the Dallas Fed said.

Winterizing equipment for Texas gas plants could cost between \$50,000 and \$500,000 per plant, a 2011 estimate showed. Assuming these cost estimates remain valid now, installing winterizing equipment on all 162 gas-powered plants in Texas could cost up to \$95 million today, according to the economists.

“Using our VOLL estimate of \$4.3 billion, and accounting for the once-a-decade frequency of subzero temperatures in Texas, winterizing measures and other actions should be equal to or less

than \$430 million annually,” they said.

And concluded: “Based on our analysis, the most reasonable solutions to prevent winter storm blackouts are within the bounds of being economically justified.”

---

## **Cleaning up methane pollution from Permian super emitters is ‘low hanging fruit’ for the climate, study finds**

**Experts shine a spotlight on the worst offenders in the Permian basin. The technological fixes are obvious, they say, but state regulators are so far unwilling to act.**

By Nick Cunningham

DeSmog Blog

June 4, 2021

Only a handful of super emitters are responsible for an enormous amount of the methane pollution in the Permian basin, according to a new study. And ratcheting down these emissions can lead to quick and significant wins for the climate.

According to [the study](#) published on June 2 in the journal *Environmental Science & Technology Letters*, a relatively small number of sites — 11 percent — account for nearly a third of methane emissions in the region. Methane is a [highly potent](#) greenhouse gas — more than 80 times more powerful than carbon dioxide over a 20-year time-frame.

Between September and November 2019, a team of scientists from the NASA Jet Propulsion Laboratory, the University of Arizona, and Arizona State University, conducted aerial flights over the Permian basin, using sensors to detect methane plumes, tracing them back to specific emitters. The researchers found that roughly half of all the methane was escaping from drilling sites, and the other half from pipelines and processing facilities, indicating a slightly larger pollution footprint for pipelines compared to other regions.

The findings come at the same time as a separate study from Ceres and Clean Air Task Force, published on June 1, which [found](#) that some smaller oil drillers in the Permian basin have worse methane pollution rates than the largest oil and gas companies’ operations there, including ExxonMobil and Chevron.

Slashing methane emissions represents prime targets for climate action. But while the solutions are well-known, researchers and legal experts told DeSmog that state regulators have done very little to compel the industry to clean up.

Methane “super-emitters represent potential ‘low-hanging fruit’ for near-term climate action,” Riley Duren, a research scientist at the University of Arizona and NASA’s JPL, and one of the authors of the report in *Environmental Science & Technology Letters*, wrote in an email.

“The mitigation potential for those 120 facilities is significant: over 50 metric tons of methane per hour. That’s equivalent to about 5% of the U.S. Environmental Protection Agency’s estimates of all methane emissions from oil and gas production in the entire United States,” Duren wrote.

He added that another significant finding of the study was that even among big emitters, the rate of methane released into the atmosphere fluctuated, suggesting a need for more frequent monitoring using remote-sensing of large areas from satellites and aircraft. “Bottom-line: the true state of methane emissions remains obscured by inaccurate and incomplete data. This is why we need direct, science-based measurements for complete situational awareness and to guide timely action,” he wrote.

The solutions to this major source of pollution have been known for quite a while, said David Spence, a business professor at the University of Texas at Austin School of Law. “Everybody agrees that methane leakage is a relatively easily solvable problem compared to other problems that we face,” Spence told DeSmog, commenting on the new studies. “These are really practical and easy to understand problems that are easily fixable. The fixes are like the equivalent of caulking your window, things like that. There’s no technological breakthrough needed in order to fix these problems. It’s just a question of doing it.”

Plugging leaks and eliminating venting and flaring would result in a huge and immediate climate benefit. “It’s the lowest hanging fruit you can get for climate change. And the market is demanding it,” Jacqueline Weaver, a professor emeritus at the University of Houston Law Center, told DeSmog, agreeing with the takeaway of the new methane studies.

She pointed to the escalating pressure from investors and market participants agitating for lower emissions, particularly from runaway flaring in the Permian. ExxonMobil just lost a [high-profile board fight](#), largely over its inadequate plans for energy transition. Chevron saw its shareholders vote to force the company to come up with a plan for handling scope 3 emissions (the emissions burned by the company’s customers and end consumers). And a Dutch court ordered Royal Dutch Shell to cut its emissions by 45 percent by 2030, a landmark [decision](#) that points to increasing legal threats for the oil industry.

More directly related to the dirty reputation of oil and gas from West Texas, Weaver pointed to the decision by France’s Engie to [back out](#) of an LNG deal last year over concerns about methane pollution. “A lot of forces have come to act on the big guys,” Weaver said.

As the Ceres and Clean Air Task Force report demonstrated, the worst offenders are smaller companies. Weaver said they don’t prioritize capturing methane, and they don’t feel the same pressure as the big oil companies. “The regulations don’t force it. And with small companies they are not answerable to institutional investors and shareholders,” she said.

Enforcement would largely need to come from the **Texas Railroad Commission (RRC)**, which regulates the oil and gas industry in the state. But the **RRC** has not only refused to meaningfully regulate drillers, but has at times ostentatiously [denounced](#) “woke” radical environmentalists. In reality, the **RRC** has issued thousands of flaring permits and has [never](#) denied a single one.

“They’re extremely adverse to doing anything that will injure the oil and gas industry,” Weaver said. “And they’re especially beholden to the small operators. And this has been true for a century.” Because the **Railroad Commission** is elected, they have to curry favor with the long list of small oil and gas companies in the state.

“It would be inaccurate to state that RRC does not adhere to its critical mission to protect public safety and the environment, of which flaring regulation is one of many functions,” **Andrew Keese**,

a **spokesperson for the RRC** , told DeSmog via email. He pointed to a revision the **RRC** made to flaring permit applications last year, which asks for more information from drillers and offers guidance on when and how to flare, but adds no new requirements. The **RRC** has not rejected any permits or otherwise sought to crackdown on flaring, venting, and other methane leaks.

“You can say it’s a major step for them, but it’s a step that’s coming from industry and in many ways, most environmentalists would say it’s pathetic,” Weaver said, referring to the new requests for more information by the **RRC** . “But it is a signal that they realize that there is a problem out there.”

Weaver said that historically, Texas regulators have been spurred into action often only after the federal government threatens to intervene. Federal action, plus growing pressure from global investors, could begin to force change on methane. “You need these external forces to work on the **Railroad Commission** ,” she said.

DeSmog previously [reported](#) on the likelihood that the oil industry was flaring large volumes of gas in West Texas without even obtaining permits. Some of the flares are unlit or malfunctioning, resulting in more methane vented into the atmosphere.

Not only would cleaning up the epidemic of methane pollution in the Permian result in immediate climate benefits, but the cost to the industry would be next to nothing. A [study](#) from earlier this year from EDF and Rystad Energy found that 84 percent of routine flaring volumes could be eliminated at no added cost to the industry. Captured gas could be sold, offsetting the cost of compliance.

It would also employ a lot more people. “The wonderful thing about stopping flaring is that there are a lot of good jobs out there,” Weaver said. “Give them a wrench and have them go tighten the valves.”

She added that some of the smallest and worst actors might be forced out of the market, but the job impact would not be substantial as more responsible oil companies would buy up their assets. “There are some operators who shouldn’t be in business. They can’t run their business cleanly,” Weaver said. “That’s one of the great things about capitalism. If you can’t clean up your act enough, you shouldn’t be in business.”

---

## The key to oil and gas methane emission cuts? 123 leaks

By Mike Lee

E & E News

June 4, 2021

Fixing a relatively small handful of leaks in the Permian Basin oil field could go a long way to reducing the region’s climate-warming methane pollution, according to new research from NASA.

About a third of the region’s emitted methane, 29%, comes from 123 sources, according to the results of a monthlong [study](#) by NASA’s Jet Propulsion Laboratory, the University of Arizona

and Arizona State University.

The researchers flew over the Permian — which covers parts of Texas and New Mexico — in airplanes fitted with spectrometers that can detect emissions of methane and other gases. The flights covered the 22,000-square-mile field several times, allowing the researchers to measure the emissions over time, even from leaks and other sources that were intermittent.

The data could be helpful to oil producers and regulators that are looking for ways to cut their emissions, said Daniel Cusworth, a lead author of the study.

“If you’re thinking about a mitigation strategy, just going after the 1%, 2% of emitters that are large enough to be detected by our instrumentation is going to go a long way,” he said in an interview.

Methane, the main ingredient in natural gas, traps more than 80 times more heat in the atmosphere than carbon dioxide over a 20-year period, making it a potent contributor to climate change. The Biden administration is considering regulating methane from oil and gas production, and several oil-producing states have already passed their own rules to control the pollution.

The Permian Basin is significant because it accounts for about 40% of U.S. oil production and 15% of its gas production. Previous research has indicated that 3% of the basin’s methane escapes through leaking equipment, flares and other sources ( [Energywire](#), March 25).

Out of 60,000 potential sites, the researchers identified “super-emitters” in the basin that release more than 22 pounds of methane per hour. Within that, they found about 1,100 methane sources visible on at least three surveying flights. About half of the sites were in production facilities like wells and storage tanks, and half were part of the transportation system, such as pipelines and compressor stations.

The 123 worst sites were giving off a combined 50 metric tons of methane an hour, which is the equivalent of about 5.5% of the oil and gas industry’s total emissions, according to U.S. EPA estimates.

The leaks are typically easy to repair, the researchers said.

“We’ve done cooperative studies with oil and gas operators in California and the Permian where they independently report that 50% of the sources we’re finding are fixable,” Riley Duren, a researcher at the University of Arizona who worked on the study, said in a news release.

NASA has also used its aerial instruments to study methane emissions in California, and Cusworth is working on fitting the equipment onto satellites.

The lab’s Permian Basin study follows other research this week by Ceres and the Clean Air Task Force documenting the 100 top methane emitters in the U.S. oil and gas industry ( [Energywire](#), June 3).

Twitter: [@mikeleefw](#) Email: [mlee@eenews.net](mailto:mlee@eenews.net)



---

## Falling crude inventories lift oil prices

Houston Chronicle

June 3, 2021

U.S. crude inventories fell by 5.1 million barrels last week, temporarily lifting oil prices Thursday morning.

The nation's commercial crude inventories during the week ended May 28 dropped to 479.3 million barrels, about 3 percent below the five-year average for this time of year, the Energy Department said Thursday. The inventory draw pushed the price of West Texas Intermediate, the U.S. crude benchmark, to \$68.98 Thursday morning before it settled down 2 cents at \$68.81.

Demand for crude and petroleum products such as gasoline and jet fuel is rising after coronavirus vaccines have allowed states to reopen economies. More Americans are traveling as the rate of fully vaccinated adults in the U.S. rises higher than 60 percent.

TRAVEL: [Millions hit road for Memorial Day with gasoline prices at 7-year high](#)

The effect of last month's Colonial Pipeline hack, however, and subsequent hoarding of gasoline appears to be lingering. Gasoline inventories rose by 1.5 million barrels last week, and are about 3 percent below the five year average for this time of year.

Jet fuel inventories increased by 3.7 million barrels last week, and are about 8 percent below the five-year average for this time of year.

U.S. refineries processed an average of 15.6 million barrels of crude per day last week, an increase of 358,000 barrels per day compared to the previous week. Refineries operated at nearly 89 percent of their capacity, the agency said.

Gasoline production fell last week, averaging 9.6 million barrels per day, while jet fuel production increase, averaging 4.8 million barrels per day.

---

## Three top CPS Energy attorneys are leaving the utility, officials say

By Brendan Gibbons

San Antonio Report

June 3, 2021

Three of CPS Energy's top lawyers are leaving the utility, including its highest-ranking attorney who has been with the utility since 2006.

Carolyn Shellman, the utility's chief legal officer and general counsel who oversees its legal audit and governmental affairs departments, has submitted her resignation, along with Zandra Pulis and Abigail Ottmers, who are both deputy general counsel, according to utility officials.

“Recently, several executives, including our chief legal officer, have decided to leave the company,” CPS Energy Chief Administrative Officer Lisa Lewis said in a prepared statement. “We are grateful for their many contributions over their tenure and wish them the very best.”

Efforts to reach Shellman, Pulis, and Ottmers were not immediately successful on Thursday.

The resignations come amid a legal blitz by CPS Energy against the [Texas grid operator](#) and multiple [energy and pipeline companies](#) that supply it with natural gas. CPS Energy officials hope to reduce bills adding up to approximately \$1.1 billion from wholesale power and natural gas suppliers accrued during the February winter storm. As the entire state experienced five days of frigid weather, [the utility struggled](#) to obtain adequate gas supplies and operate several of its power plants.

Court records show the utility has 17 lawsuits pending in state district courts in Bexar County. Attorneys with the law firms Dentons U.S. and Chasnoff, Mungia, Valkenaar, Pepping, & Stribling are serving as outside counsel in the litigation with ERCOT and gas companies.

Other senior utility leaders have also announced their departures from CPS Energy in recent months. Gary Gold, the utility’s chief financial officer who has worked for CPS Energy since 2005, will retire at the end of June. Cris Eugster, its former chief operating officer, [left in February](#) to become CEO of nationwide power producer NAES Corp.

CPS Energy leaders have not yet announced who would fill the roles left by three of its top lawyers. A CPS Energy spokeswoman said the last day for Pulis and Ottmers is Friday but was not immediately able to confirm a departure date for Shellman.

“We are fortunate to have a solid team of other executives and attorneys whose strong skills and abilities will help us through our transition,” Lewis’ statement said. “As organizational decisions are made, that information will be announced publicly.”



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: June 16, 2021

June 16, 2021 at 1:55 PM EDT

To: NewsClips

---

## **Governor signs Ashby bill requiring flood history for oil disposal**

By Jeff Awtrey

KTRE

June 15, 2021

AUSTIN – Gov. Greg Abbott has signed an East Texas state representative’s bill to protect groundwater around oil and gas disposal sites.

Trent Ashby (R-Lufkin) authored HB 2201.

The bill requires the **Texas Railroad Commission** to look at the history of flooding over the past 10 years when it considers granting a permit to build a pit for the disposal of commercial oil and gas.

The bill passed the House on a 147-0 vote on April 29. It passed in the Senate on a 31-0 vote. Sen. Robert Nichols (R-Jacksonville) sponsored the bill.

---

## **Opinion: If Texas will not regulate methane emissions, then the feds must**

By Chris Tomlinson

Houston Chronicle

June 16, 2021

The oil and natural gas deposits in the Permian Basin are millennia older than the states of Texas and New Mexico, which today sit on top of them.

The methane and other greenhouse gas emissions emanating from the tens of thousands of wells in Permian do not recognize political boundaries, floating wherever the prevailing winds take them.

Those imaginary lines on the map, though, make a considerable difference to operators of those wells. Texas and New Mexico’s differing approaches to regulating the energy industry prove the importance and necessity of Congress reinstating restrictions on methane leaks.

To say Texas takes a laissez-faire approach to methane emissions would be an understatement.

Methane is the element of natural gas that burns, giving off heat for generating electricity or cooking food. The problem is that natural gas prices are so low, and the cost of sealing up equipment can be so high that too many well operators either burn it off with flares or let it leak out.

The gas is far more heat-trapping than carbon dioxide and is responsible for 25 percent of global warming. The Permian Basin is the nation's hot spot for methane leaks, and requiring the industry to plug them would go a long way toward slowing climate change.

New Mexico recognizes the economic value and the environmental importance of capturing methane. In March, New Mexico's Oil Conservation Commission voted unanimously to require operators to capture 98 percent of natural gas emissions and barred them from venting or flaring except for emergencies.

Chair Adrienne Sandoval said the new regulations came after months of consultation with industry executives, environmental groups and the public. The industry has until the end of 2026 to comply.

"The Oil Conservation Commission has done its part by finalizing strong methane waste rules," Mario Atencio with the Chaco Canyon Coalition told the *Carlsbad Current-Argus*. "And since nearly 70 percent of oil and gas methane pollution in New Mexico occurs through leaks, it is critical that the New Mexico Environment Department also adopts a rule that holds polluters accountable."

The world's largest oil and gas companies understand the urgency to take action. Oil giant BP pledged to spend \$1.3 billion in the Permian Basin to cut emissions. Rystad Energy found that 40 percent of future flaring could be avoided at no cost.

Texans, sadly, are hemming and hawing and dragging up the rear.

Forty operators and seven trade associations formed the Texas Methane and Flaring Coalition to end routine flaring, but they don't plan to get there until 2030. They also expect the **Texas Railroad Commission**, which uses its anachronistic name to confuse the public about its actual mission to regulate the energy industry, to take no formal action to reduce greenhouse gas emissions.

"We need an all-hands-on-deck approach to solving problems – not costly top-down mandates that attempt to pick winners and losers," said Jason Modglin, president of the Texas Alliance of Energy Producers.

**Railroad Commission Chair Christi Craddick** is more than happy to accommodate the industry that provides the bulk of her campaign funds when she runs for re-election every six years. She has opposed proposed new rules on emissions and praised the previous administration for rolling back federal regulations.

"As **Texas' Railroad Commissioner**, I fought against former President Barack Obama's one-size-fits-all environmental policies that impeded job creation and stifled energy production growth," Craddick wrote in a 2020 op-ed. "Texas' energy regulation is guided by free-market principles and based on studies of the processes that ensure responsible Texas energy production."

Next week, Congress will vote on reimposing Obama's rules limiting methane emissions, and Texans should welcome them. Because despite what Craddick claims, keeping methane out of the atmosphere and in the pipeline benefits everyone.

Methane is valuable. When sloppy operators don't capture it, they are taking money from mineral

rights holders and investors.

Controlling emissions from oil and gas infrastructure also creates jobs. More than 200 companies with over 750 locations across the country make their money helping drillers and operators keep the valuable product inside the pipes, according to research funded by the Environmental Defense Fund.

“In recent years, we’ve seen a range of operators - from small independent producers to multi-national companies - embrace methane reductions as a critical part of doing business,” said Andrew Baxter, EDF’s director of energy strategy. “Sensible methane standards that apply nationwide will even the playing field among operators and yield significant benefits to the economy and the environment.”

The world needs natural gas for at least another decade, but only if we can limit the leaks and stop routine flaring. New Mexico has done it, and if Texas won’t, then Congress must.

*Tomlinson writes commentary about business, economics and politics.*

[twitter.com/cltomlinson](https://twitter.com/cltomlinson)

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

## **Is Texas headed toward another blackout? Did the Legislature fix the power grid? Here are answers to your questions about the grid.**

**The state’s grid operator indicated that conditions are improving and said that power outages to residents are unlikely.**

By Erin Douglas and Mitchell Fermin

Texas Tribune

June 15, 2021

The Electric Reliability Council of Texas on Monday asked residents to reduce their electricity usage through at least Friday due to “tight” power grid conditions. A number of power plants are inexplicably offline at the same time as the state is experiencing record June demand for electricity.

ERCOT officials said outages to residents are unlikely this week. Asking consumers to cut back on power is the first step the grid operator takes to reduce strain on the grid. On Tuesday, ERCOT issued a statement that the grid “remains strong during record demand.” A spokesperson told the *Tribune* that the situation “looks like it will continue to improve” and thanked Texans for successful electricity conservation efforts.

Here’s what you need to know.

### **Why is ERCOT asking for power conservation?**

A significant number power plants are unexpectedly offline at the same time as Texans are

expected to use a record amount of electricity due to hot weather. That has resulted in “tight” grid conditions, meaning that there is not much more supply of electricity available than demand.

Approximately 12,000 megawatts of power generation were offline Monday afternoon — enough to power 2.4 million homes on a hot summer day. That’s several times more than what ERCOT would typically expect to go down during June.

As of Tuesday, 1,200 megawatts of power was regained to the grid. About 74,000 megawatts of electricity generation were available to the grid Tuesday, an ERCOT spokesperson said.

Power grids must keep supply and demand in balance at all times. When Texas’ grid falls below its safety margin of excess supply, the grid operator starts taking additional precautions to avoid blackouts. The first precaution is to ask the public to cut back electricity usage.

### **What is causing the “tight” grid conditions? Heat in Texas isn’t new.**

While high demand during hot temperatures is expected, it’s the supply side that’s caught grid operators off guard this week.

ERCOT officials said the power plant outages were unexpected — and could not provide details as to what could be causing them. Warren Lasher, ERCOT senior director of systems planning, said Monday that having this many plant outages in June is “not consistent” with previous summers and called the situation “very concerning.”

ERCOT has promised to conduct an analysis to determine why so many units are offline this week. Some experts theorized that the winter storm in February may have caused damage to plants that is causing new complications, but ERCOT officials did not offer any details.

### **What does this mean for the rest of the summer? Are we going to have another blackout?**

ERCOT officials said it “appears unlikely” that the ERCOT grid would need to implement outages, like it did in February, to reduce strain on the grid.

It is unclear, however, if Texans will experience widespread electricity blackouts later this summer.

After the winter storm, [ERCOT warned that Texans could experience electricity outages](#) this summer if the state sees a severe heat wave or drought that drives up demand for power. In its annual forecast ahead of the summer months, ERCOT officials included for the first time ever extreme, low likelihood scenarios that would each leave the grid short a significant amount of power, which would trigger outages to residents.

The scenarios were completed against the backdrop of this summer likely being one of the hottest on record, according to [an April climate outlook from the National Oceanic and Atmospheric Administration](#). Still, officials have said extreme situations that cause blackouts are very unlikely.

### **Where are the power plant outages?**

An ERCOT official said the outages were “spread” across the state and declined to provide specifics.

However, at least one of the generators out of service includes a unit at the Comanche Peak nuclear plant outside of Fort Worth. It was shut down when the main transformer experienced a fire, according to Vistra Corp., which owns the plant.

### **Are power plants manipulating the market to get a higher price for power this week?**

Asked by media on Monday whether they believed market manipulation was occurring, ERCOT officials declined to comment, but said that the grid operator's independent market monitor is the entity responsible for tracking whether manipulation occurs.

ERCOT officials promised to conduct an analysis to determine why so many units are offline.

### **Are renewables or fossil fuels to blame for this week?**

The majority of the unexpected power plant outages are from "thermal" sources, which in Texas are largely powered by natural gas plants. Of the approximately 12,000 megawatts of generation forced offline Monday, about 9,600 megawatts, or nearly 80% of the outages, were from thermal power sources, according to ERCOT.

Less than 500 megawatts of thermal generation offline on Monday were planned to be out for maintenance, ERCOT officials said.

Power from wind turbines on Monday afternoon was between 3,500 to 6,000 megawatts, according to ERCOT, which was 1,500 megawatts lower than what the grid operator typically expects during the peak time of usage in the summer afternoons. ERCOT officials said wind output will likely increase as the week continues.

### **What did the Legislature do to fix the power grid, and is any of it helping this week?**

Texas lawmakers passed energy grid legislation that aimed to prevent electricity blackouts in response to the February crisis, but it will likely take years before those changes are fully implemented.

[Senate Bills 2 and 3](#) included a few key changes to the state's power grid that experts said will begin to address some issues, such as requiring power companies to upgrade plants to withstand more extreme weather and creating a statewide emergency alert system. The state likely won't require companies to start weatherization upgrades until 2022 at the earliest.

The legislation also changes ERCOT's governing board to replace what lawmakers called "industry insiders" with appointees selected by a committee comprising selections by Gov. [Greg Abbott](#), Lt. Gov. [Dan Patrick](#) and House Speaker [Dade Phelan](#).

### **What more could the Legislature have done to fix the power grid?**

Nothing was done by lawmakers to pay consumers to reduce electricity usage, or provide other incentives or aid in reducing demand. They [didn't pass legislation that would help](#) Texans better insulate their homes and reduce their electricity usage, which could both lower power bills and reduce demand on the grid.

Lawmakers also [did not provide any direct assistance](#) to people harmed by the power crisis in February.

They did not order an energy market overhaul; some proposals would have fundamentally changed

the state's deregulated market structure, which relies on supply and demand to set power prices.

### **What can I do to help cut back electricity usage?**

ERCOT said Texans can reduce electricity use by setting the thermostat up to 78 degrees (or, a level that is safe for you); turning off lights and pool pumps; avoiding use of large appliances such as ovens, washing machines and dryers; and turning off or unplugging unused electric appliances. The best time to reduce power consumption is in the late afternoon, when usage is at its peak.

### **Will my electricity bill be more expensive this week?**

It depends on what type of electricity plan you have, and whether it is tied to spikes in wholesale power prices. The Texas Legislature recently outlawed plans that rely entirely on the wholesale prices in the market, so while some bills may increase, consumers should not see the type of extreme spikes that some customers of companies [such as Griddy](#) saw in February.

### **Will my electricity service be disconnected if I'm behind on payment?**

Not for a few more weeks. The Public Utility Commission of Texas recently said it would lift the utility moratorium June 18, which means that utility companies will begin to send disconnection notices at that time. Disconnections can resume June 29 at the earliest.

Renters who need assistance paying their utility bill should apply for rental relief at [texasrentrelief.com](http://texasrentrelief.com).

Homeowners who need assistance paying their utility bill should apply for relief through the Comprehensive Energy Assistance Program at [tdhca.state.tx.us/community-affairs/ceap/](http://tdhca.state.tx.us/community-affairs/ceap/) or connect with local nonprofits that provide assistance through [tdhca.state.tx.us/texans.htm](http://tdhca.state.tx.us/texans.htm)

### **How is this different from the February winter storm?**

All 254 Texas counties do not normally experience subfreezing temperatures for consecutive days every winter, and ERCOT did not plan for the possibility of extreme cold weather in 2021. After the deadly and disastrous winter storm, ERCOT outlined scenarios for an extremely hot summer, but it did not plan for 12,000 megawatts of power generation to be offline unexpectedly in mid-June.

ERCOT officials on Monday promised to conduct an analysis to determine why so many units are offline this week. Some energy experts have raised questions about whether some of these outages are lingering damages resulting from February's storm.

---

## **As Texans are asked to conserve electricity, can power grid withstand summer heat?**

By Eleanor Dearman

Fort Worth Star-Telegram

June 15, 2021

The Electric Reliability Council of Texas, the organization tasked with managing Texas' power



grid, on Monday called on residents to reduce electricity use, citing significant strain on the grid due to forced outages at power plants combined with potential record demand. David J. Phillip AP

Will Texas see another blackout as residents who suffered a deadly winter storm are again asked to conserve electricity?

Ann Bluntzer, acting director of the TCU Energy Institute, said she feels more confident headed into the summer months than she was in February, when millions went several days without electricity, though she noted there is a small chance of outages if there's extreme heat and extreme energy consumption.

"I think we're not going to have the weatherization issues in summer," Bluntzer said. "When you look at what really fell apart in February, a lot of it can be pointed to those centers were not properly weatherized, and that led to a lot of the failures."

The Electric Reliability Council of Texas, the organization tasked with managing Texas' power grid, on Monday called on residents to reduce electricity use, citing significant strain on the grid due to forced outages at power plants combined with potential record demand. The organization reported more than 12,000 megawatts of generation was out in the state as of 2:30 p.m Monday.

One megawatt typically powers around 200 homes on a summer day, according to ERCOT.

"We are deeply concerned about the issues associated with all of these plants that are offline at this time," Warren Lasher, ERCOT's senior director of System Planning, said at the time. "We will be doing a thorough investigation to understand what the issues are and to assess what the implications are for the grid."

About 24 hours later, ERCOT was seeing roughly 10,600 megawatts offline, nearly 9,700 of which were forced outages, spokesperson Leslie Sopko told the *Star-Telegram*. ERCOT also reported that Monday saw a record 69,943 megawatts in demand for electricity.

"Power plant owners continue repairs of unexpected equipment failures, and ERCOT is using all the tools in its toolbox to maintain reliability in the face of potential record-setting electricity demand," a news release reads.

As ERCOT asks Texans to conserve power each afternoon between 3 p.m. and 7 p.m. through Friday, the organization is stressing that the "grid is operating exactly as it was designed and intended."

"The issuance of conservation notices is a common practice and prevents ERCOT from entering emergency conditions," ERCOT said in a news release. "Conservation efforts combined with the changes in procedures and processes implemented by ERCOT and the PUC following the winter storm prevented the possibility of rotating outages yesterday and ensured that no Texans lost power."

Top of Form

Bottom of Form

Pressed Monday about whether he's confident Texas can get through the summer without blackouts, Lasher emphasized that he found the number of outages Monday "very concerning" but didn't directly answer the question.

"We operate the grid with the resources that we have available, and it's the responsibility of the generation owners to make sure that their plants are available during the peak hours when customer demand is very high during the summer months," he said.

### **ERCOT expects record demand**

[ERCOT previously said it is expecting record-high demand](#) for electricity this summer because of hot and dry conditions and population growth. The grid manager in a May 6 news release said it anticipates enough generation to meet the summer peak demand of a forecasted 77,144 megawatts. The organization, which is overseen by the Public Utility Commission of Texas, has forecasted a 15.7% reserve margin for the summer.

A little after 2:30 p.m. on Tuesday, ERCOT was reporting a demand of about 69,200 megawatts, with just over 3,000 megawatts in operating reserves.

The margin the past couple days is "tight," said Wei-Jen Lee, an electrical engineering professor at UT Arlington. He said 15% is a "healthy" margin.

"Now you don't have too much room for error," he said.

Lee doesn't expect a blackout over the summer, but said he does expect Texans to get requests to conserve power.

Virginia Palacios, executive director of Commission Shift, which advocates for changes at the **Railroad Commission of Texas**, anticipates an outage like the one in February.

"We're at the beginning of the summer, it's not even the hottest part of the summer, and we're already having these issues," she said. "Unless we have all these generators back online in the next month or so — even then it's a little tenuous, because our weather is so much more unpredictable now, and we're so much more prone to extremes."

The reasoning for the unplanned outages remains unclear. Lasher on Monday said he didn't have information on whether the generator outages are due to repairs from the winter storm.

"My hunch is that we're seeing more generators out for maintenance right now because they're still recovering from what happened in February," Palacios said. "So I think this is sort of like the aftereffects of February. ... We're not ready for this fast approaching summer that we've had already."

Doug Lewin, an energy and climate consultant, said that under normal circumstances he'd say the chance of outages like those seen in February are very low.

"But clearly these are not normal circumstances, right?" he said.

Lewin said he hopes to see a quick investigation into what's causing the outages to fix the problem before August when temperatures could climb higher.

## **Changes after the February winter storm**

[A presentation](#) from a June 8 ERCOT board meeting lays out changes to summer operations, some of which are in response to the winter storm. Among initiatives is a plan by ERCOT to visit select power plants to [review their plans to weatherize for the summer](#). According to ERCOT, such checks have happened in the past for winter weatherization, but not for summer.

Lasher said 20 plant visits had been conducted as of Monday, with 11 more scheduled over the coming two weeks. He said four of the plants that have been checked went offline Monday.

“While the risk for emergency conditions remains low this summer based on many of the scenarios studied, a combination of factors in real time, including record demand, high thermal generation outages and low wind/solar output could result in tight grid conditions,” Woody Rickerson, ERCOT’s vice president of grid planning and operations, said in a May statement. “We cannot control the weather or forced generation outages, but we are prepared to deploy the tools that are available to us to maintain a reliable electric system.”

Texas lawmakers passed a wide-ranging bill in response to the winter storm that, among other measures, requires electricity generators, transmitters and critical natural gas facilities to prepare for extreme weather. Abbott signed Senate Bill 3 on June 8, declaring that “the legislature passed comprehensive reforms to fix all of the flaws that led to the power failure.”

The bill has been criticized by some energy professionals and Democrats for not going far enough to protect Texans.

Bluntzer noted that there’s really no weatherization to be done in the summer months. She didn’t expect the legislation to have any significant impact this summer.

During a news conference marking the bill signing, Sen. Kelly Hancock, R-North Richland Hills, defended the grid’s ability to endure the summer months. He noted that the reserve margins are predicted to increase in the coming years.

“Our system continues to grow, we continue to have investment that helps meet the demands that we have on our load, and so that’s why, if you look at the report that ERCOT had out regarding summer capacity, that they feel very comfortable that we’ll be able to meet the demands this summer,” Hancock said.

## **What can you do to save power?**

According to ERCOT, some steps Texans can take to conserve power are:

- Setting your thermostat to 78 degrees or higher.
- Turning off lights and pool pumps.
- Avoid the use of large appliances.
- Turn off and unplug electronics you don’t need.

*This is a developing story. Check back for updates.*

---

## As the power grid waivers again, Texans are still recovering from the winter storm

**Experts say the energy reform bill signed by Governor Greg Abbott doesn't go far enough to protect Texans from future blackouts.**

By Sumaiya Malik

Texas Observer

June 15, 2021

Four months after Winter Storm Uri, Carolina Lopez-Herrera is still putting her house back together. She is one of millions of Texans who lost power and water for days during the record-breaking freeze this February. As the frigid cold set in, her tiny cat, which she and her sister had rescued from a dumpster weeks earlier, stopped moving. Pipes and the water heater burst, causing damages costing more than \$50,000. In the aftermath, she's had to remove walls, replace the water heater, and gut the cabinets and floors. Lopez-Herrera, a 20-year-old paralegal and student at the University of Houston, has been struggling with getting reimbursements from her insurance company and keeping track of the contractors still working on the house. The disruption caused her 18-year-old sister, Susana, to move to California to stay with their father while the house is being repaired.

This spring, frustrated with how her life was turned upside down by the power outage, Lopez-Herrera testified at the Texas Capitol about her experience in support of an energy efficiency bill. She urged lawmakers to implement energy efficiency programs so that homes do not lose power in the event of future storms. The bill did not make it out of committee.

Of the bills that passed this session, Senate Bill 3 is touted as the one that prepares Texas for future extreme weather and winter storms. On June 8, Governor Greg Abbott signed SB 3, saying that "everything that needed to be done was done to fix the power grid in Texas." The final version of the bill is expected to pave the way for the Public Utility Commission of Texas (PUC) to enforce weatherization at critical facilities. "The power grid is more secure, more robust, and safer than ever before," [Abbott said](#) after signing the bill. But [experts say](#) the reforms don't go far enough in fixing the grid, and while SB 3 details how power plants will be regulated, it fails to help homeowners save themselves—and their homes—from future disasters. On Monday, just a week after Abbott signed SB 3, the Electric Reliability Council of Texas (ERCOT), which manages the state's grid, issued a week-long [conservation alert to Texans](#) during a not-abnormally hot summer day. Natural gas power plants were forced offline for repairs, leaving little room for error as the grid operator once again struggled to keep pace with electric demand.

This year, legislators decided to increase the budget of the PUC by more than \$1.5 million. But that extra money won't give the agency enough teeth quickly according to Doug Lewin, president of Stoic Energy. He says the bill also does not provide homeowners incentives to make their homes more energy efficient. Instead, the bill focuses on the supply of power, which is only half the problem, Lewin says. The other half, the demand-side catering to homeowner needs, has not been addressed fully; energy-efficient solutions should have been a part of the bill, he says.

The bill also gives regulatory agencies broad leeway to levy fines against operators who don't comply with new weatherization rules. But in some cases, those fines might be less than the cost of weatherizing power plants. For example, during three days of the February winter storm, an operator who hadn't weatherized might incur \$5,000 in fines a day for a total of \$15,000, whereas weatherizing a well costs up to \$50,000, says Virginia Palacios, the executive director of [Commission Shift](#), a non-profit advocating for changes at the **Texas Railroad Commission**.

“As always, implementation and execution is different than the adoption of legislation, so we'll all need to watch and make sure that those things get done,” Lewin says. “We of course systematically underfund our state agents, and our Public Utility Commission is no exception. ... The solutions that could have been deployed that would have put us in a better shape to handle the outages in February, the PUC couldn't get to because they're underfunded.”

When the ice and snowstorm hit, Lopez-Herrera thought she was prepared. She and her sister did not take the alerts from their university or their family too seriously because their house is across the street from a grocery store, with four gas stations nearby. “We rationalized: We have electricity, it won't be that bad,” Lopez-Herrera says.

But the single-digit temperatures across Texas caused power plants to malfunction; nearly all types of energy production struggled to keep pace with the astronomical demand for heat across the state. Natural gas production in particular dropped sharply as the product began to freeze in pipelines and in gas wells that weren't designed to withstand the freeze. Blackouts persisted across Texas, leaving millions in poorly insulated homes that became colder by the minute.

By the third day without power, Lopez-Herrera and Susana spent all their time in bed. They were barely able to eat; experienced horrible, brain-splitting headaches; couldn't stop shivering; and lost some sensation in their limbs—all signs of hypothermia. Desperate to save their cat, Lopez-Herrera cut a cotton sock and slid it on the cat's belly for warmth. The cat meowed, the sock warmed her up, and she survived.

The storm killed at least 151 Texans, mostly from hypothermia, according to [numbers](#) released by the Texas Department of State Health Services. A *BuzzFeed News* [analysis](#) estimates the true death toll to be more than four times higher. In 2011, a similar cold plunge caused rolling power outages, property damage, and death. Many of the energy industry's failures were preventable: If they had invested in weatherization—for example, insulating gas wells and implementing better maintenance checks—energy production would not have failed so spectacularly, according to a 2011 [federal report](#) on the outages.

Like Lewin, Palacios, and other energy experts, Lopez-Herrera, who has read the language of the energy bill and has been following the issue closely, says she doesn't think that SB 3 addresses the root cause of the issue. The bill does not ensure that Texans would be saved from the extreme conditions brought on by power outages in the future. If gas wells freeze again, her power might go out and her pipes might burst again, too.

Lopez-Herrera says that to make such extensive repairs to her home again would be horrible. “One time would be enough for me, but a second time in less than five years would age me, and I am 20,” she says. “It would be so hectic and stressful to go through this again. I hope I don't have to, but [if] it must happen I prefer it to happen to me than to a young family or elderly couple.”

---

## Navasota LP-Gas serving Grimes County's past, present & future

By Connie Clements

Navasota Examiner

June 16, 2021

June 16 marks 75 years that Navasota LP-Gas Co. has provided liquid petroleum services to Grimes and surrounding counties. Owner Chad Ross continues the three generation legacy begun by his grandfather Norman Bounds, and carried forward by his father Bob Ross. The reason for this longevity is best summed up by the company's ability to meet the needs of 4,000-plus customers, and its work ethic.

Ross said, "Over the years lots of things have changed, regulations have changed, and we've been able to stay up with all of that. We've had a pretty much spotless safety records in 75 years. There's a lot more competition now than there was when I first started and we've been able to hold our own because of the service we provide."

He continued, "My grandad was always busy, whether it was here or at his place. My dad was the same way. It was a work ethic I grew up with...that to get to where you want to be, you've got to adapt to the changes, which we have down here, and you keep working."

All three generations have been active on the board of the Texas Propane Gas Association (TPGA), and in the early 2000s, even lobbied for regulation changes within the **Railroad Commission of Texas (RRC)** which governs the LP gas industry.

Ross said, "We're a very overregulated industry but it's kept this industry in this state pretty safe. Therefore, there are not many accidents that happen."

Ross said that all of his employees have the required Hazmat, Department of Transportation, and **RRC** certifications and attend continuing education classes.

He said, "It's a lot to do what we do. We've been able to maintain all the customers we've got and there's only six of us."

### **Changing landscape**

Grimes County has changed significantly since 1946 when the company was formed.

Ross said, "More people are moving out of the city and into the rural area. All of these big farms and ranches that use to be around here, they're being sold off. New little subdivisions are everywhere. We're still providing fuel to those lands whether it's farm or ranch but now it's from a different perspective because it's to take care of your home and keep you comfortable."

A change since 2000 is the increase in home generator use. While Navasota LP-Gas Co. doesn't sell generators, they provide the propane to run them.

Ross said, "There are more homes being built nowadays either all-electric with a standby

generator, or that generator is their backup electricity if they have gas heat, water, cooking, dryer, fireplaces and outdoor kitchens. If their power goes out, they can still function like they do on a daily basis because they have a backup generator. We've seen a tremendous increase in the generator business."

### **Nature's challenges**

In this century alone, Navasota LP-Gas Co. has withstood Hurricane Ike, a pandemic, and the "Texas Freeze."

Recalling Navasota's week without electricity in 2008 during Ike, Ross said his mom, dad and longtime employee Gail Finke moved a desk into the shop, plugged in a portable generator, a computer, and thanks to their landline, were able to service customers by filling cylinders and delivering to those with generators.

The industry, however, is still feeling the impact of the 2020 pandemic.

Ross said, "The propane tanks we install at customer homes, since the first of the year, have gone up almost 40-50% and it's very hard to get them. We can place an order for a load of tanks and it's almost 17 weeks before we get them. Barbecue cylinders have been on backorder since February. We've had people come as far away as Huntsville, Houston, and Hearne looking for those cylinders because there are none around."

Navasota LP-Gas Co. was in better shape during the February freeze than other industry suppliers. Ross said they were able to provide gas for several days. While they couldn't get trucks on the road, they filled containers for people as far away as Conroe, the north side of Houston and Hearne.

He said, "We still do so much of our stuff old school. We can still load our trucks the old-fashioned way. We don't rely on all of the electronic gadgets which a lot of companies have tried to stay up with over the course of the years."

### **Enjoy what you do**

Ross enjoys the camaraderie and sense of family at Navasota LP-Gas Co.

He said, "As a little kid, I thought it was the neatest thing to get on one of those big trucks to go with my dad or my granddad to go do something."

Ross worked in the family business while in high school and began fulltime in 1987, obtaining his certifications that same year. Bob took the reins in 1971 with Chad's mother Annie by his side, and the mantle passed to Chad after his mother died in October 2019 followed by his father in March 2020.

He said, "I miss my dad and granddad every day, and not be able to walk in here and talk to them, it's tough. Not being able to bounce ideas off them, it's tough."

Ross continued, "With both of them passing, it required me to be here in the office more. I used to do all the service work, getting out and meeting the customers. It's a little different. I miss the interaction of being out in the field."

Ross credits his knowledge and skills to his grandfather, his father, and the many long-term Navasota LP-Gas employees.

He said, “Their loyalty to the company and to me speaks volumes. We enjoy coming to work. We made it fun. If you can’t enjoy what you do, you might as well get out and do something different.”

---

## **Jack McDonald to EPA: give my generation time**

By Jack McDonald

Earthworks

June 15, 2021

*Jack provided the below comment [live to the EPA during its June 15, 2021 methane public listening session](#) to provide input on the rule it will publish this September to cut oil and gas production’s methane pollution.*

My name is Jack McDonald. I am 19 years old, and I live in Dallas Texas.

When I was younger my family lived on the Barnett Shale. Our town had 50 wells drilled with plans to go to over 100. Our house was just a mile from gas wells that released emissions into the air and regularly had spills. There were plans for fracking within 1000 feet of homes and near my school. A cul-de-sac in the neighborhood across the street had several cases of rare childhood cancers. The health department determined breast cancer rates were elevated. My family moved. We were fortunate; many people do not have the means to move.

I first told this story at an EPA listening session on rolling back methane regulations in October of 2019. Unfortunately, despite near unanimous protesting from those who commented at the session, those methane rollbacks did happen.

When I last testified I was a senior in high school. I took a gap year in between my senior year of high school and college, during that time I have had the privilege of becoming the Texas Field Analyst for Earthworks. In that role, I have begun to understand the full extent to which Texas has sold its soul to oil and gas.

I have watched this Texas Legislative session as the chairmen of the \*environmental regulations\* committee proposed a bill that would prevent state agencies from enforcing federal environmental regulation. I have seen bills that aim to regulate flaring die without even a committee hearing, even bills just to study the impact of methane died. I learned that in the Texas Legislature Climate Change is a dirty word, that even some environmental groups are afraid to say in hearings. Bill after bill was filed to protect the interests of fossil fuels even to the detriment of the people. When 151 people died earlier this year during the winter storm, it seems that fossil fuels lobbyists saw an opportunity. They used the storm to pass laws like HB 17 which prevents local governments from regulating where their local utility sources its power. Even the few Democrats willing to say the word climate change supported that bill despite the representative who filed saying in a hearing that it was designed to target the climate plans of cities like Dallas and Austin.



I was also able to visit the Permian Basin with Sharon Wilson who does optical gas imaging for Earthworks. I had seen OGI footage before, but being out among those wells was a totally different experience. I saw tanks where no one had bothered to close the hatches. Flares that no one had bothered to light. I visited neighborhoods where the smell of gas was overpowering. I knew from work I had done as a Field Analyst that many of the things we saw were against state regulation, but clearly those regulations were not working. Even now after submitting numerous complaints on the sites that we saw nothing has changed.

I worked on research understanding the extent to which Texas has failed to regulate its oil and gas producers. Through that research I learned that oil and gas operators were failing to get permits for flaring more than 75% of the time. That report which Earthworks published earlier this year elicited a response from the **Railroad Commission**. The best they could do to explain why 75% of flares were not being permitted by the **RRC** was to say that those must be emergencies. Texas doesn't regulate methane. When a site has a release of methane they don't even have to report a volume for it. The closest thing to methane regulation is those flaring permits and even those it seems like the state can't be bothered to actually enforce.

I've only been working in this field full time for about nine months. But I understand the pollution that Texas oil and gas communities live with, and the dread with which the rest of the world looks at Texas and our outsized contribution to the climate crisis. If Texas is left to its own devices it will bring the rest of the world hurtling towards climate catastrophe. Texas is an environmental rogue state, and we need the EPA's help to stop it. .

Federal regulation is a necessity. We need the strongest methane regulation that the EPA can achieve under the Clean Air Act. I understand a plan has been laid out for a 65% reduction, and Texas communities need every percentage point. Moreover, Texas regulators are not equipped, nor inclined, to regulate the oil and gas industry. They'd rather let oil and gas do what they want, regardless of the consequences. Texas needs to be stripped of its ability to enforce the Clean Air Act — Texas, and the planet – need EPA to intervene.

I'm only 19. I'm going to college next year. My generation needs time to be prepared to fully address the climate crisis. Time to learn, grow, innovate, and contribute. We'll gladly seize the reins when the time comes, but you've got to give us the breathing room to do so.



## **Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: June 23, 2021

June 23, 2021 at 10:36 AM EDT

To: NewsClips

---

## **New legislation signals strong support for CCUS in Texas**

By Madeline Mathews Thomas

JD Supra

June 22, 2021

On June 9, 2021, Texas Governor Greg Abbott signed House Bill 1284 (“HB 1284”), which was introduced along with its Senate companion, SB 450, during the state’s 87th legislative session. HB 1284 grants the **Texas Railroad Commission (“RRC”)**, the governmental agency that regulates the state’s oil and gas industry, sole jurisdiction over Class VI Injection Wells and carbon capture, use, and sequestration (“CCUS”) activities in Texas.

Class VI Injection Wells, which we have [discussed previously](#), are used to inject carbon dioxide (“CO<sub>2</sub>”) into deep rock formations, also known as geologic sequestration. This technology is utilized in order to reduce CO<sub>2</sub> emissions to the atmosphere and mitigate climate change. Class VI wells are one of six types of underground injection well classes established by the U.S. Environmental Protection Agency (“EPA”) that are subject to the requirements of Section 1421 of the Safe Drinking Water Act for the purpose of protecting underground sources of drinking water from endangerment.

A Class VI Underground Injection Control permit is required prior to drilling and operating a Class VI well for CCUS operations. While Texas currently has “primacy” (approval from the EPA for permitting and enforcement authority) over issuing permits for wells in Classes I-V, it does not yet have primacy for wells in Class VI, which means that final authorization still comes from the EPA. At this time, only Wyoming and North Dakota currently have Class VI primacy, though Louisiana is currently in the process of applying for primacy. Again, more on that [here](#).

Until the passing of HB 1284, which is effective immediately, the **RRC** and the Texas Commission on Environmental Quality (“TCEQ”) split jurisdiction over geologic storage of CO<sub>2</sub>, depending on whether the geologic formation itself was capable of producing oil, gas or geothermal resources. This shared regulatory responsibility within the state created an impediment to Texas’ eventual goal of receiving primacy from the EPA.

HB 1284 changed that by tasking a single agency with seeking delegation authority from the EPA on Class VI Injection Wells. The **RRC** now has sole jurisdiction in Texas over the regulatory processes for these wells, simplifying the steps toward and paving the way for the **RRC** to seek primacy from the EPA and thus streamline the permitting process. If Texas were granted primacy from the EPA over Class VI Injection wells, the **RRC** would be required to enforce the EPA’s environmental standards, and primacy could be revoked if the **RRC** failed to do so. The TCEQ will also continue to have input on each application for a permit to build a Class VI well, regardless of whether or not primacy is achieved.

This recently enacted legislation is indicative of strong support in Texas for the development of CCUS projects and helps clear the path for onshore and offshore CCUS deployment within the

state. The next step will be for Texas to apply for primacy from the EPA, a process which is expected to take one to two years. Louisiana began this process last year, sending drafts of primacy documents to the EPA for review at the end of 2020. Class VI regulations were published in the Louisiana Register on January 20, 2021, and it is expected that the EPA will complete its review of the package and public comments by the third quarter of this year.

---

## **US E & Ps' pledge to end 'routine flaring' falls short**

By Deon Daugherty

Energy Intelligence

May 24, 2021

US producers are lining up behind the World Bank's "Zero Routine Flaring by 2030" initiative as part of wider commitments to reduce greenhouse gas emissions. But while adherence is a strong first step, Energy Intelligence analysis has found that it will not end flaring to the degree many might think.

The initiative standardizes a definition for "routine flaring" at a time when many different definitions are found across the industry, sources say. The World Bank defines it as such:

- Routine flaring of gas is flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to reinject the produced gas, utilize it onsite, or dispatch it to a market.

That language might suggest that a wide net has been cast to capture a significant amount of flared gas ([NGW Jul.15'19](#)). But Energy Intelligence has found meaningful limitations in its real-world application -- potentially allowing flaring to continue well beyond 2030 if not addressed through further action.

That could create problems for oil and gas producers, which face mounting pressure to address their wider emissions footprint.

Just last year, France's government intervened on a supply deal for US LNG, calling US gas "dirty" due to a lack of regulatory pushback against flaring in the Permian Basin ([NGW Oct.26'20](#)).

### **Qualifying What Counts**

Flaring is a tricky problem for the industry. Global flaring has remained at around 140 billion cubic meters for the past decade. At the height of US shale production in 2019, the country's flaring jumped by 23% year on year, pushing global totals up 3%.

Routine flaring is just one piece of that, and what counts as "routine" can vary across different circumstances.

For example, flaring is generally considered routine in the absence of sufficient pipeline capacity. But under its 2030 initiative, the World Bank limits this definition to new development areas – a significant limitation to its remit. Routine flaring at existing assets that lack pipeline access is not counted toward the pledge if there is no economic use for the gas.

Flaring based on a system upset or equipment problem is categorized as routine for the operator

of the assets. However, if a third party operates, the flaring is not considered routine. Companies are also only responsible for routine flaring at developments they operate, not those where they are a nonoperated partner.

Any gas flared for safety purposes is not considered routine flaring.

So what does all this mean in practice? Energy Intelligence analyzed the efficacy of the World Bank’s initiative by applying its definition to the Permian, where rampant flaring has followed a surge in associated gas output. The analysis found numerous examples of flaring that fall outside the “routine” definition.

<b>Qualifying What Counts as Routine Flaring</b>	
<b>Routine Flaring</b>	<b>Not Routine Flaring</b>
Gas production exceeds existing infrastructure capacity	Gas flared during an accident to ensure safe operations
Flaring from an oil/gas separator	Gas blow-down following an emergency shutdown to prevent overpressurization
Process unit flaring, including the process at oil storage tanks or tail gas treatment units	Gas containing hydrogen sulfide (H <sub>2</sub> S)
High-line pressure on operator-owned equipment that lasts more than three months	Presence of high levels of volatile organic compounds other than methane
Distance from a new development to a pipeline is too far to be economic	Ensuring safety during process unit flaring, including the occurrence at oil storage tanks or tail gas treatment units
--	Equipment failure of a third party contracted to handle gas
--	Start-up following facility shutdown
--	Temporary failure of third-party facility that prevents receipt of gas
--	During construction activities, such as tie-ins, change in operating conditions or plant design modifications
--	Reservoir or well maintenance, such as wire line intervention
--	High-line pressure on operator-owned equipment that is resolved within three months

--	High-line pressure; third-party ownership
--	Distance from an existing well to a pipeline is too far to be economic
<i>Source: Energy Intelligence research</i>	

Texas law requires permits for flaring that happens outside of a handful of situations surrounding early-stage production. But the **Texas Railroad Commission**, which oversees those permits, very rarely denies such requests ([NGW Jul.1'19](#)).

### Clarifying Perceptions

All this is not to say the World Bank initiative is an ineffective tool. But given that no signatory companies have released absolute figures around how much carbon dioxide is abated with the pledge -- nor did they when requested by Energy Intelligence -- the magnitude of its impact is difficult to judge.

The World Bank was unable to provide an estimate of how much flaring would be categorized as “routine” by press time.

Occidental Petroleum was the first company to endorse the pledge ([NGW Mar.8'21](#)). A spokesman for the company told Energy Intelligence that Oxy will report data to World Bank this year. Chevron’s routine flaring data will be reported to World Bank in 2023, a spokesman said.

One issue with the pledge’s limitations is that stakeholders unfamiliar with the nuances of industry flaring may conclude that signatory companies are making more significant changes than the initiative holds them to. If stakeholders were to then find out that isn’t the case, it risks further damaging the industry’s already tenuous reputation.

“I am quite certain that most investors believe that [the endorsement] means that companies are committing to eliminate the vast majority of their flaring,” Andrew Logan, senior director for oil and gas at investment advisory group Ceres, tells Energy Intelligence. “The idea that it might not include a large set of perhaps very common situations is going to be a very unwelcome surprise to a lot of investors.”

In other words, the work doesn’t stop once the World Bank pledge is fulfilled.

Royal Dutch Shell, for example, has reduced its overall flaring in the Permian by 90% since 2016 as well as its methane and greenhouse gas emissions intensity by 80% -- all while its production has risen by 80%.

“All numbers we are proud of, but more work needs to be done to get us to our goal,” says spokeswoman Natalie Gunnel.

## BP starts production from new Gulf of Mexico project

By Paul Takahashi  
Houston Chronicle  
June 23, 2021

BP has started production from two new deepwater wells in the Gulf of Mexico, furthering its plans to add 900,000 barrels of oil and natural gas production per day by year-end.

The two wells, at the Manuel project site about 140 miles off the coast of New Orleans, are expected to boost production from the Na Kika platform by an estimated 20,100 barrels of oil and gas per day. The British oil major on Wednesday said it added a new subsea production system to the platform, which will extract oil and gas from reservoirs 21,000 feet below the gulf. BP and Shell each hold a 50 percent working interest in the Manuel project.

“Manuel is exactly the type of high-value project that is critical to growing our business here in the Gulf of Mexico,” said Starlee Sykes, BP’s senior vice president of the Gulf of Mexico and Canada. “BP’s focused and resilient hydrocarbons business is a key pillar of our strategy.”

Although BP has moved aggressively into wind and solar projects over the past year, the company plans to expand its traditional oil and gas business in the Gulf of Mexico, where BP is a leading producer. BP operates four production platforms in the gulf: Thunder Horse, Atlantis, Mad Dog and Na Kika, with a fifth platform, Argos, expected to come online in 2022.

BP expects to increase its Gulf of Mexico production to more than 400,000 barrels of oil per day by the middle of this decade, up from more than 300,000 barrels of oil per day in 2019.

The oil giant has said it plans to use its revenue from its oil and gas business to help fund its pivot from an international oil company into an international energy company. It announced plans last year to become a net-zero emissions company by 2050 or sooner, promising to gradually reduce its oil and gas production as it shifts toward renewable and green energy sources.

BP next year expects to launch its new Argos platform, which [in April was transported from a South Korea manufacturer](#) to a fabrication yard near Corpus Christi where it is being finished. The 27-story-tall floating semi-submersible, one of BP’s largest, is expected to produce up to 140,000 barrels of oil and gas per day, boosting BP’s output in the Gulf by about a quarter. The platform is BP’s first addition to the Gulf since 2008, before the deadly Deepwater Horizon explosion and oil leak in 2010.

“The safe production of resilient hydrocarbons in the basins we know best is core to advancing our strategy to transform into an integrated energy company,” said Ewan Drummond, BP’s senior vice president of projects.

---

## **Wastewater reuse bill lauded by oil & gas industry**

By Yantis Green  
San Angelo Live  
June 22, 2021

AUSTIN – Todd Staples, president of the Texas Oil & Gas Association, issued the following statement after SB 601, which creates the Texas Produced Water Consortium at Texas Tech University to study the beneficial use of produced water specifically focusing on the economics, technology and impact on environmental and public health, was signed into law by Governor Abbott:

“Today’s oil and natural gas companies are technology companies, and treating, reusing and recycling produced water for beneficial use in the oil patch and beyond is becoming more common thanks to this industry’s commitment to innovation. This Consortium will allow industry and our partners to build upon pioneering work in produced water recycling and reuse to find even more innovative ways to allow wastewater to be recycled and treated into new drought-proof sources of water, keeping the Texas oil and natural gas industry at the forefront of water conservation, innovation and sustainability efforts in the state. We thank bill authors Senator Charles Perry, Representative Dustin Burrows and the Texas Legislature for promoting innovation in the responsible development of our state’s natural resources.”

---

## **Court’s ‘historic’ FERC slap-down shifts pipeline war**

By Niina H. Farah, Mike Soraghan and Miranda Willson

E & E News

June 23, 2021

A federal court ruling yesterday could influence how the Federal Energy Regulatory Commission reviews and approves pipelines, with major implications for the gas industry and legal cases around the country, analysts say.

The U.S. Court of Appeals for the District of Columbia Circuit axed a certificate for the Spire STL pipeline in a forceful opinion that criticized FERC for failing to follow its own policies and delve into whether there was a need for the 65-mile natural gas pipeline from Illinois to Missouri.

Instead, the court found that FERC had relied too heavily on Spire’s precedent agreement with shipper Spire Missouri, a retail utility that was affiliated with the pipeline developer ( [E & E News PM](#), June 22).

The fate of the operational pipeline is now in the hands of the agency. Analysts said the ruling could influence FERC’s ongoing review of its Certificate Policy Statement, which dictates the process for determining whether a proposed pipeline is in the public interest and should therefore be approved. FERC Chairman Richard Glick reopened the review this year but has not indicated when it will end.

The agency has historically greenlit proposals as long as they included one or more precedent agreements, which indicate that customers are willing to reserve capacity on the pipeline, but that practice could change depending on the outcome of the FERC review ( [Energywire](#), May 28).

“I don’t think it can be overstated how important this decision is today,” said Gillian Giannetti, an attorney with the Natural Resources Defense Council’s Sustainable FERC Project. “This is a

historic opinion that could change the landscape of how FERC assesses pipeline need.”

In a statement, FERC said it is reviewing the decision to determine what actions “may be appropriate.”

The ruling could affect other major projects currently being challenged in court, such as the PennEast and Mountain Valley natural gas pipelines, which FERC also approved after reviewing affiliate precedent agreements, legal experts said.

“FERC is really going to have to flesh out a new process by which it considers public convenience and necessity for affiliate projects, and there are many, many of those around the country right now,” said Jennifer Danis, a senior fellow at Columbia Law School’s Sabin Center for Climate Change Law.

Danis, who filed an amicus brief in the case on behalf of a client, said it will be important for the commission in the future to back up its conclusions on pipelines with data and modeling. She noted that federal law has always required FERC to take those steps but said litigation is sometimes necessary to prompt compliance. This case defined the outer bounds of what FERC could do under the law, she said.

“The D.C. Circuit is quite clear about protecting the public interest and FERC’s obligations, when it’s making assertions about vague public benefits, that it has that data to support those,” she said.

In the ruling, the D.C. Circuit agreed with the Environmental Defense Fund that FERC had ignored “record evidence of self-dealing” and had not seriously weighed the benefits of the projects against their potential risks.

“Under the circumstances presented in this case — with flat demand as conceded by all parties, no Commission finding that a new pipeline would reduce costs, and a single precedent agreement between affiliates — we agree with EDF that the Commission’s approach did not reflect reasoned and principled decisionmaking,” said Senior Judge Harry Edwards in an opinion for the court.

“This is a tremendous victory to get rid of this blind reliance on affiliate precedent agreements and the idea that they can weigh the adverse impacts with a one-sentence conclusion,” said David Bookbinder, chief counsel at the Niskanen Center, which has represented landowners before the commission in various proceedings.

The decision would directly affect Bookbinder’s case against the pipeline associated with the Jordan Cove liquefied natural gas terminal in Oregon. As with the Spire STL pipeline, FERC also relied on affiliated precedent agreements in its approval of Jordan Cove’s Pacific Connector pipeline, he noted.

Bookbinder said he is planning to notify its panel of judges in the D.C. Circuit in his case of the decision soon.

The ruling “cuts FERC off at the knees about several of their favorite subterfuges, their insistence that affiliate agreements are as valid as any other precedent agreements and that they don’t have to look at any other factor,” he said.



“The court said you certainly do have to look at other factors when people are bringing you evidence of self-dealing,” Bookbinder said.

Natalie Karas, the lead counsel of the energy program at EDF, who led the challenge against the FERC certificate, agreed that yesterday’s decision would likely alter FERC’s approach but did not comment on whether the ruling might spark new lawsuits against natural gas pipelines.

“I think, going forward, this decision will guide FERC’s action in approving new applications and considering other similar examples and will show to pipeline developers what would be considered permissible under the statute and what would not,” she said.

### **Glick and a looming shutdown?**

FERC’s review of its Certificate Policy Statement on pipeline approval processes has drawn thousands of comments so far.

The current policy statement says that FERC will scrutinize “all relevant factors” when considering proposed pipeline projects. But environmental groups, industry representatives and commissioners themselves acknowledge that the existence of precedent agreements has historically been viewed by the commission as a proxy for pipeline need.

“[The] fact that the court so swiftly knocked down the Commission’s reliance on an affiliate precedent agreement to demonstrate market need here will undoubtedly factor into FERC’s broader reexamination of the Certificate Policy Statement,” Jeff Dennis, general counsel and managing director of Advanced Energy Economy, a clean energy trade group, said in an email.

Glick, who voted against the commission’s 2019 decision to approve the Spire STL pipeline, has criticized the reliance on precedent agreements, particularly in cases where project applications only include agreements between affiliated companies. Yesterday’s ruling underscores the need for the commission to revisit its methodologies for discerning the demand for and benefits of a project, Glick said.

“As I noted in my 2019 dissent regarding the Spire project, the Commission must consider all relevant factors when determining the need for a project and balance the evidence of need against adverse impacts,” Glick said in a news release. “Today’s decision shows that when FERC cuts corners with its analysis, it puts its decisions — and the investments made in reliance on those decisions — at substantial risk.”

Former FERC Commissioner Cheryl LaFleur, a Democrat who had also voted against approving the pipeline, praised the court’s ruling on social media shortly after the decision.

“I was excited to see today’s DC Circuit opinion vacating and remanding this case, which clearly violated @FERC’s own standards for public interest and necessity,” she wrote on Twitter.

Although precedent agreements between affiliate companies have come under fire as a questionable signal of project need, supporters argue that the deals are still binding contracts showing market demand for a pipeline.

“An affiliated shipper’s need for capacity and its obligation to pay for such service under a binding contract are not lessened just because it is affiliated with the project sponsor,” FERC wrote in its

majority order approving the Spire STL pipeline in 2018.

Despite yesterday's ruling, the pipeline developer said the pipeline "has more than proven it is essential," particularly during the polar vortex last February.

"While other parts of the Midwest struggled with supply and extremely high costs, the STL Pipeline ensured the St. Louis region had access to reliable, affordable energy, when it needed it most," said Jason Merrill, a spokesperson for the company.

"We are currently reviewing the order and considering next steps," Merrill said.

Analysts at ClearView Energy Partners, though, predicted that the pipeline could be shut down.

"Spire STL's shut down currently looks to be more a question of when than if," ClearView said in a note yesterday.

### **'This is shocking'**

Landowners, who say Spire and its contractors bullied and mistreated them throughout development and construction of the project, called for immediate action on the pipeline.

"They need to shut that gas off right now," said Kenny Davis, who has about 1,500 feet of the pipe on his land. "As far as I'm concerned, they're trespassing."

But it's not clear to them what comes next.

"It's never happened before," he said, "so I don't know what's going on."

Nate Laps, a consultant hired by Davis and other landowners whose land was condemned, has been leading the fight for years. Laps said he was stunned by the ruling.

"This is shocking," he said. "This is an unknown."

Davis said Spire took his land under what's called "quick-take" condemnation, after offering him "pennies on the dollar" compared with what it was worth. He still hasn't been paid, or gotten a court date to make his case.

The construction crews mixed precious topsoil with clay, ripped out his timber and ruined the best deer-hunting spot on the land, he said. He had hoped to build a retirement home on the property, but can't because the high-pressure line runs through the middle of it, and the home would be in the blast zone if it ruptured.

"FERC just let them get away with it," Davis said.

Spire said it went "above and beyond expectations" in its handling of construction ( [Energywire](#), Sept. 23, 2019).

FERC allowed the pipeline to begin operations in 2020, despite protests from landowners that the company wasn't fixing the damage it had done to their farms. Under former Chairman Neil Chatterjee, FERC told officials that any problems had been handled responsibly.

“Spire is appropriately documenting any environmental compliance issues,” Chatterjee [wrote](#) in 2019.

Laps’ firm holds a purchase option on its clients’ land as wide as the easement, and that could be a factor in any resolution of what happens with the land and the pipe.

He said it might be best for the landowners in the long term if the pipeline keeps pumping gas, since it’s already operating. Ripping it out would cause more damage, though pipelines usually stay in the ground even after operations cease, according to Laps. His clients, he said, didn’t oppose the pipelines, but were angered by Spire’s tactics.

“They just want to be made whole,” Laps said, “and return to good farming practices.”

Email: [nfarah@eenews.net](mailto:nfarah@eenews.net)

---

## **Key to the shale boom? 3 federal subsidies**

By Carlos Anchondo and Lesley Clark

E & E News

June 23, 2021

Federal subsidies played a key role in helping to sustain the U.S. shale boom over the past two decades, swelling the expected value of oil and gas projects by as much as \$20 billion per year, according to a new report.

The [analysis](#), released this morning by the Stockholm Environment Institute, examined the three largest U.S. federal oil and gas subsidies and how they affected the expected value of nearly 2,500 oil and gas fields that began producing between 1998 and 2019.

The report found that two subsidies alone — the expensing of intangible drilling costs and the percentage depletion allowance — increased the expected value of new oil and gas projects by billions of dollars in most years, and by more than \$20 billion in years with high oil prices, such as 2008 and 2010 to 2014.

The analysis said the two subsidies — which Democrats have long targeted for repeal — added “substantial value” to new, unconventional oil and gas projects in top-producing regions like the Bakken Formation, the Appalachian region and the Permian Basin.

It also said that some oil and gas firms benefited more than others. It estimated that subsidies boosted Chesapeake Energy Corp.’s expected project returns by \$9 billion in 2008, primarily from oil and gas fields under development in the Marcellus Shale of the Appalachian region and in the Haynesville shale formation, located in parts of Texas and Louisiana.

And in 2012, subsidies “could have amplified” Pioneer Natural Resources Co.’s expected project returns by \$8 billion, the report added, primarily from fields being developed in the Permian Wolfcamp shale play.

Neither Chesapeake nor Pioneer could be reached for comment yesterday.

The report noted that there is little information available about which companies, types of oil and gas drilling, or regions of the country have benefited most from subsidies because neither the companies themselves nor the IRS provides detailed information.

The study from the international policy organization comes as Democrats seek to repeal oil and gas subsidies — some dating back a century or more — as part of their effort to address climate change and transition the United States to cleaner sources of energy.

Biden and congressional Democrats have sought to overhaul the tax code to address fossil subsidies.

“In the push to create a modern, low-carbon economy, the tax code is a powerful policy tool, and can be used to help transition away from high-carbon industries, like fossil fuels, to less polluting forms of energy,” the report said.

The study’s lead author said the analysis provides evidence that the subsidies aren’t necessary to spur production.

“When times are good, these subsidies are just going to extra profit, over and above what would be needed to make the field viable,” said Peter Erickson, the climate policy program director at the institute’s U.S. center.

Biden, who pledged on the campaign trail to end fossil fuel subsidies, has proposed paying for his infrastructure plan by ending what his administration calls “long-entrenched subsidies to fossil fuels” ([Energywire](#), April 8).

He would instead use targeted tax incentives to promote clean energy.

The American Petroleum Institute did not respond to a request for comment on the report. But in response to Biden’s infrastructure plan, API in March [said](#) the oil and gas industry “receives no special tax treatment,” and that the U.S. tax code is “applied equally across industries.”

“Targeting specific industries with new taxes would only undermine the nation’s economic recovery and jeopardize good-paying jobs, including union jobs,” said Frank Macchiarola, API’s senior vice president for policy, economic and regulatory affairs, in a statement at the time.

The SEI report said that “what makes these tax measures subsidies” is that “they are financial benefits not generally available to other industries.”

Former President Obama repeatedly but unsuccessfully called for repealing the same tax breaks in his annual budget requests.

## **Biden and Congress**

Biden’s Treasury Department estimated in April that eliminating subsidies for fossil fuel companies would increase government tax receipts by more than \$35 billion over the next decade.

ClearView Energy Partners LLC noted at the time that although Treasury did not detail which

fossil provisions it would target, the \$35 billion in tax breaks suggests an effort to eliminate direct incentives such as deductions for intangible drilling costs.

The fossil fuel industry also enjoys master limited partnerships, a deduction for domestic manufacturing and clean coal investment credits, among others.

House Democrats have filed legislation targeting 11 provisions of the tax code, including breaks for intangible drilling costs and the enhanced oil recovery credit.

Sen. Ron Wyden (D-Ore.) in April also introduced a bill that would eliminate fossil fuel tax breaks and create new incentives for zero-emissions energy sources.

But Republicans on the Senate Finance Committee insisted that the rollbacks would hurt jobs in the industry.

Environmentalists have estimated that fossil fuel corporations receive as much as \$15 billion in direct subsidies from the federal government every year.

Twitter: [@cjanchondo](#) Email: [canchondo@eenews.net](mailto:canchondo@eenews.net)

---

## **Bennet introduces drilling reform, orphaned well bills**

By Heather Richards

E & E News

June 23, 2021

Colorado Democratic Sen. Michael Bennet is the latest lawmaker this year to propose billions of dollars to clean up the nation's orphaned oil and gas wells.

With a pair of bills released yesterday, Bennet aims to rush dollars toward federal agencies tasked with tracking and reclaiming abandoned wells on public land.

The legislation also includes reforms that could irk GOP lawmakers, like higher bonding for wells to make sure taxpayers are not left on the hook for cleanup costs.

“Our bills not only invest in orphaned well clean up, but also restore the role of local leaders in lease sales, and hold companies operating on public lands to the same high standards that responsible operators already follow,” said Bennet in a statement.

The bills have yet to find co-sponsors, but they echo popular reform ideas circulated this year by the White House, tucked into infrastructure proposals in recent days and introduced in bills by other lawmakers in the 117th Congress.

Bennet's “Oil and Gas Bonding Reform and Orphaned Well Remediation Act” [would](#) provide \$8 billion, over a 10-year period, to pay for the cleanup of abandoned oil and gas infrastructure.

It would also increase the bonding companies have to pay from \$10,000 on a single federal lease

to \$150,000. A statewide blanket bond would be raised from the current \$25,000 minimum requirement to \$500,000.

The “Public Engagement Opportunity on Public Land Exploration (PEOPLE) Act” [would](#) make public the identity of individuals or companies nominating federal lands for lease — a process that is currently opaque.

The “PEOPLE Act” would also require notice to local governments and anyone with water or recreational rights. And it would beef up requirements for public input and environmental review prior to a lease sale taking place.

### **Other bills**

Orphan wells are considered a health and climate hazard for their potential to leak toxins like benzene into water sources and gases like methane into the atmosphere.

Bennet’s cleanup bill names nearly 57,000 oil and gas wells known to be orphaned across the U.S. on federal, state, tribal and private lands.

That figure comes from the Interstate Oil and Gas Compact Commission but is well short of some federal estimates that put the number of undocumented orphan wells in the millions. The Interior Department has claimed there are at least 14,400 orphaned wells on federal lands.

New Mexico Democratic Rep. Teresa Leger Fernandez’s [H.R. 2415](#) would authorize \$7.25 billion in grants to fund orphan well cleanup on state and private lands and increase bonding equal to Bennet’s suggestion. Republicans oppose the bill.

Sens. Ben Ray Luján (D-N.M.) and Kevin Cramer’s (R-N.D.) “Revive Economic Growth and Reclaim Orphaned Wells (REGROW) Act,” [S. 1076](#), would create a fund of more than \$4 billion for cleanup but would not require the bonding increase. Texas Democratic Rep. Lizzie Fletcher and North Dakota Republican Rep. Kelly Armstrong have a companion, H.R. 3585.

A sweeping [discussion draft](#) by Energy and Natural Resources Chairman Joe Manchin (D-W.Va.) borrows from the bill ([see related story](#)).

Biden administration officials have said they support recent well plugging and conservation bills pending on Capitol Hill ([E & E Daily](#), June 17). They are also working on a report on oil and gas leasing.

The president’s fiscal 2022 budget includes a threefold increase in funding for orphan wells and abandoned mine cleanup — priorities that the White House has said will create and maintain jobs in the fossil fuel industries while addressing climate ([Energywire](#), April 12).

### **‘Put Americans to work’**

Even if the bills don’t pass, lawmakers are vowing continued scrutiny of oil and gas production and its environmental effects.

Reps. Ro Khanna (D-Calif.), chairman of the Oversight and Reform Subcommittee on Environment, and Katie Porter (D-Calif.), chairwoman of the Natural Resource Subcommittee on Oversight and Investigations, flagged orphans as a potential crisis in a [letter](#) Monday to JP

Morgan Chase & Co. demanding, among other things, the bank's estimates of orphan well cleanup costs from its debtors and clients.

Bennet's two bills, which tout long-standing asks from environmentalists and public land advocates, have gathered a slew of early supporters, including nine county commissioners in Colorado and several conservation and wildlife organizations.

"For decades, orphaned oil and gas wells have not only left communities with the cleanup, but also with the hazards of chemicals leaking into their air and drinking water," said Jim Ramey, Colorado state director for the Wilderness Society.

David Willms, senior director of conservation in the West for the National Wildlife Federation, said Bennet's bills would "put Americans to work."

Twitter: [@hroxaner](#) Email: [hrichards@eenews.net](mailto:hrichards@eenews.net)



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: June 24, 2021

June 24, 2021 at 12:16 PM EDT

To: NewsClips

---

## **What to expect from a report on how San Antonio handled the February power crisis**

By Brendan Gibbons

San Antonio Report

June 24, 2021

A report on how San Antonio's utilities coped with a historic cold-weather crisis in February won't likely bring major revelations, its authors say. But the document will expose new details about the storm that left hundreds of thousands without power, many for multiple days.

The report has been in the works since late February, when Mayor Ron Nirenberg [appointed](#) a seven-member committee led by former District 8 Councilman Reed Williams. Other members included retired Air Force Gen. Edward A. Rice Jr.; Lisa Tatum, a former assistant district attorney; and City Council members Adriana Rocha Garcia (D4), Ana Sandoval (D7), Manny Pelaez (D8), and Clayton Perry (D10).

The committee held 14 public meetings, posting its questions and responses from CPS Energy, San Antonio Water System, and city staff on its website along the way. City Council will get its first full briefing on its conclusions at an 11 a.m. special meeting Thursday.

"I don't think there's going to be a lot of surprises, if you've been paying attention," Williams told the San Antonio Report on Monday, before the final draft was complete.

The report will touch on what Williams called "a bad regulatory structure we've got to change." In Texas, the Public Utility Commission and the Electric Reliability Council of Texas (ERCOT) oversee a power grid that serves 26 million Texas customers, with limited connectivity to neighboring states. Yet another agency, the **Railroad Commission of Texas**, oversees the natural gas industry.

Williams is among those criticizing the structure of Texas' power market, in which power generators such as CPS Energy basically only get paid for the power they sell. In some other states, generators are compensated for keeping excess power plant capacity on standby in case of emergencies.

"For the past 20 years, there's been no incentive to put in excess capacity," Williams said.

Not everyone agrees that a capacity market would have prevented the February blackouts. A [recent analysis](#) by researchers with the University of Texas and other institutions stated that it's "not clear that a capacity market would have helped in this crisis." The extra plants might not have made up for gas supply issues or power plants that broke down in the cold, they wrote.

Following similar winter blackouts in 2011, the Texas Legislature failed to pass strict winter preparedness rules for power plants and natural gas systems. When even more severe cold blanketed the whole state in February, natural gas and coal underperformed even ERCOT's most



extreme outage forecasts by 20%, [according to](#) one researcher.

CPS Energy experienced a similar fate as many Texas power companies, with one of its coal plants and its nuclear plants suffering [freeze-related mechanical issues](#) that required taking them offline when they were needed most.

“CPS has got to run their plants better,” Williams said, adding that the utility must also distribute power more effectively when ERCOT hits the utility with requirements to throttle down their customers’ demand during grid emergencies such as the one in February.

One product of the committee’s investigation was a [CPS Energy map](#) showing which neighborhoods were shut off and for how long. Some areas on the same circuits as critical sites such as hospitals and fire stations saw no outages; others saw outages lasting more than two days.

“The system was designed to treat all areas equally,” Rice said at the committee’s June 11 meeting. “In a perfect world, this map would have been much more homogenous in color. We didn’t live in a perfect world during the storm.”

The report also will discuss local officials’ communications with residents during the grid catastrophe. CPS Energy in particular has been criticized for not explaining how long customers might be without power.

“They’ve got to communicate better,” Williams said.

CPS Energy officials say they’re already making strides on many of these issues, including on managing blackouts during any emergencies.

At a special board meeting Tuesday, CPS Energy CEO Paula Gold-Williams discussed a four-year project between the utility and consultant [Burns & McDonnell](#) to consider adding more switches, called [“reclosers,”](#) to the local grid to help break it down into more manageable networks.

“The [outage] durations won’t be as long,” Gold-Williams told board members.

The report’s meatiest material centers on CPS Energy rather than on SAWS. Most committee members agreed that the loss of water service to wide swaths of northern San Antonio came only after [power was cut to key pumping sites](#), leading to a loss of pressure in the SAWS system.

“While SAWS certainly has opportunities for improvement, like all organizations do, I think our report is going to be shorter” for SAWS, Pelaez said at the committee’s June 4 meeting. “Simply because I think SAWS is dependent upon CPS, whereas CPS is not necessarily as dependent on SAWS.”

---

**Some Texas power plants unexpectedly went offline last week. The**

## **grid operator says it still doesn't know why**

**Texans were asked to cut back on their electricity use for a week because of “tight” power grid conditions, according to ERCOT officials. They still haven't said what caused the plant outages.**

By Mitchell Ferman

Texas Tribune

June 24, 2021

Last Monday, Texas' main power grid operator asked Texans, mid-heat wave, to turn their thermostats to 78 degrees during the afternoon and evening for the week to reduce electricity demand on the grid after 12,000 megawatts of power generation unexpectedly went offline — enough to power 2.4 million homes on a hot summer day.

By the end of the week, that appeal from the Electric Reliability Council of Texas expired without a public announcement, and ERCOT officials still have not said why they asked Texans to cut back on electricity use.

Were there damages to the power grid infrastructure stemming from February's deadly winter storm? Were there nefarious actors looking to manipulate the electricity market? What does this mean for power generation during the rest of the hot Texas summer?

ERCOT hasn't said — or released data to answer any of these questions raised by industry experts. And that is exactly how the Texas power grid is supposed to work, energy experts said.

“ERCOT knows what plants fail, but not why,” said Bob King, an energy consultant in Austin who has worked in the Texas energy industry for more than 30 years.

ERCOT is a quasi-governmental body that manages the state's power supply; [it's overseen by the Public Utility Commission](#), a state agency with leaders appointed by the governor. While ERCOT oversees the grid's daily operations, the grid itself is a network of independent companies, cooperatives and some cities that aren't required to quickly give ERCOT detailed explanations when power generation goes offline.

So far, ERCOT has not revealed which power plants went down last week — or even how many were down.

“Based on preliminary information received from generation owners, the vast majority of forced outages that occurred last week are due to equipment issues,” ERCOT spokesperson Leslie Sopko said. “Our Operations group is analyzing the information and will be providing a more comprehensive overview of the causes.”

Daniel Cohan, an associate professor of civil and environmental engineering at Rice University, said ERCOT was not being “sufficiently transparent in explaining what was going on and left Texans in the dark about causes for these outages.”

Calpine, one of the state's largest power generation companies, said all of its generation equipment was up and running last week.

Vistra Corp., the state's largest power generation company, had one unit down: The Comanche

Peak nuclear plant outside of Fort Worth shut down one of its units when the main transformer experienced a fire, according to the company, which owns the plant. Each unit at Comanche can generate about 1,150 megawatts of energy at full capacity.

“Aside from one unit at Comanche Peak, which makes up about 6% of Vistra’s generation capacity in ERCOT, the rest of our fleet performed very well throughout the week,” said company spokesperson Meranda Cohn.

But that one outage between the two large companies accounts for less than 10% of the lost power generation last week. ERCOT likely will not give more information to the public for 60 days, per ERCOT and Public Utility Commission rules, officials said.

In the meantime, ERCOT’s independent watchdog will investigate what happened. Beth Garza, who was director of the watchdog from 2014 to 2019, said that’s standard procedure after such an event.

“They will look if there is any indication if there is any nefarious or bad acting on any particular generations’ part,” Garza said.

Last week’s power generation outages marked the second time ERCOT has asked Texans to cut back on electricity use since February’s storm. Garza and other experts also raised concerns about the winter storm’s impact on “thermal” sources of energy, which in Texas are largely powered by natural gas plants.

“One thing I’d be curious about: What the effects of February’s cold weather was on thermal units,” Garza said. “Was some of that being worked on and fixed (last week)?”

The winter storm shut down a huge chunk of Texas’ natural gas supply chain, including natural gas power plants. But in the aftermath of the storm, politically powerful natural gas companies, and their regulators, mostly [avoided harsh criticism](#) from state lawmakers. Regulators even [went as far as defending the industry through a public relations campaign](#).

Lawmakers did, however, pass legislation requiring power plants to build protection against extreme weather, a process called weatherization. But critics said lawmakers [did not require all parts](#) of the state’s electricity supply chain to weatherize.

Of the approximately 12,000 megawatts of generation offline last Monday, about 9,600 megawatts, or nearly 80% of the outages, were from thermal power sources, according to ERCOT.

Less than 500 megawatts of thermal generation offline last Monday were planned to be out for maintenance, ERCOT officials said.

That data undercuts Gov. [Greg Abbott](#)’s [claim](#) last week that the power plants that went offline were undergoing repairs to prepare for the summer heat. Power plants typically undergo maintenance repairs in the spring.

In April, [the last time ERCOT asked Texans to cut back electricity use](#), the supply of electricity to the power grid was struggling to keep up with demand because a large number of power plants were offline — some due to repairs from the February storm — combined with higher demand

than ERCOT predicted.

ERCOT has not said if last week's plant outages were related to April's outages.

A more unpredictable and less relied upon power source — wind — also did not provide much power generation to the grid last week while the power plants were offline.

Power from wind turbines last Monday afternoon was between 3,500 to 6,000, according to ERCOT, which was 1,500 megawatts lower than what the grid operator typically expects during the peak time of usage in summer afternoons.

Cohan, the Rice University professor, said he's more worried about the grid's overall performance than the fact that the wind was barely blowing last week.

“This is our primetime season, power plants are supposed to be ready to go for the summer and to generate as much as possible on summer afternoons,” Cohan said. “So it is concerning that so many plants weren't ready last week. And last week was really just a trial run. We're likely to have temperatures at least 10 degrees warmer and demand 10% higher on hotter days in July and August. This grid wouldn't have been ready for it.”

---

## Wayne Christian announces reelection campaign

By Chad Hasty

KFYO

June 23, 2021

**Texas Railroad Commissioner Wayne Christian** has announced that he will run for reelection in 2022. Christian is wrapping up his first term as a Railroad Commissioner in Texas.

Prior to serving on the **Texas Railroad Commission**, Christian served in the Texas House for seven sessions and has worked in business, banking, and real estate. He is a conservative Republican who has a passion for protecting Texas energy.

Despite the job title, the **Texas Railroad Commission** does not actually regulate the railroads in Texas. Instead, The **Texas Railroad Commission** regulates the oil and gas industry in Texas.

According to Christian's campaign press release, he is seeking reelection while having the support of the other commissioners.

Christian announces his bid for re-election with the support of his two colleagues on the Commission, **Chairman Christi Craddick** and **Commissioner Jim Wright**.

“Wayne has proven himself to be a principled conservative leader over the years, and this agency needs his continued service to Texas in order to maintain our energy dominance and security,” said Chairman Craddick. “I have enjoyed working with Wayne on a variety of issues and I am pleased to endorse my friend and colleague so that we can continue to work together in the future.”

“Wayne has been a tireless advocate for energy independence, grid reliability, and keeping energy costs low for consumers,” said Commissioner Wright. “I am proud to endorse him for re-election.”

Election season is just now beginning to heat up with candidates announcing their campaigns for different offices. Just recently, Texas Agriculture Commissioner Sid Miller announced he would be running for reelection.

---

## **Permian Deep Rock to hold meetings about drilling near Airpark**

By Stewart Doreen

Midland Reporter-Telegram

June 22, 2021

A plan to develop minerals under Midland Airpark could land the city of Midland more than \$180 million over 20 years.

Permian Deep Rock told the *Reporter-Telegram* it will conduct three information sessions about the project over the next week.

The first will take place at 6:30 p.m. Wednesday at Bush Convention Center. A second information session is set for 6:30 pm. Monday at Martin Luther King Community Center, 2300 Butternut Lane. The last session will take place 6:30 p.m. June 29 at Hampton Inn, 5011 Loop 250 Frontage. These public meetings have previously been published in the Reporter-Telegram.

The information sessions are part of the effort that the Midland City Council and Permian Deep Rock have made to let residents around the area and in the community know about the safety measures, noise control and traffic control during the drilling process. Wayne Bailey, vice president of Land and Legal for Permian Basin Deep Rock, said it is important to be proactive and tell business owners and even those living in nearby apartments (but not within so-called critical distance) of the process.

“This is what Fasken did when it drilled on the west side of town,” Bailey said.

One point likely to come up is that there will be no interference with those wanting to use the city’s Citizens Collection Center, which also is located nearby. Bailey stated city and Permian Deep Rock officials have made plans to not disturb recycling and large-item disposal activity at the collection center. Plans include trucks involved in the drilling process will enter the area from the north as Permian Deep Rock will build its own road connecting with Big Spring Street (north of the Starbucks). Trucks and other vehicles will then exit the drilling location west of the collection center.

Bailey said that benefits to the city will include royalty and fees. For instance, the city can expect an immediate payment of \$9.452 million for pipeline, well-permitting and bonus payments. Over a 20-year period that amount should grow to \$182.635 million. He said that figure depends on the price of oil and productivity of the wells but is very realistic.

Bailey also said those in an area west of Big Spring and between Wadley Avenue and Cuthbert have been contacted already about their own royalty payments. That includes schools, nonprofits, churches and homeowners.

Permian Deep Rock, a David Arrington company, is experienced in “urban drilling,” having drilled 40 wells in a 3-mile span (from Cotton Flat to Fairgrounds) along I-20 in south Midland. Bailey stated that the company will go through the permitting process for each well between now and the end of the year. That process involves going before the Midland City Council. He added that those attending an information session will learn more about the process, including the use of noise-cancelling equipment and electronic motors for rigs and completion machinery.

---

## **Abbott vetoes Craddick’s ‘bad faith wash-out’ bill**

By Stewart Doreen

Midland Reporter-Telegram

June 21, 2021

The Legislative Reference Library of Texas reported Gov. Greg Abbott recorded 21 vetoes during the 87th regular session. One of those was on an oil-and-gas bill authored by Midland’s Tom Craddick.

House Bill 4218 eliminates the ongoing practice of bad faith washouts, which according to Craddick’s office is “when a lessee cancels an oil-and-gas lease in order to wipe out an overriding royalty owners interest, then taking another lease on the same property under which they do not have to pay the overriding royalty interest owner anything.”

“Texas courts have repeatedly looked at the concept of a bad faith washout of a royalty owners’ rights,” Craddick wrote in a post-session release.

“This behavior is detrimental to the royalty owner and quite frankly adverse to basic contract tenets and fairness” Craddick stated in a press release after the session. “While the courts keep seeing these types of situations, they have repeatedly stated it is hard to identify and hard to prove without legislative guidance.”

The House voted 148 to 0 with 1 voting present on HB 4218, and the Senate 31-0 for its passage.

In vetoing the bill, Abbott offered the following:

“Texas prizes the freedom of parties to enter into private contracts and to have their bargains enforced. House Bill 4218 would contravene these principles, representing a remarkable intrusion by the state into the contractual relationship between overriding royalty interest-holders and oil-and-gas lessees. The Legislature sought to address a “wash out” of an interest-holder, where a lessee allows the lease to terminate—which extinguishes the royalty interest under some contracts—and then acquires a new lease on the same property. But those are contractual rights the parties bargained for, and the interest-holder could have given something up in exchange for protection from a wash out. The answer is not to trample every such contract in Texas and provide an extra-

contractual cause of action against the lessee, paired with an award of fees for the lawyers who will surely seek out these claims. Instead of enriching lawyers through costly litigation on the back end, as House Bill 4218 would do, Texas law should encourage the parties to negotiate wash out protections in advance.”

---

## **Texas adds 1,600 oil exploration and production jobs in May**

By Paul Takahashi

Houston Chronicle

June 24, 2021

The oil exploration and production sector in Texas added 1,600 jobs in May as the industry steadily recovers from the worst oil bust in decades.

The sector has added 12,500 jobs since job losses bottomed out in September and as coronavirus vaccines have lifted the U.S. economy and demand for crude and petroleum products. Oil drilling and extraction companies employed 170,000 workers in Texas in May, according to data from the Texas Workforce Commission analyzed by the Texas Oil and Gas Association.

“The positive numbers are welcomed news, yet a great deal of caution exists as the world readjusts to increased demand levels,” TXOGA President Todd Staples said in a statement.

Texas lost about 60,000 exploration and production jobs during the global pandemic, which slashed demand for crude and petroleum products such as gasoline and jet fuel. Nationally, the oil and gas industry lost an estimated 107,000 jobs during the pandemic, according to global consulting firm Deloitte.

The number of drilling rigs in Texas fell by more than 60 percent in 2020, dropping to a record low 100 in August, the lowest number since oil-field services firm Baker Hughes started the weekly tally in 1944. The rig count has since improved to 470, adding more than 100 rigs so far this year, as crude prices have crossed above \$70 a barrel.

Don’t expect oil exploration and production jobs to recover quickly, however. Oil’s recovery remains tenuous as OPEC and its allies gradually ramp up production to meet growing demand and as new coronavirus strains run amok in countries like India.

Despite rising crude prices and growing revenues, oil companies also have promised shareholders to maintain capital discipline, part of a broad industry-wide effort to woo back investors to the battered energy sector.

Robotics and automation could also slash more oil and gas jobs by 2030 as oil companies continue to streamline operations and find efficiencies after recent oil busts.

---

## Cash Flow of world's oil drillers heads for record \$348 billion

By Kevin Crowley

Bloomberg

June 23, 2021

The world's publicly traded independent oil producers will make record profits this year, surpassing the levels reached when crude hit an all-time high near \$150 a barrel more than a decade ago, according to Rystad Energy.

Combined free cash flow from the sector is expected to surge to \$348 billion, beating the previous high of \$311 billion in 2008, Rystad said. Key to the turnaround is U.S. shale, with the industry expected to reverse years of losses in 2021 and make "super profits" of nearly \$60 billion of free cash flow before hedges.

Surging oil prices will add to producers' revenue, but profits will be super-charged by executives determined to constrain capital spending on new output, the Oslo-based consultant said in a note authored by Espen Erlingsen, head of upstream research. This is the opposite of previous cycles, when crude rallies prompted companies to spend heavily on exploration and production in search of fresh supplies.

But the forecast raises questions about how disciplined producers will remain about keeping output in check as the surge in crude prices drives outsized profits. So far, explorers have largely heeded investor pressure to rein in spending and return cash to shareholders. While the industry's revenue is expected to jump 55% in 2021 from last year, capital investment will only increase 2%, Rystad said.

All the money sloshing around may spur more mergers and acquisitions, however, with transaction values already up 30% on last year, the research firm said. Brent oil prices are up 46% this year to trade above \$75 a barrel, with some traders and executives seeing the possibility of [a rally to \\$100](#).

---

## Big Oil CEOs join traders in seeing possibility of \$100 oil

By Kevin Crowley and Francois de Beaupuy

Bloomberg

June 22, 2021

The bosses of some of the world's biggest oil companies said crude prices are likely to keep rising because a lack of investment will curtail future supply.

The chief executive officers of Royal Dutch Shell Plc and TotalEnergies SE joined major commodity traders and banks in predicting that oil could go as high as \$100 a barrel, although they also said volatile markets could drive prices back down again.

The lack of investment is "going to exacerbate supply and demand tightness as the economies pick back up again, and then in time we'll see supply pick up and rebalance," Exxon Mobil Corp. CEO Darren Woods said at the Qatar Economic Forum Tuesday. But "in the shorter term probably



higher prices” are more likely.

Trading house Trafigura Group said oil could top \$100 a barrel over the next year. Bank of America Corp. also forecast this week that prices could jump to that level and Goldman Sachs Group Inc. said it doesn't rule it out. Oil has climbed 44% this year as widespread vaccinations increase mobility and boost demand. Benchmark Brent crude was little changed at 2:55 p.m. in New York at \$74.90 a barrel.

Global oil markets had one of the most turbulent years in history last year with the coronavirus pandemic sending prices crashing. But economies in the West are growing again, roads in Europe and the U.S. are starting to fill up, and more Americans are flying. While that could drive prices higher in the near term, the energy transition means oil consumption could start to plateau and eventually decline in the longer term.

The energy shift means there hasn't been enough investment in oil and gas projects and that could push prices higher, Qatari Energy Minister Saad al-Kaabi said at the same event. BP Plc CEO Bernard Looney said earlier Tuesday that rising crude is helping the company's energy transition plans and generating better cash flow and returns for shareholders.

There's "quite a chance" of reaching \$100 a barrel, "but we could see again in coming years some low prices," TotalEnergies CEO Patrick Pouyanne said. "We've been accustomed to volatility."

The Qatar Ministry of Commerce and Industry, Investment Promotion Agency Qatar and Media City Qatar are underwriters of the Qatar Economic Forum, Powered by Bloomberg.



**Andrew Keese**

Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: June 25, 2021

June 25, 2021 at 1:38 PM EDT

To: NewsClips

---

## **Texas adopts grid weatherization & securitization measures**

By Myles Reynolds, Tab R. Urbantke, and Lauren Freeland

Lexology

June 22, 2021

In mid-February 2021, Winter Storm Uri brought historic weather conditions and multiple days of record-low temperatures to the Midwest and Texas. This historic event contributed to failures in the natural gas supply chain and at generating facilities, ultimately leading to significant interruptions of power supply in the Electric Reliability Council of Texas (“ERCOT”) power region. Power outages persisted for several days and the fallout became a top priority of the 87th Texas Legislature. Legislators filed over 180 winter storm-focused bills this regular session, which ended May 31, 2021. Governor Greg Abbott, however, signed a much smaller number into law, and some observers are already calling for a special session to address additional reforms. For now, the natural gas and utility/power industries are facing two sets of new laws that will impact the bottom line: (i) weatherization of the natural gas supply chain, generation facilities, and electric transmission and distribution facilities; and (ii) securitization measures to address extraordinary costs incurred by various ERCOT market participants because of Winter Storm Uri.

### **Weatherization:**

S.B. 3 (effective June 8, 2021) is the omnibus Uri-related bill coming out of the session. Among many other provisions that will affect the electricity utility industry in Texas, S.B. 3 requires the **Railroad Commission of Texas (“RRC”)**, in collaboration with the Public Utility Commission of Texas (“PUCT”), to designate natural gas supply chain facilities that are “critical” and require operators of such facilities to implement measures to prepare to operate during a weather emergency. Utilities, however, maintain their discretion to prioritize power delivery and restoration as circumstances require. The **RRC** must report un-remedied violations of these provisions to the Texas Attorney General. The **RRC** must also adopt a rule requiring an operator of a gas supply chain facility that experiences repeated or major weather-related forced interruptions of production to retain a **RRC** third party to assess the operator’s weatherization plans and submit the assessment to the **RRC**. The penalty for a violation of these provisions can be up to \$1 million for each offense, and the **RRC** is required to establish a classification system for assessing violations based on their seriousness and other factors.

S.B. 3 also contains weather emergency preparedness provisions applicable to municipally owned utilities, electric cooperatives, power generation companies, and exempt wholesale generators selling power in ERCOT. The bill requires the PUCT to implement rules similar to those required of the **RRC**, so that each of the entities providing electric generation service must implement measures to prepare its generation assets to provide adequate electric generation service during a weather emergency according to reliability standards that the PUCT will adopt. ERCOT has been tasked with inspecting generation assets for compliance with those standards and reporting violations to the PUCT. As with gas supply chain facility operators, generation assets that experience repeated or major weather-related forced interruptions of service, must retain a third party to assess the provider’s weatherization plans and submit the assessment to the PUCT and

ERCOT. The PUCT must impose an administrative penalty on any entity that violates the rules implementing these provisions of the bill. Notably absent from S.B. 3 is a provision that would have mandated wind and solar generators to purchase ancillary services to shore up the intermittency of their output.

Yet another section of S.B. 3 requires that each electric cooperative, municipally owned utility, and TDU providing transmission service in the ERCOT power region must implement measures to prepare the cooperative's or utility's facilities to maintain service quality and reliability during a weather emergency according to standards adopted by the PUCT. Again, ERCOT has been tasked with inspecting the facilities for compliance with the reliability standards and reporting to the PUCT any violations that are not timely remedied, and the PUCT must then impose administrative penalties.

S.B. 3 also creates the Texas Electricity Supply Chain Security and Mapping Committee tasked with, among other things, establishing best practices to prepare facilities that provide electric service and natural gas service in the electricity supply chain to maintain service in an extreme weather event. These best practices will be included in a report submitted by the committee to the Governor, the legislature, and the Texas Energy Reliability Council, along with recommended oversight and compliance standards.

As the PUCT and the **RRC** implement these changes, participation by industry stakeholders will be critical. Administrative rulemakings are already underway. Currently, it is unclear how onerous the new weatherization/reliability standards will be, how long an entity will have to remedy alleged violations, or how steep the penalties may be for specific violations. During the June 3, 2021 PUCT open meeting, PUCT staff set forth an initial timeline for its rulemakings. Thus far, the PUCT has opened Project No. 51840, *Rulemaking Establishing Electric Weatherization Standards*, which has a planned July 1, 2021 release of a strawman rule and a projected August 26, 2021 publication of a proposed rule. The PUCT has also opened Project No. 51888, *Review of Critical Load Standards and Processes*, although it has not released a timeline and it is unclear how the PUCT and the **RRC** will "collaborate" on these rules as required by S.B. 3.

### **Securitization:**

H.B. 4492 (effective June 16, 2021) allows the use of securitization to cover two categories of costs: the approximately \$800 million that ERCOT is owed from defaults by market participants on payments owed during the storm; and the "uplift balance" consisting of approximately \$2.1 billion in ancillary service charges and reliability deployment price adders imposed during that period. For the first category, the financing is to come from the state's economic stabilization or "rainy day" fund balance and is to be repaid by ERCOT market participants through default charges established by the PUCT. For the second category, ERCOT is authorized to finance the uplift balance on behalf of market participants through debt obligations.

S.B. 1580 (effective June 18, 2021) provides for the use of securitization by electric cooperatives to finance "extraordinary costs" incurred due to the winter storm. The extraordinary costs include costs incurred by an electric cooperative for power and energy purchased during the storm in excess of what would have been paid for the same amount of power and energy at the average rate paid in January 2021. Extraordinary costs also include costs and expenses incurred by electric cooperatives to generate and transmit power and energy during the storm, including fuel costs, operations and maintenance expenses, overtime costs, and more, as well as any charges imposed

on the electric cooperative or its power supplier by the applicable independent system operator ( *i.e.* , ERCOT) or regional transmission organization for costs relating to the period of the storm. The bill also instructs the PUCT to require all market participants to pay or make provisions for the full and prompt payment of amounts owed to ERCOT, calculated according to the ERCOT protocols in effect during the winter event, in order to continue to qualify as a market participant. Brazos Electric Cooperative, now in bankruptcy, unsuccessfully petitioned Governor Abbott to veto this bill and H.B. 4492. It cited the financial burdens the legislation would place on Brazos customers and the possibility that it may be unable to satisfy the terms of S.B. 1580 and have to exit the ERCOT market.

H.B. 1520 (effective June 16, 2021) allows the securitization of excess costs incurred by certain gas utilities due to the winter storm. To accomplish this securitization, the bill provides for the creation of an issuing financing entity that will issue customer rate relief bonds to be approved by the **RRC** , and the obligation to repay the bonds sits with the issuing financing entity.

---

## **Oil and gas jobs inching back up from pandemic lows**

**“The positive numbers are welcomed news, yet a great deal of caution exists as the world readjusts to increased demand levels,” one industry association leader said.**

By Jessica Corso

San Antonio Business Journal

June 24, 2021

Texas gained a small number of oil and gas workers in May, though it still has a ways to go before gaining back all the oil sector jobs lost during the pandemic.

The latest figures from the Texas Workforce Commission show an increase of 2,000 jobs in the oil, gas and mining sector in the state from April to May. At the end of May, the sector employed 183,500 people statewide, according to the data.

That’s just slightly above the number of oil and gas field workers employed in the state in May 2020 but still well below the 233,000 employed in the industry before Covid-19 shut down the U.S. economy. Workforce Commission data shows that, at its peak, Texas’ mining sector employed 320,000 in November 2014. The data only goes back as far as 2012.

Still, the Texas Oil and Gas Association celebrated the May job gains. The industry association counted 1,600 new jobs in the upstream sector in May—though oil and gas drilling makes up the largest portion of the mining jobs in the state, there are other jobs that are rolled into the same category.

“The positive numbers are welcomed news, yet a great deal of caution exists as the world readjusts to increased demand levels,” TXOGA President Todd Staples said in a statement.

Keeping residents indoors to avoid the spread of Covid-19 meant fewer people traveling and, as a consequence, a lower need for car and jet fuel. The industry was also dealing, simultaneously, with a dispute between Russia and Saudi Arabia that caused production volumes to skyrocket just as

stay-at-home orders were being imposed across the nation.

The double-whammy caused oil prices to plunge below zero for the first time in recorded history but demand has grown with an increase in travel since February 2021, though gasoline consumption remains below 2020 levels, according to the U.S. Energy Information Administration.

Bexar County's reliance on oil and gas drilling jobs is low—the jobs make up less than half of one percent here, according to TWC data. But some counties that lie in the Eagle Ford Shale just south of Bexar are heavily reliant on the industry.

For example, 12.5% of Atascosa County workers are employed in oil and gas, according to the TWC. The county is one of eight that make up the San Antonio metropolitan statistical area, according to the U.S. Census.

---

## **As gasoline prices rise, Biden has a problem at the pump**

By James Osborne  
Houston Chronicle  
June 25, 2021

WASHINGTON – Earlier this week, Rep. Jim Jordan, R-Ohio, [took to Twitter](#) to point out that gasoline prices have risen 86 cents gallon over the past year to a national average above \$3 a gallon, adding the tag line, “President Biden’s economy.”

Seventeen months from the midterm elections, the implications were clear. With Biden in the White House, promoting a historic shift towards clean energy in a race against climate change, Americans would come to expect higher energy costs.

Rising gasoline prices, like higher taxes, have long presented danger for politicians as voters notice bigger chunks of their earnings going into their gas tanks, but Biden potentially faces a bigger risk of a backlash. While political leaders in the past could blame higher [gasoline prices](#) on the ups and downs of global oil markets or the greediness of OPEC, Biden’s messaging on climate change — including moves to lower oil production — just as gasoline prices rise presents a particular political challenge.

“It’s an easy move to say Biden is doing all this stuff on the environment and it’s causing gas prices to rise. There’s little evidence of that, but that has never gotten in the way of a good political argument,” said Frank Maisano, a Washington communications consultant. “You never want to be on the rising end of gas prices from a political standpoint. It’s what people see every day. You can drive past 12 gas stations on the way home, and the prices are blaring out.”

Gasoline prices have risen to the highest levels since 2014, rebounding from some of the lowest in years following a collapse of demand during the pandemic that at one point [drove oil prices into negative territory](#). Now, economists say, as people get vaccinated and infection rates decline, [economic activity is resuming and with it demand for oil](#), driving up fuel prices.

The Biden administration has tried to counter criticisms over rising gasoline prices with that very argument. [Biden Chief of Staff Ron Klain tweeted](#) in response to Jordan that gasoline prices were low last year because, “the pandemic limited travel and the unemployment rate was over 13 percent.”

“June 2020 vs. June 2021? Happy to have that debate,” he wrote.

But like all things political, reasoned analysis does not necessarily win an argument.

Rep. Henry Cuellar, a pro-oil Democrat from South Texas, scoffed at the notion that Biden was responsible for the rise in fuel prices. But he said that might not make much difference to voters in his district, for whom Biden’s decision to pause federal oil and gas leasing and block the Keystone XL pipeline is a big deal.

“You have demand going up, so you’re going to see prices go up. But at the same time (the Biden administration has) to be very careful what they do,” he said. “If you continue on like with Keystone or not opening up new leases, then Republicans can certainly turn around and use that against Democrats.”

Following the hack of the Colonial Pipeline in May, which caused fuel shortages across the eastern United States, Republicans including [House Minority Leader Kevin McCarthy and Wyoming Congresswoman Liz Cheney blamed Biden administration policies](#) for the price spike.

“From cancelling the Keystone Pipeline to banning new oil and gas leasing on federal lands, Biden’s energy policies are having devastating consequences,” Cheney tweeted “We’ve already seen a glimpse of this devastation with prices skyrocketing and gas shortages hitting communities across the country.”

### **Magic moment**

The effectiveness of such messaging is hard to gauge. [Patrick De Haan](#), head of petroleum analysis at the fuel-price tracking website Gas Buddy, said that considering the events of the last year, higher gasoline prices were not taking much space in the minds of American motorists who are likely thrilled to be traveling again.

“It’s not as much a pinch point if it wasn’t coupled with a strong rebound in the economy,” he said. “This is not like 2008, with gas at \$4 a gallon and pizza delivery and everything else through the roof.”

Since late 2014, when the U.S. fracking boom and a refusal by the OPEC cartel to lower production combined to drive down gasoline prices more than 40 percent in just six months, Americans have enjoyed relatively good deals at the pump. Until now, the highest average monthly prices came in the summer of 2018, reaching an average price of \$2.99 a gallon in May, and prompting then president [Donald Trump to turn his Twitter ire on OPEC](#).

“They continue to push for higher and higher oil prices! We will remember. The OPEC monopoly must get prices down now!,” he wrote in June 2018.

Gasoline prices did eventually come down, but not until October when the summer driving season had ended and demand for gasoline slipped. Considering the high rate at which Americans are

getting out of town this summer, Biden could well expect a similar drop in gasoline prices this fall, Maisano said.

“It’s always a big deal in the moment, but the moment never lasts,” he said. “Six months from now it’s going to be completely different.”

james.osborne@chron.com

Twitter.com/@osborneja

---

## **Congress restores pre-trump era methane-gas emissions standards President Biden is expected to sign the measure restoring Obama-era emission limits**

By Katy Stech Ferek

Wall Street Journal

June 25, 2021

Congress has moved to restore environmental regulations to limit the amount of methane that leaks from U.S. oil and gas production facilities, reversing a Trump era rollback for the greenhouse gas.

The American Petroleum Institute, the oil industry’s top lobbying group, encouraged former President [Donald Trump](#) to undo 2016 Obama-era methane rules, the first ever federal restrictions on the gas. Regulators said the rollback would save energy producers \$100 million a year in compliance costs.

The House voted 229-191 Friday [to eliminate those U.S. Environmental Protection Agency rules](#) issued last year that eased restrictions on methane gas emissions, including by excluding transmission and storage facilities from limits and cutting compliance measures.

The [Senate passed](#) the rollback in April in a 52-42 vote. President Biden is expected to sign the measure, which would mark one of the first major federal actions toward reaching his goal of cutting U.S. emissions from their 2005 level in half within the decade.

The White House hasn’t explained how it plans to reach that target. Mr. Biden is pushing for heavy federal spending on innovations such as more efficient batteries and carbon capture technology, measures that could reduce emissions down the line.

Methane, a component of natural gas, can escape as it moves through millions of miles of pipelines on its way to production facilities.

The push to restrict methane emissions came after scientists, whose early climate research focused on carbon dioxide, realized that the gas is more potent at trapping the earth’s heat.

Leak data has also become more reliable over the past decade, bringing the role that the gas plays in climate change into clearer view, said Mark Brownstein, senior vice president of energy at the nonprofit Environmental Defense Fund. Before the data, the odorless, clear gas made it easy for

industry groups to “pretend the problem was minimal or didn’t exist.”

Researchers said recently that cutting methane emissions from energy production, agriculture and other industry sectors could slow the rate of the planet’s warming by as much as 30%.

The oil and gas lobby initially fought methane regulations but has recently eased up on that effort, including API which now says it supports federal methane regulations.

Major oil and gas producers— [Royal Dutch Shell](#) PLC, [Exxon Mobil](#) Corp. , [BP](#) PLC— said they support methane regulations as they face pressure from investors on climate issues. The costs of the methane restrictions reimposed by Congress will weigh more heavily on smaller operators, industry officials said.

“Keeping methane in the pipes is good for the planet and for business,” said Mary Streett, senior vice president of BP’s U.S. communications & advocacy. “It means that we can sell it as a cleaner fuel source rather than losing it.”

The measure drew opposition from several Republican members who criticized it for the costs it would impose. ”American oil and gas producers are reducing drilling investments, costing jobs and increasing the likelihood of continued price spikes at the pump and at the grocery store,” said Rep. Bill Johnson (R., Ohio) in debate that took place before Friday’s vote.

Methane is likely to be a continued focus of the Biden administration and its climate-focused efforts. In his first day in office, Mr. Biden set a September deadline for EPA officials to consider additional methane emissions limits from oil and gas operations.

Congress also proposed to restrict emissions further. In April, the House Natural Resources committee passed a bill from Rep. Diana DeGette (D., Colo.) that sets methane emissions limits for energy producers and would ban flaring and venting at natural-gas drilling sites on public lands. Roughly 10% of U.S. oil and gas comes from public lands.

Write to Katy Stech Ferek at [katherine.stech@wsj.com](mailto:katherine.stech@wsj.com)

---

## **Texas House Democrats and legislative staffers take Gov. Greg Abbott to court for defunding Legislature**

**The governor had vowed to veto the Legislature’s funding in the final hours of the regular legislative session in May after House Democrats broke quorum and left the chamber to prevent passage of a controversial elections bill.**

By Cassandra Pollock

Texas Tribune

June 25, 2021

A group of Texas House Democrats and legislative staffers is asking the Texas Supreme Court to override Gov. [Greg Abbott](#)’s recent [veto of a portion of the state budget](#) that funds the Legislature, staffers there and legislative agencies.



More than 50 Democrats, a number of state employees and the Texas AFL-CIO have signed on to a petition for a writ of mandamus, which was filed Friday morning.

“The state is in a constitutional crisis at this moment,” said Chad Dunn, an attorney involved with the petition, during a briefing with reporters Thursday.

The governor had vowed to veto the Legislature’s funding in the final hours of the regular legislative session in May after House Democrats broke quorum and [left the chamber](#) to prevent passage of a [controversial elections bill](#). That legislation, an Abbott priority, would have created new limitations to early voting hours, increased voting-by-mail restrictions and curbed local voting options.

The petition argues that Abbott exceeded his executive authority and violated the state’s separation of powers doctrine. The parties involved with the petition are asking the all-Republican court to find Abbott’s veto unconstitutional, which would allow Article X of the state budget, the section at issue, to become law later this year.

State Rep. [Chris Turner](#), a Grand Prairie Democrat who chairs his party’s caucus in the lower chamber, told reporters Thursday there are roughly 2,000 employees in the state’s legislative branch that would be affected by Abbott’s veto if it stands.

Lawmakers receive \$600 a month in addition to a per diem of \$221 every day the Legislature is in session for both regular and session sessions.

“This isn’t about [lawmakers’] paychecks,” Turner said during the briefing. “What he’s doing is hurting our staff and hurting our constituents.”

Abbott’s veto pertains to the upcoming two-year state budget that doesn’t take effect until Sept. 1. The issue could get resolved next month when state lawmakers return to Austin for [a special legislative session](#) starting July 8. If Abbott includes legislative funding on the agenda, lawmakers could pass a supplemental budget to restore funding and prevent employees potentially going without a paycheck. That document, if the Legislature passed it, would first need a sign off from Abbott before it could go into effect.

In the meantime, the petition is asking the court to proceed on an expedited schedule to help resolve the issue by Sept. 1.

“That’s what happens when one branch gets in a conflict with another — the third leg of the stool steps in and resolves it,” Dunn, the plaintiffs’ attorney, said. “That’s what we’re doing here.”

---

**Opinion: These states lead the way on pension reform**  
**Arizona, Michigan and Texas are showing how to create resilient systems for government retirees.**

By Leonard Gilroy and Steven Gassenberger

Wall Street Journal

June 18, 2021

State and municipal debt has tripled since 2000, with unfunded public pension liabilities mostly to blame. After 20 years of inadequate funding policies, failure to meet overly [optimistic investment return targets](#), and other factors, state and local government pension systems are now \$1.5 trillion in debt.

That debt is ultimately borne by taxpayers, and like any debt, when unfunded pension liabilities rise, so do the costs of servicing it. As pension debt payments start to siphon money away from other government priorities, such as education and infrastructure, some lawmakers are now pushing for much-needed reforms.

In Texas, the state Legislature passed a major pension reform that tackles the Employees Retirement System of Texas' nearly \$15 billion in pension debt. The ERS serves more than 300,000 current and retired Texas government workers. But driven largely by rosy investment-return assumptions and a history of underfunding by the state, the system's unfunded liabilities have skyrocketed. The ERS's consulting actuary says the plan will be [insolvent by 2061](#) even if it meets its lofty long-term investment return goals, and as early as 2047 if it doesn't.

The reform legislation commits Texas to paying the bill for retirement benefits promised to workers by shifting the ERS to actuarially based funding and a fixed payoff schedule. The new law also enters all future employees into a new low-risk "cash balance" retirement plan that provides a guaranteed minimum 4% return on investment along with the portability of a 401(k). In short, the reforms would enable Texas to keep the promises made to current and retired workers but would stop making unsustainable pension promises to workers in the future.

The pension reform bill will become law this weekend if Gov. Greg Abbott doesn't veto it, which he hasn't indicated he will do. Texas will then join a growing list of states—including Michigan, Arizona, Pennsylvania and Colorado—that have created or expanded retirement plans that reduce financial risks for governments and can help avoid burdening future taxpayers with more unfunded liabilities.

Arizona and Michigan have enacted more than a dozen substantive pension reform bills over the past five years. Credit-rating agencies and national retirement experts have cited Arizona's public-safety pension reforms. [Moody's Investors Service](#) gave Michigan's teacher retirement reform a "credit positive" review because the state and participating local governments "will no longer carry the entire burden of investment performance risk for new employee pensions."

Pension reform need not be partisan. After gaining input and buy-in from unions for police officers, firefighters and other public employees, New Mexico Gov. Michelle Lujan Grisham, a Democrat, overhauled her state's public-employee pension plan for workers who aren't teachers. "We must make changes now—the alternative is to saddle New Mexicans with unacceptable risk," Ms. Grisham [said](#), urging fellow Democrats to pass reforms. In 2018, Colorado legislators bridged their differences in a divided government to pass comprehensive reforms that increased employee and employer contributions, reduced cost-of-living adjustments, raised the retirement age, and expanded the use of defined-contribution plans for future employees to address the chronic structural underfunding of the state's main public pension system.

Public pension reforms aren't politically easy. With Republicans in control of Florida's state

government and the Florida Retirement System \$36 billion in debt, the state Senate passed a bill that would have closed the state pension plan to new hires. But the bill died in the House because lawmakers couldn't agree on how to pay down the state's pension debt.

Meaningful pension reforms are difficult to accomplish but will be increasingly necessary as state and municipal pension debt service eats up larger chunks of government budgets. State and local leaders seeking to make lasting improvements to government finances should look to Texas, Arizona and Michigan. These states are showing that it's possible to create resilient retirement systems that can promote long-term financial security for taxpayers and public employees alike.

*Mr. Gilroy is vice president of Reason Foundation and senior managing director of its Pension Integrity Project. Mr. Gassenberger is a policy analyst at Reason Foundation.*



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: June 28, 2021

June 28, 2021 at 11:33 AM EDT

To: NewsClips

---

## **The dangers and costs of America's aging oil and gas pipelines**

### **Leak at Texas ranch shows crisis facing the country**

By Joe St. George (Scripps Television National Correspondent)

WTVF

June 25, 2021

Video story on webpage: <https://www.newschannel5.com/news/national-politics/the-dangers-and-costs-of-americas-aging-oil-and-gas-pipelines>

MONAHANS – Every day millions of oil and gas wells perform just like they are supposed to in the United States, providing the energy that helps fuel the American economy.

However, when something does go wrong, it creates fear and anxiety for anyone who lives nearby.

### **ANTINA RANCH LEAK**

“We are at the bottom of an ancient sea,” Sarah Stogner said, she is an energy lawyer in Midland, Texas.

Stogner is taking us on a tour of her client's ranch about an hour outside of Midland in an area rich in natural resources.

The first stop is an active leak at one of the old wells on the 20,000-acre ranch.

“We actively have a well flowing uncontrolled to the surface,” Stogner said as she walks to the site.

Stogner points out that the water coming out is actually brine.

“We are going to have to monitor the ground water,” Stogner said.

“It has benzene in it. I'm not a doctor, but we know benzene is a carcinogen,” Stogner said.

“The biggest thing that caused this is the well was drilled in the 1940s, it's been in the ground for 60-something years, it has been exposed to heat, pressure, and chemicals that degrade the quality of the steel pipe,” Stogner added.

### **CONCERN BY RANCH OWNER AND CLEANUP**

Ashley Williams Watt owns this ranch and says having an active leak on your property is especially concerning.

“I don't know what's in that water,” Williams Watt said.

Williams Watt is concerned about her cattle, which graze the ranch and drink the groundwater.

“I have no confidence that it's drinkable,” Williams Watt said.

This leak is being cleaned up by Chevron, who says they are “taking responsibility” for the leak even though they recently sold the mineral rights on the ranch to another company.

Officials with Chevron say they are committed to protecting the environment and indicated their latest lab results show the cattle are safe because the drinking water meets standards.

After our visit to the ranch, Chevron says they successfully stopped the leak and are continuing to work at the property.

## **NATIONWIDE PROBLEM**

What’s happening at the Antina Ranch is a microcosm of a growing issue facing the United States.

While any leak is a cause for concern, what has energy and government officials even more worried are old wells with issues that have no company claiming responsibility.

According to the EPA, there are an estimated 2 million abandoned and unplugged oil and gas wells across the United States.

When a site doesn’t have an owner willing to clean it up, they are often known as “orphan wells.”

Because orphan wells pose a danger, state governments are forced to clean them up.

Each orphan well cleanup costs taxpayers around \$20,000.

President Biden has proposed in his American Jobs plan \$16 billion to cleanup old oil and gas sites, although it remains unclear if that plan will pass in Congress.

As for Stogner, she just hopes the country gets a handle on the aging energy infrastructure soon.

“We have to fix this,” Stogner said.

---

## **Earthquakes bumfuzzle officials**

### **Texas Railroad Commission, politicians, PBPA wring hands**

By Bob Campbell

Odessa American

June 25, 2021

“Shake, Rattle and Roll” was a fun record by Bill Haley & His Comets in 1954, but the notion is anything but entertaining for Permian Basin residents distressed by the increasingly severe earthquakes that are jarring the region with disturbing regularity.

Apparently caused by the multitude of wells that are used either to enhance oil recovery with the injection of saltwater or to dispose of the brine produced with oil and gas, the quakes have become particularly vexatious along Highway 191 between Odessa and Midland.

The responsible regulatory agency, the **Texas Railroad Commission** , has extensively studied the

situation but has taken no corrective action such as ordering the offending wells shut down.

**Railroad Commissioners Christi Craddick, Wayne Christian and Jim Wright** ducked inquiries while **TRCC spokesman Andrew Keese** of Austin said the agency “is working to establish causality and possible future actions.”

“Protection of public safety and the environment are critical to the **railroad commission’s** mission,” Keese said. “**RRC** staff, including the agency’s seismologist, have been actively examining seismicity between Odessa and Midland.

“The agency requested and has been receiving monthly reports containing daily injection volumes and pressures from a number of disposal wells in that area. New disposal well applications in the area are subject to seismic review guidelines and permitting restrictions.

“This area is also being actively studied by scientists at the Texas Bureau of Economic Geology, which runs the TexNet Seismic Monitoring System, and other academic and industry researchers,” the spokesman said. “The **RRC** has been reviewing that research information.”

The Oilfield Water Logistics Co. has two saltwater disposal wells on the Parks Bell Ranch, but a company spokesman declined comment. OWL has offices in Midland, Dallas and Denver and more than 20 field locations, according to its website.

State Sen. Kel Seliger of Amarillo said the earthquakes “have not been widely reported” and he hadn’t heard much about them from his constituents here. “The **Railroad Commission** hired a seismologist five or six years ago,” Seliger said.

“If there are findings that the wells have caused seismic activity, then yes, the commission should immediately look at those findings and take such action as it is legally entitled to take.”

State Rep. Brooks Landgraf agreed that the ball is in the **RRC’s** court. “I don’t have much information to provide because the issue is mostly internal to the commission,” Landgraf said.

“I’m not privy to that information and I don’t have any control over their decision-making process.”

Alexandros Savvaidis, a research scientist with the Bureau of Economic Geology and manager of the TexNet, told the OA that hydraulic fracturing “could be a factor in West Texas and other areas of the world.

“We are not concluded on any results considering the causes, but they are mostly likely not natural,” Savvaidis said. “We are analyzing the underground locations and depths of the earthquakes. We work with the **RRC** and have quarterly meetings.”

Stephen Robertson, executive vice president of the Permian Basin Petroleum Association, said his organization “has been focused on this for a good number of years and has started monitoring with the **RRC** and TexNet.

“We’re developing information and logs of the most recent events that can be useful to the **RRC** to help determine where the issues are and what they might want to do to alleviate those issues,”

Robertson said. “It’s an area of concern for the PBPA because we want to be good stewards.”

The U.S. Geological Survey on June 14 said there’d been 28 earthquakes in the Odessa area of 2.5 magnitude or less on the Richter Scale in the previous 30 days. Seventy-seven miles west of here, there had been 258 earthquakes of 1.5 magnitude and less around the Mentone area in Loving County in the previous 30 days.

The USGS reported a 4.0-magnitude quake Dec. 31 at a depth of 3.1 miles 11 miles north of Stanton, a 5.0 March 26 at a depth of 2.3 miles 25 miles west of Mentone and a 3.5 May 21 at a depth of 3.1 miles 7.3 miles northeast of Odessa.

A recent report by the Oslo, Norway-based Rystad Energy Co. says the crisis is worsening in West Texas and worldwide.

“Tremors of above the magnitude of 2 on the Richter Scale quadrupled in 2020 and are on track to increase even further in frequency in 2021 if oil and gas activity sticks to its current drilling methods at the same pace,” said the company, an independent energy research and business intelligence firm that provides data, tools, analytics and consultancy services to the global energy industry,” according to its website.

Rystad also has offices in London, New York City, Houston, Moscow, Rio de Janeiro, Singapore, Bangalore, Tokyo and Dubai.

“Data from Oklahoma, Texas, Louisiana and New Mexico shows that earthquakes of above the given magnitude accumulated to a count of 242 in 2017, growing to 491 in 2018, 686 in 2019 and 938 in 2020,” the company said. “Around 570 such tremors have been recorded through the first five months of 2021, meaning we may see a new record this year if the trend continues.

“The trend appears to be moving not only to more frequent but also larger events. So far this year, there have already been 11 individual seismic events of magnitude 3.5 or greater, which can certainly be felt but may not cause any damage — a worrying sign compared to just six such events annually in 2018 and 2019 and 14 events in 2020.

“The biggest oil and gas industry contributor to seismic activity is by far the saltwater disposal through underground injection, and the volume of disposed water climbed sharply from 2011 through 2019 before tapering off a little in 2020 due to lower activity caused by the COVID-19 pandemic.

“While the U.S. onshore sector’s water disposal in 2011 was limited to 7.7 billion barrels, the volumes quickly built up over the next years to around 10 billion barrels between 2014 and 2017. In 2018 disposed volumes reached 11.5 billion barrels and in 2019 about 12.4 billion barrels before retreating to 11.3 billion barrels in 2020.”

“To maintain water disposal at 2020 levels and offset its coming growth, the amount of water that is treated and recycled must instead grow going forward and the cost of doing that could accumulate to above \$1 billion annually for oil and gas producers.”

Rystad Energy Senior Shale Analyst Ryan Hassler of Denver said the costs can vary, “but the Permian Basin has very competitive economics compared to other areas.

“To offset the yearly growth of disposed water that Rystad Energy is forecasting due to the coming boom in the U.S. shale industry, the volumes of treated water must increase from the 1.5 billion barrels seen in 2020 to 1.7 billion barrels in 2021 and 2022, 1.8 billion barrels in 2023 and then rise even further from 2024 onwards as the needs to dispose water will again exceed 12 billion barrels due to increased activity,” Hassler said.

“Earthquakes are not the only environmental issue caused by water disposal. Fresh water sourcing in arid regions of West Texas and New Mexico threaten the water supply of local communities and essential agriculture activities while environmental concerns surrounding the chemical composition of produced water serve only to fan the flames of public antipathy.

“Rystad Energy estimates that by the end of 2022, the Permian Basin, including both the Delaware and Midland sub-basins, could be able to meet between 40 and 43 percent of frac water demand from recycled produced water. To meet this target, additional investment from the midstream space will be required to drive costs down further.”

---

## **Rig count holds steady even as oil prices rise**

By Paul Takahashi  
Houston Chronicle  
June 25, 2021

Oil prices are approaching \$75 a barrel, typically a strong signal to drill, baby, drill.

The number of rigs across the nation actually drilling didn't budge this week, even as the U.S. benchmark price for crude ended the week up more than 3 percent. The soaring recovery of West Texas Intermediate, which settled just below \$74 a barrel Friday, is leading some analysts to predict the price this year will hit \$100, a mark not seen since 2014.

“\$75 oil should be very stimulative to rig count growth,” said Karr Ingham, a petroleum economist with the Texas Alliance of Energy Producers. “But nothing happened when there's a lot of chatter about \$100 oil. You just sort of expect to open a rig count release and see that number go up.”

Instead, the number of operating rigs held steady at 470, according to Houston oil-field services company Baker Hughes and energy research firm Enverus. The rig count, a leading indicator of the nation's oil and gas production, has had a choppy recovery after bottoming out at 244 in August. Last week, the number rose by nine, but in Texas — the nation's largest oil producing state — only two new rigs went online and none were added this week.

Meanwhile, demand for gasoline and jet fuel is ramping up as local economies reopen and travel increases. The demand has pushed the price of WTI up by more than 54 percent this year from less than \$48 a barrel in January.

However, drillers aren't taking \$75 oil as a sign to start drilling hundreds of new wells... at least not yet. Despite rising oil prices, many oil companies remain committed to capital discipline, part of a broad industry-wide effort to woo back investors to the battered energy sector, Ingham said.



Oil companies, instead, have been busy finishing wells that were drilled but uncompleted when the pandemic put a pause on drilling and production last year. With greater scrutiny on routine flaring in the industry, drillers also are taking greater care to line up gathering and pipeline capacity before drilling new wells, Ingham said.

And oil producers have become more efficient at producing more oil from fewer wells, Ingham added. U.S. crude production is running about 2 million barrels a day below its peak of about 13 million barrels a day in early 2020. Texas crude production hit almost 4.7 million barrels a day in April, down from its peak of 5.4 million barrels a day in March 2020, right before the pandemic hit.

Laid off oil-field workers may not have to wait long for the rig count to start roaring back, however. Ingham said it would be difficult for oil companies to remain on the sidelines for too long, especially if oil prices head toward \$100 a barrel as demand for gasoline and aviation fuel takes off.

Drillers have added 119 rigs this year. More than half the gains were in Texas, which has 221 rigs in operation.

“Demand is going up faster than supply is,” Ingham said. “The only remedy to that problem is adding to that supply and raising rig count faster. I’m quite confident that we’ll see the rig count break loose and rise a lot faster in the second half of the year.”

---

## **Industry pushes back against major changes in pipeline cybersecurity rules**

By Jim Magill  
Houston Chronicle  
June 25, 2021

The oil and gas industry is pushing back against efforts to overhaul cybersecurity regulation following the ransomware attack on Colonial Pipeline. Industry representatives assert that revisions to existing rules and closer cooperation with the federal authorities would be sufficient to harden the sector against future attacks without significant government intrusion.

The shutdown of Colonial, which lasted several days and created gasoline shortages along the East Coast, has spurred several proposals for more government oversight of the pipeline industry, including transferring the oversight for pipeline cybersecurity from the Transportation Security Administration – an arm of the U.S. Department of Homeland Security – to the Energy Department. But industry trade groups say these and other big changes are not needed to protect pipelines and critical energy operations, most of which already have cybersecurity measures in place.

The American Petroleum Institute argues that rather than removing cybersecurity responsibility from the TSA, Congress should instead provide the agency with more funding to do its job better. API is also updating its own cybersecurity standards for the pipeline industry that will call for

greater coordination between the industry and the federal government.

“You don’t need to go through a whole regulatory or legislative process to fix something that’s not necessarily broken,” said Suzanne Lemieux, API’s leading cybersecurity expert.

The ransomware attack against Colonial Pipeline, which begins in Houston and carries almost half of the East Coast’s supplies of gasoline and diesel, exposed the vulnerability of the energy networks that power the United States. On May 8, Colonial reported that it was victim of a ransomware attack, in which criminals seized company data and demanded a ransom for its return. Although the company said the hackers did not gain the ability to disrupt pipeline flows, it shut down large segments of its pipeline network in an abundance of caution.

After agreeing to pay a demand for about \$4.4 million ransom, the company returned the pipeline to normal operations on May 15.

### **Vulnerable to cyberattacks**

The incident rekindled a long-running debate on the ability of the nation’s energy sector to withstand increasing cyberattacks.

The attack against Colonial Pipeline was most consequential of its kind against critical energy networks in the United States, but it was by no means the first. Last October, the Cybersecurity and Infrastructure Security Agency, the federal agency responsible for monitoring cybercrimes, reported a cyberattack affecting control and communication assets of an unnamed natural gas compression facility.

The cybercriminals used an emailed spear-phishing link to get into the plant’s information technology network as well as its operations network, then deployed ransomware to encrypt data on both networks. The compressor station shut down for two days, resulting in a loss of productivity and revenue, the Cybersecurity and Infrastructure Security Agency said.

In addition to criminal gangs, cybersecurity experts said, the nation’s infrastructure is vulnerable to cyberattack from countries hostile to the United States. Cyberspace “is the perfect place for nation states to project power and demonstrate their ability to take down a country’s critical infrastructure if they wish,” said Grant Geyer, chief product officer of cybersecurity company Claroty.

The increase in the number and severity of cyberattacks against energy infrastructure targets has led regulators, political leaders and experts to call for greater government intervention into an area that has largely been left to the private industry. Just days after the Colonial Pipeline attack, Richard Glick, chairman of the Federal Energy Regulatory Commission, called for mandatory cybersecurity standards on the pipeline industry, similar to those that FERC imposed on the power system more than a decade ago.

Senator John Cornyn, R-Texas, plans to re-introduce a bill first proposed in 2019 that would give the Department of Energy oversight over both the physical security and cybersecurity of oil and gas pipelines, a spokeswoman said. The legislation would eliminate the role that the TSA and its parent, the Department of Homeland Security, have played in these areas.

### **Cybersecurity standards**

API, however, opposes transferring the oversight for pipelines' cybersecurity efforts from the Transportation Security Administration, which has worked closely with industry since the agency was created in the aftermath of the terrorist attacks of Sept. 11, 2001.

"TSA has been working with the pipeline sector for the last 20 years," said Lemieux, API's cybersecurity expert. "They know the companies; they know the operations; they understand how pipelines work."

Lemieux pointed to a security directive the Transportation Security Administration issued on May 28, as an example of how the agency collaborates with the pipeline companies to improve the industry's cybersecurity posture. This directive, which is aimed at about 100 oil and gas pipelines designated as part of the nation's critical infrastructure, calls for operators to report cybersecurity incidents to the Cybersecurity and Infrastructure Security Agency within 12 hours.

Lemieux said API representatives are meeting with TSA officials to discuss how regulators plan to implement the directive, especially requirements for reporting cybersecurity incidents. She said the rules could prove onerous to the pipeline industry if operators are required to report every unsuccessful email "phishing" attempt on their systems.

"We're not anti-regulation," she said. "We just want smart regulation. It needs to be effective to be implementable."

Other industry groups, including the Interstate Natural Gas Association of America and Association of Oil Pipe Lines, also are calling for the government to take a more cooperative approach to pipeline cybersecurity, rather than imposing new rules or overhauling the regulatory system.

John Stoody, vice president of the Association of Oil Pipe Lines, argued that TSA should limit the scope of information that it requires pipelines to share with the federal government.

"Our biggest desire is for them to get it right, to have the information they need in time that's helpful to the government and to other pipeline operators," he said. "We know that companies of all types get hit by cybersecurity attempts literally hundreds of thousands of times a day, and almost all of these are unsuccessful. There's an easy opportunity to have overly broad requirements that end up wasting a lot of people's time."

### **Evolving cyberthreats**

Meanwhile, the Biden administration and members of Congress are calling for tougher oversight cybersecurity regulation of the pipeline industry.

On a recent visit to Houston to meet with city officials, members of Houston's congressional delegation and energy industry leaders, Energy Secretary Jennifer Granholm said the government should institute improved cybersecurity standards for the oil and gas industry, similar to those imposed on the electric transmission industry. Those requirements include training workers in cybersecurity, establishing electronic security perimeters, installing physical measures to protect systems, and reporting incidents.

There are no similar regulations for the oil and gas pipeline industry. Granholm acknowledged that imposing such standards would require that pipeline operators make costly investments in

cybersecurity.

“There’s a continuous improvement of methods by cybercriminals,” Granholm said, “and therefore there must be a continuous improvement in what we install for cyber protections.”

The United States led the world in reported incidents of ransomware demands last year, with 23,661, far outpacing second-place Italy with 9,226 demands, according to Emsisoft, a New Zealand software firm. The company estimates that U.S. ransomware attacks cost as much as \$3.7 billion last year.

Eric Goldstein, executive assistant director for cybersecurity at Cybersecurity and Infrastructure Security Agency, said the Colonial Pipeline attack is just the most visible example of the risks threatening public agencies and private companies.

“You had people that were really concerned for a few days about whether they’d be able to fill up their tanks to get to work, and whether gas prices would increasingly put a strain on their budgets,” he said. “Our nation is facing a really urgent cybersecurity risk.”

---

## **Governor signs law creating produced water consortium**

By Mella McEwen

Midland Reporter-Telegram

June 26, 2021

Among the bills just signed by Gov. Abbott was SB 601, which creates the Texas Produced Water Consortium at Texas Tech Consortium.

“This is a big water supply potential,” State Sen. Charles Perry, who authored the bill. State Rep. Dustin Burrows authored a companion bill, HB 3096 in the Texas House.

Perry, who chairs the Senate Committee on Water, Agriculture and Rural Affairs, said there needs to be work done on finding new water supplies.

Speaking with the *Reporter-Telegram* by telephone, the Lubbock Republican said conversations about repurposing produced water for other uses typically start with ‘It’s too expensive.’

By collecting a variety of stakeholders – from industry to environmentalists, he said he hopes discussions can move past ‘it’s too expensive’ to ways to convert produced water into a viable water supply at a viable cost. Having different groups sit across the table from each other is how great ideas come to light, he said.

“There is 27 million acre feet of water that’s injected – some is reused,” he said. “That’s 27 million acre feet times 395,000 gallons,” a tremendous potential for new water supplies.

Converting that much produced water into a new water source that is affordable can only be done in the Permian Basin, Perry said because it could have enough space in aquifers to store that water and recover it for later use. There is also the infrastructure in place to not only recover but

distribute the water, he added. Determining if there is enough aquifer storage space will be among the issues the consortium studies as it looks to leverage existing technology while also finding new ways to recycle and transport water for reuse.

A Technical and Economic Steering Committee will also be established and will consist of field experts who will evaluate the feasibility of projects. Perry predicted there will be different technologies used in different phases of recycling the water to accommodate the water's different qualities.

Agriculture would be the first industry outside oil and gas that could put the repurposed produced water to use, he said.

“The goal is to find out what we don't know, to have that conversation,” Perry said.

The plan has drawn the support of industry officials who likely will be involved in the process. Bill Zartler, founder and chief executive officer of Solaris Water Midstream, called the plan a great step forward.

“It will encourage the faster adoption of recycling in the oil and gas industry in Texas and the identification of opportunities for beneficial reuse of treated produced water outside of the oil and gas industry,” he told the Reporter-Telegram by email. “As one of the leaders in recycling in the Permian, Solaris is already working with the Produced Water Consortium in New Mexico and looks forward to collaborating closely with the Texas Produced Water Consortium.”

John Durand, president and chief sustainability officer at the water midstream company XRI Holdings, told the Reporter-Telegram by email, “The creation of the Texas Produced Water Consortium (TPWC) is a positive development for the state of Texas in combining state regulatory agency collaboration and oversight with private resources to address and study the economics and technology geared to the beneficial use of produced water for possible agricultural and industrial applications in the future. The TPWC will also consult with the New Mexico Produced Water Consortium (NMPWC) which was formed for a similar purpose in 2019.”

Todd Staples, president of the Texas Oil & Gas Association, commented, “Today's oil and natural gas companies are technology companies, and treating, reusing and recycling produced water for beneficial use in the oil patch and beyond is becoming more common thanks to this industry's commitment to innovation. This consortium will allow industry and our partners to build upon pioneering work in produced water recycling and reuse to find even more innovative ways to allow wastewater to be recycled and treated into new drought-proof sources of water, keeping the Texas oil and natural gas industry at the forefront of water conservation, innovation and sustainability efforts in the state.”

---

## **API CEO: Oil and gas holds key to cleaner environment**

By Mella McEwen

Midland Reporter-Telegram

June 25, 2021

Mike Sommers promised straight talk to his audience in the heart of the nation's energy exporting, refining and petrochemicals industry.

Remotely addressing the Houston Economics Club on Wednesday, Sommers, president and chief executive officer of the American Petroleum Institute, offered what he called straight talk about the world's energy needs as debate swirls around just where that energy will come from.

"The world will need more energy, not less, over the next 30 years," he stated. "The world's population is expected to jump from 7.8 billion today to nearly 10 billion by 2050. Energy demand is projected to grow along with population."

That means there will be a need for more crude and natural gas production in the years ahead, preferably more American production because the nation's environmental and safety standards are the best in the world, he said.

Renewables are an important and growing part of the energy pie, Sommers continued, but that pie itself is growing as the population grows. "We need more energy across the board to enable both developed and developing economies to grow."

API and its member companies in the oil and gas industry share global concerns about the climate, Sommers told his audience. But he stressed that, rather than being blamed for climate change, oil and gas can actually provide solutions.

"Climate change is a threat affecting economies worldwide. It's not an issue that can or should be brushed aside. Yet the key to environmental progress in the world isn't the Green New Deal. It's not the Sunrise Movement," he said. "If you need proof, think about 2010, the last time Congress considered climate legislation. Back then, lawmakers estimated that CO<sub>2</sub> would drop by as much as 10 percent below 2007 levels in 2019 if their bill became law. Well, their bill didn't. Instead, industry innovations like hydraulic fracturing and horizontal drilling increased domestic supply and use of natural gas, and U.S. CO<sub>2</sub> emissions declined nearly 15 percent – 50 percent more than what Congress predicted."

Those innovations are continuing to help the industry reduce emissions, Sommers said, and API and its members continue advocating for ways to accelerate development of emissions-reducing technologies. As he was addressing the Houston Economics Club, Sommers' organization was releasing a new template for individual oil and natural gas producers to utilize in consistently reporting and tracking greenhouse gas indicators.

API members are demonstrating for further innovation, new economy-wide market mechanisms and sensible policy proposals, he said.

It's those innovations, many incubated in Texas, that made the US the global energy leader and will lead to the development of fuels that are not only low or net-zero carbon but reliable and affordable, Sommers said.

Oil and gas will continue to play a pivotal role in world energy needs, "whether it's produced in the US or in other regions" creating jobs and prosperity for those regions rather than the US, he continued.

“The surest way to stall America’s economic recovery is to remove affordable energy from the picture – with more regulations, more restrictions, more taxes. Nothing less than our economy and national security are at stake if Washington handcuffs this industry like that,” Sommers said.

To build a better world for all, he concluded, “it’s imperative to allow energy development and environmental progress. Texas knows how to get us there. That’s the energy reality.”

---

## **Craddick pushes back on veto of washout bill**

### **Letter to governor defends legislation**

By Mella McEwen

Midland Reporter-Telegram

June 25, 2021

Longtime state Rep. Tom Craddick is pushing back on Gov. Greg Abbott’s veto of his bill, House Bill 4218, which addressed bad faith washouts on oil and gas leases.

In a letter to the governor, Craddick pointed out that the bill received unanimous support in both the House at 148-0-1 and the Senate at 31-0.

“This legislation was heard in both chambers and no one testified, or even registered in opposition to the legislation,” he wrote in his letter. “I worked with stakeholders during the legislative process and all of their concerns were readily addressed. Not once during the lengthy legislative process or during the veto period did anyone from your office reach out with concerns.”

In his veto, Abbott said the legislation would be an intrusion on contractual rights of the parties and an impetus for additional litigation.

Craddick responded, “It is important for you to know neither of these contentions are supported by members of the oil and gas industry, including mineral interest holders and operators. In fact, the Texas courts have been asking the legislature to clarify the definition of a bad faith washout for many years to prevent contractual disputes.”

Craddick said these interests are an essential part of the oil and gas marketplace and are deserving of the protections offered in HB 4218, which would have eliminated the bad faith washouts – when a lessee cancels an oil and gas lease in order to wipe out oil and gas revenue owner’s interests.

“This behavior is detrimental to the interest owners, and quite frankly adverse to basic contract tenets and fairness,” he said in a statement.

The Midland Republican added in his statement, “I am proud to have the support of my colleagues in the Texas House and the full Texas Senate for this legislation important to the oil and gas industry. House Bill 4218 offered protections for generations of contractual relationships and would have required lessees to honor their bargains. I look forward to the governor’s proposed solution during the summer and fall special sessions for this important issue to the industry.”

Ed Longanecker, president of the Texas Independent Producers and Royalty Owners' Association, told the Reporter-Telegram by email that House Bill 4218 was an important piece of legislation seeking to eliminate the ongoing practice of bad faith washouts.

“While a party that engages in this behavior at the detriment of royalty owners is subject to liability, this has been a challenging issue to address in the courts, which necessitates the need for legislative action,” he wrote.

Longanecker noted that initially there was some concern with language in the bill that could have resulted in increased litigation. He agreed with Craddick's comment to the governor that he had worked diligently with TIPRO and other stakeholders to address those concerns by amending his bill.

Those amendments “resulted in support from producers, royalty owners and unanimous approval from legislators in the Texas House and Senate. We are of course disappointed with the outcome and will continue to work on solutions to address this issue,” Longanecker concluded.

---

## **N.M. roars back from oil slump, hits record production**

By Mike Lee

E & E News

June 25, 2021

New Mexico's oil production has bounced back from the pandemic, and the state has eclipsed North Dakota to become the second-biggest U.S. oil producer.

The state's drillers pumped a record 1.18 million barrels a day in March, up from 1.13 million barrels a day in the same month a year ago, legislative staffers told the state's finance committee earlier this week.

“New Mexico is the only top oil-producing state to have recovered to prepandemic levels of production,” the state staffers wrote in a [report](#).

In the short term, the oil business will boost New Mexico's tax revenue, but the report cautioned lawmakers to prepare for the long term.

Texas, the biggest oil-producing state, produced 4.7 million barrels a day in March, down from 5.4 million before the pandemic, according to the U.S. Energy Information Administration. North Dakota's production dropped to just over 1 million barrels a day during the same period, down from 1.4 million before the COVID-19 outbreak slowed down the economy.

North Dakota's output normally drops in February and March because of the state's harsh winter, state Mineral Resources Director Lynn Helms said on a June 14 conference call. At the same time, some companies have been moving their operations from the state's Bakken formation to take advantage of lower costs in parts of New Mexico and Texas.

“At the rate that they're growing production, they're going to pass us,” he said of New Mexico.



The Southwestern state's section of the Delaware Basin, a part of the Permian, has the third-lowest break-even cost for new oil wells in the U.S., according to the Dallas Federal Reserve.

In the long term, New Mexico's oil production could decline due to changes in federal policies or a shift away from the world's reliance on oil and gas for energy. About half of New Mexico's oil and gas comes from federal property.

So far, the Biden administration's moves to address climate change, including a 60-day suspension of new drilling permits for federal land and a moratorium on new federal oil and gas leases, haven't cut into the state's production.

But if the lease moratorium survives a court challenge, it could begin to affect the industry within a few years. New Mexico lawmakers have already taken steps to address a downturn by devoting some oil and gas revenue to reserve funds, the report said.

"The more reliant state revenues are on oil and gas activity, the more difficult it will be to adjust to shifts in the market," the report said.

Twitter: [@mikeleefw](#) Email: [mlee@eenews.net](mailto:mlee@eenews.net)

---

## **Far from Texas, huge gas bills stoke anger after February freeze** **Natural-gas prices across the Midwest exploded during the extreme chill, leaving some to suggest more federal oversight is needed**

By Christopher M. Matthews

Wall Street Journal

June 27, 2021

An angry backlash is building across the middle of the U.S. as states step in to help their constituents pay billions of dollars [in natural-gas bills](#) racked up during February's freeze.

While most escaped [the blackouts that occurred](#) in Texas, states from Minnesota to Kansas are having to help local utilities, businesses and homeowners cover February bills after natural-gas prices surged from around \$2 per million British thermal units to as much as \$1,200 in parts of the country.

Lawmakers and regulators in Minnesota, Oklahoma, Missouri, Arkansas and Kansas have called for investigations into market manipulation and are exploring regulatory changes. Republican and Democratic leaders in some of the states said it may be time to reconsider whether interstate gas markets, deregulated since the 1980s, need greater federal oversight to prevent a similar economic calamity from happening again.

The February storm [caused wellheads and pipelines to freeze](#) in Texas and other gas-producing states, crimping supplies just as millions of customers cranked up the heat. The effects were felt far from the Lone Star State, leaving many homeowners and businesses with monthly bills hundreds or even thousands of times as large as usual.

In Oklahoma City, the Villagio senior living center received a February gas bill of \$44,527—about 50 times more than the month before—from its gas marketer, Constellation, a subsidiary of Chicago-based [Exelon Corp.](#) [EXC 0.63%](#)

“It was shocking, and it has an impact on residents, on things we were going to do,” said Tyler Gable, a representative of the assisted-living facility’s owner, Blackwood, which is contesting the bill. A Constellation spokesman said it was working with Villagio and similar business customers on deferred payment plans.

Oklahoma regulators said the weeklong freeze generated as much as \$5 billion in gas bills there. That has left some lawmakers in the reliably Republican state to call for further regulation of natural-gas producers, one of the most influential industries in Oklahoma.

“I cannot for the life of me understand how we saw it go from \$2 to \$1,200 and back down to \$2 in the span of the week; that’s not real,” said Garry Mize, a Republican who is chairman of the utilities committee in Oklahoma’s House of Representatives. referring to natural-gas prices. “It’s hard on a political level because you’d like to believe that free markets work all the time.”

Mr. Mize helped draft legislation signed into law in April that will allow utility companies to stretch the impact to customers over 10 years by securitizing rate payments and selling them as bonds. Without the measure, he estimated that ratepayers who normally pay an average bill of \$100 a month would have seen bills for February reach around \$1,900.

He said the U.S. Congress might need to consider additional changes to prevent runaway prices, such as setting a federal cap or creating a market circuit breaker, akin to what stock exchanges use to halt irregular trading.

The Federal Energy Regulatory Commission, which regulates the transmission and wholesale of natural gas in interstate commerce, has opened an investigation into potential market manipulation during the freeze. At least four state attorneys general are looking into the matter. FERC can punish companies for rate changes it determines weren’t just or reasonable.

A FERC spokeswoman declined to comment.

Without a finding of manipulation, FERC’s ability to have an effect on prices is limited. Federal regulators had set a gas price ceiling for decades, but after price controls led to supply shortages in the 1970s, Congress began deregulating the market. By 1993, gas prices were almost entirely deregulated and subject to market trends.

“I think Kansans, Oklahomans, Texans deserve to know if there was any market manipulation,” said U.S. Sen. Roger Marshall, a Republican from Kansas who has pressed FERC to investigate quickly. “Who made the money?”

Mr. Marshall said the economic impact of the freeze in some Kansas communities was worse than that of the pandemic. He said the Senate would consider new market regulations and that “nothing is off the table.”

Gas prices in Kansas jumped from \$2 per million British thermal units to more than \$600 during the storm. In March, Kansas Gov. Laura Kelly, a Democrat, signed into law a \$100 million low-

interest loan program for municipal utilities facing high utility bills.

The emergency loan program is a lifeline for small communities in Kansas such as Winfield, a city of about 12,000 people. It spent \$8.5 million on gas during the weeklong February freeze, said City Manager Taggart Wall, far more than the \$200,000 it typically spends that month.

Mr. Wall said the city asked large users including the local hospital and nursing home to reduce usage during the storm, but had to keep gas flowing because of the extreme cold.

“It can’t be a conscionable thing to see prices reach those levels,” Mr. Wall said. “People didn’t have a choice.”

Winfield is one of several dozen small Kansas towns that pool gas purchases through the nonprofit Kansas Municipal Gas Agency. Collectively the agency incurred around \$45 million in gas charges in February, four times its annual budget.

Unable to tap cheap financing, many of the towns faced bankruptcy before Kansas passed its loan program. Mr. Wall said that without federal intervention in gas markets, such a surge could happen again.

“I’m not anti-oil and gas, we live in oil and gas country,” he said. “But we can’t stack a \$1,500 homeowner bill on top of another \$1,500 homeowner bill next year.”

---

## **Opinion: Don’t get too excited over short-term rise in oil prices. There’s plenty available.**

By Chris Tomlinson  
Houston Chronicle  
June 25, 2021

Don’t get too excited about the run-up in crude oil prices; OPEC and Russia stand ready to throw a wet blanket on any celebratory capital investment by North American companies to expand drilling.

Just as the price for the international benchmark, Brent crude, crested \$75 a barrel, the world’s largest bloc of oil-producing nations announced they will slowly open their taps.

The 15-member Organization of the Petroleum Exporting Countries and another 10 nations led by Russia have held back more than 7 million barrels of crude a day to prop up prices. The group known as OPEC+ started returning 2 million barrels a day to the market in May and will [discuss adding more next week](#).

Most members of the OPEC+ coalition want to ramp up production, and Russian officials say they will insist on putting more barrels on the market. The one thing all OPEC+ members agree on is keeping U.S. and Canadian producers from capturing any additional market share.

Any Texans out there looking at the price of oil and expecting another boom need to think again. OPEC+ members and Texas shale oil companies are showing uncustomary restraint.

“In the coming months, we expect global oil production to catch up with the increases we’ve seen in demand in 2021,” said Stephen Nalley, acting administrator of [the U.S. Energy Information Administration](#). “U.S. and global oil producers are increasing their production, which should help moderate oil prices that have increased significantly.”

OPEC leaders know if crude prices go too high, they will squelch the global economic recovery. Fuel prices underlie all other prices, and concerns about inflation are already widespread. When crude prices get too high, economic activity slows, a recession follows, and crude prices crash. Saudi royals hate it when that happens.

So far, shale drillers have kept their promises to lower debt, raise profits and limit new drilling. Rather than reinvesting revenues into additional wells, executive teams are returning cash to investors.

Bloomberg Intelligence, a data analysis company, reports that U.S. shale oil companies will see [\\$30 billion in profit](#) thanks to new-found financial discipline after losing \$300 billion over the last decade. Pumping 1.9 million fewer barrels a day in 2021 compared to 2019 is generating higher profits thanks to higher prices.

On June 15, experts delivered assurances to OPEC+ officials that shale drillers will continue to show restraint, according to [the Reuters news agency](#). Such collusion borders on anti-trust behavior, but it’s the only way to keep prices high enough so that all producers enjoy profits.

Industry analysts told OPEC+ that U.S. production will likely decline by 120,000 barrels a day this year and grow between only 500,000 and 1.3 million barrels a day by 2022-2023. Shale companies have finally figured out they cannot rely on OPEC and Russia to prop up prices. They have to control output, too.

What’s good for oil companies, though, is bad for consumers. Gasoline and diesel prices are at the highest level since 2014 and will likely rise further as the pandemic recedes and travel returns. Higher fuel prices are contributing to inflation since the cost of transporting goods is rising.

The Energy Information Administration forecasts that fuel prices peaked this month at a national average of \$3.03 a gallon and will average \$2.92 for the summer, about 80 cents higher than last year.

Several wildcards can still upend oil markets. If the U.S. can reach a nuclear deal with Iran, hundreds of thousands of barrels could immediately hit the market and drive prices down. A flood of private equity investment in the shale industry could also drive up production and collapse prices.

With 5 percent more spare production capacity than there is demand, there are no market-based reasons for prices to go any higher. The only risk of higher prices comes from unlikely geopolitical crises. OPEC+ could destroy U.S. shale, as it did in 2014, if it chooses.

Some analysts think the current price of oil, about \$70 for West Texas Intermediate, is a

Goldilocks level: High enough for oil producers to profitably meet growing demand through 2025, but not high enough to slow the economy or encourage irresponsible investment, according to Thunder Said Energy, [a Canadian energy intelligence firm](#).

All bets are off after 2025, though. Dozens of new electric vehicles are coming to market, and batteries will be far cheaper and more efficient. Global regulators will also crack down hard on greenhouse gas emissions.

That's only four years away. Exxon Mobil, Shell, BP and the other big oil companies [are shrinking in size](#) and speeding up the transition to other energy sources. They know this price rise may be oil's last hurrah.

Tomlinson writes commentary about business, economics and politics.

[twitter.com/cltomlinson](https://twitter.com/cltomlinson)

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

## **Editorial: Biden's prairie chicken fillet**

### **The feds use the Endangered Species Act to block fossil fuels.**

Wall Street Journal

June 22, 2021

Why did the lesser prairie chicken cross the road? Apparently to shut down oil and gas development. Witness how the Biden Administration is reviving an Obama Administration effort to list the member of the grouse family under the Endangered Species Act to restrict energy development.

Late last month the U.S. Fish and Wildlife Service (FWS) proposed a regulation to list the lesser prairie chicken as either threatened or endangered, depending on the region. More than 95% of the lesser prairie chicken's range falls on private property across Texas, New Mexico, Kansas, Oklahoma and Colorado. Its range also overlaps with the Permian Basin—the most productive oil-and-gas shale field in the U.S. Green groups have for years used the Endangered Species Act as a way to restrict land development.

In 2015 a federal judge blocked the Obama prairie chicken endangered listing because the Administration had not sufficiently considered alternatives to conserve bird habitat. Businesses and state and federal regulators had already agreed to a plan to support conservation efforts, which gave landowners flexibility to manage their property and compensated them for improving the bird's habitat.

Oil and gas companies have since contributed more than \$60 million to a conservation fund. While the plan hasn't been perfectly executed, it seems to be working. An October 2020 study prepared for the Western Association of Fish and Wildlife Agencies found that the population of lesser prairie chickens across the five states grew to an estimated 34,408 from 18,142 in 2014.

Environmental groups nonetheless sued the government in 2016 to force another listing. The Biden Administration has now agreed to re-list the bird, which could restrict energy development on up to 21 million acres of land. Businesses that aren't participating in the conservation plan will have to conduct habitat surveys to ensure they don't disturb the chickens and apply for FWS permits or risk prosecution and shutdown orders.

Most species occupied much more land centuries ago than they do today. Human settlement and predators have shrunk habitats, and creating the precise conditions to restore them would be impossible. Most species listed under the Endangered Species Act haven't been removed, and private-public conservation partnerships often do more to conserve species than government regulation.

There's no urgent reason to list the lesser prairie chicken other than to appease green lobbyists and their desire to use every regulation possible to stop development. Candidate Joe Biden promised that he wouldn't ban oil and gas fracking, but his Administration plans to restrict it step by step with a regulatory onslaught, and the lesser prairie chicken listing seems to be part of the strategy.

*Appeared in the June 23, 2021, print edition.*



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: May 10, 2021

May 10, 2021 at 11:06 AM EDT

To: NewsClips

---

## **Facing questions after 2021 power crisis, Texas natural gas industry opposes new protective measures**

By Bob Sechler

Austin American-Statesman

May 10, 2021

Advocates for the Texas natural gas industry have spent much of the 11 weeks since February's deadly power blackouts downplaying the sector's culpability in the crisis and working to stop lawmakers from requiring winterization of far-flung wells and pipelines.

But new data suggest failures by natural gas producers and suppliers to keep the commodity flowing might have triggered as much as a fifth of the freeze-related power outages near the peak of the calamity.

What's not up for debate is that statewide production of natural gas — a major source of fuel for electricity generation — slumped dramatically amid the historic winter freeze and prices for it soared.

Production fell by nearly half at one point during the emergency, compared with levels earlier in February, according to IHS Markit, a company that aggregates information about the energy sector. Natural gas spot prices climbed from an average of about \$2.80 per million British thermal units at the main West Texas trading hub to a high of \$206.19 — a 73-fold increase.

At least 151 people, including 12 in Travis County and three in Williamson County, died statewide for reasons related to the frigid temperatures and others [lost limbs to frostbite](#), as many power plants faltered just when needed most. Property damage from the power outages has been estimated at over \$200 billion, while water service to more than 12 million people across the state also was disrupted because pipes froze and burst.

Proponents of the state's natural gas industry — in addition to its regulator, the Texas Railroad Commission — have largely deflected blame for the overall crisis, saying [freeze-related outages at power plants](#) exacerbated issues at natural gas production and supply facilities because they rely heavily on electricity to operate and to resolve their own weather-induced problems.

The sector's main trade group, the Texas Oil and Gas Association, has been aiming to blunt protective measures in the Legislature that might include wells and pipelines statewide, along with power plants and related infrastructure, in potential new winterization regulations. A [recent report paid for by the trade group](#) concluded that the grid crisis likely "started at power generation units" — not at wellheads or pipelines — and cascaded from there.

The industry's efforts are paying off, with the term "gas well" removed from [the latest version of Senate Bill 3](#), legislation designed to shore up the electricity grid in part by mandating winterization of infrastructure deemed critical to power generation and establishing fines for noncompliance.

But an updated analysis released by the Electric Reliability Council of Texas, the operator of the state's electricity grid, indicates that the difficulty some power plants had in obtaining natural gas played a sizable, even if not primary, part in the crisis.

According to the ERCOT data, about 23% of freeze-related outages or reduced production at gas-fueled generation plants was attributed by generators to "fuel limitation" on the morning of Feb. 16, the period in which the greatest amount of generating capacity was offline. Those outages totaled 4,420 megawatts, enough to power about 885,000 homes and businesses — 20% of the estimated 4.5 million without power at the peak of the emergency.

In addition, estimates from IHS Markit indicate natural gas production in the state had already fallen about 13% by Feb. 13, compared with the daily average during the first week of February — which is before electricity generation on the ERCOT power grid entered its steep slide, according to the U.S. Energy Department's statistical agency, the Energy Information Administration.

Stephen York, an industry economist with the federal agency, said he thinks the bulk of the declines in natural gas production in Texas resulted from freeze-offs at wellheads or gathering facilities. At least initially, the declines "were mostly unrelated" to electricity generation by power plants, he said — an assertion that calls into question the Texas Oil and Gas Association's conclusion that the outages at power plants were the trigger for them.

Freeze-offs are phenomena that occur when small amounts of water and other liquids that accompany natural gas crystallize and impede gas flow. They are relatively common occurrences, York said, but more so in Texas when temperatures take a dive because of less winterization in the state compared with northern regions of the country.

The *Wall Street Journal* has reported that some natural gas production and supply facilities also were shut down during the emergency because they were part of a voluntary ERCOT program in which large industrial users are paid to stop using power when demand for electricity risks outstripping generation. According to the Houston Chronicle, however, such contractual outages affected a small portion of the thousands of oil and gas facilities in Texas.

York said the likelihood of freeze-offs at wellheads and related infrastructure can be reduced through winterization measures that don't require electricity from the grid, such as insulation, wind blocks and methanol drips that lower the freezing point of water.

"There have been a number of studies (in the past) that have suggested winterization would have helped (natural gas) production and electric power generation in Texas," York said. "That does tend to back up the idea that winterization would have helped" in February.

Economists with the Federal Reserve Bank of Dallas have estimated the cost of winterizing gas wells at \$20,000 to \$50,000 each, meaning the price tag to winterize all 85,000 in Texas in one fell swoop could range from about \$1.7 billion to \$4.25 billion. But limiting the effort to new wells would cost significantly less initially — \$85 million to \$200 million annually — and "may offer a targeted and effective approach in the long run" because new wells eventually will account for the bulk of production, the Dallas Fed said in a recent report.

Still, the ERCOT data indicate the biggest overall culprit in the grid calamity was the



combined impact of “weather related” problems and “equipment issues” at natural gas-fueled power plants — meaning failures ranging from frozen valves to control system malfunctions — not the inability to obtain enough natural gas to keep plants running. Taken together, they accounted for outages totaling 14,653 megawatts on the morning of Feb. 16, or enough to power the equivalent of more than 2.9 million homes and businesses.

### **Opposed to new mandates**

Todd Staples, president of the Texas Oil and Gas Association, said the ongoing effort to enact new regulations designed to safeguard the grid should focus on power plants and directly related grid infrastructure, including some natural gas pipelines if they serve electricity demand, instead of the tens of thousands of wells and other facilities across the state that don’t directly do so.

Only about 20% of natural gas production in Texas — the largest producer of the commodity in the United States — goes for electricity generation, according to the trade group, while the rest is used for other purposes or is exported nationally and internationally.

“We want to be part of the solution,” Staples said. But “there are many better ways to ensure reliability (of the power grid) for Texans” other than “mandating more requirements at the individual well level.”

He also disputed the notion that increased winterization of wells would have made a difference in the February calamity.

“Our producers were winterizing, to a large extent,” he said. “They could have encapsulated their wells in a building like it’s done in Alaska — but without power you cannot produce gas (and) you cannot transport gas.”

As for the downturn in natural gas production just prior to the grid emergency, Staples pointed to his group’s study indicating it wasn’t significant enough to have precipitated the calamity.

But some operators of gas-fueled power plants contend the natural gas sector bears plenty of the blame.

### **‘Unprecedented failure’**

Executives of Vistra Corp., the largest owner of generators in Texas, leveled blistering criticism at the sector during a recent conference call with Wall Street analysts for what Vistra described as an “unprecedented failure” amid the emergency.

Vistra CEO Curt Morgan told analysts that suppliers began curtailing his company’s contracted natural gas as early as Feb. 12 — well before the grid emergency and the start of rolling electricity blackouts. The calamity cost Vistra about \$1.6 billion, according to the company, much of which resulted from sky-high prices for natural gas on the spot market that it said it was forced to buy when its contracted gas didn’t come through.

“In a nutshell, the issue stemming from the natural gas system cost us dearly, and there wasn’t anything we could do about it while we were in the middle of the event,” Morgan said.

He also said Vistra is contemplating legal action against natural gas suppliers that broke contracts.

If the company does go to court over the issue, it will be one of dozens of parties already involved in lawsuits related to the natural gas supply problems during the emergency and the financial fallout stemming from them. Billions of dollars are at stake in suits filed by power plant operators — alleging price gouging, in some cases — as well as by suppliers contending their bills haven't been paid.

Staples, speaking about the supply issues and not the lawsuits, said fuel constraints experienced by generators could have been alleviated had they had contracts in place in advance of the emergency enabling them to access the huge volume of natural gas in storage in Texas if needed. He also noted that, even during the week of the crisis, production in Texas exceeded demand in the state.

“Texas is awash in natural gas,” said Staples, who formerly served as Texas agriculture commissioner.

But other observers view the calamity as a textbook example of why stepped-up oversight of the natural gas sector, along with the rest of the power grid, is a necessity.

“If we end up going through this entire process (of crafting new rules to safeguard the grid) and we never require gas wellhead winterization, we are going to end up with power outages again, potential deaths, possibly billions of dollars in damages again and higher utility bills,” said Virginia Palacios, executive director of Commission Shift, a group that contends the **Texas Railroad Commission** is too cozy with the oil and gas industry that it's charged with regulating.

“I think (a lack of requirements for) basic wellhead winterization is going to be the chink in the armor if we don't get it right,” Palacios said.

---

## Texas Legislature moves flurry of winter storm bills

By Greg Perliski and Taylor Girtman  
Community Impact Newspaper-Lake Travis  
May 7, 2021

A number of legislative bills are underway in the Texas House and Senate in response to the February winter storm that swept the state, causing power outages, water outages and widespread damage that have led the state to report at least 133 storm-related deaths as of April 15. This included 12 Travis County residents.

Of the many bills, eight hold prominence as low-numbered bills—often bipartisan—that address energy board reforms, government communication in emergencies, preparation for extreme weather and other issues that arose from the February storm.

The storm hit west Travis County residents particularly hard as treacherous ice and snow on Hill Country roads stranded many residents in homes for days without power and water service.

State Rep. Donna Howard, D-Austin, who represents West Lake Hills in the Legislature, said the

winter storm was a “crisis” that resulted from a lack of communication among key state government agencies. The lack of communication was particularly evident when looking at the widespread power outages that were required to keep the state’s energy grid from collapse, she said.

“One of the biggest things we saw as a result of the winter crisis was that the right arm didn’t know what the left arm was doing,” she said. “And so we ended up with all kinds of unintended consequences. We turned off the electricity to the gas plants, and the gas producers could not get gas to the electric generators ... that’s mind-boggling what happened.”

To address these and other issues, Gov. Greg Abbott on Feb. 16 declared reform of the Electric Reliability Council of Texas to be an emergency legislative item and called on the Legislature to investigate the council to prevent the statewide issue from recurring. ERCOT, which was largely criticized for its role in the February storm, manages the flow of electric power to more than 26 million Texas customers and represents about 90% of the state’s electric load.

The first of the major bills to flow from this legislative session is Senate Bill 3, authored by state Sen. Charles Schwertner, R-Georgetown. It adds winterization requirements to energy-generating infrastructure with a \$1 million fine per day for noncompliance, he said. The bill would take effect Sept. 1, if approved. Municipal-owned utilities, such as in Georgetown and Austin, and energy companies, such as Pedernales Electric Cooperative and Oncor Electric Delivery, would not be treated differently.

The bill also addresses issues raised by Howard and Schwertner concerning communication. A board, known as the Texas Energy Reliability Council, or TERC, would be created with members from the Public Utility Commission, ERCOT, the **Texas Railroad Commission**, the Texas Commission on Environmental Quality and governor-appointed oil-gas industry representatives. These entities were working in silos during the storm without fluid communication, Schwertner said.

“We are very much wanting to reinvigorate the coordination and communication among market participants and regulators to make sure this never happens again,” Schwertner said.

State senators unanimously approved SB 3 on March 29. Now, it heads to the House State Affairs committee, of which Howard is a member, for consideration and approval before it can be sent to Abbott for a final signature.

As the state grows, so will demand on the state’s power grid, Schwertner said. And its reliability is ever more important, particularly on the many days when temperatures reach above 100 degrees Fahrenheit. The bill would apply to extreme heat, hurricanes or whenever there is unbalanced supply and demand, he said.

“The most often times when you have a significant strain on the grid is every August and in the summer months,” Schwertner said.

### **ERCOT reform**

Over two-thirds of Texans lost electricity at some point in the storm for an average of 42 hours, according to a survey from the University of Houston’s Hobby School of Public Affairs. Nearly

half of all Texans lost access to running water with an average loss of 52 hours, per the survey.

To address this, the Senate passed SB 2, an ERCOT reform bill, on April 14. The bill is now under House committee consideration before the other chamber passes it.

The bill increases oversight of the nonprofit that controls the state's power grid and reforms ERCOT's board, including requiring its members to live in Texas. This was previously an issue as five of the 16 members did not reside in Texas when the storm hit, according to other news reports.

The governor would also appoint the board chair and the board's unaffiliated members; the Senate would approve the governor's selections.

SB 2 bill passed the day after ERCOT announced it may enter into emergency conditions April 13 as a result of facilities being offline for maintenance and the state experiencing higher-than-expected temperatures and power demand. No outages were needed at that time as emergency conditions were not reached after ERCOT requested conservation.

"This week's conservation alert reinforces the fact that Texans need and deserve a comprehensive legislative response that keeps our eye on the main goal: real reliability," state Sen. Kelly Hancock, R-North Richland Hills, said in an April 14 release.

Other prominent bills include SB 2154, which is similar to SB 2 in that it reforms the Public Utility Commission, the entity that oversees ERCOT and regulates telecommunication and other utilities. The bill, authored by Schwertner, would require the commission to have five members, an increase from three, and requires members to be Texas residents.

"It really starts at the top," Schwertner said. "With good leadership, you can get through a lot of crises."

### **Remaining work**

Howard said she is confident the Legislature will successfully address reforms in how ERCOT and the PUC function, but with the current legislative session ending May 30, there are other issues that may not be fully studied and addressed.

"The part that we are leaving out is the railroad commission, which is responsible for [regulating] oil and gas," she said. "That part of the equation is a very significant part of this, and that has not had as much focus as it needs to have."

The **Texas Railroad Commission** is led by three elected commissioners and regulates the oil and gas industry, pipeline transporters, natural gas utilities, the liquid pipeline industry, coal and uranium surface mining operations, and the LP-gas industry.

It sets monthly production quotas, issues drilling permits and orders inspections of wells. In addition to participating in TERC, railroad commissioners said in a March press release that they are working with the Texas Legislature to ensure that oil and gas producers, during future mandated blackouts from ERCOT, are considered "critical infrastructure."

“This along with increased communication through TERC will ensure we are able to plan and prepare for weather events much better in the future,” **railroad Commissioner Jim Wright** stated in the release.

Still, other areas remain under study as the legislative session enters its final month, Howard said.

First, there is a plan to fund mandated weatherization programs using the Texas Economic Stabilization Fund, also known as the “rainy day fund.”

Second, is a method for statewide wholesale electric providers to manage and cover the high cost of natural gas during a prolonged weather event, and doing so in a manner that does not adversely pass those high costs to retail consumers.

“We have many small utilities, cooperatives and municipal-owned utilities,” Howard said. “Some are looking at bankruptcy. Somehow we have to keep the power on, keep it reliable, but also figure out a way to share the burden of what that cost was.”

---

## **Lawmakers try new solution to minimize winter storm debt**

**Most agree that securitization is an effective proposal to fairly and quickly pay off storm debt. Not all agree how to do it, and what costs should be covered.**

By Morgan O’Hanlon

Dallas Morning News

May 7, 2021

AUSTIN – One lingering question from February’s devastating winter storm is what, if anything, to do about the debt of some electricity market participants caused by the high price of power during the crisis.

Unpaid bills for nearly \$3 billion worth of wholesale power piled up at grid manager the Electric Reliability Council of Texas between Feb. 12 and Feb. 20, and efforts to retroactively reprice the extraordinary cost of electricity — \$9,000 per megawatt hour — during a 32-hour period [didn’t go far](#).

[At least 10 bills](#) this legislative session propose securitizing winter storm debt, meaning it would be paid off more quickly through the use of state-sanctioned bonds. These include bills introduced by lawmakers in each chamber that would create a Texas electric securitization corporation to provide low-cost financing for paying off the debt in ERCOT’s wholesale power market from February.

Normally, the “short pays” feature fewer zeros after the dollar sign. And if buyers can’t pay, there’s an “uplift” process that assesses all market participants a bit of money so that the unpaid power sellers are eventually made whole. But ERCOT and Public Utility Commission rules limit the amount of monthly uplift to \$2.5 million, meaning it would take more than 96 years to collect enough uplift fees to pay off the whopping, almost \$3 billion of bad debt from this year’s storm.

Such measures are attractive because faster payment of debts from the winter storm would allow power sellers who were stiffed to get some money faster.

“Say you’re South Texas Electrical Cooperative or whatever and you’ve been short-paid where you had to pay the gas producers for all that gas that you consumed in your gas plants that week,” explained Doug Lewin, an energy consultant for Stoic Energy, using a Victoria-based rural electric coop as a hypothetical example. “And now you’re not getting paid back — it’s like this little tiny trickle, right? ... And drip, drip, drip each month for the next 100 years. That’s a problem. You need to get that money and pay ... for the gas.”

Lewin said securitization would allow the loss to be socialized, “evenly spread like peanut butter across load-serving entities [utilities or retail electric providers], generators — like, everybody pays.”

But fights are emerging over how to “securitize,” or allow bonds to be issued, to pay off the ERCOT debt.

House Bill 4492 was voted out of the House on Thursday, 129-15, with two amendments added by the bill’s author, Marshall GOP Rep. Chris Paddie, a top ally of Speaker Dade Phelan.

According to Michael Jewell, an attorney and policy adviser for Conservative Texans for Energy Innovation, the amendments make that bill more similar to Senate Bill 2227 by Mineola GOP Sen. Bryan Hughes, which received a Senate committee hearing on Wednesday.

Although the two bills differ on what debts securitization would cover, the amendments add in uplift charges that were not on there before, add in ancillary services charges to the amount to be securitized, and put in an opt-out for industrial customers who want to go ahead and pay the debts they owe.

Based on testimony for SB 2227, Lewin gathered that some of the changes to HB 4492 could cause additional charges to energy consumers, which he estimates could be \$1.50 each month.

“But I don’t know that, and Chairman Paddie said on the floor he doesn’t know either,” Lewin said. “So they literally just passed a bill that has potential to charge every single person in the state \$18 a year for the next 15 years, and they don’t know.”

When Austin Democrat Rep. Donna Howard questioned him on the House floor about what the average cost to retail consumers would be, Paddie responded, “Ms. Howard, I really don’t know at this point.” He explained the numbers are subject to change before the bill is final.

During testimony Wednesday on SB 2227, which was introduced in late April, Katie Coleman, an attorney for the Texas Association of Manufacturers, which represents some of the state’s largest energy consumers, testified against the bill. Also against the bill were multiple electric co-ops.

Thomas Hardy testified against the bill representing the Lower Colorado River Authority, explaining that he believes the bill would shift costs and increase losses on the river authority and its customers.

Coleman explained in testimony that the way SB 2227 structures its financing would put

unnecessary charges on consumers.

Separately, bills have been filed and are moving toward passage that would let the bonding occur to pay off winter storm debts amassed by gas utilities such as Atmos, rural electric co-ops and electric utilities in East Texas and West Texas that are not served by ERCOT's grid.

Previously, Coleman told *The Dallas Morning News* she's a proponent of securitization bills that would help electric co-ops and other debtors from the winter storm pay their bills while minimizing the amount of money that gets uplifted to the market. Of the nearly \$3 billion in short pays, nearly \$1.9 billion is owed by Brazos Electric Cooperative and almost \$642 million is owed Rayburn Country Electric Cooperative. Coleman said that either way customers are going to have to end up paying for some of the accrued debt.

"Those are all fair outcomes, [but] the things that make less sense is there have been proposals to put several billion dollars in those securitization bonds that would go to generate or weatherization," she said.

Earlier in the session, some members and stakeholders tried to push legislation that could wrap other costs, including those of weatherization, into securitization bills, Coleman said.

"What we're really worried about is that this will just become kind of a dumping ground for anything people don't want to pay for," Coleman said.

During February's polar vortex, about 69% of Texans lost power, which contributed to at least 151 deaths and delivered an economic toll estimated as high as \$295 billion.

Although Lewin said he's not opposed to the idea of debt being distributed, he wrote in a tweet that what he dislikes about the securitization bills is that they're the closest the Texas Legislature will get this year to adopting a policy to prepare for climate change and a possible increase in volatile weather. As Weatherford GOP Rep. Phil King said at a committee hearing last month, the state has securitized "at least six times" before this year.

"This is now the de facto climate adaptation policy of the state of Texas: Wait for a massive costly event, securitize the costs. Repeat," Lewin wrote.

[morgan.ohanlon@dallasnews.com](mailto:morgan.ohanlon@dallasnews.com) [@mcohanlon](https://twitter.com/mcohanlon)

---

## **It's becoming clearer who profited from the blackouts, and that's raising questions of price gouging**

By Mose Buchele

KUT

May 10, 2021

The blackouts that hit Texas in February left more than 100 people dead and caused billions of dollars in debt for those who found themselves on the wrong side of the state's famously laissez-

faire energy market. For others, it created huge earnings the full scope of which are now coming into focus.

Until recently, companies that made a lot of money during the freeze have tried to keep a low profile about it. But quarterly financial reports have come due making that information harder to conceal.

The big winners: companies that sold natural gas.

During the blackouts both electricity and gas were in short supply, and both could be sold at a premium. The price for wholesale electricity in Texas is capped by state regulators. There is no such market control for gas, which increased [hundreds of times](#) its normal value.

That price hike let companies like [BP, Kinder Morgan and Energy Transfer make billions](#). Big banks that had invested in electricity and gas contracts before the freeze, like Goldman Sachs and Bank of America, also cashed in.

The size of the profits has led some to question whether price gouging took place.

“If a gas station raises prices from \$2 to \$5/gal during a hurricane they go to jail for price gouging,” [UT Professor Michael Webber posted on Twitter after the blackout](#). “If a natgas provider raises prices from \$2 to \$200/MMBTU during a cold snap even though their costs didn’t materially change, that seems just fine with Texas authorities.”

One group that has not been “fine” with it are power companies that had to pay those high prices for gas.

Those deals have triggered lawsuits. In one high-profile example, San Antonio’s municipally owned electric utility, CPS Energy, is involved in litigation with multiple suppliers. Those include BP, Enterprise Products, Chevron and Energy Transfer, a company that reportedly made [\\$2.4 billion from the storm](#).

The Texas attorney general is also investigating the possibility of market manipulation on the part of electricity and natural gas suppliers.

But, as the lawsuits and investigations continue, state legislators are creating laws to ensure that the companies that profited in the freeze get paid.

The tactic they seem to have settled on is known as “securitization.” This is a way of quickly paying off gas suppliers, but it locks utility ratepayers into slowly paying off that debt over decades — with interest.

Proponents of the plan say it’s a way of handling the enormous financial fallout from the blackouts, something many utilities and their ratepayers could not afford to pay all at once.

But people who work in the field of utility securitization say such deals must be crafted carefully, so you’re paying money you actually owe. Once you’re locked into the debt, you’re locked in.

“Before you add up the total that’s going to be paid back [through securitization], there’s got to be



a really strong look at how much of that is legit,” says Ronald Lehr, a former chair of the Colorado Public Utility Commission who now consults on securitization.

“Was anybody in that market manipulating it? Were people particularly withholding [gas] supplies to drive up prices?” Lehr says. “There ought to be a really hard look at how much really needs to be paid back.”

*Got a tip? Email Mose Buchele at [mbuchele@kut.org](mailto:mbuchele@kut.org). Follow him on Twitter [@mosebuchele](https://twitter.com/mosebuchele).*

---

## **ERCOT forced dozens of natural gas facilities offline during winter storm**

By Paul Takahashi and James Osborne

Houston Chronicle

May 8, 2021

ERCOT confirmed that it forced dozens of natural gas facilities to go offline during the February winter storm under a program that pays large industrial users to shut down when electricity supplies are short.

Hundreds of major electricity users, such as data centers, manufacturing plants and oil and gas facilities, have entered into “demand response” contracts with the Electric Reliability Council of Texas, requiring them to install an automatic circuit switch or manually shut down operations when power demand threatens to exceed supply on the grid. Under these contracts, the state’s grid operator has the authority to interrupt power to large industrial customers when there are less than 1,750 megawatts of spare power on the grid.

“We confirmed that some of (these industrial customers) are related to oil and gas,” ERCOT spokeswoman Leslie Sopko said.

ERCOT said it is unclear how much of an effect contractual shutdowns of natural gas facilities had on natural gas supplies and gas-fired power plants, which accounted for about half the power plant outages during the freeze. Other natural gas wells, pipelines and compressor stations suffered freezes and power outages during ERCOT’s mandated rolling blackouts.

There are thousands of oil and gas facilities in Texas. These contractual outages affected a small portion of them.

Power plant operators have blamed inadequate natural gas supplies for the catastrophic power failure during the storm, which led to nearly 200 deaths and billions of dollars in property damage. Natural gas production in Texas fell by nearly half during the storm, and the largest share of generation outages occurred at natural gas power plants, according to the Energy Department.

“This is just incredibly incompetent,” said Ed Hirs, an energy economist with the University of Houston. “It’s remarkable that ERCOT would do exactly what was necessary to drive gas prices up and hurt consumers.”

There were 447 industrial customers who voluntarily installed the automatic circuit devices to shut down power to their operations as of the end of 2019, according to ERCOT. These industrial customers have the ability to shed more than 5,550 megawatts of power from the grid, enough to power some 1.1 million Texas homes on a hot summer day.

ERCOT did not release a list of industrial users participating in the demand response program, but a *Wall Street Journal* analysis of ERCOT data and electrical substation maps found several dozen instances where power was cut off to facilities in the Permian Basin, the nation's most prolific oil and gas field. The *Journal*, which first reported the contractual shutdowns Friday, found that ERCOT shut off power to five facilities in Loving County in West Texas, where nearly all the industrial activity is related to oil and gas production.

The Texas Oil and Gas Association, the state's largest oil and gas trade group, said it was unaware if members have signed voluntary contracts with ERCOT to cut power or shut down operations during grid emergencies. The association said Texas had enough natural gas supply and that fuel limitations represented a small percentage of problems at power plants during the storm.

ERCOT started the demand response program as a sort of insurance that helps the grid operator balance power demand and supply on the grid. When demand exceeds supply, ERCOT can call on heavy industrial power users that have signed contracts to reduce electricity consumption. If that fails to stabilize the grid, ERCOT can mandate rolling blackouts, such as those during the storm.

Industrial users can potentially save millions of dollars by entering into a demand response contract with ERCOT and other utilities operating similar programs. There is a cottage industry of demand service providers who help industrial users enter into contracts with ERCOT and utilities.

Companies that fail to shut down operations in a timely manner per contract can be penalized by ERCOT and the Public Utility Commission.

It's rare that ERCOT calls on its industrial volunteers to cut power or shut down operations, so the financial incentive usually outweighs the risk. However, in a grid collapse such as during the winter storm, these contractual shutdowns can have the potential to exacerbate power plant failures.

"Keeping electricity on to infrastructure tied to power generation units will vastly improve reliability of natural gas power generating facilities," Todd Staples, president of the Texas Oil and Gas Association, said in an email.

paul.takahashi@chron.com

james.osborne@chron.com

---

**ERCOT releases summer outlook assessment, reassures Texans the state power grid will hold up**

## **Outside analysts aren't convinced, but the grid operator said it would be ready to handle record-breaking demand during the hottest months.**

By Morgan O'Hanlon  
Dallas Morning News  
May 6, 2021

AUSTIN – ERCOT released its annual summer outlook Thursday with reassurances that the power grid will be ready to handle record-breaking demand for power as Texans prepare to crank up their air conditioning for the state's hottest months.

In [the report](#), the grid operator outlined several scenarios that could lead to situations like February's outages, but said there is a less than 1% chance they would occur.

Some energy consultants and analysts are not convinced.

"Instability like what we've seen recently should make Texans worried for summer," said Daniel Cohan, an atmospheric scientist and an associate professor of environmental engineering at Rice University

Insecurity about the [state grid operator's ability](#) to handle extreme weather events was first spurred by February's winter storm, when higher-than-expected demand exceeded the amount of power available on the grid. To prevent longer statewide blackouts, the Electric Reliability Council of Texas initiated outages that affected 70% of Texans over the course of a week.

Fears were again stoked last month when, on a mild spring day, [ERCOT issued a conservation notice](#) to residents and businesses as it struggled to meet demand that was higher than forecasted.

Woody Rickerson, vice president of grid planning and operations for ERCOT, reassured consumers in late April that the spring scare was due to taking more generators offline for maintenance so that they would be ready to handle peak demand over the summer.

Dan Woodfin, ERCOT's senior director of system operations, said Thursday in a news conference about the report that during summer there are typically very few planned generation outages.

"A lot of generation was coming off the February event, so we may have had units that needed some repairs due to that," he said. "(Springtime is) when units schedule their maintenance outages to get ready for the upcoming summer peak season."

According to ERCOT's forecast, the new record for energy consumption will be set this summer with a peak demand of 77,144 megawatts. The current systemwide peak demand record for ERCOT is 74,820 MW set in August of 2019. During February's storm, a new peak demand record of 69,222 MW was recorded as Texans fired up heaters to keep them warm.

"While the risk for emergency conditions remains low this summer based on many of the scenarios studied, a combination of factors in real time, including record demand, high thermal generation outages and low wind/solar output could result in tight grid conditions," Rickerson said in a statement about the summer report. "We cannot control the weather or forced generation outages, but we are prepared to deploy the tools that are available to us to maintain a reliable electric system."

In the statement, ERCOT also explained that some of the risk for this summer comes from a changing mix of generation resources.

“While tight grid conditions have historically been limited to the hours of highest electric consumption, ERCOT now sees the potential for tight conditions during low wind conditions, or during the early evening hours when solar resources come offline,” the statement says. “As the capacity of battery storage increases in ERCOT, these resources are expected to help mitigate some of this risk.”

Warren Lasher, ERCOT’s senior director of system planning, said during Thursday’s news conference that a combination of things would have to go wrong to cause outages like those in February.

“In three of the four primary scenarios, we expect to meet peak customer demands while maintaining normal operating conditions,” Lasher said. “Only in the fourth primary scenario, which reflects the potential for very low wind generation output on the peak summer day — only in that scenario would we expect to have to enter emergency conditions in order to maintain reliability while meeting peak demand.”

Cohan does not believe the likelihood of outages this summer is as small as ERCOT says. He noted that ERCOT also said the outages caused by February’s winter storm were also a “one-in-100 event.” According to Cohan, ERCOT’s assessment of probability is skewed because many of the factors that caused the winter storm and could also cause insecurity this summer, including increased volatility of the weather, increased demand, and the domino effect of extreme weather that causes more outages.

“A lot of things tend to go wrong at once,” Cohan said. “It’s the same hottest days that make us run our air conditioning the most that also can dry up the water supplies for power plants and come with very slow winds for wind farms.”

At least one of ERCOT’s “extreme scenarios” for the summer that could cause rolling blackouts, or worse, center on a combination of extreme demand caused by high heat, which could also cause some power generation to go offline. Cohan explained that wind generation tends to decrease on extremely hot days.

Although the decline of solar generation does move the stress of demand later in summer evenings, increased solar generation added to the grid has overall helped increase reserve margins, meaning the amount of installed generation capacity on the system beyond projected peak electricity demand. The report forecasts that this summer the reserve margin will be 15.7%.

“We expect to see increasing reserve margins over the next few years most notably due to significant interest in developing solar resources,” Lasher said.

According to Charlie Hemmeline, executive director of the Texas Solar Power Association, the industry has added 5,000 MW of wholesale solar generation capacity to the grid since 2017, with several additional gigawatts of planned projects. By the end of this year, nearly 12 GW of solar power is expected to be online in Texas.

[morgan.ohanlon@dallasnews.com](mailto:morgan.ohanlon@dallasnews.com) @mcohanlon

---

## **RRC: Midland region again dominates Texas for permits, completions**

Midland Reporter-Telegram

May 8, 2021

### **Texas drilling permits and completion statistics for April:**

#### Midland

Drilling permits: 357

Oil completions: 254

Gas completions: 31

More than 56 percent of the drilling permits and greater than 53 percent of the oil completions inside the state of Texas during the month of April took place in the Midland region, according to **Railroad Commission of Texas** .

The RRC's Midland region accounted for 357 of the 629 permits from around the state. The next closest region was Refugio with 57. RRC statistics also showed the Midland region with 254 of the 403 oil completions from the 12 commission regions around the state. The next closest region was the San Angelo region with 36.

The third category is gas completions, and the Midland region was second to the East Texas region. The Midland region accounted for 31 gas completions or 36.47 percent of the 85 across the state. East Texas accounted for 33.

The **Railroad Commission** reported a total of 732 original drilling permits – which also includes permits to re-enter plugged well bores and permits for re-completions of existing well bores) -- in April compared to 456 in April 2020.

In April, commission staff processed 449 oil, 106 gas and 98 injection completions for new drills, re-entries and re-completions.

---

## **Pipeline hack roils U.S. energy**

By Christian Vasquez

E & E News

May 10, 2021

A cyberattack on the massive Colonial pipeline caused the company to shut down its entire 5,500-mile fuel system over the weekend, in what appears to be the most disruptive energy-sector hack in U.S. history.

Colonial Pipeline Co., which operates pipelines that carry diesel, gasoline and other fuels from Texas to New Jersey, revealed it was the victim of a ransomware attack Friday.

“We proactively took certain systems offline to contain the threat, which has temporarily halted all pipeline operations, and affected some of our IT systems,” Colonial said.

Ransomware hackers encrypt victims’ computer files and demand digital payment to unlock them. Colonial did not say whether it had paid the hackers, nor did the company offer a timeline yesterday for when its pipeline system — which supplies an estimated 45% of all fuel used on the East Coast — will be fully online.

President Biden was briefed about the cyberattack early Saturday, and the incident has triggered a flurry of responses from federal agencies including the Department of Energy. The attack is already raising pointed questions about possible gaps in U.S. critical infrastructure security as top intelligence and energy officials warn of an unprecedented rise in cyberthreats ( [Energywire](#), April 14).

A White House official said the administration has set up an interagency working group that worked through the weekend and will “continue to plan for a number of scenarios, including possible additional measures to mitigate potential supply impact, as needed.”

The official also noted that DOE is leading the federal government response.

For its part, Colonial said it has launched an investigation into the cyberattack and is working with law enforcement and other agencies.

The Alpharetta, Ga.-based company noted in a [statement](#) last night that its operations team is developing a “system restart plan” and that some smaller lines between fuel terminals are now running again.

There’s no indication that the ransomware attack that encrypted the company’s files spread into the operational technology that manages the flow of fuel through its pipeline system. Colonial said that it took systems offline in an abundance of caution but didn’t answer requests for comment on whether operational networks were infected by the ransomware.

Cybersecurity firm FireEye Inc., best known for its discovery of the SolarWinds espionage campaign, said it is working with Colonial.

The cyberattack could cause a spike in U.S. gasoline prices, experts say. Analysts at ClearView Energy Partners LLC said in a report Saturday that the shutdown is “potentially significant from a product price perspective,” depending on how long it lasts.

“The Colonial outage comes at a critical juncture for the recovering U.S. economy: the start of the summer driving season,” the ClearView researchers wrote. “We therefore think lawmakers could begin a ‘blame game’ immediately, and a sustained disruption that leads to a significant pump price spike could increase prospects of domestic policy interventions.”

Ransomware is not a new problem with pipelines. Just last year, the Cybersecurity and Infrastructure Security Agency said a ransomware attack on a natural gas company forced the shutdown of a pipeline for two days ( [Energywire](#), Feb. 19, 2020). In that case, the ransomware known as “Ryuk” moved from the IT side into the more critical OT — operational technology — networks, where it infected computers linked to a natural gas compression station.

An Eastern European criminal ransomware gang known as DarkSide is believed to be behind the latest attack on Colonial, *The Washington Post* [reported](#).

According to a [post](#) from cybersecurity firm Cybereason, DarkSide first appeared in August 2020, and the group's ransom demands can go as high as \$2 million. DarkSide quickly made a name for itself for being a "highly organized" cybercriminal operation, Cybereason said.

"We should not underestimate these groups," said Marty Edwards, vice president of OT security at cybersecurity firm Tenable and a former Department of Homeland Security official. "Many of them now have help desks, technical support, payroll processing and subcontractors. They are essentially full-fledged criminal corporations operating in the digital world."

The U.S. energy sector is growing particularly vulnerable to ransomware attacks as OT merges with IT like business and email networks, experts say. The increasing digitization of power grid and pipeline equipment means it's becoming easier for ransomware attackers to move from the IT side to the OT.

"Ransomware has been a favored attack vector of cybercriminals because of its effectiveness and return on investment. That's precisely why bad actors have recently set their sights on critical infrastructure," said Edwards.

"Shutting down operational technology (OT) environments can cost hundreds of millions of dollars, which forces providers to outweigh the costs," Edwards said.

### **Who's in charge?**

DOE is the federally [designated](#) "sector-specific agency" for energy-sector cybersecurity. However, pipeline cyber oversight falls to the Transportation Security Administration.

Edwards said one of the unique challenges of protecting pipelines from hackers is the "complexity of the regulatory and oversight environment."

"Because pipelines cross state lines, you have the Department of Transportation involved. DHS has the Transportation Security Administration. Because petroleum is involved, the Department of Energy has a role," Edwards said. "Couple that with the fact that it is a large industry geographically — it can be a challenge simply to get incident response personnel to all of the impacted locations."

The distributed nature of pipelines means it's not cost-effective to send workers to far-flung locations to twist valves. But many of "the tools that are used to enable asset operators' remote connectivity are optimized for easy access and not for security," said Grant Geyer, chief product officer at Claroty, a cybersecurity firm that specializes in OT networks.

DOE, CISA, TSA and the Federal Energy Regulatory Commission all said they were working with other agencies and the energy sector in response to the attack.

"FERC is in communication with other federal agencies, and we are working closely with them to monitor developments," Richard Glick, the Democratic chairman of the independent energy regulator, said in a statement.

FERC sets mandatory cybersecurity rules for the bulk electric power grid, but the requirements don't apply to the natural gas pipelines that also fall under the agency's purview.

A DOE spokesperson said the agency is “coordinating with Colonial Pipeline Company, the energy industry, states and interagency partners to provide situational awareness and support response efforts to this incident.”

The agency is also “monitoring any potential impacts to energy supply,” the spokesperson said.

Eric Goldstein, executive assistant director for cybersecurity at CISA, said: “We are engaged with the company and our interagency partners regarding the situation. This underscores the threat that ransomware poses to organizations regardless of size or sector.”

The complex bureaucracy has long been a bane to some policymakers and is likely to come up again as the Biden administration weighs major changes to U.S. cybersecurity policy.

FERC Commissioner Neil Chatterjee (R) has warned for years about the U.S. grid's dependence on natural gas.

“I am concerned that, because of our nation's growing use of natural gas for power generation, a successful cyberattack on the natural gas pipeline system could have a significant impact on the electric grid,” Chatterjee said in [testimony](#) before the Senate Energy and Natural Resources Committee in 2019.

### **TSA scrutiny**

Glick and Chatterjee [penned](#) an op-ed for *Axios* in 2018 calling for stricter oversight of gas pipelines.

The two wrote that DOE should be in charge of gas pipeline security oversight and not TSA, citing the few full-time employees at TSA who are tasked with reviewing the security of the millions of miles of pipelines around the U.S. They also pointed to TSA's decision to rely on voluntary cybersecurity standards.

“Given the high stakes, Congress should vest responsibility for pipeline security with an agency that fully comprehends the energy sector and has sufficient resources to address this growing threat,” Glick and Chatterjee wrote.

Shortly after the Colonial cyberattack was announced, Chatterjee re-upped the *Axios* op-ed, [tweeting](#) that “we must rethink the @TSA voluntary approach to #cybersecurity.”

Lawmakers have joined in the chorus as well. Sen. Ed Markey (D-Mass.) called for regulatory change on Saturday, [tweeting](#) that “an understaffed, underprepared TSA cannot successfully ensure the security of dangerous and susceptible natural gas pipeline infrastructure.”

“The Transportation Security Administration had only six full-time staff on pipeline security as recently as 2019. We cannot ignore the longstanding inadequacies that allowed for, and enabled, cyber intrusions into our critical infrastructure,” Markey wrote.

Asked for comment on Markey's remarks, TSA said in a statement that the agency “has worked in



partnership with pipeline owners and operators and interagency partners to enhance the security preparedness of the Nation's hazardous liquid and natural gas pipeline systems.”

TSA pointed to several initiatives, including the development of pipeline security guidelines and “voluntary corporate security and critical reviews.”

“TSA has expanded its Surface Operations capability to include Transportation Security Inspectors, and is partnered with CISA and Idaho National Labs to provide advanced cybersecurity training,” TSA said.

Another issue is the lack of transparency surrounding ransomware attacks, said David White, founder and president of Axio Global, an Atlanta-based cyber risk management company. Few companies are willing to admit when they've been hacked.

“I strongly believe we need more transparency into attacks. That would help everyone understand the risks,” White said.

He added that he supports the congressionally chartered Cyberspace Solarium Commission's recommendation last year to create a center within the Commerce Department for sharing cyberthreat information, “not to out individual companies, but to make everyone more aware.”

Better public data on risks and threats could create a deeper understanding that helps persuade regulators to support investment in defenses, White said.

*Reporter Peter Behr contributed.*

Twitter: [@chrismvasq](#) Email: [cvasquez@eenews.net](mailto:cvasquez@eenews.net)

---

## **‘Responsibly sourced’ gas grows despite green washing claims**

By Mike Lee

E & E News

May 10, 2021

Some of the biggest natural gas companies are moving to brand their product as low-emissions — a plan that could transform the industry even as it spurs accusations of green washing.

The gas producers and exporters are turning to third-party companies to prove their products release less methane and other pollutants than competitors, partly in an effort to stand out in a market that prioritizes environmentally conscious investments.

Environmentalists say, though, that certifying a portion of the industry's production won't solve the overall problem of methane pollution from oil and gas activity. And new research shows that cutting methane, a potent greenhouse gas, is a key strategy to battling the climate crisis.

EQT Corp., the biggest U.S. gas producer, is working with the nonprofit groups MiQ and Equitable Origin to certify that gas from its Marcellus Shale wells is from low-emitting sites.

Chesapeake Energy Corp., which helped pioneer the use of horizontal drilling and fracking, has started a pilot program with a technology company, Project Canary, to install monitoring equipment at well sites, which will allow it to market its gas as “responsibly sourced.”

NextDecade Corp., which is building one of the biggest gas-export terminals in Brownsville, Texas, said it will work with Project Canary to monitor the emissions of gas it sells, from the wellhead to the loading dock.

Baker Hughes, the century-old oil field service company now owned by General Electric Co., offers a [methane monitoring service](#) and recently announced a partnership with Northeast Natural Energy, a small gas producer in West Virginia.

The energy companies and the certifiers said they hope that customers will be willing to pay a premium for gas that comes from low-emitting fields.

“We see more and more utilities, end users and buyers want to know the methane emissions from the gas they’re buying,” Georges Tijbosch, a senior adviser at MiQ, said in an interview.

Environmentalists, while applauding the companies for acknowledging their emissions problem, said the idea of certifying gas raises several questions, however. Methane emissions are only one of the pollutants that come with drilling and fracking, and gas still produces carbon dioxide when it’s burned.

“The question on everyone’s mind is, is this real or is it just greenwashing of some sort — I don’t think that is an either-or question,” said Clark Williams-Derry, an energy finance analyst at the Institute for Energy Economics and Financial Analysis.

If only part of the industry opts for certification, for instance, it won’t necessarily lead to widespread reductions in methane emissions.

“The flip side of responsibly sourced gas is irresponsibly sourced gas,” Williams-Derry said.

Natural gas produces less carbon dioxide than coal when it’s burned. But the gas itself, which is mostly methane, traps 84 times more heat in the atmosphere than carbon dioxide.

Last week, the United Nations said the world’s industrial countries need to cut methane emissions by 45% by 2030 to achieve their goal of limiting global temperature increases to 1.5 degrees Celsius. About 35% of the reduction would have to come from the fossil fuel industry.

Methane is relatively cheap to control, the United Nations said in a summary of its report. And because it’s a short-lived pollutant, cutting it now would have an outsize effect over the next 10 to 20 years.

“Lower methane concentrations would rapidly reduce the rate of warming, making methane mitigation one of the best ways of limiting warming in this and subsequent decades,” the summary said.

The oil and gas industry has a long-standing problem with so-called fugitive emissions of gas from wellheads, storage tanks and other equipment.

The industry is under pressure from governments and investors to reduce such leaks. Money management firms like Blackrock Inc., which controls \$9 trillion, have said they want their investments to meet environmental, social and governance (ESG) standards.

Six months ago, the French utility company Engie SA opted out of a \$7 billion deal to import liquefied natural gas from NextDecade over concerns about the emissions footprint of natural gas ([Energywire](#), Nov. 4).

### **A methane report card?**

Project Canary, based in Denver, uses a system of cameras and sensors to check methane emissions at well sites and other facilities. The equipment can record data continuously and alert the operator when pollution levels rise above a preset threshold.

Using the system “will provide transparency and give confidence to our customers who are increasingly focused on securing low greenhouse gas-intensive LNG,” said Matt Schatzman, NextDecade’s CEO.

Chesapeake plans to use Project Canary’s system at sites in two gas fields — the Marcellus Shale in the Northeast, and Haynesville Shale along the Texas-Louisiana border.

MiQ is a nonprofit formed by RMI (formerly the Rocky Mountain Institute) and the research company Systemiq. Its goal is to develop standards that will allow individual gas facilities, like pad sites, to be graded on an A through F scale, depending on their level of fugitive emissions.

The companies themselves would select the monitoring systems, report the results, and pay for audits to show that they have complied with MiQ’s standards, Tijbosch said in an interview.

Equitable Origin, founded in 2009, has a separate certification process that’s intended to cover the impacts of energy developments on surrounding communities.

EQT said on its website that getting its production certified will help it maintain access to investors and lenders, and also to global customers.

The company started working with Project Canary in January to measure emissions from a handful of its pad sites. Once it goes through the certification process with MiQ, more than half its output will be considered responsibly sourced, the equivalent of 4.8% of U.S. production, according to a news release.

MiQ and Equitable Origin are also working to certify Northeast Natural Energy’s production, according to a news release. It’s the first time Baker Hughes’ monitoring technology, which is being sold by the company’s Avitas subsidiary, has been used to certify a company’s emissions levels.

Other energy companies were already looking to differentiate themselves. In January, Occidental Petroleum Corp. said it had produced and sold a 2-million-barrel cargo of “carbon neutral oil” to an Indian refinery, by buying enough carbon offsets to account for the crude’s emissions ([Energywire](#), Feb. 3).

Cheniere Energy, which runs two gas export terminals on the Gulf Coast, said in February that it

would provide emissions data for all the gas it ships.

Last week, Cheniere said it had sold a cargo of “carbon neutral” gas to Royal Dutch Shell PLC. Cheniere and Shell said they had bought enough “nature based” carbon offsets, such as free farming projects, to offset the emissions associated with producing the gas.

### **‘Is there any benefit?’**

But the focus on methane won’t offset all the potential problems that come along with gas development. Traffic accidents, for instance, are one of the leading causes of death for oil and gas workers.

And the industry’s wastewater — each gas well can produce tens of thousands of gallons of salty, chemical-laden fluid — is arguably a bigger impact on surrounding communities, said Ted Auch, Great Lakes program director at the FracTracker Alliance.

“All the people see where I live is a bunch of brine trucks running roughshod over the roads,” Auch said.

So far, most of the producers that have signed up to certify their gas production also are operating in relatively low-emitting fields like the Marcellus.

But the bulk of the industry’s emissions come from places like the Permian Basin and Bakken Shale, where the gas is a byproduct of oil production. Oil tends to be more profitable than gas, so companies frequently flare the gas rather than ship it to market.

And except for NextDecade, it’s unclear how widely the certification trend will reach into pipelines, processing and pump stations, distribution systems, and other LNG terminals.

“If you have responsible gas that goes to a leaky system — is there any benefit there whatsoever?” Williams-Derry, with IEEFA, said.

*Reporter Carlos Anchondo contributed.*

Twitter: [@mikeleefw](#) Email: [mlee@eenews.net](mailto:mlee@eenews.net)

---

## **Opinion: University Lands should commit to end flaring**

By Luke Metzger

San Antonio Express-News

May 8, 2021

Last month, BP announced its plans to end routine flaring by 2025. Flaring, the practice of burning unwanted gas in the oilfields, is dirty — and the damage it causes to the planet has given Texas’ reputation a black eye.

So, why is it still happening on land owned by the University of Texas?

UT prides itself on leading the way toward a clean, renewable future — a fact that's evident through the rooftop solar arrays and a long list of LEED-certified buildings on its campuses. But its less-visible oil operation in West Texas tarnishes this green sheen.

About 180 miles west of Austin — amid the sand dunes, grasslands and tumbleweeds of West Texas — lie a whopping 10,000 oil and gas wells on land owned by UT.

UT's deep involvement in the oil industry makes the University Lands operation the fifth-largest oil producer in all of Texas. This drilling creates a host of environmental and public health problems, not least of which is the flaring and venting of methane gas.

Wells typically produce both oil and gas. If the company operating the well is interested only in producing oil, the gas is an unwanted byproduct to address. Well operators can send this gas into the market through a pipeline or burn it on-site through a flare if pipeline infrastructure is not available.

Too often in Texas, however, operators rely on flares despite the availability of pipelines, use flares that only partially burn the gas before releasing it, or directly vent uncombusted methane into the atmosphere.

Flaring, venting and methane leaks are major sources of global warming pollution and may erase any climate benefit that natural gas has over coal. Such concerns recently led the French company Engie to cancel plans to buy Texas gas.

Flaring is also bad for public health. A recent study found that pregnant women exposed to more than 10 nightly flares within 3 miles of their home had a higher risk of giving birth prematurely.

Public outcry led BP to announce its plan to end flaring in the Permian Basin by 2025 and spend \$1.3 billion to create pipelines for natural gas. It's joined by Apache Corp., another large operator in the Permian Basin, which plans to eliminate all routine onshore flaring in the U.S. by the end of the year. Alaska, Colorado and, recently, New Mexico have all banned routine flaring.

The University of Texas isn't blind to the problem: Its researchers have published study after study on the topic; its representatives have spoken out about it; and, last spring, the university convened a large group of experts for a workshop on problems and solutions regarding methane flaring in the industry.

University Lands says it "is proud of its environmental record" — but it hasn't committed to ending flaring. In fact, satellite data reveal oil and gas companies drilling on University Lands flared 5.2 billion cubic feet of natural gas in 2017 — enough gas to fuel 124,000 homes.

As a leader in the Texas energy market, UT faces a choice: Stay the course of waste and pollution — modeling an approach that has led Texas to become the worst methane polluter in the country — or step up and showcase energy innovation and best practices with real standards to reduce pollution on university lands.

The University Lands Flaring Act, introduced by state Rep. Gina Hinojosa and Sen. Sarah Eckhardt in the Texas Legislature, would direct the UT System to eliminate routine methane flaring on its land by 2025.

Climate change is a major threat to all Texans. Summers are getting hotter; hurricanes are getting stronger; and droughts are getting longer. It's critical to our future that we act quickly to eliminate global warming pollution.

For nearly 150 years, the University of Texas System has been a center of innovation and leadership in our state. As one of the biggest players in the oil industry, it can lead the way in meeting the greatest challenge of our time: the fight against climate change. UT System leaders should act immediately to rein in methane pollution on university-owned land — and if they do not, the Legislature should.

*Luke Metzger is the executive director of Environment Texas, a nonprofit advocate for clean air, clean water, open spaces and a livable climate.*



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: May 12, 2021

May 12, 2021 at 11:08 AM EDT

To: NewsClips

---

## **Gas lobbying raises fears of another blackout crisis**

By Mike Lee and Edward Klump

E & E News

May 12, 2021

Texas' powerful fossil fuel industry is lobbying to exempt parts of the natural gas system from legislation aimed at preventing a repeat of blackouts that left millions of people in the cold and dark in February.

The pressure campaign has Gov. Greg Abbott (R) and the Republican-controlled Texas Legislature on the verge of leaving the state's main power grid vulnerable to future storms, environmentalists, power company executives and academics say.

The debate is being watched across the country, as Texas' response will help inform what actions other states and grid operators take to maintain grid reliability given climate concerns and the expansion of intermittent wind and solar resources. For Texas, a replay of the February crisis is a possibility.

Lawmakers have until the end of May to pass legislation during their regular biennial session, and the only significant gas-focused reform bill to pass both chambers is one that prohibits municipalities from banning energy sources such as gas. A special session also remains possible.

The Texas House and Senate have spent considerable time on nonenergy issues, varying from tighter voting restrictions to looser gun regulations. The lack of customer-focused answers to the February power disaster is drawing criticism from some conservative Republican lawmakers.

"We keep forgetting what happened — death, pain and suffering, and people picking up the bills," state Rep. Todd Hunter, a Republican from Corpus Christi, said during a committee hearing last week.

"You look in this room, this is the money room," he said. "Everybody in here is trying to make sure they don't pay."

A group of gas producers, transporters and traders — including BP PLC and Kinder Morgan Inc. — saw billions of dollars of collective gains because of price spikes tied to the February storm.

Last year, natural gas-fueled units provided about 46% of power on the grid managed by the Electric Reliability Council of Texas. Gas-powered generation also had the most megawatts of generation capacity offline of any resource during the February power crisis, according to ERCOT, whose region includes about 90% of the state's power load.

Despite promises to winterize the power system and various bills floating around, lawmakers could leave the gas system largely unchanged outside of some new registration efforts for critical facilities. And, critically, the same group of elected officials could still be in charge of enforcing

any winterization rules for the natural gas sector.

The full cost of the February storm, meanwhile, is still being calculated. More than 4 million homes and businesses lost power, some of them for two or three days. Frozen pipes and power failures also crippled water treatment plants around the state, leaving more than 14 million people without access to clean tap water.

At least 151 people in Texas died from hypothermia, carbon monoxide poisoning and other causes related to the winter storm that led to massive power outages, [according to](#) the Texas Department of State Health Services.

### **Gas loopholes?**

Natural gas producers and their allies were lobbying against significant changes to the energy system just days after the storm.

**Christi Craddick**, a Republican who is the state's top oil and gas regulator as **chair of the Railroad Commission of Texas**, said during a February hearing that the industry's widespread problems during the storm had little impact on the power crisis.

"These operators were not the problem," she said. "The oil and gas industry was the solution."

In the months since then, powerful trade associations have been pushing lawmakers to water down the bills that overhaul the power and gas system.

While the final outcome isn't clear, the industry and legislators seem focused on [S.B. 3](#), an omnibus measure containing a number of reform proposals. Provisions include a Texas Energy Reliability Council and weatherization requirements for power generation and other aspects of the energy system. It also would impose fines up to \$1 million per offense for certain violations and allow the state attorney general to enforce some rules.

The words "gas well" have already been removed from S.B. 3, and the Texas Oil & Gas Association is circulating amendments to the bill that would weaken it further.

One of the bill's key provisions is a requirement for state regulators to map the gas supply chain that feeds the state's electric generators and require those gas facilities to be weatherized. The industry amendments, obtained by *E & E News*, would exempt some producing and treating facilities from those rules.

They also would ensure that the weatherization rules only apply to facilities "directly serving natural gas electric generators whose sole purpose is putting power on the ERCOT grid," remove the attorney general from the enforcement process and exempt co-generation plants at the state's oil refineries from weatherization requirements. Those plants normally are used to provide power for their owners but can be used to supply the statewide electric grid during shortages.

TXOGA President Todd Staples said the trade association talks frequently to legislators and is in favor of most of the proposed reforms, but he added that weatherizing individual wells won't protect the system. Instead, power companies need to pay for gas storage and firm supply contracts ahead of time, which will guarantee power to both the gas industry and to customers statewide.



“It is a knee-jerk reaction to think going all the way back to the wellhead is going to improve reliability,” he said.

But Alison Silverstein, an energy consultant who previously worked for the Public Utility Commission of Texas, said TXOGA would leave the state’s power generators with gas shortages if there’s another winter storm.

“That won’t prevent a freeze-up or failure downstream at the wellhead, processor, storage or pipeline away from the plant from blocking gas delivery to the plant,” she said in an email.

A broader concern is that the legislation would largely avoid changes at the **Railroad Commission**, which oversees the Texas oil and gas industry.

The commission’s members are elected statewide and get the bulk of their campaign funding from the oil, gas and pipeline companies they oversee, something that’s not allowed in some states. And Craddick herself gets a substantial amount of income from oil and gas property she owns in West Texas, something that’s allowed in Texas but is also prohibited in some places ([Energywire](#), Nov. 1, 2018).

The commission’s critics say the agency rarely enforces rules against oil and gas operators for pollution and other problems. Regulators also took limited actions after a 2011 storm and other previous storms.

“The Legislature really needs to be cautious about how much flexibility it gives the **Railroad Commission**,” said Virginia Palacios, executive director of Commission Shift, a nonprofit group dedicated to reforming the agency. “What we’ve seen year after year is that these commissioners aren’t interested in showing leadership.”

### **Profit bonanza**

While some oil and gas companies lost money during the freeze, the ones who were able to keep gas supplies flowing reaped at least \$5 billion in profit.

Natural gas prices jumped hundredfold or more during the storm, partly because of the jump in demand for heat and power. The supply of gas also dropped because parts of the system went out.

Energy Transfer LP, the company behind projects such as the Dakota Access pipeline, reported a \$2.4 billion boost to its earnings from the winter storm. The company packed extra gas into its pipelines ahead of the storm, rented portable generators and other equipment to keep its plants running and had crews standing throughout the storm.

Kinder Morgan, the Houston-based pipeline giant, took similar measures and reported a \$1 billion gain from its gas operations during the storm. BP likely made over \$1 billion related to energy trading, the *Houston Chronicle* reported. Other small and medium-size companies reported hundreds of millions of dollars in profits.

Much of the gas system, though, experienced a cascade of failures. The freezing conditions and snow knocked out individual gas wells and froze the plants and equipment used to separate liquids from the gas stream.

Compressor stations that push gas into long-haul pipelines lost power because of a series of coordination mishaps, which in turn cut off fuel to power generators. Many of them had failed to fill out paperwork designating themselves as critical power users, which would have prevented them from being blacked out.

What's more, a number of natural gas facilities had signed up for a program that called for them to reduce power use during tight conditions in return for financial benefits.

In a statement, ERCOT said the program is a good way to help manage power, but it said gas facilities shouldn't be in the program if they're critical to the energy system.

There's existing technology that can winterize gas facilities cheaply, Democratic state Rep. Jon Rosenthal, who's also an oil field engineer, said in an interview.

Gas wells can be protected by injecting chemicals similar to antifreeze into the gas stream. Processing plants and pump stations can be protected with temporary buildings, portable heaters and backup generators.

"We could solve the problem and it wouldn't bankrupt these companies," Rosenthal said.

It would cost \$20,000 to \$50,000 apiece to winterize new gas wells in the state, for a total of \$85 million to \$200 million annually, according to an [update](#) from the Dallas Federal Reserve Bank. That pales in comparison to the cost of the freeze and outages, which the Fed said could cost the Texas economy \$80 billion to \$130 billion in direct and indirect economic losses based on early estimates.

### **Electricity fallout**

Texas power providers varying from big publicly traded companies to electric cooperatives and municipal utilities bear financial scars from the February storm.

Irving, Texas-based Vistra Corp. has announced a roughly \$1.6 billion financial hit. Houston-based NRG Energy Inc. pegged its negative impact at about \$500 million to \$700 million. Those figures were after taking into account various mitigation efforts at the companies.

There also have been bankruptcy filings by Brazos Electric Power Cooperative Inc. and certain competitive power providers, including Griddy Energy LLC.

While blackouts generally started the morning of Feb. 15, power companies said they began experiencing gas shortages before then. Vistra said about 70% of the force majeure claims it saw happened before Feb. 15, and some occurred as early as Feb. 12.

NRG Energy Inc. CEO Mauricio Gutierrez told investors and analysts this month that he supports formal winterization rules as well as certain penalties and audits.

"With that said, one of the biggest lessons learned from this storm is how interactive and interconnected the electric and natural gas sectors are, and our focus is not just on hardening the power generation side of the equation," Gutierrez said. "Instead, we believe the entire system, including natural gas, needs to be hardened as they say from wellhead to lightbulb."

The stakes are high for Texas considering that its pro-business message relies heavily on light regulation and low-cost power. The widespread blackouts tarnished that image.

Texas' electricity regulators don't appear to be driving the reform discussion in Austin, but they have been in touch with state lawmakers.

Some good news for Texas this summer is that natural gas access is expected to be less of a concern during hot weather, but better coordination and communication will remain crucial.

Peter Lake, the recently installed PUC chairman, told a group of ERCOT market participants that Texas will be closely watched, including during the summer power season.

“All eyes will be on us like never before,” he said.

Twitter: [@mikeleefw](#) Email: [mlee@eenews.net](mailto:mlee@eenews.net)

---

## **Winter storm triggered largest monthly decline in natural gas production**

By Marcy de Luna

Houston Chronicle

May 10, 2021

The severe winter weather that swept across the country drove a record decline in U.S. natural gas production, led by the plunge in Texas, the Energy Department said Monday.

The nation's natural gas production in February fell by an average of 8.1 billion cubic feet per day, or 7 percent from January, the largest monthly drop ever recorded, according to the Energy Department. Texas accounted for more than half the decline, as the state's average production for the month plunged by 4.3 billion cubic feet per day, or 15 percent.

The winter storm hit Texas in mid-February, knocking out power plants, disrupting natural gas supplies, and leaving more than 4 million Texans without electricity and heat as temperatures plummeted. Nearly 200 people died from causes related to the extended power outages.

Natural gas power plants generate about half the state's electricity, and fuel shortages contributed to plant failures during the bitter winter weather.

The Energy Department attributed the plunge in natural gas production to so-called freeze-offs. Extreme cold caused water and other liquids in natural gas wells to freeze at the wellhead and gathering lines, blocking the flow.

Natural gas producers and processors also have blamed power outages that knocked out operations. Last week, the state's grid manager, the Electric Reliability Council of Texas or ERCOT, confirmed that it forced dozens of natural gas facilities to offline during the storm under a program that pays large industrial users to shut down when electricity supplies are short.

The contractual outages affected a small portion of the thousands of oil and gas facilities in Texas.

In the period between Feb. 8 and Feb. 17, which spans the storm and the run-up to it, natural gas production plummeted by 10 billion cubic feet a day, according to the Energy Department.

Texas, which does not require natural gas and power companies to winterize equipment to the same extent as natural gas production companies in colder, northern states, the Energy Department said. The state also does not provide incentives for power companies to maintain extra generating capacity in case of emergencies.

Texas is the nation's biggest energy consumer. Residential consumption of natural gas in February soared to record levels, surging more than 50 percent from a year ago and 64 percent above the five year average, according to the Energy Department.

That was more than offset by a sharp decrease in natural gas consumption by industrial users, which shut down because of outages, skyrocketing power prices and natural gas shortages, according to the Energy Department. Industrial consumption of natural gas fell 23 percent from February 2020, a record decline.

---

## **CSB adopts report on deadly hydrogen sulfide (H<sub>2</sub>S) release**

By Guy Burdick

EHS Daily Advisor

May 12, 2021

On May 4, the U.S. Chemical Safety and Hazard Investigation Board (CSB) adopted a final report on an October 26, 2019, [hydrogen sulfide \(H<sub>2</sub>S\)](#) release at the Aghorn Operating waterflood station in Odessa, Texas. The toxic gas release fatally injured an Aghorn employee who was working at the facility, as well as his spouse, who attempted to locate him at the facility after he did not return home.

The CSB had several recommendations for the employer but also recommended that the Occupational Safety and Health Administration (OSHA) issue a safety alert or safety bulletin addressing control of hazardous energy (lockout/tagout) requirements to protect workers from hazardous air contaminants such as H<sub>2</sub>S.

Water injection, or “waterflooding,” is used to increase the volume of petroleum extracted from an oil reservoir. At the Aghorn site, pumps in a building called the “pump house” are used to pressurize and inject water into the oilfield, adding pressure to the reservoir. Water is removed from the extracted oil, but the water can contain contaminants such as toxic H<sub>2</sub>S gas, as well as some residual oil.

“Waterflood stations are common throughout Texas,” CSB Chairman Katherine Lemos said in a board statement. “The CSB report determined that additional safeguards are needed to help ensure that a similar event is prevented.”

CSB investigators Lauren Grim and William Hougland identified several safety issues at the Aghorn facility, including failure to use a personal H<sub>2</sub>S detector; the lack of lockout/tagout policies or procedures; the lack of adequate ventilation in the pump house, confining toxic H<sub>2</sub>S inside the building; the lack of a formal company safety management program; a nonfunctioning H<sub>2</sub>S detection and alarm system; and deficient site security.

Investigators found that on the night of the incident, the waterflood station's control system activated an oil level alarm on a pump. An Aghorn pumper was notified. He then drove to the waterflood station and attempted to isolate the pump from the process by closing two valves.

The CSB found that the pumper failed to perform a lockout procedure to isolate the pump from energy sources before performing the work. While the pumper was near the pump, it automatically turned on, and water containing H<sub>2</sub>S escaped into the pump house. The pumper was overcome and fatally injured by the toxic gas.

However, the board's investigators could not determine whether the pump failure and toxic release happened before the pumper arrived at the facility or when the pump automatically turned on while the pumper was closing the valves.

When the pumper failed to return home, his spouse drove with their two children to the station to check on him. She located him on the floor of the pump house and also was overcome and fatally injured by the toxic H<sub>2</sub>S gas. The children remained in the car and were uninjured.

The CSB has several recommendations to Aghorn Operating, Inc.:

- Mandate the use of personal H<sub>2</sub>S detection devices.
- Develop a site-specific, formalized, and comprehensive lockout/tagout program for each facility.
- Commission a comprehensive, independent analysis of each facility to examine ventilation and mitigation systems.
- Develop and demonstrate the use of a safety management program that includes a focus on protecting workers and nonemployees from H<sub>2</sub>S.
- Ensure that H<sub>2</sub>S detection and alarm systems are properly maintained and configured, and develop site-specific detection and alarm programs and procedures.
- Ensure that H<sub>2</sub>S detection and alarm systems employ multiple layers of alerts unique to H<sub>2</sub>S.
- Develop and implement a formal, written, site-specific security program to prevent the unknown and unplanned entrance of nonemployees.

The CSB also recommended that the **Railroad Commission of Texas** develop and send a notice to all oil and gas operators that fall under its jurisdiction describing the safety issues identified in the CSB's report.

Text of the final report will be released in a few weeks, but the [presentation](#) for the board is available on the board's website.

---

## **South Texas Drilling Permit Roundup: Sanchez successor drilling in Dimmit County**

**Mesquite Energy used to have a different name and a much bigger presence in the Eagle Ford Shale.**

By Jessica Corso

San Antonio Business Journal

May 11, 2021

The company formerly known as Sanchez Energy — a once prolific driller in the Eagle Ford Shale — submitted applications for three new wells in Dimmit County last week.

Mesquite Energy Inc. plans to explore for oil and gas in the Eagle Ford Shale 13 miles west of the town of Catarina, according to applications submitted to the **Railroad Commission of Texas** last week. Mesquite has submitted 12 applications to drill new wells in South Texas so far this year, mostly in the same region of Dimmit County where it hopes to drill this latest round of wells.

The company was once much more ubiquitous in the region and was the top producer of condensate and the second-most prolific producer of gas in the Eagle Ford as recently as 2018, according to the **Railroad Commission**. That year the company, then known as Sanchez Energy, submitted 249 applications to drill new wells in the region. A year later, it filed for bankruptcy.

Sanchez Energy emerged from bankruptcy with a new name — Mesquite Energy — and [its \\$2.3 billion in debt wiped clean](#). But it hasn't yet seen the same heights as it did in 2018. In 2019, the company filed for 113 permits in South Texas, and it filed for 25 last year, when the oil and gas industry as a whole pulled back on drilling new wells.

Mesquite Energy files for permits under operator names SN EF Maverick LLC and SN Operating LLC.

### **South Texas Drilling Permit Roundup**

The South Texas Drilling Permit Roundup is a weekly review of new drilling permit applications filed with the **Railroad Commission of Texas** over a 67-county area of South Texas. For the full drilling data table, see above.

Date Range: May 3 to 9

Permit Applications: 19

Companies Filing: 11

Most Active Company: Murphy Oil Corp. with five applications

Most Active County: Karnes County with five applications

### **New and Noteworthy:**

Dallas area independent Headington Energy Partners LLC submitted an application last week to drill for oil and gas near Corpus Christi. The permit application is the first for Kleberg County in

year with the submission of a permit application in nearby Kenedy County. The Kleberg County permit uses the same lease name as several nearby EOG Resources Inc. wells, and the well itself is set to be drilled on the same field where EOG's last well in the area was drilled in 2018.

Forth Worth-based Wheeler Operating Corp. submitted for its first 2021 permit. The company plans to look for oil via a directional, 8,900-foot well in Madison County, 4 miles northeast from Madisonville. Wheeler Operating last drilled in the area in March of 2020 and has produced eight to 126 barrels of oil per month from that well.

### **Operators Drilling in Eagle Ford**

Ranked by No. of drilling permits in Eagle Ford Shale

<b>Rank</b>	<b>Business Name, Prior Year's Rank</b>	<b>No. Of Drilling Permits In Eagle Ford Shale</b>
<b>1</b>	<b>EOG Resources Inc.</b>	<b>405</b>
<b>2</b>	<b>Chesapeake Operating LLC, aka Wildhorse Resources</b>	<b>216</b>
<b>3</b>	<b>ConocoPhillips Co.</b>	<b>208</b>

[View This List: https://www.bizjournals.com/sanantonio/subscriber-only/2020/09/18/operators-drilling-in-eagle-ford.html](https://www.bizjournals.com/sanantonio/subscriber-only/2020/09/18/operators-drilling-in-eagle-ford.html)

---

## **NBC 5 investigates how colder states avoid winter blackouts**

### **What can Texas learn from cold-weather states?**

By Scott Friedman and Eva Parks

KXAS-TV

May 11, 2021

Video story on webpage: <https://www.nbcdfw.com/investigations/nbc-5-investigates-how-colder-states-avoid-winter-blackouts/2629784/>

They live through brutal winters, year after year. But the lights stay on. NBC 5 investigates what Texas can learn from colder states to prevent future disasters.

When the lights went out in Texas in February, other states with even colder temperatures still had power.

So how do they prevent power outages in places where brutal winters are just a part of life? NBC 5 Investigates traveled to the frequently frozen Midwest to find out, in the third episode of our digital series “Powerless.”

The answers found in one cold-weather state provided a road map for how Texas could prevent future winter disasters. But right now there is no guarantee that Texas will require some of the things that work best in more harsh winter climates.

---

## **U.S. sees less oil supply through 2022 despite rising prices**

By Sheela Tobben

Bloomberg

May 11, 2021

The U.S reduced its forecast for oil output through 2022 as drillers across the prolific shale patch pledge austerity over the allure of increasing prices.

Oil explorers throughout the country will [produce](#) 20,000 barrels a day less than previous forecasts for this year, at 11.02 million barrels. Supply next year is set to reach 11.84 million barrels day, down from prior estimate of nearly 11.9 million, the Energy Information Administration said in a [report](#) Tuesday. This marks the second straight downward revision for 2021 and 2022 forecasts.

The agency’s reduced forecasts come even as U.S. crude futures prices have risen more than 30% this year. In fact, the EIA raised its price projections for West Texas Intermediate oil next year by 25 cents a barrel.

Still, pressure from Wall Street investors has put a lid on any potential supply growth, forcing drillers to increase cash flow and dividends to shareholders. In their quarterly earnings calls last month, the largest U.S. drillers, [Chevron Corp.](#) and [Exxon Mobil Corp.](#), indicated they are [holding firm](#) to austerity measures adopted during last year’s pandemic-fueled crisis, easing concerns that recent price recovery would spur another round of runaway production growth.

With the U.S. unlikely to return to previous peak output, the Organization of Petroleum Exporting Countries and its allies have moved to roll back part of their supply cuts starting in May. OPEC itself boosted estimates for the call on its output this year by a [modest](#) 230,000 barrels a day as supply from the group’s biggest rival declines again.

Nonetheless, the EIA expects producers to add new wells while oil prices stay above \$55 a barrel,



but only enough to offset natural declines from existing wells. Oil supply will also benefit from the [new projects](#) in the U.S. Gulf of Mexico, the agency said in its Short-Term Energy Outlook. It added that the nation has fully recovered from February's cold snap-related supply outages, with volumes rebounding more than 1 million barrels a day to nearly 11 million barrels a day in April.

---

## **Huge corporations are saving \$10 billion on Texas taxes, and you're paying for it**

By Mike Morris, John Tedesco, and Stephanie Lamm

Houston Chronicle

May 12, 2021

As millions of Texans struggle with the economic devastation of COVID-19, the biggest corporate tax giveaway in Texas has helped businesses cut more than \$10 billion from their property taxes — and there are no limits on the program's exponential growth.

The gusher of tax incentives is flowing to firms ranging from petrochemical plants on the Gulf Coast to sprawling wind farms in the Panhandle. Companies are saving billions by promising to bring their business to Texas — even if evidence suggests some never would have gone anywhere else.

Meanwhile, nothing has changed during the pandemic for Texas homeowners who must pay their property tax bills on time or face stiff penalties.

For renters, it took Texas until mid-February, nearly a year after the pandemic hit, to launch a rental and utility assistance program. It was [plagued for months by long waits](#).

“We're living paycheck to paycheck,” said Dulce Cramer, who was laid off at her new job in Houston last year when the pandemic began. Cramer said she was denied state unemployment benefits while her husband's employer cut his hours, and they could barely afford the rent at their Westchase apartment.

“It was hell,” she said.

It's a far different story for the energy and manufacturing companies that qualify for assistance under an obscure section of the Texas Tax Code [called Chapter 313](#).

Twenty years ago, state lawmakers created the program in response to unfounded fears that Texas was losing bidding wars with other states to attract new business.

Since then, the program has ballooned into the largest corporate tax incentive in Texas — and lawmakers are working to renew it this year.

Here's how it works: An eligible company that promises to spend, say, \$200 million on a manufacturing plant can apply for a Chapter 313 incentive and lower the appraised value of its property on a school district's tax rolls, erasing millions of dollars in property taxes over the

course of a decade.

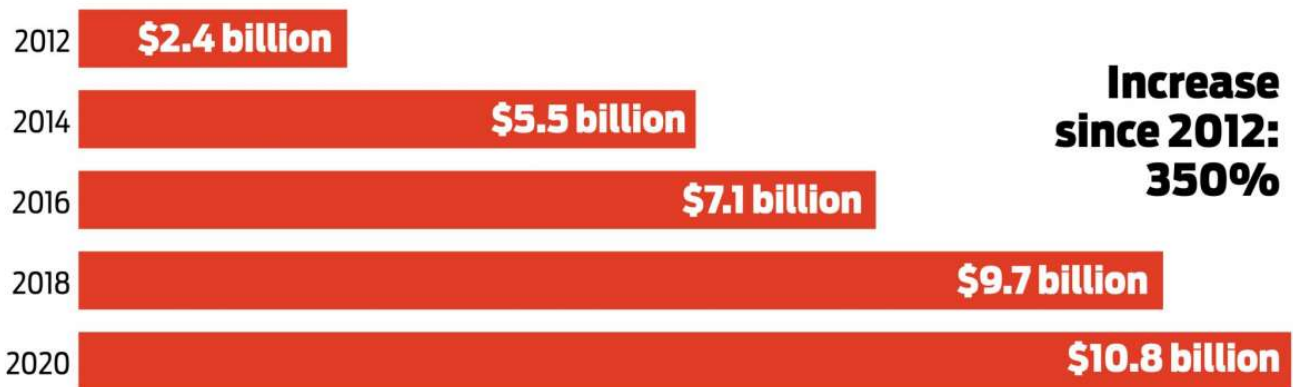
With more than 500 active projects in Texas, the program has become more popular than ever. State officials predict it will cost nearly \$10.8 billion in tax breaks over the life span of each project, according to a report on the program that covers all active deals through early 2020.

Since then, some projects have dropped out of the program, but records recently released by the comptroller's office show another 90 projects have since been approved that will save companies an additional \$900 million.

## Tax breaks soar to \$10 billion

The projected costs of the Chapter 313 program in Texas have more than tripled since 2012, when there were 128 projects scheduled to receive a total of \$2.4 billion during the 10-year life span of each deal. In 2020, more than 500 projects stand to receive nearly \$10.8 billion in tax breaks over 10 years.

### Gross tax benefits vs. year



Source: Texas Comptroller of Public Accounts

Staff graphic

To make up for the taxes these companies are not forced to pay, the Legislature must allocate more general revenue — the taxes all Texans pay — to public education, leaving fewer dollars not only to increase school spending but to build roads, provide health care and fund other vital services.

In essence, Chapter 313 asks all Texas taxpayers — renters, homeowners and small business owners — to help some of the world's largest companies get a discount on their taxes.

“What we’re doing is building a two-tiered tax system where large industrial companies get a discounted tax rate and small businesses and homeowners pay full freight,” said Dick Lavine, a senior fiscal analyst with the left-leaning research group Every Texan and a longtime critic of the program.

Supporters say Chapter 313 has lured major employers to Texas — companies such as Samsung, Toyota and Tesla. They contend the tax breaks create high-paying jobs and encourage manufacturing and energy companies to make marquee investments here.

“We brag about how we don’t have a personal income tax in Texas. We make up for that with very high property and high sales taxes,” said Dale Craymer, president of Texas Taxpayers and

Research Association, which has long supported the program. “Those high property taxes not only burden homeowners, but it also creates a substantial barrier against new capital investment, so 313 helps reduce that barrier to new investment.”

But a *Houston Chronicle* review of thousands of pages of state documents, corporate filings, reports and audits going back nearly two decades shows the program often falls short of its goals. It also functions without the guardrails lawmakers insist they have enacted to ensure the tax burden does not needlessly shift from major companies to individual taxpayers.

Among the *Chronicle*'s findings:

- Chapter 313 does create jobs — but at a steep price. By even a conservative measure, Texas is paying \$211,600 in tax incentives for each job created under the program. Using a different metric cited in the past by state officials, the cost per job tops \$1.1 million.
- At least 30 companies failed to fulfill their job-creation promises since 2019 but faced no repercussions. Their tax breaks stayed intact, and they paid no fines.
- As long as companies phrase their applications the right way, records show, they are nearly guaranteed to get the subsidies. Less than 2.5 percent of all Chapter 313 applications have been denied — and nearly a dozen of those reapplied with new phrasing and got approved.

The comptroller's office declined to make its staff available for an interview, citing the ongoing legislative debate about the program. It said in written responses to the newspaper's questions that its staff does not track the rate at which applications are denied and has no opinion on the proper rate of rejections.

“Our office works diligently to administer this program in the manner prescribed by the Legislature,” said spokesman Chris Bryan. “Our office remains neutral and tries to answer questions from all parties. Similarly, we make a lot of information available to the public and media so that others have sufficient information from which to make their own informed opinions on the program.”

As Chapter 313 saved billions for businesses, Gov. Greg Abbott declined to act on calls from appraisal districts and Texas lawmakers at the beginning of the pandemic to freeze property-tax values at 2019 levels to offer relief to property owners or extend the deadline to pay their tax bills.

“That's what galls me. They don't give a damn,” said Steve Tallent, 71, a heavy equipment operator in Mont Belvieu who fell behind on his property taxes after falling ill in 2019 and ended up owing more than \$4,800 in taxes and penalties on his house.

Tallent hoped to pay his bills with income from a bar he owns — but he was temporarily forced to close it because of the pandemic and couldn't pay that tax bill on time, either.

The governor's office did not respond to repeated requests for comment.

Tallent lives in the Chapter 313 capital of Texas. Trustees of the Barbers Hill Independent School District, which serves Mont Belvieu, have approved more Chapter 313 deals than any other school district in Texas.

The total cost of incentives over the 10-year duration of each deal: nearly \$900 million.

“Yes, we do have the most (projects). And they’ve been tremendous,” said Superintendent Greg Poole, an avid supporter of the program who moonlights as a consultant to help other school districts negotiate deals under the law.

Poole and other proponents say Chapter 313 has lured businesses to Texas that would have invested in other states. The law requires the comptroller’s office to scrutinize every deal, they say, ensuring that tax breaks go only to companies that truly need them.

Some even argue the program costs taxpayers nothing because without the incentives, the companies would have invested elsewhere.

The law has never required such a stringent review.

The comptroller’s office is charged only with deciding whether the tax break is “a determining factor” in a firm’s decision to proceed with the project — a low hurdle for companies to clear.

The program’s other gatekeepers — elected members of local school boards — usually have few reasons to turn down an application. That’s because state education funding formulas ensure that school districts don’t feel the pain from the property tax breaks. And districts stand to bring in millions in extra payments from the very companies seeking the incentives.

“I’ve never seen a beast like 313. It’s essentially free money for big business,” said Nathan Jensen, a professor at the University of Texas at Austin who has long studied the program.

But in scores of cases reviewed by the Chronicle, records show some tax breaks might not even be necessary.

### **The shale boom**

It was early 2011, and the Eagle Ford Shale boom in South Texas was helping reinvent the American energy industry.

The region’s first successful horizontal fracking well had been drilled in La Salle County more than two years earlier, unlocking enormous deposits of oil and gas trapped in rock formations deep beneath the earth.

All that oil and gas had to go somewhere.

For Texas energy companies, the shale revolution has married ingenuity with good fortune — the geological reality that the state straddles some of the richest oil and gas reserves on the continent.

Yet some of the world’s largest companies have raked in tens of millions of dollars in state subsidies for doing what simply made sense — building the pipelines, processing plants and petrochemical facilities necessary to profit from this windfall of resources.

Enterprise Products Partners, like its competitors, had begun building a network of new pipelines dedicated to transporting “natural gas liquids” in the Eagle Ford to its processing plants in South Texas.

The Houston-based energy company said enormous demand for its services soon would overwhelm its South Texas plants. But in April 2011, the company sought taxpayers' help in building a new gas processing plant in Lavaca County by applying for a Chapter 313 incentive for the project.

To prove the project qualified for the tax break, Enterprise told the comptroller's office that it had a large pipeline network and gas processing plants in four other states, allowing "substantial flexibility in plant location."

But like so many of its competitors, Enterprise had told its investors a different story.

The company had discussed the plant in public statements dating back 10 months — its location, its capacity, its construction timeline, the length of pipe needed to connect it to the company's network — and described it as part of a series of projects necessary to "meet the needs of producers" in the Eagle Ford.

If the comptroller's office was aware of these statements, they were not mentioned in the office's letter recommending the \$41 million in tax incentives be approved.

In all, at least 35 gas plants in Texas received about \$380 million in Chapter 313 incentives, almost all of them in the Eagle Ford or West Texas' Permian Basin.

At least 10 of them were publicly announced before the companies applied for tax breaks, either by name or with the same capacity, construction timeline and region as the plants the companies described in their applications.

Twice, another company, Energy Transfer, not only announced a gas plant before applying but even acknowledged starting construction and site work months before — with \$16 million invested at one site and \$20 million at the other — yet still got the subsidies.

Energy Transfer spokeswoman Alexis Daniel did not address the timing of the tax incentives but said the company is "proud to be a Texas-based, Fortune 100 company" with many employees in the Houston region.

"In 2020 alone, we paid approximately \$218 million in property taxes on our pipelines and facilities in Texas," she said. "These taxes support schools, hospitals, community centers, roads and various other projects and services that are important to our state."

Enterprise Products spokesman Rick Rainey, meanwhile, said a Chapter 313 incentive is one of many factors the company considers in evaluating investments.

"The economic viability of a project is analyzed, including the impact of 313," he said, "and helps determine where a project will be built, or whether it will be built at all."

Energy analysts, however, said the state's dozens of gas plants were certain to be built here.

"The processing plants would have had to come up no matter what," said Ajay Bakshani, an oil and gas analyst with East Daley Capital Advisors. "You need these plants in order to extract value out of the gas that's coming out of the ground."

And these plants, said Rusty Braziel, president of the Houston energy analytics firm RBN Energy, are typically no more than 25 miles from the cluster of wells producing the gas in need of processing. Just nine of the 35 gas plants that got Chapter 313 deals are that close to neighboring states.

The subsidies have become so ubiquitous that companies routinely remind the comptroller's office in their applications that their competitors often have received tax breaks to build comparable projects.

While Craymer, the program supporter, said the review process usually works, he acknowledged some projects destined to build in Texas likely slip through.

"I do think this is an area of discomfort with many, and, quite honestly, we're willing to work with folks on a better approach," Craymer said.

Hector Rivero, president of the Texas Chemistry Council, agreed.

"Someone that has got a project that's coming here regardless, that's an abuse," he said. "We want the comptroller to be able to ferret those out."

Bryan, of the comptroller's office, said his colleagues weigh public statements as part of their review process, adding, "Our determinations don't typically rely on a single document or issue." He gave the same answer when asked about projects that had started construction and still received tax breaks.

A similar pattern can be found in the renewable energy industry. Wind farms are projected to receive \$2.1 billion in Chapter 313 tax breaks. Yet West Texas' bountiful supply of wind and transmission lines already makes it the perfect location for such investments, according to a 2016 state Senate committee report.

In their Chapter 313 applications, both wind and solar farms often acknowledge selecting their sites based on their proximity to state-financed transmission lines but say the incentives are still needed.

Wind farms frequently start construction to secure federal tax credits but then seek Chapter 313 subsidies as well. They tell the comptroller's office that their investments do not commit them to the sites, and they routinely say they cannot compete on price with their competitors who already have received the state subsidies.

In sheer numbers, most Chapter 313 applications are filed by renewable energy companies. But most of the tax breaks — more than \$7.6 billion — are going to more expensive projects in the manufacturing industry that include huge petrochemical firms.

The subsidies can be traced through the entire production process of the Texas shale boom.

When natural gas liquids leave processing plants, they flow mostly through pipelines to facilities called "fractionators" that split them into their separate components — chiefly ethane and propane — which are then sold, exported or refined into fuels and plastics.

In North America, the chief hub for this activity has long been Mont Belvieu, a town 25 miles east of Houston in Chambers County, which sits atop scores of salt caverns — some larger than the Empire State Building — that let companies store massive amounts of oil and gas products.

As these liquids flowed to Mont Belvieu, the tax breaks followed.

### **Unavoidable projects**

Chapter 313 has subsidized at least 36 fractionators in Texas at a combined cost of \$770 million, a figure that includes a few other projects that were submitted on the same applications as the fractionators. All of them are near the Gulf Coast; 26 of them are in Mont Belvieu.

At least 15 times, companies announced the fractionators publicly before filing their tax break applications. Ten other times, the companies did not prematurely announce the projects in detail but did indicate they soon would need to add capacity.

Enterprise Products received tax breaks for nine such units in Mont Belvieu, the most of any company. Enterprise announced two of its fractionators were “under construction” weeks before seeking tax breaks to build them — and still got approved.

The projects were inevitable, energy analysts said. Once the newly abundant gas liquids were gathered and processed, they would need to flow through a fractionator in order to be usable.

In theory, more gas liquids could flow to Louisiana, New Mexico or Kansas, Braziel said. But, though Mont Belvieu’s salt caverns put it on the map, the town is the world’s gas liquids hub for another reason: 70 percent of these compounds are exported or sold to petrochemical plants, and both industries are clustered along the Gulf Coast.

There are docks, refineries and petrochemical plants in Louisiana, too, Braziel said — but not enough. The notion that three dozen Texas fractionators would have gone to Louisiana in the absence of tax breaks, he said, is folly.

“Could some? Yes. Could all of them? No,” he said. “The majority are going to land in Texas.”

What’s more, Bakshani said, by the time a fractionator is announced, most or all of the material the unit will produce is typically already under contract with customers — often petrochemical plants planning to use it in specific units nearby.

“A lot of the companies now have such a presence at Mont Belvieu that if they suddenly come out and say they’re building a fractionator in Louisiana, it would be a head-scratcher,” Bakshani said. “Why not take it to all the fractionators you already have that are next to all the facilities you already own?”

The flurry of Chapter 313 activity didn’t go unnoticed by competitors.

In early August 2017, Permico announced its Texas NGL project, an effort to pipe gas liquids from the Permian to a new fractionator in Corpus Christi.

When the company applied for a Chapter 313 subsidy, Permico CEO Jeffrey Beicker learned the comptroller’s office had questions. He was furious. Why didn’t his competitors face the same

scrutiny?

“All these other companies have multiple news releases, quarterly reports and annual reports that state their intentions,” Beicker [wrote in an email](#) to his consultant. “We refuse to lie to receive the tax abatement. Apparently our competitors do not share this moral dilemma.”

Beicker’s company got the tax break. A Permico executive referred questions to Beicker, who did not respond to requests for comment.



### Big tax breaks in Barbers Hill ISD

The Texas shale boom has produced huge volumes of natural gas liquids, which must flow through facilities called fractionators before they can be used. Texas taxpayers have provided subsidies to 26 such units in Mont Belvieu – which experts say is home to the largest cluster of fractionators in the world because it sits atop a salt dome ideal for storing gas liquids underground. The fractionators shown here received incentives from Mont Belvieu’s Barbers Hill ISD, with the dates when the companies applied and the projected value of the tax break for each project.

ENTERPRISE PRODUCTS		
1	July 2019	\$46.0 million
2	May 2019	\$29.5 million
3	July 2018	\$54.4 million
4	Nov. 2013	\$17.5 million
5	Nov. 2012	\$19.0 million
6	Nov. 2012	\$19.2 million
7	Aug. 2010	\$20.9 million
8	Sept. 2009	\$17.5 million
9	July 2010	\$17.1 million

ONEOK HYDROCARBON		
17	Aug. 2010	\$15.5 million
18	Oct. 2012	\$17.5 million
19	June 2018	\$13.2 million
20	Aug. 2018	\$11.7 million

TARGA / CEDAR BAYOU FRACTIONATORS		
21	Aug. 2010	\$15.3 million
22	Aug. 2013	\$13.4 million
23	June 2018	\$13.0 million
24	June 2018	\$13.0 million
25	June 2018	\$12.6 million
26	Nov. 2017	\$11.0 million

LONE STAR NGL (ENERGY TRANSFER)		
10	Jan. 2019	\$18.6 million
11	Nov. 2014	\$14.4 million
12	Nov. 2014	\$20.6 million
13	Oct. 2018	\$12.4 million
14	Nov. 2012	\$19.9 million
15	June 2011	\$22.2 million
16	July 2014	\$18.5 million

Source: Texas Comptroller of Public Accounts Staff graphic

### ‘Building and building’

More than a third of gas liquids go to petrochemical plants, which pounced on the cheap fuels the shale boom produced by launching a staggering array of projects.

As the compounds flowed from Mont Belvieu and elsewhere to chemical plants along the coast, in dozens of cases the subsidies followed them.

Some of the biggest Chapter 313 subsidies have been for petrochemical units called “crackers.” These turn ethane — the main material flowing from all the new fractionators — into ethylene, a key building block of plastics.

Chevron Phillips Chemical [announced](#) it would build one such unit in Baytown in late 2011 — months before it applied for incentives to do so — then sought tax breaks for another as part of a larger project in Orange in 2019. Combined subsidies: \$491 million over 10 years.

LyondellBasell secured three Chapter 313 incentives in 2013 to increase ethylene production at its [Channelview](#), [La Porte](#) and [Corpus Christi](#) plants despite announcing all three publicly before applying.



And ExxonMobil was already building an ethylene cracker in Baytown that had gotten Chapter 313 subsidies when it filed more tax break paperwork in 2016 as part of a joint venture with the Saudi firm SABIC.

The companies' new chemical plant near Corpus Christi includes an ethylene cracker and accompanying units and will get a projected \$457 million in subsidies over a decade.

Exxon spokesman Todd Spitler said the company supports "a business environment that encourages capital investment and job-creating activities," but he did not comment on its Chapter 313 deals.

Chevron Phillips spokesman Bryce Hallowell said the company's announcement of its Baytown project was followed by "significant" analysis. Chapter 313 tax breaks were "a key component" of that review before the company made a final decision to build the project, he said.

Lyondell spokesman Chevalier Gray said public policy is among the factors the company considers when considering a new project, adding, "Our projects provide increased tax revenues, among other economic benefits, across the region for many years after economic incentives expire."

The windfall of natural gas not only made it a cheap raw material for petrochemical giants. The materials soon were so abundant that companies sought buyers overseas.

In a five-year span beginning in the summer of 2010, federal regulators approved more than 20 requests from companies to build facilities to load gas liquids onto ships for export.

Among them were seven sites along the Texas coast — four of which were approved for Chapter 313 tax breaks. Some touted their proximity to the Eagle Ford and the Permian as competitive advantages; all four announced their plans months before seeking subsidies.

"The shale story just kept building and building over the past few years until, finally, we did the engineering and it just made sense," Freeport LNG CEO Michael Smith said in November 2010, months before his company applied for a tax break to turn its recently opened facility to import gas into a hub for exports.

The projected tax breaks for these export projects are among the program's largest: \$456 million to Freeport LNG; \$354 million to Sempra Energy's docks near Port Arthur; \$857 million to Cheniere's site near Corpus Christi; \$388 million to Exxon and Qatar Petroleum's joint venture near Port Arthur.

Freeport LNG spokeswoman Heather Browne stressed that the company provides hundreds of jobs — and thousands more when the facility was under construction — and will pay a projected \$2 billion in state and local taxes during the project's first two decades of operations.

"The Chapter 313 value limitation tax subsidies, approved and entered into prior to Freeport LNG making its final investment decision to construct our facility in 2014, helped our project compete in the global marketplace for customers, and thereby assisted the company in moving forward with the project in Texas," Browne said.

The three other Texas projects were in Brownsville. One never sought a Chapter 313 deal, and two — opposed by a coalition of shrimpers, fishermen, environmentalists, Native Americans and others — had their tax-subsidy applications rejected by the Port Isabel school board.

Yet, neither spurned company stopped work when their subsidies were denied. Only last month, six years later, did Annova LNG [announce](#) it was abandoning the project, blaming market shifts. The other two companies still plan to build.

At least eight times, in fact, the Chronicle found companies said they needed the subsidies to build, had their applications rejected by a school district or the comptroller's office or withdrew them under questioning — then proceeded anyway.

Nor do all companies say they need the subsidies. The owners of dozens of gas processing plants, including some just south of the New Mexico border, built without ever filing requests for a tax break.

### **Nothing for homeowners**

There's simply nothing like Chapter 313 for everyday Texans and small-business owners.

“We don't think this program should exist,” said Carine Martinez, director of research and publications at the Texas Public Policy Foundation, a conservative research group that has been calling for the repeal of Chapter 313 for years. “We favor a broad-based tax system so we can lower it for everyone instead of favoring some.”

Homeowners are eligible for some protections such as the homestead exemption, which cuts appraised values by \$25,000 for taxes owed to school districts. But with the median home value in Texas at [\\$170,000](#), many owners are still responsible for paying taxes on a large share of their property appraisals.

“I'm one of those people who believe that you should do everything on your own as much as you can, but we keep handing money to these corporations and nothing to the citizens,” said Mark Varnado, a Mont Belvieu homeowner who owes more than \$3,200 in overdue taxes and penalties. “That doesn't quite make sense to me.”

Varnado acknowledges falling behind on his taxes in 2019 and says he meant to catch up last year. But business from his side gig as a disc jockey dried up during the pandemic, and he had to support a son who lost his job. Now Varnado is falling even deeper in the hole as late fees add up.

The Texas Comptroller's Office almost never penalizes Chapter 313 companies that fail to meet their job-creation targets. And unlike the homestead exemption, Chapter 313 lets many businesses pretend a large portion of their investments are invisible on tax rolls.

Why are Texas officials approving so many deals, even for projects that might have been built anyway?

The answer is simple: That's how Chapter 313 was designed.

---

## **A controversial tax program promised high-paying jobs. Instead, its costs spiraled out of control.**

By Mike Morris, John Tedesco, and Stephanie Lamm

Houston Chronicle

May 12, 2021

When Houston lawmaker Jim Murphy tried to expand Texas' most lucrative corporate tax incentive six years ago, Gov. Greg Abbott vetoed Murphy's legislation, fearing it would cost taxpayers even more money.

"I cannot support expansion of an incentive program that has not been proven to deliver the value taxpayers deserve," Abbott said at the time.

The governor complained that the state's Chapter 313 program, named after a section of the Texas Tax Code that erases billions of dollars in property taxes for eligible companies, was costing taxpayers \$341,000 for every permanent job it created.

His veto, however, didn't slow the program's growth. Since then, that price tag has more than tripled.

Using the same calculation Abbott cited, Chapter 313 now costs more than \$1.1 million in tax breaks per new job, according to state data analyzed by the Houston Chronicle. By any metric, costs are rising — and there's no telling how high they'll go. The program has no limits.

The spiraling costs of Chapter 313 — which soon are projected to top \$1 billion per year — are just one example of how the program falls short of the benefits touted by supporters.

Ever since lawmakers created the program 20 years ago, they've repeatedly amended the law in the name of reforming it. Not only have promised protections for taxpayers not materialized, however, but the revisions have undercut the program's job-creation goals and weakened wage requirements for the workers at the subsidized job sites.

A *Houston Chronicle* review of hundreds of records in legislative archives and on file with the Texas Comptroller's Office found that the law was written in ways that encourage the gatekeepers of the program — the comptroller's office and local school districts — to approve nearly every Chapter 313 application they receive.

The review also found the comptroller's office often has shied away from applying a more stringent interpretation of the law, though doing so could have recouped public money from companies that broke their jobs promises or prevented a project from being needlessly subsidized.

Chapter 313 — a reference to its place in the Texas Tax Code — lets companies pretend that a portion of their property values are invisible on school district tax rolls for a decade. More than 500 manufacturing and energy projects are projected to save nearly \$10.8 billion in property taxes over the duration of their deals, according to a comptroller's report on the program that covers all active projects through early 2020.

Since then, some projects have dropped out of the program, but recently released records by the comptroller's office show another 90 projects have since been approved that will save companies an additional \$900 million.

Supporters of Chapter 313 promise that everyone benefits when the incentives end and properties return to the tax rolls at full value.

But the Chronicle's analysis shows that many projects quickly lost their value over time. Texas is missing out on the peak years of potential tax revenue, when property appraisals are at their highest.

Advocates say Chapter 313 guarantees high-paying jobs. But the pay at some tax-subsidized projects isn't keeping pace with wages at other manufacturing businesses in the same region. And in 64 percent of cases, local school boards let companies hire fewer workers than the law's already modest minimum standards require.

Comptroller spokesman Chris Bryan said his colleagues don't track the program's cost per job or the diminished property values of projects when they return to tax rolls after their incentives end. He offered no opinion on either measure.

Dale Craymer, president of Texas Taxpayers and Research Association, which has long supported Chapter 313, said the figures companies report to the comptroller often do not represent all workers employed in connection with a project, nor all the value added to the tax rolls.

And sales tax revenue produced in connection with new projects isn't tracked at all, said Texas Chemical Council president Hector Rivero.

"In some instances, the data doesn't show what we'd like it to, but then the question is, is that because the program isn't working as we'd like it to or because we're not getting all the data that we should be getting?" Craymer said. "The reporting associated with the program, while it's very transparent, it's also very limited."

Supporters also dispute the high cost-per-job metric cited by Abbott and take a dim view of such benchmarks, arguing that higher numbers simply mean a project cost more to build.

Abbott's metric, which relied on figures published by the comptroller's office, used two different time frames in its comparison. It divided the companies' total tax breaks over the entire 10-year life of the deals by the number of high-paying jobs they had created as of their most recent reports. After Abbott cited the metric, the comptroller stopped reporting it.

Even by more conservative measurements, however, the cost per job is still high — and rising.

Dividing the \$2.5 billion in tax breaks companies had received as of 2019 by the number of total jobs they had created as of the same year yields a cost of \$211,600 per job.

Meanwhile, another of the state's marquee economic development programs, the Texas Enterprise Fund, has awarded about \$6,500 per promised job.

In a recent report on Chapter 313, Craymer's research group — whose board includes many

recipients of the tax breaks and program consultants — noted that such jobs calculations don't include thousands of temporary construction jobs that aren't reported under the program.

Lauding Chapter 313's benefits, the report repeated a frequent claim: that the jobs in question wouldn't exist at all if it weren't for the program's success in luring business to Texas.

"Consequently, the state is not 'losing' any tax dollars," the group concluded.

Murphy, who filed new legislation this year to renew Chapter 313 for 10 years and expand it to allow more types of projects, emphasized the same point — that companies are investing hundreds of billions of dollars in Texas thanks solely to the program.

"No one's getting money from the state," Murphy said of the companies. "It's simply a reduction of taxes for 10 years, and then it goes up to the full rate for the rest of time."

But in case after case, the Chronicle found companies had announced projects and even started construction long before applying for Chapter 313 subsidies, suggesting they would have built the projects without the tax break.

Critics of Chapter 313 include Republicans and Democrats — both state parties have listed the program's abolition in their platforms — as well as the conservative Texas Public Policy Foundation and the progressive nonprofit Every Texan. These skeptics say it's time to rein in the program — or kill it altogether.

"This is a large, expensive and, I think, badly flawed program," said Dick Lavine, senior fiscal analyst for Every Texan, who testified at a legislative hearing this year against bills that would renew Chapter 313.

Vance Ginn, chief economist at the Texas Public Policy Foundation, agreed.

"We should have a tax system that doesn't pick winners and losers," Ginn said at the same hearing. "There are many businesses that come to Texas every day without these incentives. There are also many mom-and-pop shops, small businesses, that don't receive these Chapter 313 property tax abatements."

### **The gatekeepers**

Businesses applying for a Chapter 313 agreement want the all-important tax limitation that makes the program tick.

This cap lets a company pretend that, for example, a \$500 million petrochemical plant is worth anywhere from \$10 million to \$100 million on a school district's tax rolls for a decade, depending on the size of the district. The limitation can save a company tens of millions of dollars in property taxes.

The savings apply only to the school district's operations taxes. Districts also levy taxes to pay off debts, and Chapter 313 recipients pay all taxes on that portion of their bill, which is typically a far smaller amount.

For companies seeking these incentives, the process starts and ends at a local school district.

School officials are important gatekeepers in the program and ultimately decide whether to approve the agreements. But districts also have a powerful incentive to never deny a Chapter 313 deal: They can make money each time they approve one.

State funding formulas ensure that school districts don't bear the cost of granting property tax breaks. And school officials negotiate additional payments from companies that can be used for a variety of education purposes — money they never would have received under the state's educational allotments.

Over the 10-year life of each deal, these extra payments are providing a \$1.5 billion windfall for districts across Texas that participate in the Chapter 313 program. School boards occasionally reject an application if there's a community outcry against a project. But that seldom happens.

The comptroller's office itself, in a December 2010 report on the program, said these supplemental payments to schools "are evidence that the incentives awarded are higher than necessary to attract these projects, and represent unnecessary costs to the state."

Nathan Jensen, a University of Texas at Austin professor who has studied Chapter 313, has noted the perverse incentives these payments create.

"The thing that makes it particularly unique is how politically clever it is," Jensen said. "It's kind of an evil-genius program where you've essentially bought off the normal opposition for these kinds of programs. School districts always vote yes because it's set up like that."

Chapter 313 creates a system of winners and losers among Texas school districts. Only a portion attract the sort of manufacturing investments that qualify for the program. Roughly 1,000 school districts, including the Houston Independent School District and nearly every other big, urban district in Texas, don't have any active Chapter 313 agreements.

Just a sixth of all Texas school districts — about 170 — are granting tax breaks under the program this year. A majority of the incentives are concentrated in just eight districts, all but one of them petrochemical hubs on the Gulf Coast.

Fully half of the \$95 million in supplemental payments companies make to schools this year will go to just six school districts in industrial areas.

The nonprofit Industrial Areas Foundation argues the program's beneficiaries are limited to the companies themselves and districts serving just 5 percent of Texas schoolchildren.

"Most districts don't have these industrial facilities, and if you don't have these industrial facilities then you don't get any (extra) revenue," said Broderick Bagert, an analyst with the foundation.

### **Few denials**

Once a school district initially approves a Chapter 313 deal, the Texas Comptroller's Office reviews the application. Lawmakers and program supporters say state regulators make sure that tax breaks are going only to companies that need the incentive to build in Texas.

Records show their claims are incorrect.

For the program's first 12 years, companies were supposed to get the incentives only if their projects could "locate or relocate in another state or another region of this state."

The comptroller recommended that just one of the nearly 400 applications filed during that period be denied for failing that test.

Dow filed the first Chapter 313 application in September 2002 for a new polymer plant it called "a critical part of Dow's future growth in Texas," arguing that its global reach gave it "substantial flexibility in plant location."

Yet Dow also acknowledged it had begun construction on the project seven months before filing its application. The Chapter 313 deal saved the company \$14 million in taxes.

Dow spokeswoman Ashley Mendoza noted the company's application had blamed the late filing on state officials taking months to produce the necessary application forms.

"Our applications have met the requirements of the statute and the district rules," she said.

Caterpillar applied for tax breaks in August 2009 for a new plant in Seguin, [telling](#) the comptroller's office it had "many attractive opportunities" and had considered locations outside Texas. But company officials had already [chosen](#) Seguin, even hosting a groundbreaking ceremony seven months earlier with then-Gov. Rick Perry and other state leaders.

"The good people of Caterpillar have chosen Texas for the new home for their worldwide assembly, test and paint operations," [Perry said](#). The company cut \$9.5 million from its tax bill.

Caterpillar declined to comment.

In 2013, lawmakers promised to strengthen the program by adding more stringent oversight.

State Sen. Bob Deuell, a Republican sponsor of the bill, said it included provisions to make sure projects would not have come to the state without an incentive.

This view is still prevalent. At a December conference hosted by the tax research organization that supports Chapter 313, Dallas Rep. Rafael Anchia, a Democrat, stressed the comptroller's oversight role.

"But for the state investment, the private entity would not have made the investment," he said. "Without that, there's a rejection of the incentive."

The reality is far different.

The 2013 reforms instructed the comptroller to decide only whether the incentive is "a determining factor" in the company's decision to proceed with the project — not the sole, overriding factor.

Of the more than 550 applications filed under this phrasing of the law, only eight have failed the "determining factor" test. Of those, four rewrote their applications, applied again, and were approved.

“The “determining factor” criterion is ... difficult to assess,” the comptroller’s office acknowledged in a November [article](#) posted to its website. “It’s generally impossible to determine the factors that ultimately cause a company to make a final decision, but it’s plausible to assume that the availability of a large tax break is often a determining factor, if one of many.”

### **Lackluster benefits**

Supporters of Chapter 313 say the huge tax incentives are worth it. The program brings in high-paying jobs, they say, and at the end of the 10-year deals, the properties return to the tax rolls at their full value.

“It’s a win-win-win situation,” said Pete Pape, president of Texas Schools for Texas Economic Development, who testified at a legislative hearing this year in support of the program. “It’s definitely a win for the corporation. It’s a win for the school district. And it is a win for the community.”

But upon closer inspection, Chapter 313’s benefits are fraught with problems. Chief among them: depreciation.

Like a new car that loses its luster as soon as it leaves the showroom, the value of manufacturing plants, wind farms and other facilities can fall over time. In scores of cases, records show Texas is missing out on the years when Chapter 313 projects’ appraisals are at their peak.

In all, 81 projects had finished their Chapter 313 deals by 2019 and fully returned to the tax rolls, having received \$1.3 billion in tax breaks.

These projects, at the height of their taxable value, were worth \$22 billion. But in the first year after their tax breaks ended, they were worth just \$9 billion — 41 percent of their peak values. For manufacturing projects, the figure was 44 percent; for wind projects, it was 35 percent.

Motiva Enterprises, which applied in 2006 for a tax break at its refinery in Port Arthur, reported investing \$10.3 billion — the largest amount of any single Chapter 313 deal — but never reported a taxable value of more than \$3.5 billion. By the time the limitation ended, the facility’s taxable value was \$1.1 billion, a tenth of what the firm reported invested at the site.

The company received \$237 million in tax breaks.

After the refinery returned to the tax rolls at full value, Motiva protested its valuation and was successful; Port Arthur superintendent Mark Porterie said the district had to repay the company \$8 million.

Porterie said he supports the Chapter 313 program, under which the district has approved 10 applications, and welcomes the extra payments companies make to school districts.

But he has been critical of the companies’ efforts to reduce their taxable values and has called for Chapter 313 recipients to be banned from doing so while their values are artificially capped.

“We have these companies that come before us and they tell us that the business is going to be at a certain value at the end of the 10-year period,” he recently told a legislative committee debating a Chapter 313 bill. “At the end of the 10-year period ... it has lowered tremendously, and then we



have to fight. It's not always what it seems to be at the beginning of the process.”

Motiva declined to comment.

What about the high-paying jobs touted by Chapter 313's supporters? Records show that some Chapter 313 companies aren't paying wages that keep pace with the region's prevailing wages in similar industries.

The law doesn't require them to.

When Chapter 313 was created in 2001, 80 percent of new jobs had to be high-paying “qualifying” jobs, with wages required to exceed 110 percent of the local average manufacturing wage.

Over the years, lawmakers have chipped away at these requirements.

Applicants have never been required to create more than 25 jobs, or 10 jobs in rural areas. But in 2007, job waivers entered the program, letting companies lower their job-creation requirements or scrap them altogether. Among active projects, 64 percent have received job waivers.

In 2009, the wage target was “clarified” as being set using data as of the time the company applied for tax breaks, ensuring companies could avoid increasing employees' pay over time.

Of the roughly 310 projects that reported jobs data in 2019, a fifth reported paying workers a median salary lower than the average manufacturing wage in that region; at 20 projects, companies reported paying workers 80 cents or less on the dollar.

Among them was the Caterpillar plant in Seguin, which by itself is responsible for 13 percent of all permanent jobs created in Texas under the state's active Chapter 313 agreements. Lawmakers carved an exemption in the law's wage requirements for Caterpillar so it could qualify for the program.

The comptroller's office confirmed only one applicant has ever had to repay a tax break — a project in the Corpus Christi area that canceled its agreement after it recognized its wages would not satisfy minimum requirements.

Some companies fail to meet their job-creation promises altogether. Records show the comptroller's office sent warning letters to 30 companies since 2019 after they promised to create more than 600 jobs but didn't reach half that goal.

The comptroller's office didn't issue any penalties, even under new rules lawmakers added with the stated goal of strengthening the program. Bryan said they took no action because their initial enforcement efforts were unclear and gave businesses too little time to comply.

“We have since clarified our direction to companies,” Bryan said.

In one case, wood products manufacturer Corrigan OSB promised to create 145 jobs in Polk County in return for a tax break worth \$13 million. The comptroller's office warned the company in 2019 and again in 2020 that it created only 11 jobs — 8 percent of its promised goal.

Company president Scott Poole blamed the shortfall on regulatory delays and said the facility has now met its job targets.

Poole said he has heard criticisms of the program — that the tax breaks are going to companies that might have built their projects anyway. But Poole insisted Chapter 313 worked as intended in his case: It enticed the company to build in Texas, not its home state of Louisiana.

“It is truly a tool Texas can use to recruit new jobs,” Poole said.

### **Bipartisan support**

Controversies surrounding the program have sparked rare bipartisan support to kill it. Yet Chapter 313 has survived the legislative chopping block every time it has been up for renewal.

Critics of the program say one reason it has lasted so long is because so many interests have a stake in it.

Environmentalists support Chapter 313 because it funds wind and solar farms. School officials support it because of the stream of extra revenue they receive from companies. Business groups support it because they say it helps Texas compete against other states to attract new investments.

Lawmakers simply don't encounter widespread opposition.

“The public may not have all the information,” said Carine Martinez, director of research and publications at the Texas Public Policy Foundation. “We hear a lot about all the positives — this company coming with a billion-dollar investment — and we don't really see that there's another side to the coin and the incentives might cost us more in the end.”

Only a handful of lawmakers have publicly expressed skepticism about Chapter 313.

“Many Texans on both the right and left of the political spectrum would prefer to see a lower tax rate across the board, rather than the current complex system of off-the-books accounting that picks winners and losers in an opaque system and leaves other taxpayers paying the tab,” said state Sen. Lois Kolkhorst, R-Brenham, who this year filed a bill to require more verification of the companies' job-creation claims.

But the skeptics are outnumbered at the Texas Legislature. The program is now bigger than ever as some lawmakers proclaim their support for renewing it yet again.

One Chapter 313 bill filed this session came from Murphy, the Houston Republican whose legislation was previously vetoed by Abbott for its attempt to expand the program by making it easier for companies to propose projects spanning multiple school districts.

In his latest bill, Murphy proposed altering Chapter 313 in more far-reaching ways. Among the changes: Expand the program by allowing companies to receive tax subsidies for renovations, not just for new projects.

Murphy was unaware that the Republican party platform in Texas calls for the repeal of Chapter 313, but he insisted that abolishing the program would be a grave mistake.

“We are reforming it, and we are renewing it,” Murphy said.

Murphy joins a long tradition of Texas lawmakers who have made such promises before. Their past reforms of Chapter 313 — the “determining factor” test, the wage requirements, the job-creation targets — often have fallen short of the rhetoric.

Whether Murphy’s legislation would be any different was hotly debated in the House Ways and Means Committee and on the House floor. His House Bill 1556 sparked a flurry of objections and amendments by lawmakers, and Murphy finally withdrew the bill from consideration.

But there’s no shortage of bills filed by other lawmakers of both parties who want to extend Chapter 313.

One filed by Morgan Meyer, the Republican chairman of Ways and Means, has passed the House. It would simply renew Chapter 313 for two years. Members of the committee discussed studying Chapter 313 during that time to find ways to improve the program.

Even longtime boosters such as Craymer acknowledge some aspects of the program could benefit from scrutiny.

“This is a program that’s been around for 20 years. Every session we use a little more Scotch tape, we use a couple more paper clips,” Craymer said. “It’s probably due for a refresh.”

Lavine, the fiscal analyst who has opposed Chapter 313 for years, objects to any legislation to renew it. But he also has called for a “sunset review” of the program to fix its weaknesses. He believes Meyer’s bill, which passed the House on Saturday, is the most promising option to make that happen.

“It’s our strong feeling that just as we have sunset review of all our state agencies, we need sunset review of tax exemptions — including a program like this that offers tax breaks,” Lavine told lawmakers at a committee hearing.

Is there a better way, Lavine asked, to do what the law was created to do? Or does Texas need the program at all?



**Andrew Keese**

Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: May 17, 2021

May 17, 2021 at 12:19 PM EDT

To: NewsClips

---

## **Colonial pipeline hack puts spotlight cybersecurity efforts**

By Mella McEwen

Midland Reporter-Telegram

May 15, 2021

Cars lined up for hours at gasoline stations in the nation's southeast amid the shutdown of the Colonial petroleum products pipeline due to a ransomware attack underscore the continuing threat of cyberattacks.

The American Petroleum Institute told media this week the incident underscores the vital importance of maintaining the nation's pipeline infrastructure and developing additional pipeline infrastructure. The industry association also pointed out that cyberthreats are nothing new to pipelines, indeed to any industry.

Any new regulations intended to address pipeline cybersecurity would be premature, the association said, saying flexibility is needed to allow companies to address the constantly evolving technology, hardware and threats.

A spokesperson for the Interstate Natural Gas Association of America told the *Reporter-Telegram* by email, "Natural gas pipelines are critical infrastructure that move one-third of the energy consumed daily in the United States. INGAA member companies work around-the-clock to secure and protect this vital transportation network and the technology systems that operate it to ensure safe and reliable energy delivery to the hundreds of millions of Americans who rely on us. Our members' cybersecurity protections include implementing standards set by TSA and NIST, on-the-ground assessments administered by CISA, intelligence sharing with numerous government and industry partners, and establishing a security culture within their organizations with all employees active in prevention of cybersecurity threats.

"Following the cybersecurity attack on Colonial Pipeline, our members began monitoring their systems with enhanced vigilance and taking actions such as verifying their cybersecurity protections and backups were operable and scanning their systems for indications of the type of intrusion that was reported to have impacted Colonial. We are not aware of any impacts to natural gas pipelines as a result of this cyberattack. As we learn more about this recent event in the coming days and weeks, INGAA members are committed to continuing our efforts to identify and implement opportunities to further enhance our cybersecurity programs."

Pipelines sought to assure that they have taken and continue to take action to protect their infrastructure from threats.

Kinder Morgan, which has ownership of the Products (SE) Pipeline, formerly Plantation Pipe Line Company, said the pipeline remains online and in full service and is currently working with customers to accommodate additional barrels during Colonial's downtime.

"We will continue to work under industry best practices and in coordination with our customers

and regulators as the situation evolves,” the company told the *Reporter-Telegram* in a statement.

Energy Transfer told the *Reporter-Telegram* in an emailed statement that the company “has a robust cybersecurity program that is deployed at all levels of the enterprise to keep our assets secure. Continuous training, strong identity and access management structures, supply-chain security assessments, endpoint protection, network segmentation, and a Security Operations Center work together to ensure the confidentiality, integrity and availability of our systems.”

Energy Transfer also cited its cybersecurity initiatives on its website’s homepage in the aftermath of the Colonial Pipeline shutdown.

Asked what impact a similar attack on a crude oil or natural gas pipeline would have, Rob Roberts, director in Opportune LLP’s process and technology group, told the Reporter-Telegram in a telephone interview that a crude oil shutdown would have a softer impact. He explained that crude oil is far up the supply chain and that refineries have a supply cushion that would mitigate any impact for a couple of weeks.

As to natural gas pipelines, he said Texans got a taste of a potential shutdown in February thanks to Winter Storm Uri.

“Depending on the season and where (the attack) was located, it would have an impact on power generation,” Roberts said. “Even in summer, we know ERCOT has difficulty balancing supplies if a plant goes down.”

The larger companies are addressing cybersecurity, he said. The industry has been undergoing a technology transformation, adopting digital technology and placing cybersecurity at the top of their efforts, training employees and hardening systems.

“Many organizations throw in their own phishing attacks to test employees,” he said.

Technology changes so rapidly, he said, that by the time proposed legislation to address specific threats gets out of committee, those threats have become obsolete.

Other challenges include the pipeline systems themselves. The Colonial pipeline is 550 miles, but Roberts noted there are shorter lines that interconnect with it all along the route. Kinder Morgan mentioned its PPL line, and Roberts pointed out that was the merger of pipelines with different systems, meaning information technology management had to cover “10 bases instead of two.”

Today, it’s impossible to disconnect the oil patch – drilling rigs, pumping units and tank batteries are all capable of sending data to engineers and geologists hundreds if not thousands of miles away. And upstream and midstream companies can also communicate through digital technology.

Without strong and ever-evolving cybersecurity in place, Roberts cautioned that interconnectedness “could be their downfall.”

---

## Colonial Pipeline fiasco foreshadows impact of Biden energy policy

By Jonathan Garber

Fox Business

May 15, 2021

The fallout from the [Colonial Pipeline](#) fiasco may be a preview of what's to come if [President Biden](#) forges ahead with his frontal assault on the oil and gas industry.

Fuel shortages, gas lines and higher prices have popped up across the Eastern seaboard after the 5,500-mile Colonial Pipeline was taken offline by hackers last week. The pipeline transports more than 100 million gallons of fuel per day, or almost half the East Coast's supply.

"Shortages will be a normal routine all across these United States," said **Texas Railroad Commissioner Wayne Christian**, a Republican whose agency oversees the state's oil and gas industry, when discussing Biden's energy agenda.

Eighty-eight percent of gas stations in Washington, D.C. were without fuel on Friday, according to GasBuddy. At least half the stations in South Carolina, North Carolina and Virginia were also dry, with Tennessee, Georgia and Florida also experiencing major disruptions.

The supply shortages resulted in gasoline prices spiking to [\\$7 per gallon](#) at least one station in Richmond, Virginia. The national average has climbed 7 cents to \$3.04 per gallon, the highest in seven years, since the pipeline went offline last Friday.

Gas prices were already on this rise this year, up \$1.17 per gallon from a year ago, mostly due to increased demand as the economy's reopening from COVID-19 lockdowns gathered momentum. But also helping boost prices were the series of executive orders signed by Biden during the early days of his administration designed to "transition" the U.S. economy away from its reliance on fossil fuels.

The president, just hours into his administration, revoked the permit for the Keystone XL pipeline and also at least temporarily paused drilling on federal lands and waters. He also reentered the U.S. into the 2016 Paris climate agreement and pledged to reduce greenhouse gas emissions from 2005 levels by at least 50% by 2030.

---

## PPDC's Environmental Regulatory Seminar returns after year off

By Mella McEwen

Midland Reporter-Telegram

May 15, 2021

After taking a year off because of the COVID-19 pandemic, Midland College's Petroleum Professional Development Center is again presenting its annual Environmental Regulatory Seminar, this year in conjunction with the Permian Basin Petroleum Association.

The seminar will be May 20 in the Carrasco Room at Midland College's Student Center on the main campus, 3600 N. Garfield St. Registration begins at 8:30 a.m.

New this year will be the presentation of the Bruno Hanson Midland College Award for Environmental Excellence, being presented to Diamondback Energy.

Erin Van Evera-Welch, PPDC director, told the *Reporter-Telegram* by telephone that the seminar is a “very appropriate” venue to present the award, and that the Hanson family said he would be thrilled to see it presented during the seminar.

The seminar will feature seven agencies and three independent speakers who are expert in environmental issues. The final speaker of the day will offer an ethics presentation.

Among those participating in the seminar is Tim Telck supervisor with the Midland County Attorney’s environmental enforcement unit, who will speak on environmental criminal offenses.

“Many people don’t know that unit exists,” Van Evera-Welch observed.

Agencies from Texas and New Mexico will be represented because, as she explained, “We tried to not just have Texas parties but New Mexico representation as well.”

Most of the New Mexico presenters from the New Mexico Environmental Department’s discussing major sources emissions inventory to the New Mexico Oil Conservation Division’s discussing new spill rules and produced water recycling facilities will be virtual. The exception will be John Smitherman with the New Mexico Oil & Gas Association. He will travel to Midland to discuss New Mexico’s new natural gas waste rules.

Texas agencies participating in the seminar include **Texas Railroad Commission . Jeff Duebner with the RRC** will speak about Rules 8, 20 and 91 on reporting pollution and remediation. Heather Fairbanks with the Texas Commission on Environmental Quality will participate in the seminar.

Ken McQueen with Kenergy Consulting will offer a presentation on shifting energy policies, and Mark Henkhaus with Permian Regulatory Solutions will discuss the Railroad Commission’s Rule 40. Stephen Robertson, executive vice president with the Permian Basin Petroleum Association, will present legislative updates from both the Texas and New Mexico legislative sessions.

Van Evera-Welch said organizers felt it was important to have an in-person event, though the college’s COVID-19 protocols limit attendance to 85 people.

“It’s a great opportunity to network with industry and agencies, get your questions answered and make contacts,” she said.

The focus on the environment has intensified in recent years as part of the growing focus on ESG – Environment, Social and Corporate Governance, she said.

“As we segue into ESG – ‘E’ is one piece of the greater picture of sustainability and responsibility,” she said.

ESG can be confusing for companies, which prompted the PPDC to offer a course on the subject in June, Van Evera-Welch said.

“Businesses in the Permian Basin, especially the oil and gas industry, are increasingly being impacted by ESG,” she said. “I truly believe that embracing ESG will allow our local businesses and organizations to be more transparent about their business initiatives and to be more proactive in sharing their accomplishments. Our petroleum industry has constantly been on the defense with their environmental impacts, profit reinvesting strategies and even their corporate social responsibility. ESG is the opportunity to be on the offense.”

The regulatory will be especially helpful, she added, exposing companies to state regulatory agencies and giving them a greater understanding of how those agencies work, making their work more efficient.

It could also benefit the communities where the companies work, she said.

“It’s boots on the ground that affect the output of the companies – not just production but reports,” she said.

---

## **Prices rebound, but oil may no longer be king**

By Paul Takahashi

Houston Chronicle

May 17, 2021

Oil and gas companies are emerging from the global pandemic more resilient to market downturns, but will most certainly be a smaller driver of economic growth for the Houston region in the coming years.

The first three months of 2021 saw most oil majors and large independents post their first profitable quarter since the novel coronavirus broke out last year, offering the clearest sign yet that the industry is rebounding from the worst oil bust in decades. The rollout of COVID -19 vaccines is filling restaurants, airports and vacation destinations across the country, bolstering demand for crude.

“Today, we’re seeing this rebound, which is happening faster than we thought and for some sectors, rising to higher levels than anticipated,” Exxon Mobil CEO Darren Woods told analysts this month. “One thing is for sure, these margins and prices will continue to move.”

West Texas Intermediate, the U.S. crude benchmark, has rebounded to around \$65 a barrel, a price at which many producers can turn a profit. A year ago, crude prices had plunged into negative territory for the first time in history as the pandemic forced most Americans home and slashed demand for petroleum products such as gasoline and jet fuel.

However, oil companies aren’t taking \$65 oil as a sign to drill, baby, drill. Despite returning to profitability and growing revenues, most oil companies have promised to hold down spending for new drilling projects — which may disappoint the tens of thousands of oil workers laid off during the pandemic.



EOG CEO Bill Thomas told analysts this month that supply and demand will dictate the Houston shale producer's growth plans — not the price of a barrel of crude.

“The oil price does not guide how much we're going to grow,” Thomas said. “It's the market fundamentals.”

Companies are exercising restraint in part because the economic recovery from the pandemic remains tenuous. New coronavirus strains are running amok in countries such as India, while the pace of vaccinations in the U.S. is slowing. OPEC and its allies are gradually ramping up production to meet growing demand, putting pressure on U.S. producers.

Oil executives have also promised capital discipline as part of an industry-wide effort to woo investors back to the sector after years of lackluster performance. Instead of spending to drill new wells and boost production, oil companies are focused on paying down debt and boosting returns through increased dividends and share buybacks.

“As (crude) demand grows, we expect supply to recover more slowly,” said Michael Cembalest, chairman of Market and Investment Strategy for J.P. Morgan Asset Management. “Big Oil's return-on-capital fell to single digits by 2016 due to excess competition. We expect these returns to rise back to 1990's levels of 10 percent to 15 percent.”

Oil companies also are under pressure from shareholders and regulators to invest heavily in renewable energy and carbon-capture solutions to prepare for a low-carbon future. Some companies, such as BP and Shell, are planning to use their oil and gas revenues to fund their transition to cleaner energy sources, while others, such as Exxon and Occidental Petroleum, are pouring money into technology that will bury carbon deep underground.

Even though oil prices have recovered to pre-pandemic levels, companies are continuing to scrutinize every budget item, cutting costs wherever they can and putting resources in the most productive wells. Marathon Oil this month told analysts that the company is terminating its corporate jet leases, which cost \$13 million during the first quarter. EOG Resources said it is selling its natural gas assets in China for about \$140 million.

“We're not going to grow until demand is recovered to pre-COVID levels, which it's on its way,” EOG's Thomas said. “We are committed to staying very disciplined, and not forcing oil into some market that's not ready.”

---

## **Opinion: Texas must fix the natural-gas-power-generation supply loop to prevent another blackout**

**Natural gas producers need electricity to supply fuel to power generators, so they can make that electricity.**

By Todd Staples  
Dallas Morning News  
May 16, 2021

As Texans move past the damages of February's winter storm, we must not move on without making meaningful changes that guarantee increased reliability. No Texan should have to endure deadly conditions again because the electricity supply chain failed to sufficiently reform.

The immediate action that would ensure natural gas facilities can operate during emergencies is to map the supply chain to determine which natural gas production, distribution and storage facilities feed into the natural gas electricity generation and local distribution companies. Then, facilities can be designated as critical load. Maintaining power to the most critical assets will help keep the system operating.

In Texas, 80% of the natural gas produced daily is not used for the production of electricity, so it is imperative we focus on the most directly impacted assets to ensure those products and services are accessible and available to generators.

We also agree that proper weatherization of both power-generation and natural gas facilities directly connected to power generation are key elements of reform. Proper steps must be taken to ensure compliance. We also support tools to ensure generators have access and availability to the fuel they need in extreme emergency conditions.

Some have suggested that all natural gas infrastructure – including 86,000 natural gas wells and another 164,000 oil wells that produce associated natural gas – should weatherize. In fact, many operators already weatherize at various levels. Yet without power, no amount of weatherization matters. To truly increase reliability, the research all points to focusing on the necessary infrastructure, contracts, weatherization, and storage that will help ensure power generation continues through the next storm.

To fix any problem, a proper evaluation of the cause must first be undertaken. The oil and natural gas industry called for a forensic analysis from the beginning and made a commitment to do its part in reform. Fact-finding is fundamental to focus on solutions that work.

A preliminary [report](#) from the Electric Reliability Council of Texas confirmed that power-generation units from just about all sources faced outages, and the report named weather-related issues as the primary cause. Fuel limitation caused only 17% of the challenges. An [independent analysis](#) commissioned by the Texas Oil and Gas Association through the research firm Enverus makes clear that the issues with natural gas production and transportation began with outages originating at power-generation units.

Once power outages began, natural gas production was impacted because facilities and infrastructure rely on electricity. The outages, in turn, impaired the ability to deliver natural gas supplies to power generators.

Even with these challenges, Texas natural gas production exceeded the state's demand during the storm, yet matching supply with demand proved challenging.

Texas has almost 550 billion cubic feet of working natural gas storage capacity – more than 40 times the state's typical total daily usage. Beyond storage capacity, Texas produces more than twice the amount the state needs for daily natural gas usage of all types and five times the amount needed for natural gas-powered electric generation. Texas is awash in natural gas.

Not all natural gas facilities provide natural gas for electricity generation because natural gas is also used for direct home heating, LNG exports and raw materials in manufacturing.

Improved communications, supply chain mapping, designation of critical load, storage and weatherization of power generation and those natural gas facilities directly connected to generation are all keys to ensuring natural gas does its part to keep Texans warm in the winter and cool in the summer. It is imperative that lawmakers focus on reforms that will actually improve the reliability of our power grid.

The oil and natural gas industry remains committed to working with legislators to pass these dependable solutions. With an issue of this magnitude, Texans deserve a serious evaluation of what really went wrong and reforms that will increase reliability in future emergency situations.

*Todd Staples is president of the Texas Oil and Gas Association and former Texas agriculture commissioner. He wrote this column for The Dallas Morning News.*

---

## **Opinion: Texas needs greater resiliency to prevent future power grid failures**

By Bob Dees  
Corpus Christi Caller-Times  
May 15, 2021

In the wake of recent failures of the Texas power grid there has been a rush to assign blame to a variety of actors ranging from renewable energy power operators to the Electric Reliability Council of Texas. Assigning blame to any one party for the cascading blackouts that affected the state is counterproductive and unwise, particularly given such an unprecedented weather event. The essence of resilience is the ability to get better, wiser, stronger through adversity. Finger pointing is a wasteful distraction.

Various power generation technologies initially operated to their designed capacity to address demand when Texas needed heat and electricity the most, but complications from the extreme cold and unforeseen demand overwhelmed the Texas power grid. The shortfall in power generation was due to a number of factors, indicating a serious systemic issue that must be resolved.

As a Texas power consumer, I witnessed firsthand the toll that cascading blackouts took on my state. [Over 70 deaths nationally](#) have been linked to the intense cold and damaging winter storms that swept through the country and cut off access to electricity, heat, and water for millions. This included more than 30 deaths in Texas alone and places the human cost in line [with the Hurricane Harvey mega storm](#). In addition, ERCOT estimates a huge economic impact of \$47B in energy costs and \$100B total economic loss to the state.

As a retired General experienced in national security issues and military operations around the world, I must emphasize that a lack of reliable power has a major impact on military readiness and national security.

During the worst of the severe weather and power outage event, [over a dozen military base](#)s across the country were forced to close. In Texas alone, a key military hub with over 30 military installations, Fort Hood was closed and [Joint Base San Antonio](#) was severely impacted and operationally limited. Perhaps worst of all, National Guard units in Texas and beyond -- the very units primarily responsible for disaster assistance -- were seriously impacted when needed the most. Finally, when considering the ever-present threat of foreign adversaries and terrorist organizations, this failure of our critical energy infrastructure presented an even more significant strategic risk.

Moving forward with this new awareness of the fragility of the Texas energy infrastructure (and perhaps in many other states as well), it is critical to build greater resilience into every source of energy, the operating systems which enable the use of this energy, and specific hardening against potential natural and manmade threats. This resilience will be especially important for riding out “Black Swan” events ranging from extremes of weather or more sinister factors such as electromagnetic pulse (EMP) attacks or coordinated terrorist attacks against key energy infrastructure.

Many power generation facilities in Texas failed because their instruments and mechanical components were often outside or in unheated facilities, rendering them inactive and limiting output of all forms energy or forcing them offline altogether. States such as Oklahoma, having invested in grid weatherization, demonstrated greater resiliency.

Ensuring we have the necessary energy transmission infrastructure and policy – such as related to pipelines – will also be critical to ensure that natural gas and petroleum can be provided and shipped throughout Texas at times of a crisis. Regarding prioritization of natural gas (around 40% of heating demand in Texas is met by natural gas), in the midst of the crisis the [Texas Railroad Commission prioritized deliveries](#) of gas to homes over power plants.

Enhanced pipeline wellhead and processing plant infrastructure will ensure natural gas systems – which carried most of the energy load in Texas during the storms in spite of these supply constraints – are far more resilient. Such hardening would have prevented most of the energy supply issues experienced by providers and consumers in the grid.

Resiliency in the broadest sense includes preparing for the inevitable “Black Swan” events, navigating the crisis successfully, and recovering to fully capitalize on lessons learned, getting ready for the next challenge to the system, in this case the energy grid of Texas. This requires a comprehensive, integrated, systemic approach toward all current sources of energy: natural gas, wind, coal, nuclear, solar, and other renewables.

We now have keen insight into what must be done to prevent future failures of our power grid. The real question is whether energy companies, governing bodies, and the American public have the collective will and unity to usher our grid into the realities of the 21st century.

*Major General Bob Dees, U.S. Army-Retired, is a Texas native and has provided cyber and other expertise to the Presidential Commission on Critical Infrastructure Protection. As president of Resilience Consulting, he remains engaged in resilience initiatives at individual, leader, and national levels.*

---

## **Opinion: Electricity generators and natural gas producers must meet reliability standards**

By Curt Morgan  
Dallas Morning News  
May 16, 2021

As the largest competitive power generator in the country, buying gas to keep our plants producing electricity is Vistra's everyday business. But what happened in February in our home state of Texas was a full-scale energy market dysfunction.

During the critical week beginning Feb. 14, our power plants performed extremely well because Vistra had prepared for Winter Storm Uri. Still, we encountered an unforeseen disruption: inadequate natural gas deliveries constrained our electricity production, and then, to keep operations going, we spent twice as much buying gas that week than we do in an entire year.

As we beefed up plant preparations ahead of the storm, most of our gas suppliers informed us they were triggering a contractual provision allowing them out of their obligations to provide fuel to power our facilities. Many of these suspension periods started two days ahead of storm-related blackouts mandated by the state's grid manager, the Electric Reliability Council of Texas.

Some gas suppliers apparently reneged on deliveries and then took advantage of chaos in pricing. Others even voluntarily curtailed electricity consumption, according to media reports, by halting their operations and resold their unused power, capitalizing on elevated electricity prices imposed on others. This exacerbated the gas supply problem and extended the power outages.

The natural gas supply system physically faltered, but it was financially rewarded. Some natural gas companies have reported making billions in profits from the storm. We have areas to improve our own operations, including coal supply chain weatherization. But our main issue in February was sourcing fuel to power natural gas power plants, which represent more than 60% of Vistra's power generation capacity and over half of the generation capacity in ERCOT. Texas has an ample supply of natural gas to run these plants, and we need to ensure there is no interruption during emergencies.

At Vistra, despite incurring a significant financial loss from the storm, we're committed to working with all companies that contribute to the state's grid to find real solutions to prevent another crisis. Texans should not be without power, especially during severe weather. There is no acceptable excuse for what happened in February, and the entire integrated power and natural gas system has work to do.

That includes supporting legislation requiring sufficient weatherization of critical infrastructure, both for power plants and the natural gas supply chain. The electric sector has acknowledged the need to learn and improve, but the natural gas sector needs to make the same commitment to prevent a crisis like this from happening again.

As ERCOT concluded in an updated analysis, the most significant cause of the limited power supply came from natural gas plants shutting down or reducing electricity production due to cold

weather, equipment failures and natural gas shortages.

In addition, any operations in the energy supply chain, including generators and natural gas facilities, should register with transmission and distribution utilities as critical infrastructure to avoid outages due to emergency power curtailments called for by ERCOT.

Other needed changes that benefit all Texans:

- Bolstering public and customer communication with a system to provide advanced notification and accurate outage information, and using smart meters for targeted outages and rapid response.
- Incentivizing power companies to equip natural gas-fueled plants to run on a backup fuel, fuel oil, and add or increase fuel storage onsite or nearby
- Encouraging investments in more power generation that can run when called upon, firming up grid reliability and reducing price volatility.

Texas needs the Legislature to take action and support market reforms. Otherwise, we may end up with a patchwork solution that won't protect us against extreme weather.

These common-sense measures will ensure power generators, utilities and natural gas companies work in coordination to address the failures during the winter freeze and provide safety and security for the peak electric periods, including the upcoming summer months.

There is no excuse for what happened in February, especially in Texas. Reliable and affordable natural gas and electricity are critical.

*Curt Morgan is chief executive of Vistra Corp., based in Irving. He wrote this column for The Dallas Morning News.*

---

## **Bankruptcy watchdog suspects group behind proposed oil terminal of diverting assets**

**A U.S. Trustee is questioning the credibility of a company promising to build an oil refinery and storage terminal in South Texas.**

By Jessica Corso

San Antonio Business Journal

May 13, 2021

A trustee is asking to see the records of a company promising to build an oil refinery at the Port of Brownsville, saying he suspects the company is operating using the assets of its bankrupt predecessor.

Trustee [Daniel Sherman](#) was appointed by a Dallas bankruptcy court to oversee the liquidation of JupiterMLP, a company once connected to a pipeline and an oil terminal in

Brownsville.

After creditors sued to force the company and an affiliate, Jupiter Marketing and Trading LLC, into bankruptcy over alleged unpaid debts, the project was taken up by another company — ARX Energy — that lists the same CEO and several other executives as Jupiter, according to court documents.

Now Sherman wants a look inside ARX Energy, saying the company may be operating with assets that belong to the bankruptcy estate, including servers and computers with information vital for Sherman to be able to do his job.

“ARX Energy appears to be engaging in the same or nearly the same projects that debtor did — midstream pipeline projects, trucking, terminal services, buying and selling crude oil, and other associated activities,” Sherman told a judge in a document requesting that company owners be forced to hand over emails, servers and computers that can help him locate assets with which to reimburse creditors.

The U.S. Trustee’s office is a division of the U.S. Department of Justice tasked, in this case, with recovering as much money as possible for creditors of a bankrupt company.

The executives at ARX, Sherman said, “may have jumpstarted ARX Energy’s operations by transferring the debtor’s assets and records to ARX Energy.”

ARX Energy executive [John Calce](#), who was also president of JupiterMLP, told the *Business Journal* in an email that there was no relationship between ARX and the bankrupt Jupiter entities. He said the company “categorically denies” having access to Jupiter’s servers, computers or emails.

“ARX’s attorneys will be responding in the near term,” Calce said.

As evidence that ARX may have the former Jupiter server, Sherman pointed out that several emails he received during the discovery process showed Calce and several others emailing each other simultaneously from their new ARX Energy addresses and their former JupiterMLP addresses. Also, Sherman said that the third party that Jupiter claims to have transferred its server to said it didn’t have any such server.

When attorneys for Macquarie Energy North America Trading Inc. — one of the creditors that forced JupiterMLP into bankruptcy — visited Jupiter’s abandoned Houston office in March, they said they found an empty server rack with “10 slots for servers and a mound of data cables.”

“This indicated to the counsel that the rack had at some time contained several servers,” according to Sherman’s motion, which Macquarie joined. “Debtor never turned the servers over to the trustee.”

---

**Natural gas, America’s No. 1 power source, already has a new**

## challenger: batteries

### A decade after the fracking boom took off, the fuel faces disruption by a new combination on the electric grid: renewable energy and electricity storage

By Katherine Blunt

Wall Street Journal

May 16, 2021

[Vistra](#) Corp. owns 36 natural-gas power plants, one of America's largest fleets. It doesn't plan to buy or build any more.

Instead, Vistra intends to invest more than \$1 billion in solar farms and battery storage units in Texas and California as it tries to transform its business to survive in an electricity industry being reshaped by new technology.

"I'm hellbent on not becoming the next [Blockbuster Video](#)," said Vistra Chief Executive Curt Morgan. "I'm not going to sit back and watch this legacy business dwindle and not participate."

A decade ago, [natural gas displaced coal](#) as America's top electric-power source, as fracking unlocked cheap quantities of the fuel. Now, in quick succession, natural gas finds itself threatened with the same kind of disruption, only this time from [cost-effective batteries charged with wind and solar energy](#).

Natural-gas-fired electricity represented 38% of U.S. generation in 2019, according to the U.S. Energy Information Administration, or EIA, and it supplies round-the-clock electricity as well as bursts during peak demand. Wind and solar generators have gained substantial market share, and as battery costs fall, batteries paired with that green power are beginning to step into those roles by storing inexpensive green energy and discharging it after the sun falls or the wind dies.

Battery storage remains less than 1% of America's electricity market and so far draws power principally from solar generators, whose output is fairly predictable and easier to augment with storage. But the combination of batteries and renewable energy is threatening to upend billions of dollars in natural-gas investments, raising concerns about whether power plants built in the past 10 years—financed with the expectation that they would run for decades—will become "stranded assets," facilities that retire before they pay for themselves.

Across the country, much of the growth in renewable energy to date has been driven by state mandates that have required utilities to procure certain amounts of green power, and by federal tax incentives that have made wind and solar more economically competitive.

But renewables have become increasingly cost-competitive without subsidies in recent years, spurring more companies to voluntarily cut carbon emissions by investing in wind and solar power at the expense of that generated from fossil fuels. And the specter of more state and federal regulations to address climate change is accelerating the trend.

President Biden is proposing to extend renewable-energy tax credits to stand-alone battery projects—installations that aren't part of a generating facility—as part of his [\\$2.3 trillion infrastructure plan](#), which could add fuel to an already booming market for energy storage.



Still, as batteries help wind and solar displace traditional power sources, some investors view the projects with caution, noting that they, too, could become victims of disruption in coming years, if still-other technological advances yield better ways to store energy.

And while batteries can provide stored power when other sources are down, most current batteries can deliver power only for several hours before needing to recharge. That makes them nearly useless during extended outages.

### **Gas vs. green**

[Gas-fired power plants are already struggling to compete](#) with wind and solar farms. [Duke Energy](#) Corp., a utility company based in Charlotte, N.C., that supplies electricity and natural gas in parts of seven states, is still looking to build additional gas-fired power plants. But it has started to rethink its financial calculus to reflect that the plants might need to pay for themselves sooner, because they might not be able to operate for as long.

Duke has proposed building as much as 9,600 megawatts of new gas-fired capacity in the Carolinas to help meet demand as it retires coal plants and invests more heavily in solar and wind power. But in regulatory filings, the company has acknowledged that any new gas plants could become stranded assets, failing to pay for themselves as technology advances. A megawatt of electricity can power about 200 homes, according to the Electric Reliability Council of Texas, which operates the state's power grid. Some other estimates peg this number higher.

To remedy that, Duke in public filings said it is considering shortening the plants' expected lifespan from about 40 years to 25 years and recouping costs using accelerated depreciation, an accounting measure that would let the company write off more expenses earlier in the plants' lives. It may also consider eventually [converting the plants to run on hydrogen](#), which doesn't result in carbon emissions when burned.

"This is one risk that we're looking at, but we need to look at that risk across every technology decision we make," said Glen Snider, Duke's director of integrated resource planning, noting that all power investments face potential disruption.

More than 60,000 megawatts of gas-fired capacity came online in the U.S. since 2014, according to the EIA. Like [coal plants, many of which have been forced to close early](#), gas plants were financed with the expectation that they would operate for decades.

Stranded costs resulting from coal retirements are typically modest because many of the plants were built decades ago and nearing the end of their useful lives, according to [Moody's Investors Service](#). Much of the nation's gas fleet, on the other hand, is relatively young, increasing the potential for stranded costs if widespread closures occur within the next two decades.

Gas plants that supply power throughout the day face the biggest risk of displacement. Such "baseload" plants typically need to run at 60% to 80% capacity to be economically viable, making them vulnerable as batteries help fill gaps in power supplied by solar and wind farms.

Today, such plants average 60% capacity in the U.S., according to [IHS Markit](#), a data and analytics firm. By the end of the decade, the firm expects that average to fall to 50%, raising the prospect of bankruptcy and restructuring for the lowest performers.

“They are under threat from tons of renewables,” said Sam Huntington, IHS Markit’s associate director for gas, power and energy futures. “It’s just coal repeating itself.”

It took only a few years for inexpensive [fracked gas to begin displacing coal](#) used in power generation. Between 2011, shortly after the start of the fracking boom, and 2020, more than 100 coal plants with 95,000 megawatts of capacity were closed or converted to run on gas, according to the EIA. An additional 25,000 megawatts are slated to close by 2025.

### **Grid-scale batteries**

Most grid-scale batteries are made of lithium ion, the same sort of technology that powers electric vehicles. They look similar to large shipping containers and are often grouped together to create arrays capable of providing large amounts of power. Some are attached to renewable energy sources, while others stand alone and draw power from the grid.

Batteries are most often paired with solar farms, rather than wind farms, because of their power’s predictability and because it is easier to secure federal tax credits for that pairing. Some companies are developing wind farms paired with batteries, and the market is expected to grow as technology costs fall.

Already, the cost of discharging a 100-megawatt battery with a two-hour power supply is roughly on par with the cost of generating electricity from the special power plants that operate during peak hours. Such batteries can discharge for as little as \$140 a megawatt-hour, while the lowest-cost “peaker” plants—which fire up on demand when supplies are scarce—generate at \$151 a megawatt-hour, according to investment bank [Lazard](#).

[Solar farms paired with batteries, meanwhile, are becoming competitive](#) with gas plants that run all the time. Those types of projects can produce power for as little as \$81 a megawatt-hour, according to Lazard, while the priciest of gas plants average \$73 a megawatt-hour. Major battery projects under way in New York and California are driven in part by state mandates to slash carbon emissions, not just improving battery economics.

Even in Texas, a state with a fiercely competitive power market and no emissions mandates, scarcely any gas plants are under construction, while [solar farms and batteries are growing fast](#). Companies are considering nearly 88,900 megawatts of solar, 23,860 megawatts of wind and 30,300 megawatts of battery storage capacity in the state, according to the Electric Reliability Council of Texas. By comparison, only 7,900 megawatts of new gas-fired capacity is under consideration.

Power companies and grid regulators must consider the prospect that the new sources may not be as reliable as power plants they replace, at least initially, and the Texas blackouts in February illustrated that concern.

The state experienced days of devastating power outages as a powerful winter storm froze many of the state’s sources of power, including wind turbines, gas and nuclear power plants, just as demand was spiking due to freezing temperatures.

Even if Texas had more battery storage, executives and analysts say, it likely wouldn’t have done much to ease the multiday supply crunch, which occurred during a season when wind and solar farms aren’t as productive. Most current storage batteries can discharge for four hours at most

before needing to recharge.

California last summer experienced the consequences of quickly reducing its reliance on gas plants. In August, during an intense heat wave that swept the West, the [California grid operator resorted to rolling blackouts](#) to ease a supply crunch when demand skyrocketed. In a postmortem published jointly with the California Public Utilities Commission and the California Energy Commission, the operator identified the rapid shift to solar and wind power as one of several contributing factors.

## **Displaced**

Like many power companies, Vistra doesn't expect gas plants to be immediately displaced. Mr. Morgan, who has closed a number of Vistra's coal-fired and gas-fired plants since becoming CEO in 2016, said he anticipates most of the company's remaining gas plants to operate for the next 20 years.

After 2030, he expects they'll be used far less frequently as batteries augment the electricity supplied by wind and solar farms. Vistra is developing what is expected to be the world's largest power-storage project at Moss Landing, just north of Monterey, Calif. The batteries are situated where turbines once sat inside a retired natural-gas plant spanning the length of nearly three football fields. Once complete, the batteries will supply 400 megawatts of power for four hours, enough for more than 225,000 homes.

[Enormous batteries are also edging out older gas plants](#) elsewhere across the country. Florida Power & Light Co., a utility owned by [NextEra Energy](#) Inc., began construction earlier this year on what is expected to be the world's largest solar-powered battery system, which will replace two natural-gas turbines at a neighboring plant. The Manatee Energy Storage Center will have 409 megawatts of capacity, enough to power Disney World for about seven hours.

In Texas, the birthplace of the modern fracking industry, companies for years have used the bounty of the boom to fuel natural-gas peaker plants, which could earn large sums in the state's wholesale power market when demand spiked.

Some are now having second thoughts after a massive build-out of wind and solar farms has made it more difficult for gas plants to compete, and batteries threaten more disruption.

Quantum Energy Partners, a Houston-based private-equity firm, in the last several years sold a portfolio of six gas plants in Texas and three other states upon seeing just how competitive renewable energy was becoming. It is now working to develop more than 8,000 megawatts of wind, solar and battery projects in 10 states.

"We pivoted," said Sean O'Donnell, a partner in the firm who helps oversee the firm's power investments. "Everything that we had on the conventional power side, we decided to sell, given our outlook of increasing competition and diminishing returns."

Write to Katherine Blunt at [Katherine.Blunt@wsj.com](mailto:Katherine.Blunt@wsj.com)

*Appeared in the May 17, 2021, print edition as 'Batteries Challenge Natural Gas As America's No. 1 Power Source.'*

---

## **Insight: The greening power of the pandemic**

By James Osborne

Houston Chronicle

May 16, 2021

WASHINGTON – The coronavirus pandemic has radically changed global business, decimating some industries while giving new life to others.

And in the years ahead, few are likely to see greater benefit than the clean energy sector, as governments worldwide look to solar panels, batteries and other carbon-free energy technologies to revive their virus-damaged economies.

Among those leading that charge is President Joe Biden, whose \$4.3 trillion in proposed stimulus and infrastructure spending by some estimates includes \$2 trillion in clean energy initiatives, through a combination of tax credits and direct government spending over the next eight years.

Biden is selling this spending on the premise that clean energy is a giant global industry in the making, like plastics in the 1960s or online startups in the 2000s, and the United States is falling far behind nations like China and Germany which have come to dominate the space.

“The Biden administration has quietly retired the notion of an ‘all of the above’ (energy) strategy,” Nikos Tsafos, a senior fellow at the Center for Strategic and International Studies, wrote earlier this month. “The administration sees the federal government as a primary engine for change, as a way to channel the creative dynamism of private markets.”

Biden might have changed the conversation in Washington, but he still needs to convince Congress to allocate the funding.

And so far Republicans are not playing along, ripping Biden’s American Jobs Act, in which he plans to spend \$2 trillion on infrastructure over the next decade, as a liberal wish list.

Last week Sen. John Barrasso, the Republican ranking member of the Senate Energy and Natural Resources Committee, attacked Biden’s clean energy plans as “a recipe for the disaster” likely to produce failed ventures such as Solyndra, the solar manufacturing firm that filed for bankruptcy in 2011 after receiving more than \$500 million in federal loans.

“The Obama administration frittered away billions of taxpayer dollars on green gambles like Solyndra, while taxpayers got fleeced. Now, President Biden wants to bet trillions more on new boondoggles,” he said. “At the same time, he has declared war on the oil and gas industry - one of the few success stories from the ‘Great Recession.’”

Overall, Obama’s late 2000s stimulus spending is credited with helping to jumpstart the clean energy boom in this country. In Texas for instance, wind and solar farms now represent almost all the new power generation installed in recent years.

But what Biden is planning coming out of the pandemic is far larger, not just funding research and

development but building out an electric vehicle charging network, renovating buildings to use less energy and converting government vehicles and mass transit to zero-emissions technology - adding up to trillions of dollars in federal spending.

In doing so, Biden is embracing a growing mindset among governments worldwide that debt and deficits are not necessarily the ticking time bombs they were once thought, said Lachlan Carey, an associate fellow at CSIS.

“More than a decade of sluggish growth after the Great Recession displayed the shortcomings of fiscal austerity for all to see,” he said. “Economics is no longer the intellectual or rhetorical obstacle to climate action it once was.”

But spending will only get the U.S. government so far. If Biden is to achieve his goal of getting the United States on the path to zero emissions by 2050, he will eventually need to convince Congress to change U.S. law to limit greenhouse gas emissions, either by mandate or market-driven strategies such as a carbon tax.

His goal is to get the U.S. power grid carbon neutral in just 14 years time. And while wind and solar are being built at a fast clip through a combination of improving technology and tax incentives, it's not nearly fast enough to meet that target.

At present, the government is limited by its reliance on “on tax breaks and credits, on tweaking arcane rules,” rather than “stricter rules and mandates, and taxes on energy,” Tsafos said.

“To succeed, in other words, the government will need to do more governing, not just spend money and write rules,” he said.

*james.osborne@chron.com*

*Twitter.com/@osborneja*

---

## **Analysis: Texas legislators have a long way to go and a short time to get there**

**Texas lawmakers are entering the last two weeks of this legislative session, with some of their biggest promises unfilled. Don't fret: They do a lot of their work only when deadlines loom.**

By Ross Ramsey

Texas Tribune

May 17, 2021

Maybe your job is like this, too: The Texas Legislature does most of its work on deadline.

And here we are, with two weeks to go in the regular legislative session, and many of the big things that appeared on the to-do list back in January [remain unfinished](#).

The budget. New voting and election restrictions. Responses to the winter storm electric outages.

Remember Gov. [Greg Abbott](#) 's [list of "emergency issues"](#) that merited immediate attention? Expanding broadband internet access, punishing local governments that cut police budgets, changing the bail system, ensuring "election integrity" and protecting businesses that stayed open during the pandemic from lawsuits.

Broadband expansion is headed for a study, though the federal pandemic relief includes some money to get internet service into some places that don't have it now. Abbott's other issues are still alive, though, and one — the voting changes proposed in [Senate Bill 7](#) — could be the subject of negotiations after the House [approved a much more modest](#) set of voting restrictions than the Senate approved.

If you're an expert-level government nerd, you might remember Lt. Gov. [Dan Patrick](#) 's [long wish list](#) — the Senate bills with the lowest numbers of 1 through 31. It overlapped with the governor's a bit, and included the budget, which is often called the only bill that really must pass.

As of Friday morning, about a third of those bills were in final stages, a good number were still locked in House committees, and others will survive if they get some elbowing; that is, they can still be shaken loose.

This is the kind of thing that makes legislators and the people around them nervous.

Legislation that has won approval from both the Senate and the House is trickling into the governor's office for signature, for approval without signature, or for vetoes. Abbott has said, for example, [that he'll sign a bill that outlaws abortions after the sixth week](#) of pregnancy.

Some bills are headed for conference committees made up of five senators and five House members who work out the differences between what the full Senate and full House approved. A prominent example is [House Bill 1927](#), which would allow Texans to carry guns without licenses or permits. The governor has said he'll sign that one, too, [if legislators send it to him](#).

It's always dangerous to call anything completely and utterly dead while the Legislature is still in business, but some bills would come back only with parliamentary magic, like Sen. [Joan Huffman](#) 's proposal to remake the state's criminal appellate courts. [Senate Bill 11](#) made Patrick's wish list, but didn't get out of committee; two identical House bills never even got hearings.

Some bills have no reason to come up at all, at least in this legislative session. Patrick included Senate redistricting on his list — an issue that can't be addressed until Texas gets detailed data from the U.S. census. That's [not expected until September](#).

But the scorekeeping can wait. First, lawmakers have a sprint in front of them as they hurry to finish the work they promised voters earlier in the session. They have two weeks left on the calendar, but earlier deadlines loom on their internal calendars. It's already too late for a House bill to be considered for the first time in the House; another deadline — for Senate bills — comes next Tuesday.

The legislation promised and proposed after February's storm and the outages that came with it —

from a warning system for the state when something like that is approaching to weatherization that would help electric plants stay in operation — still hasn't won legislative approval.



**Andrew Keese**

Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: May 19, 2021

May 19, 2021 at 12:14 PM EDT

To: NewsClips

---

## Severe weather causes flooding, damage in Fayette County

By John Krinjak

WAPP

May 19, 2021

Video story on webpage: <https://www.fox7austin.com/news/severe-weather-causes-flooding-damage-in-fayette-county>

LA GRANGE – Residents in [Fayette County](#) are dealing with damage left behind after severe storms swept through the area and there's a potential for more flooding as rain is continued to fall the rest of the week.

In [La Grange](#) on Baumbach Road near Rocky Creek, water washed out parts of the road and in one spot the damage left the road with a six-foot drop-off.

The railroad tracks at Madison and Lafayette got washed out due to flooding. There was also damage to the streets in the area which were closed overnight. The **Railroad Commission** was on scene last night to inspect the damage and crews worked on repairs this morning.

Officials say the Colorado River in La Grange rose by more than 10 feet overnight to nearly 16 feet at around 1 a.m. this morning.

West of La Grange, a tornado touched down about seven miles north of [Flatonia](#) at just before 7 p.m.

Flatonia is also dealing with major flooding over the past 12 to 18 hours. Cars dealt with several inches of water in spots along I-10 and the service road along I-10 was totally submerged.

Much of the severe weather in Central Texas has been in the Hill Country.

The Fayette County Sheriff's Office says it responded to several swift water rescues including one along FM 1295 at Highway 90 in Praha.

As more rain is expected, flooding of rivers and creeks is a concern, and, given those threats, [Gov. Greg Abbott has activated a number of resources](#). The state has boat squads, helicopter teams as well as forest service crews ready to go in case rescues need to be made, but officials are urging everyone to be prepared for potentially dangerous conditions.

Officials say it can only take an inch or two of rain to trigger flash flooding. Low-lying roads are of particular concern and officials say just a few inches of rain can sweep away a person, and less



than a foot of water can sweep away a whole car.

There are some things you can do to make sure you are prepared for potential flooding:

- Know the flood risk in your area. You can learn more about this by checking out [FEMA's flooding map online](#)
- Have an emergency supply kit with essentials, especially if you're in a flood prone area.
- Move valuables to higher ground or put them in waterproof containers.
- If your property tends to flood, consider a sump pump with a battery.
- Be cautious of water on roadways. Never try to cross an area that's flooded or barricaded: "turn around, don't drown"

## **State Operations Center ordered to 24 hour operations in response to flood threat across Texas**

### **Report any flood damages to the Texas Division of Emergency Management**

By Sydney Pennie

Crossroads Today

May 18, 2021

AUSTIN – In response to severe flooding threats across Texas, Governor Greg Abbott today ordered the Texas State Operations Center (SOC) to expand its daily operations to 24-hours a day through Friday. Severe storms are expected to bring significant river flooding and flash flooding to the Coastal Bend as well as North, East, and South Central Texas beginning today through the end of the week.

“As severe weather continues to threaten communities across the state, Texans need to stay vigilant against significant flash flooding that is expected to accompany these storms,” said Governor Abbott. “We are deploying a variety of resources to assist communities in the path of these severe weather events, and I continue to urge Texans to remain cautious and preparing ahead of time for flash flooding. “

State agencies responding to this severe weather event include:

- Texas A & M Engineering Extension Service (Texas A & M Task Force One and Task Force Two)
- Texas Department of Public Safety
- Texas Parks & Wildlife Department
- Texas Department of Transportation
- Texas Military Department
- Texas A & M Forest Service
- Department of State Health Services

- **Texas Railroad Commission**
- Texas Public Utility Commission
- Texas Commission on Environmental Quality
- State Mass Care

Texans who sustain damages from this event should report their damages to the Texas Division of Emergency Management (TDEM) through the iSTAT Tool found at [damage.tdem.texas.gov](https://damage.tdem.texas.gov). This will allow the state to identify damages across Texas and help emergency management officials understand whether we have met the requirements for requesting federal disaster aid.

Yesterday, the Governor [activated a number of resources](#) to assist local communities as they respond to this weather. At the direction of the Governor, TDEM activated the following resources:

- Texas A & M Engineering Extension Service (Texas A & M Task Force One and Texas Task Force Two): Swift Water Boat Squads and High Profile Vehicles
- Texas Military Department: Ground Transportation Platoons
- Texas Parks and Wildlife Department: Texas Game Warden Boat Teams and a helicopter with hoist capability
- Texas Department of Public Safety: Helicopters with hoist capability

Additionally, TDEM rostered the following resources in preparation for any requests for assistance from local officials:

- Texas A & M Forest Service: Saw Crews
- Texas A & M Engineering Extension Service (Texas A & M Task Force One and Texas Task Force Two): Urban Search and Rescue Packages
- Texas Department of State Health Services: Texas Emergency Medical Task Force Severe Weather Packages
- Texas Department of Transportation: High profile vehicles
- Public Utility Commission of Texas: Power outage monitoring/coordination with utility providers in the threat areas

Texans are urged to follow these flood preparations and safety tips during severe weather events:

- Know types of flood risk in your area. Visit [FEMA's Flood Map Service Center](https://mfc.fema.gov/portal/home) for information here: <https://mfc.fema.gov/portal/home>
- Sign up for your community's warning system. The Emergency Alert System (EAS) and National Oceanic and Atmospheric Administration (NOAA) Weather Radio also [provide emergency alerts](#).
- Build an emergency supply kit. For more information on how to build a kit, visit: <https://www.ready.gov/kit>
- Purchase or renew a flood insurance policy. Homeowner's policies do not cover flooding. It typically takes up to 30 days for a policy to go into effect so the time to buy is well before a disaster. Get flood coverage under the National Flood Insurance Program (NFIP).
- Keep important documents in a waterproof container. Create password-protected digital copies.
- Protect your property. Move valuables to higher levels. Declutter drains and gutters. Install check valves. Consider a sump pump with a battery.
- Be extremely cautious of any water on roads or in creeks, streams, storm drains, or other areas –

never attempt to cross flowing streams or drive across flooded roadways and always observe road barricades placed for your protection. Remember, Turn Around Don't Drown.

## **Averting crisis: Path to weatherize Texas power plants and some gas wells set under compromise bill**

**The Legislature's biggest answer yet to weaknesses exposed by winter storm selectively weatherizes gas infrastructure, creates outage alerts and tightens coordination.**

By Morgan O'Hanlon and Robert T. Garrett

Dallas Morning News

May 18, 2021

AUSTIN – Texas would require weatherization of electrical generating plants and some natural gas wells and related pipelines and compressors under a compromise bill that House leaders unveiled Tuesday.

But in a concession to the oil and gas industry, a revised omnibus electricity measure would reduce how many natural gas facilities must be upgraded.

A newly created interagency “supply chain security and mapping committee” would identify which chunks of the natural gas industry actually feed power generators – and only those would have to be weatherized, under rules to be set later.

Environmentalists and consumer advocates, while wincing over the Texas natural gas industry's clout, were relieved that the House's version of the session's major grid-overhaul bill took a softer approach to renewable energy than a Senate-passed version did.

The House version, approved unanimously by the House State Affairs Committee on Tuesday, would remove language that would potentially force wind and solar power companies to pay billions for replacement power needed when the grid faces maximum demand.

That change on “ancillary services” was hailed by Austin Democratic Rep. Donna Howard and spokesmen for groups such as Environment Texas, Public Citizen and the U.S. Green Building Council's Texas chapter.

Senate Bill 3, which advances to the House Calendars Committee, constitutes the Legislature's single most far-reaching response to this year's winter storm.

Over several days in mid-February, Texas' deregulated electricity market failed catastrophically, leading not just to widespread misery, water outages and outrage over soaring power bills [but at least 151 deaths](#).

In an interview, House State Affairs Chairman Chris Paddie, R-Marshall, acknowledged that some problems highlighted by the February crisis, such as a need for additional generating capacity and tweaks to pricing limits for wholesale power, probably will not be fixed in this year's regular session.

It ends May 31. If lawmakers can fashion agreements on those matters over the summer, energy could be tacked onto the agenda of an expected fall special session on redistricting, he said.

But Paddie, who's shepherding SB 3 through the House, said the wide-ranging measure has many virtues.

"I think we will have gone a long way toward [fixing] all the problems that we've identified" if the bill, as expected, winds up on Gov. Greg Abbott's desk and is signed, he said.

Todd Staples, president of the Texas Oil and Gas Association, said in a written statement the House rewrite of SB 3 "is doing many good things to greatly improve our electricity delivery system. We believe mapping, communications, coordination [and] proper weatherization are essential to addressing the impacts of Winter Storm Uri.

Among other things, the bill would:

- Create power outage alerts. Many Texans complained they received only late notice, if any, that they should prepare for February's arctic blast. Under the bill, state agencies would team up with broadcasters and other commercial entities to issue alerts, including radio and TV announcements and possibly dynamic messages on road signs.
- Limit sky-high residential bills. After the storm, now-bankrupt retailer Griddy sent some residential customers who had signed up for "variable-rate plans," which were pegged to the wholesale price of electricity, bills as high as \$17,000. The Senate version of SB 3 would ban such plans. The House would limit prices charged by "wholesale indexed products" but not ban them. Paddie's language was similar to, but less restrictive than, House Bill 16, currently sitting on the governor's desk awaiting his signature.
- Require grid managers and utility regulators to practice for emergencies. Both chambers' versions of SB 3 would require the Public Utility Commission and the Electric Reliability Council of Texas to conduct twice-yearly "load shedding exercises" to improve grid management during crises.

Requiring weatherization so that polar blasts or August heat waves don't cause blackouts is among lawmakers' top priorities – and perhaps SB 3's most important

Critics of the legislation, though, argue that concessions about what parts of the natural gas supply chain have to weatherize weaken the bill's ability to prevent a grid crisis like February's.

Although Paddie maintains his version of the bill holds all parties accountable for their roles in the crisis, including the natural gas industry and its regulatory body, the **Texas Railroad Commission**, some have accused the Legislature of [letting that sector off the hook](#) as it reaps the profits of high-demand pricing from the storm.

"They need to require the entire gas supply chain to weatherize within some reasonable period of time and follow through on that with some real enforcement mechanism which just isn't there," said Adrian Shelley, Texas director of the consumer group Public Citizen.

According to Staples, the oil and gas trade group leader, more than 80% of Texas' daily natural gas production is not used for Texas electric generation, which he said makes it unreasonable to require weatherization for all oil and gas wells across the state.

Paddie said that exceptions to weatherization requirements offer protection for smaller operators, who he said should not have to pay large costs if they're not even part of the supply chain.

"If you put additional restrictions on them, likely in many cases you'd force them to be shut down because they don't produce enough to justify the cost," Paddie said.

Rather than putting stress on those producers, Paddie said he'd like to prioritize mapping of critical infrastructure in the supply chain so that weatherization can be required only where it's most needed.

A new section in the bill's latest version would add a new layer to the state's energy bureaucracy in the form of the Texas Electricity Supply Chain Security and Mapping Committee. That proposal was originally suggested in Fort Worth Republican Rep. Craig Goldman's HB 14, which was left pending in a Senate committee.

Some consumer advocates also worry there won't be tough enforcement of the weatherization requirement, citing the legislation's tiered penalty system. SB 3 would require the Railroad Commission to devise a classification system for penalties, but fines of more than \$5,000 would be reserved for only the "highest class of violations." Under the House bill, there would still be potential fines of \$1 million a day, as approved by the Senate, if electricity and natural gas companies balk at weatherizing facilities – but only if violations were deemed highly serious.

Tom "Smitty" Smith, special projects director for Public Citizen, said he's frustrated that these fines could be less than what the cheapest weatherization option for a gas well would cost: \$16,000 per year.

"It's like putting antifreeze into your car – it injects antifreeze into the gas line," Smith explained. "This penalty is so low that it doesn't even force them to do the cheapest weatherization."

The renewable energy lobby collectively breathed a sigh of relief at the passage of Paddie's committee rewrite. It took out language that would penalize solar and wind generators for "intermittency." After the crippling blackouts and water outages, some state Republicans, including **Railroad Commissioner Wayne Christian**, Lt. Gov. Dan Patrick and Abbott, [placed blame](#) for Texas' grid failure on intermittency – the unreliability of energy sources that depend on sunshine and wind. GOP leaders also hammered at what they consider unfair market advantages given to the renewable energy industry through subsidies.

Language approved by senators would require renewables to pay for ancillary services, which involve accounting for variability in a generator's output by having standby resources to fill any gap between "net peak load" and actual generation.

The Senate version "would have hamstrung the wind and solar industry and we appreciate Chairman Paddie and the [House] committee for significantly improving the legislation," Luke Metzger of Environment Texas said in a written statement.

Basically, the House version calls for a study of ancillary services, which currently are paid for by ERCOT – ultimately, by consumers.

Although the bill still calls for review of the costs of ancillary services, Michael Jewell, an energy

lawyer with Conservative Texans for Energy Innovation, said he believes the House's changes are more fair and don't discriminate by generation type.

"It's basically saying, yes, let's look at ancillary services, let's see if there's any changes that need to be made," Jewell said. "It makes clear that all resources that can provide ancillary services are able to, and that the costs are going to be recovered in an equitable and nondiscriminatory basis. I don't know what more you can ask for than that."

However, the renewable industry isn't yet out of the woods. SB 1282, which passed out of House State Affairs earlier this month, is awaiting a House floor vote. That legislation would make renewable generators pay for the transmission costs, which, like ancillary services, is currently paid for by ERCOT on behalf of all generators regardless of generation type.

Also Tuesday, House State Affairs advanced one other electricity-related bill. SB 1580, approved unanimously, would help rural electric co-ops pay off the large debts they accrued during February's crisis, when utilities had to pay \$9,000 per megawatt hour for 32 hours.

The measure would help debtors, including Brazos Electric Cooperative and Rockwall-based Rayburn Electric Cooperative, which together owe ERCOT more than \$2 billion, through a financing mechanism called securitization. They'll be able to issue bonds, with low interest rates, to quickly pay the debts. Ratepayers will pay off the bonds for years.

[morgan.ohanlon@dallasnews.com](mailto:morgan.ohanlon@dallasnews.com) [@mcohanlon](https://twitter.com/mcohanlon)

[rtgarrett@dallasnews.com](mailto:rtgarrett@dallasnews.com) [/bob.garrett.39](https://www.youtube.com/channel/UCbob.garrett.39) [@RobertTGarrett](https://twitter.com/RobertTGarrett)

---

## **Texas Gov. Greg Abbott signs law to bar city climate plans from banning natural gas as fuel source**

**House Bill 17 is a response to a trend in California, where cities have passed energy efficiency plans that prohibit new subdivisions from offering natural gas heating in order to reduce emissions.**

By Erin Douglas

Texas Tribune

May 18, 2021

Gov. [Greg Abbott](#) has signed a bill into law that prohibits Texas cities from banning natural gas as a fuel source for new construction and utility services.

[House Bill 17](#), which Abbott signed Tuesday, according to the Texas Legislature's online portal, is a [response to a trend in progressive California cities](#). Abbott's office did not immediately respond to a request for comment.

The bill's sponsor, [state Rep. Joe Deshotel](#), D-Beaumont, argued that banning natural gas would restrict consumer choices. Deshotel was not immediately available for comment Tuesday, but [he previously told The Texas Tribune](#) that he filed the bill in response to "what is happening on the West Coast," where cities have passed energy efficiency plans that prohibit new subdivisions from offering natural gas heating, requiring instead that new homes be heated by

electricity.

Using electricity to heat homes rather than natural gas reduces greenhouse gas emissions. The bulk of emissions from residential and commercial buildings in San Francisco are attributed to burning natural gas, which spurred the city's efforts to mandate a transition, [Inside Climate News reported in November](#).

In Austin, the city's initial climate action plan would have virtually eliminated gas use in new buildings by 2030, but it was altered after Texas Gas Service opposed the measure, the [Texas Observer reported in March](#).

The [new law](#), which takes effect immediately, prevents cities or municipalities from "discriminating" against any particular fuel source.

At least a dozen similar bills were filed in states including [Kansas](#), [Minnesota](#) and [Ohio](#).

Bottom of Form

But in Texas, the legislation was promoted as a response to the power outages caused by February's winter storm.

Lawmakers pointed to the ability of natural gas providers to largely continue supplying gas to homes during the storm. Gas-fired furnaces cannot run without power, but some people with gas service were able to use gas fireplaces and stoves.

---

## Texas oil regulator takes firm positions against Washington in defense of oil and gas

World Oil

May 18, 2021

AUSTIN – **Texas Railroad Commissioner Wayne Christian** authored and passed three resolutions to protect states' rights, protect consumers, and encourage technological innovation in the oil and gas industry on Tuesday, May 18th. The resolutions are as follows:

**Resolution 21.052 - Opposition to the CLEAN Future Act** ([View here](#)): This resolution co-sponsored by Texas and North Dakota asks the Biden Administration and Congress to oppose the CLEAN Future Act and other similar pieces of legislation on behalf of oil and gas producing states.

"The so-called CLEAN Future Act is nothing more than the Green New Deal in lipstick," said Christian. "This legislation would effectively federalize regulation of oil and gas, increasing costs to consumers and our national debt, while harming our energy independence and national security."

**Resolution 21.054 - Reigning in ESG-style Investing** ([View here](#)): This resolution asks the federal government to formulate and enforce regulations relating to Environmental, Social, and

Governance Funds (ESG). This style of investing has been utilized by activists to force divestment in oil and gas without regard to the rate of return for beneficiaries.

“We cannot allow activist investors to harm the investment and retirement portfolios of our constituents as collateral damage in their war against fossil fuels,” said Christian. “If ESG is not put in check, not only will future retirees face challenges in the years ahead, but we could see record bankruptcies and layoffs in the energy sector.”

**Resolution 21.055 - Encouraging Carbon Capture and Technological Innovation** ([View here](#)): This resolution acknowledges the key role technological innovation, including carbon capture, has played in our nation’s environmental progress and encourages the federal government to act in a bipartisan manner to continue encouraging this progress.

“A clean environment and oil and gas production are not mutually exclusive,” said Christian. “Because of technological innovation, over the last fifty years, our nation has decreased the six major pollutants by 77% while our energy consumption grew 48%, population grew 60%, and economy grew 285%. The key to environmental progress is innovation, not punitive regulations.”

Christian currently serves as Vice-Chairman of the Interstate Oil and Gas Compact Commission (IOGCC) under Chairman Kevin Stitt (Governor, Oklahoma). Christian has held a number of leadership roles in the organization since he was first appointed to the IOGCC by Governor Greg Abbott in 2017. At this year’s meeting, Christian was the author of three out of the four resolutions that passed.

---

## **Geoscientists find that shallow wastewater injection in oil and gas production fields drives deep earthquakes in Texas**

Sci Tech Daily

May 18, 2021

In a newly published paper, Virginia Tech geoscientists have found that shallow wastewater injection – not deep wastewater injections – can drive widespread deep earthquake activity in unconventional oil and gas production fields.

Brine is a toxic wastewater byproduct of oil and gas production. Well drillers dispose of large quantities of brine by injecting it into subsurface formations, where its injection can cause earthquakes, according to Guang Zhai, a postdoctoral research scientist in the Department of Geosciences, part of the Virginia Tech College of Science, and a visiting assistant researcher at the University of California, Berkeley.

The findings appear in the May 10, 2021, edition of the journal *Proceedings of the National Academy of Sciences*. Joining Zhai on the paper are Manoochehr Shirzaei, an associate professor of geosciences at Virginia Tech, and Michael Manga, a professor and chair of Berkeley’s Department of Earth and Planetary Science. In the U.S. Department of Energy-funded study, the team focused on the Delaware Basin in western Texas, one of the most productive and unconventional hydrocarbon fields in the United States.

Since 2010, the basin has experienced a significant increase in shallow wastewater injection and



widespread deep seismicity, including the recent 5.0 magnitude event near Mentone, Texas. Most of the earthquakes were relatively small, but some have been large and widely felt.

“It is quite interesting that injection above the thick, overall low-permeability shale reservoir can induce an earthquake within the deep basement, despite a minimal hydraulic connection,” Zhai said. “What we have found is that the so-called poroelastic stresses can activate basement faults, which is originated from the fluid injection causing rock deformation.”

Poroelasticity is the resulting interaction between fluid flow and solid deformations within a porous formation, here sandstone. “This finding is significant because it puts poroelastic stresses in the spotlight as the main driver for basinwide earthquakes in the Basin,” said Shirzaei, who is also an affiliated faculty member of the Virginia Tech Global Change Center.

Yet, predicting the amount of seismic activity from wastewater injection is problematic because it involves numerous variables, one of which is injection depth, Zhai said. Although it is well known that fluid pressure increase due to deep injection is the dominant reason for the recent seismicity increase in the central and eastern United States, it is still questionable exactly how shallow injections cause earthquakes.

During the study, the team looked at how varying amounts of injected brine perturbed the crustal stresses deep under the Delaware Basin and how these disturbances lead to earthquakes on a given fault. Added Zhai, “Fluids such as brine and natural groundwater can both be stored and move through rocks that are porous.”

The trio used data analytics and computer modeling to mimic the large volume of fluid extraction from shale reservoirs from more than 1,500 shale production wells during 1993 to 2020, with 400 wells injecting brine in sandstone formations from 2010 to 2020. To make the scenario realistic, the model included the mechanical properties of rocks in the Delaware Basin, Shirzaei said.

The team found that the basinwide earthquakes mainly occur where the deep stress increases because of shallow injection. This means there is a causal link between deep earthquakes and shallow fluid injection via elastic stress transfer.

“The deep stress change is sensitive to shallow aquifer properties, especially the hydraulic diffusivity, which describes the ease of fluid flow in porous medium,” Manga said. “One question to ask is why some areas that host lots of shallow injection lack seismicity. Our approach offers a way to investigate other significant factors that control induced earthquakes.”

In addition to human interventions, the tectonic settings themselves also help predetermine the magnitude and likelihood of the earthquake, Shirzaei said. This study and future work will provide a viable way to assess induced seismic hazards, combining natural and human factors. The ultimate goal: to minimize the hazards from disposing of wastewater during natural gas production until long-term, renewable energy technologies become available to all.

“As the future energy demands increase globally, dealing with the enormous amount of coproduced wastewater remains challenging, and safe shallow injection for disposal is more cost-efficient than deep injection or water treatment,” Zhai said. “We hope the mechanism we find in this study can help people rethink the ways induced earthquakes are caused, eventually helping with better understanding them and mitigating their hazards.”

Reference: “Widespread deep seismicity in the Delaware Basin, Texas, is mainly driven by shallow wastewater injection” by Guang Zhai, Manoochehr Shirzaei and Michael Manga, 10 May 2021, *Proceedings of the National Academy of Sciences* .

---

## Colonial touts cyber ‘best practices.’ It was still hacked

By Christian Vasquez and Peter Behr

E & E News

May 19, 2021

The pipeline company at the center of the most disruptive cyberattack in U.S. energy history says it followed defensive guidelines set by the government and private sector.

But a ransomware cyberattack this month still forced Colonial Pipeline Co. to shut down its 5,500-mile system, which supplies nearly half the fuel used along the U.S. East Coast. The weeklong disruption led to panic buying at gas stations and an outcry for more stringent and enforceable cybersecurity measures for the oil and gas industry.

Colonial defended many of its cybersecurity actions in a statement to E & E News yesterday, pointing out that it “had many best practices in place” before the May 7 attack by the DarkSide ransomware gang.

But the fact that the suspected Russia-based hackers managed to break into the Georgia company’s networks raises questions about whether the voluntary security standards for U.S. pipelines are up to the task of protecting critical infrastructure from cyberthreats — even if followed to the letter.

Colonial told E & E News that the company participates in “annual interview assessments” led by the Transportation Security Administration, the agency charged with overseeing pipeline security. The company added that the reviews “have historically included assessments of our cybersecurity controls.”

Colonial spokesperson Meredith Griffanti said the company also participated in a Pipeline and Hazardous Materials Safety Administration virtual assessment last year, which included a review of its “cybersecurity capabilities.”

The ransomware attack, which locked up Colonial’s computer files and demanded payment for the key, has renewed calls from some lawmakers and cybersecurity experts to reassess TSA’s ability to manage digital defenses of the roughly 2.7 million miles of U.S. pipeline networks. And a separate IT outage at Colonial yesterday — which briefly blocked some critical communications with shippers — highlights the challenges of recovering from severe cyberattacks ( [Greenwire](#), May 18). Colonial said those “network issues” did not disrupt fuel deliveries and were due to the “hardening efforts that are ongoing and part of our restoration process” rather than a malware reinfection.

The Government Accountability Office issued a [blog post](#) yesterday reviving long-held concerns over pipeline cybersecurity oversight by both the federal and private sector. The watchdog noted that three of its recommendations relating to pipeline cybersecurity workforce and risk management have yet to be implemented.

The explanations Colonial provided yesterday still leave basic questions about why an attack on the company's IT systems, presumably including business and commercial networks, posed such a threat to operational technology (OT) systems that it had to shut its pipeline network. That shutdown decision was made "in the name of safety and in effort to protect the integrity of the OT systems," Griffanti said, even though the company did not believe there was a "high risk" that such networks would be harmed directly.

"But given the seriousness of the situation, however, we needed to take our OT systems offline and take the time to ensure that environment was secure before resuming operations," she said.

Griffanti said Colonial maintains "stringent segmentation between our IT and OT environments, as well as our policies that have for years blocked direct connection between OT and the internet."

Colonial also said it aligns its security strategy with "industry best practices" provided by the National Institute of Standards and Technology, other best practices from the American Petroleum Institute, and the MITRE ATT & CK framework, which maps out cyber-criminal behavior.

Griffanti said the company intends to share "appropriate information with regulatory bodies and trade organizations" following an investigation of the root cause and scope of the cyberattack.

She also touted Colonial's involvement in several information-sharing programs, such as the Department of Energy's Cybersecurity Risk Information Sharing Program, the Oil and Natural Gas Information Sharing and Analysis Center, and the National Cybersecurity and Communications Integration Center run by the Department of Homeland Security's top cyber office.

"We receive alerts and valuable threat intelligence from many of these entities and incorporate them into our methodologies for incident response," Griffanti said.

### **Natural gas worries**

While Colonial made significant investments and training in cybersecurity, it apparently did not anticipate the specific threats it could face from a wide-ranging ransomware attack, leaving a hole unplugged in its defenses.

Jonathon Monken, a principal with Converge Strategies LLC, a consultancy that advises clients on defense and recovery strategies, said gas pipelines could be forced to curtail or shut down operations if their commercial systems were tied up by ransomware hackers, simply because they might not be sure where their gas deliveries were going in every case. That could put payments in jeopardy, creating a potential major financial loss.

Before joining Convergence Strategies, Monken was a security official at the PJM Interconnection LLC, the grid operator for 13 Eastern and Midwestern states and the District of Columbia.

In 2018, PJM made an investigation of the security of gas deliveries for its gas-fired generators, a vital energy source for its system. The investigation was unusual because PJM was joined by a large pipeline that agreed to join in the threat analysis — a level of grid-gas cooperation that isn't common, Monken said in an interview.

PJM spokesperson Jeffrey Shields said the goal was to "test the resilience of the natural gas pipeline system to respond to an extended outage due to a physical or cyberattack and then to

analyze the impact of such an extended outage on reliability of the PJM system.” The analysis results are confidential, but were shared with key federal agencies, he added.

“The analysis deliberately stressed the system to find the tipping point at which issues would arise and to identify key drivers of reliability risk,” Shields said. “Overall, the analysis found no immediate threat to the PJM system. It is reliable and will remain reliable into the future.”

Monken said natural gas industry leaders are correct in noting that pipeline operating systems are not an easy target for hackers.

Pipeline networks rely on a series of compression stations along the route to maintain pressure and gas flow.

Operators sent to run a compression station manually in an emergency rely on computer information and local human-machine interface terminals that are maintained on-site, not shared among many stations. So to take down a pipeline network’s operating system requires imagining a team of terrorists able to plug infected jump drives into each of the compression stations along the route — much like the infamous Stuxnet cyberattack bypassed defenses at an Iranian nuclear facility over a decade ago.

The PJM study “rightly assessed the risk to be low,” Monken said. “The opportunity to ‘brick’ a group of stations at the same time is virtually nil, as long as they aren’t networked together.”

“But that’s not the end of it,” he added.

The commercial risk remains if a pipeline with a compromised IT system tried to keep operating without the huge amount of data required to manage and fulfill orders and track and record payments. Without that record, a pipeline could not be certain of getting paid, Monken said.

“Am I literally pushing gas to customers without being sure I’d be compensated? The losses might not be calculable,” he said.

Colonial said financial risk was not part of its decision to shut down. Its statement indicated that it apparently has not fully restored its invoicing system, but it resumed operation anyway.

Griffanti added that Colonial “has the ability to run parts of its system manually” in the event of a cyber or other emergency. But she also pointed out that “we have restarted our entire pipeline system, and product delivery has commenced to all markets we serve.”

Infrastructure security officials said protecting against such a complex threat calls for development of a “design basis threat,” a carefully worked-out scenario for assessing a potential attacker’s capabilities and tactics, in light of a network’s most critical vulnerabilities.

There is not an established threat definition process for gas pipelines, Monken said. Each pipeline makes its own assessments and response. “It’s up to them,” he said.

One lesson from the Colonial attack is that pipelines and the generators that depend on them for fuel “need a much more realistic assessment of the cyber risks they face,” Monken added.

Twitter: [@chrismvasq](#) Email: [cvasquez@eenews.net](mailto:cvasquez@eenews.net)

---

## **Opinion: Fossil fuel exploration companies need to find a new business line**

By Chris Tomlinson  
Houston Chronicle  
May 19, 2021

Operators of businesses engaged in the exploration for oil and natural gas reserves need to make a plan to do something else or wind up their companies.

No need to act rashly; the industry has maybe a decade left. But the velocity of the energy transition is accelerating quicker than most pundits expected.

Today, Ford will launch the F-150 Lightning, an all-electric version of America's all-time best-selling vehicle. Anyone who drives their current F-150 less than 200 miles a day will have difficulty passing up this clearly superior motor vehicle. Bonus: It does not look like Tesla's Cybertruck.

The unveiling comes the same day the International Energy Agency released research confirming what environmentalists have said for a decade. [We have already found more oil and natural gas than we can ever use](#) without ruining the planet.

Fossil fuel exploration must stop now if the world wants to reach net-zero emissions of carbon dioxide by 2050. Failure to achieve that goal will result in global warming greater than 1.5 degrees centigrade, which will trigger irreparable environmental damage.

The IEA is no namby-pamby, head-in-the-clouds environmental group. Climate activists have denounced the IEA's pro-industry stance for decades. Just a few years ago, its executive director called on fossil fuel companies to step up exploration and production. Not anymore.

"Since the IEA's founding in 1974, one of its core missions has been to promote secure and affordable energy supplies to foster economic growth," the new report on Net-Zero by 2050 says. "The enormous challenge of transforming our energy systems is also a huge opportunity for our economies, with the potential to create millions of new jobs and boost economic growth."

The concept here is straightforward. We've known since the 1860s that increasing the amount of carbon dioxide in the atmosphere increases its retention of heat. We've known since the 1960s that burning fossil fuels is raising the amount of CO<sub>2</sub> in the atmosphere to dangerous levels.

The deterioration of coral reefs, the melting of glaciers and changing weather patterns have proven that a warmer atmosphere causes damage to ecosystems. Therefore, we can only put so much carbon in the atmosphere, and we've already found more carbon than we can emit safely.

No serious person can dispute those basic facts any longer. Some of the world's most giant corporations, and perhaps more importantly, their shareholders, are speeding up the transition to a global economy where we no longer emit more carbon than we take out of the atmosphere.

Every supermajor oil and gas company has announced plans to either move away from carbon-based fuels or create methods to remove carbon from the atmosphere. Occidental Petroleum was among the first corporations to announce it will become a carbon management company in addition to producing energy.

While 90 percent of 179 oil and gas companies contacted by the consulting firm Accenture said they recognize the need to change, only 21 percent “are moving beyond significant change to true reinvention,” according to [a new report](#).

“Competition from new energy sources, environmental accountability, talent scarcity, investor apathy and the COVID-19 pandemic have led most oil and gas companies to realize the need to transform to ensure profitability, embrace sustainability and maintain their relevance,” Muqsit Ashraf, who leads Accenture’s energy industry group. “What’s required isn’t just piecemeal transformation but wholesale business reinvention.”

Ashraf identified several things that leading companies are doing: becoming more competitive with peers through technology, carbon management, and customer service. But equally important is creating a corporate culture that recognizes clean energy as the ultimate goal.

The other major consulting firm to energy companies, Deloitte, calculates oil and gas companies [should redeploy \\$838 billion in capital expenditures](#) to “optimize their hydrocarbon business and/or pursue new growth areas including new energy ventures.”

“Many companies are eager to act but are seeking guidance on the speed and extent to which they expand into new, potentially high-growth areas, be it in new regions, markets, products or technologies,” said Amy Chronis, Deloitte’s vice chairman and U.S. oil, gas and chemicals leader. “By taking a strategic, purpose-driven approach, companies can sustainably and profitably build a future-ready portfolio.”

While the research may be new, the message has been around for a long time. For years, the Greater Houston Partnership has said that Texas companies must embrace the energy transition to remain relevant and profitable. Workers must embrace the change or see their careers evaporate.

Lately, fossil fuel advocates have stopped talking about the need for energy and shifted to begging for job-loss protection from clean energy competitors. But if you argue that we should continue damaging the planet just to preserve your job, you will always lose.

Tomlinson writes commentary about business, economics and politics.

[twitter.com/cltomlinson](https://twitter.com/cltomlinson)

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

**Gov. Greg. Abbott says no public schools or government entities will be allowed to require masks**

**While 30% of Texans have been fully vaccinated against COVID-19, the vast majority**

## **of children are unvaccinated. The Pfizer vaccine was authorized last week for children as young as 12.**

By Patrick Svitek  
Texas Tribune  
May 18, 2021

Gov. [Greg Abbott](#) announced Tuesday that public schools can no longer require masks on their campuses starting June 5. The decision was part of a [new executive order](#) that bans government entities in Texas — like cities and counties — from mandating masks in the fight against the coronavirus pandemic.

Starting Friday, any government entity that tries to impose a mask mandate can face a fine of up to \$1,000, according to the order. The order exempts state supported living centers, government-owned or -operated hospitals, Texas Department of Criminal Justice facilities, Texas Juvenile Justice Department facilities, and county and municipal jails.

The order is arguably the most consequential for public schools. After Abbott ended the statewide mask requirement in early March, school systems were allowed to continue with their own mask-wearing policies unchanged. But after June 4, “no student, teacher, parent, or other staff member or visitor may be required to wear a face covering,” according to Abbott’s new order.

While 30% of Texans have been fully vaccinated against COVID-19, the vast majority of children are unvaccinated. The Pfizer vaccine was authorized last week for children as young as 12. The Moderna and Johnson & Johnson vaccines are still only authorized for those 18 and older. School-age children have seen lower infection rates than other age groups. COVID-19 cases among those 5-17 years old make up 10% of total cases in the country, according to the [latest data from the Centers for Disease Control and Prevention](#).

Last week, the CDC said fully vaccinated people no longer have to wear masks outdoors in crowds and in most indoor places.

Despite dire warnings about the potential impact of removing the statewide mask mandate, key pandemic metrics in Texas have not spiked since then and have gone down in most cases. On Sunday, the state health department had its first day in over a year without reporting a COVID-19 death.

“The Lone Star State continues to defeat COVID-19 through the use of widely-available vaccines, antibody therapeutic drugs, and safe practices utilized by Texans in our communities,” Abbott said in a statement on his latest order. “We can continue to mitigate COVID-19 while defending Texans’ liberty to choose whether or not they mask up.”

The Texas State Teachers Association called Abbott’s latest move premature. In a statement, the head of the association, Ovidia Molina, said Abbott should have waited until the CDC issued updated guidance on masks for the 2021-22 school year. Molina acknowledged that some Texas school districts have already ended their mask requirements but said the association believes “that also is ill-advised.”

“The health and safety of our students, educators and communities must remain our first priority as we attempt to emerge from this pandemic,” Molina said.

Abbott's new rules will take effect as the school year is winding down for most students — or already over. The last day of classes for the state's biggest school district, Houston ISD, is June 11. May 27 is the last day for some students in the state's second-biggest district, Dallas ISD.

The Texas American Federation of Teachers was also critical of Abbott's decision, calling it "unconscionable" given that a vaccine is not yet available for kids under 12 years old. Even if the normal school year is coming to a close, both TSTA and Texas AFT noted Abbott's order will impact students who attend in-person summer school.

Austin ISD Superintendent Stephanie Elizalde said the district will continue to ask everyone on its campuses to wear masks through June 4. After that, she noted, "there is nothing in the Governor's order that forbids people from wearing masks. It only means we cannot require them."

Abbott's order also applies to public colleges and universities. After the announcement, Texas A & M University told students that the end of its mask requirement was "effective immediately and therefore applies to remaining commencement ceremonies, as well as indoor and outdoor facilities and venues."

Leaders of some of Texas' largest cities — all Democrats — were critical of Abbott's latest order but seemed to accept it and showed no signs they planned to fight back. Houston Mayor Sylvester Turner called Abbott's move a "clear overreach" and encouraged city employees and visitors to city facilities to wear masks if they are not fully vaccinated, but he added that "we are not mandating it." Austin Mayor Steve Adler and Travis County Judge Andy Brown said they will "continue to be careful" and will spend the next few days "speaking with parts of our community most impacted by the Governor's order, including schools and nursing homes." And Dallas County Judge Clay Jenkins also voiced criticism of Abbott's order, noting it "deviates" from CDC guidance saying unvaccinated people should continue to wear masks indoors.

The governor's most recent order comes roughly two and a half months after Abbott lifted the statewide mask mandate. In that order, he said "no person may be required by any jurisdiction" to wear a mask. Now, he is saying a specific type of jurisdiction — government entities — can face a penalty for mandating masks.

After Abbott initially lifted the statewide mask policy, some local governments said they would continue to require masks. Texas Attorney General [Ken Paxton](#) sued Austin and Travis County over their plan to continue mandating masks, and in late March, a district judge [denied](#) Paxton's request for a temporary halt of the local mask requirement.

Abbott's latest order leaves untouched the ability of private businesses to require their customers or workers to wear masks.

Despite ending the statewide mask requirement, Abbott has continued to take hits from some fellow Republicans over his pandemic response. One of them, former state Sen. Don Huffines of Dallas, [launched a primary challenge](#) to Abbott last week and [said after Abbott's announcement Tuesday](#) that Texas "never should have never allowed mask mandates in the first place."

**Andrew Keese**





Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: May 20, 2021

May 20, 2021 at 10:44 AM EDT

To: NewsClips

---

## **‘Collective amnesia’: Texas politicians knowingly blew 3 chances to fix the failing power grid**

By James Osborne, Eric Dexheimer, and Jay Root

Houston Chronicle

May 20, 2021

Ten years ago, Texas power plants froze during a fast-moving winter storm, causing rolling electricity blackouts across the state. Outraged Texas regulators and lawmakers, vowing to crack down, debated requiring energy companies to protect their equipment against extreme weather to ensure reliability.

But they didn’t.

Nine years ago, two state agencies that regulate utilities and the oil and gas industry warned that natural gas facilities that lost power during outages couldn’t feed electricity generation plants, creating a spiral of power loss. The agencies jointly recommended that lawmakers compel gas suppliers and power plants to fix the problem.

But they didn’t.

Eight years ago, economists warned that the state’s free-market grid left companies with little incentive to build enough plants to provide backup power during emergencies. With the support of then-Gov. Rick Perry, legislators and regulators considered increasing power rates to encourage the construction of more power plants, so that Texas, like other states, would have sufficient reserves.

But they didn’t.

In the wake of each power failure, or near-failure, over the past decade, Texas lawmakers have repeatedly stood at a fork in the road. In one direction lay government-mandated solutions that experts said would strengthen the state’s power system by making it less fragile under stress. The other direction continued Texas’ hands-off regulatory approach, leaving it to the for-profit energy companies to decide how to protect the power grid.

In each instance, lawmakers left the state’s lightly regulated energy markets alone, choosing cheap electricity over a more stable system. As a result, experts say, the power grid that Texans depend on to heat and cool their homes and run their businesses has become less and less reliable — and more susceptible to weather-related emergencies.

“Everyone has been in denial,” said Alison Silverstein, a consultant who works with the U.S. Department of Energy and formerly served as a senior adviser at the Federal Energy Regulatory Commission. “They treat each individual extreme event as a one-off, a high-impact, low-frequency event, which means, ‘I hope it doesn’t happen again.’”

With each passing year, the grid has steadily become less reliable. In 1989, Texas suffered a cold snap considered worse if not equal to the winter storm earlier this year yet managed to keep the grid functioning, with only a few hours of rotating outages.

By comparison, February's Winter Storm Uri brought the Texas power grid to within five minutes of complete collapse, officials acknowledged. Millions of residents were left without power for days in subfreezing temperatures; nearly 200 died.

“Our system now is more vulnerable than it was 30 years ago,” said Woody Rickerson, vice president of grid planning and operations at the Electric Reliability Council of Texas. “With the generation mix we have now, the weather has the ability to affect wind and solar and (the gas supply). Those are things we can't anticipate.”

### **Lower prices for big business**

The modern deregulated Texas power market was set up in the late 1990s to replace the state-controlled system through which Texans had gotten their electricity for close to a century. Rising power prices had become increasingly unpopular among the public and industry, in particular the petrochemical plants and refineries lining the Gulf Coast.

In terms of prices, the plan worked — especially for big business. Since 2001, the last year before deregulation, average industrial electricity rates in Texas declined by 7 percent, according to federal data ending in 2020. Over that same period, average residential rates grew almost 30 percent, though they remain well below the national average.

Cheap power for industry has fed the oil and petrochemical boom along the Gulf Coast and West Texas and attracted new companies to Houston, Dallas, San Antonio and Austin. It also created a new industry, power retailing, with hundreds of companies springing up to act as middlemen, negotiating lower prices from generators in order to amass more customers and boost their profits.

“This was never done to benefit the residential customer,” said Robert Cullick, the former head of communications at the Lower Colorado River Authority, the Austin-based nonprofit that manages power plants and hydroelectric dams across Texas. “It was for the big guys and those who wanted to sell power into the market and make big profits.”

Under the old system, utilities had to keep enough capacity to adequately serve every customer in their area. But under deregulation, that responsibility was handed to the so-called “invisible hand” of the free market.

The system worked for a time, relying primarily on old infrastructure built during the regulated era. But as that equipment aged and the state's population boomed, Texas' power grid has become increasingly strained.

### **2011: Anger, then sticker shock**

The first real sign of trouble came in February 2011, when freezing temperatures across Texas forced ERCOT to rotate outages for two days during Super Bowl weekend, impacting 4.4 million customers.

Lawmakers assessing the fallout were incredulous and angry. Was Texas — no stranger to

hurricanes and other weather catastrophes — really so ill-prepared to handle a nasty winter storm?

“There’s no secret that winter comes around once a year,” said Sen. Mike Jackson, R-La Porte.

Legislators introduced a flood of bills, requiring the PUC to buy more backup generation and penalizing companies that didn’t meet reliability standards. But as they would time and again in the years ahead, Texas elected leaders opted not to take significant action, convinced their free-market power system — less regulated than any grid in the country — ultimately would find a way to keep the lights on.

Public Utility Commission chairman Barry Smitherman was asked during the ensuing legislative hearings whether the Legislature needed to change the law to force power plants to weatherize. Smitherman demurred.

“I think we have all the authority we need, Mr. Chairman,” Smitherman said, adding that the PUC would consider tweaks to its rules to ensure that the grid remained reliable. “The companies are going to have to take the initiative to get this done.”

Behind the scenes, electric utilities and large consumers of electricity, such as refineries and computer manufacturers, were lobbying hard against stronger winterization measures, arguing it would raise energy costs, recalled Tom “Smitty” Smith, who at the time led the activist group Texas Public Citizen.

A [recent study by the the Federal Reserve Bank of Dallas](#) estimated the cost of winterizing natural gas plants after the 2011 storm — the largest source of outages during the February blackout — at \$95 million in today’s money. Much of that would have fallen on the state’s industrial companies, which account for more than half of Texas power consumption.

In Austin, those companies wield outsized influence. Representatives of the energy, natural resources and waste industries spent a combined \$64 million lobbying the Texas Legislature in 2011 — more than any other sector — according to [an analysis of 2011 lobbying contracts](#) by the liberal watchdog group Texans for Public Justice.

“It might have cost an extra few dollars a year on the average residential consumer electric bill to have protected ourselves from this problem,” Smith said. “Our legislators got convinced by the big electric utilities and industrial customers that this would cost too much.”

### **2011: Regulation with no teeth**

As a result, the only legislation to come out of the 2011 storm was a minor bill from then-state Sen. Glenn Hegar, a Katy Republican, which required power companies to file weatherization plans with the PUC each year.

Two months after that bill was signed into law, the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation put out a report of more than 350 pages, urging Texas to enact stricter weatherization standards for power plants and natural gas operators.

And they did to a degree, with ERCOT putting out best practices, conducting annual workshops and inspecting plants every three to four years.

But there were two problems. First, despite FERC's recommendation, the state Legislature never gave the PUC authority to penalize power plants that did not comply, making weatherization voluntary. While progress was made, some companies opted not to bring their plants up to code, said Rickerson, the ERCOT vice president.

"Ultimately those were financial decisions that had to be made," he said. "How much is someone willing to invest in a power plant that's 50 years old and going to retire in a few years?"

More significantly, the best practices ERCOT was sharing were designed for a cold snap like that seen in 2011. While cold, with temperatures in Dallas dropping as low as 14 degrees, it was nothing compared to the 1989 winter storm, when temperatures dropped to 7 degrees in Houston and minus-7 in Abilene, let alone 1899, when the state's all-time low temperature of minus-23 degrees was set in the Panhandle town of Tulia.

So when temperatures dipped into the single digits for days on end this February, most Texas power plants were simply not prepared. Exterior control equipment and fuel lines froze, not to mention coal piles and wind turbine blades.

"One power plant under freezing for 200-plus hours. That's not a thing, right?" said Chris Moser, executive vice president of operations for NRG Energy, of expectations going into the winter. "If you look at the math ERCOT did prior to the seasonal assessment, it looked like (there was plenty of power). But then you have 80 to 85 plants not showing up. It was a failure of imagination."

As for Hegar's legislation, it has proved even more toothless than it appeared at the time.

According to a recent report from ERCOT, the agency was never given authority to judge the weatherization plans but only to check that they were being implemented. And a requirement in Hegar's bill that the PUC produce a one-time Weather Emergency Preparedness Report, which was [quietly published in 2012](#) and found that many power companies were still doing a poor job implementing reforms, drew little attention from state officials.

"When you're on the commission, you're dealing with what's immediately in front of you," said Ken Anderson, a former public utility commissioner. "I'm not sure how much follow-up occurred."

A decade later, Hegar, now the Texas comptroller, described his bill as politics being the art of the possible, saying the Legislature should have taken a "much more active role" in 2011.

"It's almost like an obstacle course," Hegar said. "There's a lot of people laying in the darkness and in the weeds that are trying to kill your stuff, and you don't even know who they are."

### **2012: A hard 'no' from oil and gas**

Texas' natural gas system also froze up during the 2011 storm, but the gas producers got even less scrutiny than the power companies.

Shortly after that event, federal officials recommended the state consider "minimum, uniform standards" for winterizing natural gas wells and processing facilities, as well as labeling them critical facilities exempted from rolling blackouts, like hospitals and water treatment plants.

But oil and gas companies, a lobbying force without equal in Austin, resisted.

The industry has long held sway over politicians in Texas, where it is not only a huge employer but also a massive campaign contributor. Perhaps nowhere is that more apparent than the oddly named **Texas Railroad Commission**, where fundraising from the very companies the agency regulates is considered essential to winning a seat on the three-member commission.

“Gas is nearly unregulated,” said Peter Cramton, a former ERCOT board member and economist at the University of Maryland. “The **Railroad Commission’s** mission is quite different than the mission of ERCOT, which has a public service mission. Their mission is to support the oil and gas industry.”

There is no indication the **railroad commission** even considered the federal recommendation that it mandate gas facilities weatherize after the failures of 2011.

Even now, in the wake of the devastating blackout in February, railroad commissioners are resisting such standards, with **Railroad Commissioner Wayne Christian** calling those efforts part of a “never-ending war against fossil fuels” in a March op-ed in the *Wall Street Journal*.

Even the task of getting gas facilities exempted from rolling blackouts never came to fruition, with only small numbers of companies alerting utilities to their need.

In 2012, the Public Utility Commission and **Texas Railroad Commission** jointly published a report calling for better coordination between the gas and power sectors to ensure a more reliable gas supply during power shortages. The following spring, the **Railroad Commission** issued a letter urging operators of gas infrastructure such as pipelines and compressors to sign them up as “critical loads,” warning, “many natural gas facilities rely on electricity to operate.”

But few gas facilities did, a failure that would come back to haunt them when Winter Storm Uri hit in February.

When temperatures first began falling around Midland three months ago, gas production plunged more than 20 percent over five days, according to estimates by the research firm Wood Mackenzie. But production would drop far further when ERCOT began rotating outages Feb. 14, leaving gas operators that had not enrolled as critical facilities without power.

Oncor, the utility covering North and West Texas, said only 35 gas operations in the Permian Basin had signed up prior to the February cold snap — compared to the almost 170 that signed up after they had already been shut off during the freeze.

Testifying at the Legislature after the storm, **Christi Craddick, chair of the Railroad Commission**, said she didn’t know that companies could sign up to avoid having power shut off.

“I didn’t know that was an opportunity,” she said. “We didn’t have anything on our website. And really it’s a function of working with those energy companies and ERCOT to put those people as priority.”

But when the **Railroad Commission** issued its 2013 letter about the importance of exempting critical gas infrastructure from blackouts, Craddick’s name was on the letterhead.

Jennifer Hubbs, a former analyst at the PUC who wrote the Texas Energy Assurance Plan, said there was little appetite among Craddick and other officials to effect real reforms in the system.

“The few steps we were permitted to take (such as the **RRC** letter) were ignored and forgotten,” she said.

**Craddick spokeswoman Mia Hutchens** said Craddick “was not aware” of the 2013 letter when she testified in February.

Under the existing system, there is limited incentive for natural gas plants to weatherize.

Unlike power plants, which under ERCOT rules are required to buy electricity in the event they cannot generate — often at inflated prices — natural gas producers are assessed no penalty for failing to deliver.

When wells freeze, they’re not producing gas and therefore not making money. But during such a shortage, a natural gas company producing at only half its normal output still could make 50 times what it would on a normal day. Gas prices on the Houston Ship Channel soared more than a hundredfold, from \$3.72 per Million British Thermal Units on Feb. 11 to \$400 on Feb. 17.

Vistra Energy, one of the state’s biggest power generators known for its TXU Energy brand, started receiving word from its gas suppliers on Friday, Feb. 12, that because of the freezing conditions it would not be able to deliver on its gas contracts for the coming weekend, said CEO Curt Morgan.

“We had to go into the open market and buy what gas we could find,” he said. “In that one week, we spent double what we spent in all of 2020.”

For the oil and gas sector, however, the blackout presented a potentially large financial windfall.

The president of Jerry Jones’ oil company, Comstock Resources, called the blackout a “jackpot” on a call with investors, while the pipeline company Kinder Morgan reported a \$1.4 billion profit for the first three months of the year, more than twice what analysts had anticipated, primarily on the basis of gas sales during the blackout.

In recent months, gas producers have acknowledged the need to weatherize their operations against the cold. Yet they continue to argue that government mandates requiring them to do so are unnecessary.

“The market can provide the signals that are necessary to make sure the product flows,” said Todd Staples, president of the Texas Oil and Gas Association.

### **2013: Scoffing at the safety net**

In 2013, lawmakers had another opportunity to make the grid more reliable. They didn’t just pass on it; they shot it down.

After the rolling blackouts in February 2011 and a historic run of hot days that summer, warnings came that Texas’ reserve margin — the amount of power the grid could generate in case of an emergency — was running dangerously low.

The Texas Public Utility Commission began to examine shifting to a so-called capacity market like those in the Northeast. Power plants there bill ratepayers not just for the electricity they sell but for maintaining capacity for times of high demand.

Armed with studies predicting imminent disaster, Texas power companies got the support of Gov. Perry, who in 2013 called his advisers to his office to debate the merits, said Pat Wood, the former chairman of the state utility commission and the Federal Energy Regulatory Commission.

Perry said, “Look, it’s a political issue and you guys know it better than I do,” according to Wood.

But the commission quickly drew the wrath of large industrial and commercial customers, including the influential refining and petrochemical companies, who argued forecasts of power shortages were overblown and predicted billions of dollars in costs for consumers if the commission went ahead.

“If something is a needed improvement to reliability, we will support it,” said Katie Coleman, an attorney representing large industrial and commercial power customers, in an interview. “The problem with the capacity market is it’s three-year forward projection that may have nothing to do with supply and demand.”

Outraged by the prospect of raising power prices, Troy Fraser, the state senator who had led the charge toward deregulation 15 years earlier, called a hearing three days before Thanksgiving, ordering industry and officials to explain themselves.

Testifying in the wood-paneled meeting room of the Senate Committee on Natural Resources, John Fainter, a veteran lobbyist for the power industry — since deceased — warned: “It’s important reliability be kept first and foremost, not profit.”

Republicans and Democrats alike were incensed, looking at the proposal not as a legitimate warning about the future of the grid but as a money grab at the expense of consumers and industry.

Fraser grilled utility commissioner Brandy Marty, a former chief of staff to Perry, asking how she thought \$4 billion a year in additional power costs might impact the surge of businesses moving to Texas.

“You have a history in the governor’s office of being very pro-business and trying to recruit business in Texas,” he said. “Our energy cost is about half of (California’s), and one of the reasons we’re getting a lot of our industry is because” of cheap electricity.

“How much is this going to cost our school districts?” asked Sen. Rodney Ellis, a Democrat representing Houston. “We don’t want blackouts or brownouts, but there ought to be some middle ground.”

Fraser declined an interview request, saying, “I don’t do interviews any more since I left.”

But his intent at the hearing was clear, said Bill Peacock, who at the time served as vice president of the right-leaning Texas Public Policy Foundation.

“It was the Legislature telling the PUC: ‘This is not your job,’” he said.



Ellis, now a Harris County commissioner, defended his opposition as protecting underfunded schools, adding the Legislature’s “biggest mistake” on power came in creating “a market-based system that does not adequately serve our state.”

It is unclear how much a capacity market would have changed the outcome of the winter storm earlier this year.

But the ferocity with which the oil and manufacturing firms attacked the capacity market proposal effectively sidelined the issue of substantive change in the Texas power market to improve resilience. Instead of a capacity market, the state utility commission — with the backing of industrial customers — opted for a more modest shift in the rules, allowing for payment to power plants that were at the ready to come on in times of power shortages.

Experts said gas plants today are better prepared for summer conditions than they were a decade ago. Yet the rule change has done little to get new power plants built, let alone weatherizing them for winter weather.

“The problem was everybody decided to get collective amnesia,” said Silverstein, the energy consultant. “Every August and September it’s all hands on deck, with everyone hand-wringing until we get through the summer peak. And then they say, ‘the ERCOT market worked.’”

Until it didn’t.

---

## **Documents reveal natural gas chaos in Texas blackouts**

By Edward Klump, Mike Lee, and Carlos Anchondo

E & E News

May 20, 2021

Texas’ electricity leaders were deeply focused on natural gas shortages days before blackouts crippled the state in February and plunged the state’s power industry into chaos, according to documents obtained by E & E News.

A phone log shows more than 100 calls to or from DeAnn Walker, then-chair of the Public Utility Commission of Texas, discussing gas curtailments. It begins Feb. 10 — well before massive power outages started on Feb. 15 — and runs through Feb. 19.

Walker spoke to everyone from the chief of staff of Texas Gov. Greg Abbott (R) to power company officials. During the cold blast, Abbott promoted fossil fuels and blamed renewable energy before walking back some of that criticism.

The PUC records provide a more detailed picture of how concerned state leaders were about the natural gas industry prior to and during the crisis. While gas is crucial to keeping the lights on in Texas, the industry’s powerful lobby has successfully avoided new regulations on its operations for years. The documents also show concern from Texas legislators that electric grid managers didn’t push the industry hard enough to weatherize the system after a 2011 storm that caused

rotating power outages.

At least 151 people in Texas died in the wake of the winter storm that led to widespread power outages, according to a state tally. Millions of people lost access to clean tap water as treatment plants lost electricity, and there was widespread property damage from frozen pipes.

While numerous wind facilities had issues in Texas, gas-powered generation had the most megawatts of generating capacity offline of any resource during the February power crisis, according to the Electric Reliability Council of Texas, whose region includes about 90% of the state's power load.

Walker's diary of her daily activities — included with a [letter](#) to state lawmakers — shows she briefed Abbott's office and legislative leaders about gas shortages on Feb. 10 and Feb. 11. She also talked frequently during the energy crisis with Vistra Corp., according to the documents, which were released through a Texas Public Information Act request. Vistra is Texas' largest power producer.

On Feb. 10, "I received information from Vistra Corporation that they had received notices of gas curtailments at several power plants. I notified the Governor's office and Chairman Hancock about the information from Vistra," she wrote, referring to state Sen. Kelly Hancock, the Republican chair of the Senate Committee on Business and Commerce. Hancock did not respond to a request for comment.

About Feb. 11 she wrote, "I contacted **Chairman Craddick** about the gas curtailment concerns. I also advised the leadership in the House and Senate about the gas curtailment information." **Christi Craddick (R) chairs the Railroad Commission of Texas**, the state agency with extensive regulatory jurisdiction over Texas' oil and natural gas industry.

On Feb. 15, as the state's main electric grid began to experience blackouts, Walker said she briefed the governor's office about another problem — the power outages were affecting natural gas facilities, forcing them to shut down and cut off fuel to power plants.

Despite the briefing, Abbott told Fox News on Feb. 16 that the outages showed the dangers posed by the Green New Deal, a Democratic energy proposal that hasn't been enacted ([Climatewire](#), Feb. 17). Staffers for Abbott and Craddick did not respond to requests for comment this week.

Many of Walker's phone briefings came before ERCOT, the state's main grid operator, called for controlled electricity outages early on Monday, Feb. 15.

The phone log portrays an ad-hoc effort to communicate as Texas' power sector was headed for a failure that would leave more than 4 million homes and businesses without power for hours or days. It lists calls as well as some texts, emails and in-person events, such as a Feb. 13 press conference Walker attended.

By Feb. 13 and 14, which were a Saturday and a Sunday, a key representative of industrial power users said gas supply problems were on her radar.

"I became aware of the gas issues actually because the generators started calling me," Katie Coleman, energy counsel for Texas Industrial Energy Consumers, told *E & E News* recently.

“They were trying to find out if we were experiencing the same issues at our facilities and trying to see if we had any gas under contract that they could buy from us because they were being told no.”

Coleman said she also was getting calls that weekend from her group’s members as some were being told they couldn’t have gas for various purposes. She said she recalled some precautionary gas-related discussions before the weekend as well. Industrial users may reduce their power consumption during times with tight conditions and some can send electricity to the grid.

Walker said in her notes that there also was an effort to work with liquefied natural gas companies to reduce production.

“We moderated our electricity consumption and made the significant majority of gas we were unable to use — amounting to billions of cubic feet — available to utilities, pipelines, and power providers,” Cheniere Energy Inc. said in a statement.

Before the power crisis, the **Railroad Commission** issued an order prioritizing gas delivery to utility companies and power generators that serve “human needs customers” like homes, hospitals and schools. Industrial users were given lower priority.

Walker did address some gas concerns during a Feb. 12 [open meeting](#) of the PUC, but the reference was fairly brief. She said Craddick was helpful in working through issues related to gas generation plants.

“It’s going to be a really tight weekend,” Walker said. “It’s going to be particularly tight on Monday and Tuesday.”

She then pivoted to talk about frozen wind turbines, adding that “we’re working already to try to ensure that we have enough power.” But she said it was “taking a lot of coordination.”

Abbott had appointed Walker to the commission, but ultimately she and two other PUC members resigned following the blackouts as controversy swirled. Two new Abbott-appointed members have since joined the commission. It has three seats, though that could climb to five under pending legislation.

### **Lawmakers and oversight**

Some of Texas’ biggest power producers have been calling for more coordination with, and weatherization of, the gas industry in the state. Mauricio Gutierrez, the CEO of NRG Energy Inc., said recently that “the entire system, including natural gas, needs to be hardened as they say from wellhead to lightbulb.”

The Texas Oil & Gas Association has defended the industry’s record, saying gas producers and pipeline companies put in extra effort to keep fuel flowing during the crisis. It has resisted calls to fully weatherize gas production sites.

Most of the legislators, power companies and state officials that Walker spoke with didn’t provide detailed comments to *E & E News* this week when asked about their discussions with Walker. The former PUC chair also didn’t provide a statement through the agency.

Andrew Barlow, a spokesman for the PUC, said in a statement that Walker “worked tirelessly during the grid event, coordinating with decision makers across industry, agencies and government to solve problems revealed by the unprecedented strain on the system.”

The documents released by the PUC also show Texas legislators’ concerns that the state’s primary grid operator didn’t do enough to make sure facilities were weatherized after the storm-driven 2011 power outages. Those outages, while not as severe as this year’s, were largely blamed on the same problems, including poor communication and freezes at gas facilities.

In a Feb. 17 letter to ERCOT leadership, state Rep. Sam Harless (R) criticized the grid operator’s ability to handle extreme weather events.

“Rolling blackouts and power outages that spread throughout Texas’ power grid in both hot and cold weather would also seem to demonstrate the current administration and oversight board possesses insufficient imagination or resources to properly assess and plan for the capacity needs of our critical electrical infrastructure,” Harless said.

Some power providers pushed back against efforts to write weatherization standards in 2014, state Rep. Matt Shaheen (R) wrote Feb. 28 in an email to Luis Saenz, chief of staff in the governor’s office.

“My bottom-line view is that the regulatory agencies, although they had their faults, were directing the utilities to have Emergency Operations Plans so that they would be prepared for an extreme weather event,” Shaheen wrote. “The [utilities’] planning for such an event was insufficient and ERCOT audited and concluded the Emergency Operations Plans were sufficient, which was an error.”

In response to the criticism, ERCOT said in a statement this week that it looks forward to working with lawmakers on potential changes.

Brad Jones is ERCOT’s interim CEO. He replaced Bill Magness, who was fired as chief executive after the blackouts. A number of ERCOT board members also resigned, and lawmakers are considering legislation that could alter the board’s makeup.

Still, the Texas Legislature’s energy reforms remain a work in progress. Efforts that have seen support in both chambers include plans for an annual audit related to ERCOT and work by regulators on a process to designate certain natural gas facilities as critical in an energy emergency.

But it’s not clear that tough weatherization of the gas system will be enacted despite the February crisis ( [Energywire](#), May 12).

An amended version of [S.B. 3](#), a key bill meant to address power failures and weatherize generation, could impose penalties for companies that don’t prepare energy assets for weather emergencies. But it seeks to narrowly target gas facilities linked to the electricity supply chain instead of the broader gas system.

The penalties in the bill, while ranging as high as \$1 million, aren’t high enough to faze large energy companies, Virginia Palacios, executive director of the government reform group Commission Shift, said in an email.

The bill has already passed the state Senate and it passed out of the House Committee on State Affairs this week. A new section of the legislation endorsed by the House committee could benefit “dispatchable” generation tied to fuels such as gas, coal and nuclear.

Lawmakers are working to pass various changes before the end of the regular state legislative session on May 31. A special session is also possible.

“Any priority legislation that seeks to prevent a tragedy like this from happening again needs to be amended to protect the lives and livelihoods of Texans,” Palacios wrote.

*Reporter Mike Soraghan contributed.*

Twitter: [@edward\\_klump](https://twitter.com/edward_klump) Email: [eklump@eenews.net](mailto:eklump@eenews.net)

---

## 2 key bills in response to Texas winter power outages advance

By Jack Fink

KTVT

May 19, 2021

Video story on webpage: <https://dfw.cbslocal.com/2021/05/19/2-key-bills-advance-texas-winter-power-outages/>

Texas lawmakers are making progress on some key bills aimed at preventing February’s widespread and deadly power outages.

On Wednesday, the Texas Senate passed a bill that requires the Public Utility Commission of Texas and the **Railroad Commission of Texas** to designate natural gas production facilities that supply electric generators as critical during an emergency.

Ideally, it would prevent the facilities from losing electricity, as some did during February’s power outages, and would restore power quickly if they did.

Todd Staples, President of the Texas Oil and Gas Association, said that bill and others are ones they’d like to see passed. “Reliability is the goal, and I’m confident that the legislature will get meaningful reforms passed.”

On Tuesday, a House committee approved Senate Bill 3 and sent it to the full House.

It requires electric power generators and key natural gas production facilities to winterize their facilities to prevent the outages experienced in February.

If that doesn’t happen, operators could face fines of up to \$1 million a day.

Staples said, “Our processing plants all the way to power generation units are very important to be winterized in statute, and have those accountability requirements so that that product can get moved throughout the system.”

The bill also requires state regulators to set up a statewide alert system to notify Texans about potential outages, map out key infrastructure and meet regularly to identify potential problems before an emergency.

Staples said, “They’re all going to be in a war room. And they’re really going to stay together and focused on how to make certain Texans get what they need.”

Ultimately, lawmakers in the House and Senate will have to hash out their differences in these and other bills they’re working on in response to the February storms.

---

## **On foolish dependency and the Texas electricity grid**

By David Blackmon

Forbes

May 19, 2021

I have written quite extensively about dependency recently, and the lack of wisdom in allowing it to linger until it evolves into a crisis. Whether it be the decision by policymakers in 17 states and the District of Columbia to rely on a single pipeline for most of their gasoline supply; the dependence of shale oil and gas companies on the preservation of the OPEC+ arrangement as a price support; the renewables industry’s dependency on raw materials supply chains almost solely controlled by China and/or Russia; or even my own foolish dependency on an increasingly unstable Texas power grid managed by the Electric Reliability Council Of Texas (ERCOT) for my home’s electricity — dependency on unreliable and unpredictable sources of support ultimately leads to crisis.

This week produced developments on several of these fronts. Let’s look at what it all means for ordinary people by working our way backwards up that list of issues, starting with the Texas power grid, and reforms likely to be enacted by the Texas legislature in the final two weeks of its current session.

During February’s infamous arctic freeze/power blackout event, three key grid maladies were identified that need fixing:

- Lack of weatherization of key power generation and natural gas transportation facilities;
- Mismanagement at ERCOT, including decisions to cut power supply to many natural gas facilities during the freeze event; and
- Lack of adequate baseload reserve generating capacity that can be turned on during a crisis.

Obviously, there were many other issues identified during and after the crisis, but these are the three big ones that must be addressed if the grid is to ever be truly stabilized. As things stand today, the legislature appears prepared to address the first two issues while leaving the third still hanging unresolved.

The House State Affairs Committee, chaired by Republican Chris Paddie, approved SB 3, an

omnibus electricity bill on a unanimous vote Tuesday, sending the bill to the House Calendars Committee to be scheduled for a floor vote by the full House. Unfortunately, language designed to address the reserve capacity issue that was included in the senate version of the bill was nowhere to be seen in the house version.

If approved, the bill would require weatherization of many of the state's power generation facilities as well as critical natural gas infrastructure that performs a role in the grid's supply chain. According to Todd Staples, President of the Texas Oil & Gas Association, [less than 20%](#) of the state's natural gas infrastructure performs such a role. Assuming that 20% or so can be properly identified and protected from having its power supply cut off during an emergency, requiring the remaining 80% to be weatherized would amount to a waste of effort and resources.

SB 3 would enact reforms to how ERCOT's board is constituted and how the entity manages the grid. The bill would also create a new entity called the Texas Electricity Supply Chain Security and Mapping Committee, which would be responsible for identifying the critical infrastructure to be weatherized and to be exempted from ERCOT-mandated blackouts.

The bill contains other provisions, but these are the key points that would potentially fortify the grid from future catastrophic, deadly failures like the one Texans experienced in February of this year, and in February, 2011.

But what this bill does not do is anything to mandate or incentivize the construction of additional reserve baseload power generating capacity in the Texas market. Nor does it do anything to reform the way the state's de-regulated market generates signals to generators to build new capacity, signals that have been notably absent for more than a decade now. It does authorize the Public Utilities Commission to "study" the issue related to market signals over the summer, but that also happened in the aftermath of the similar winter freeze/blackout event of 2011, and nothing came of it. Such studies are always where lobbyists attempt to consign proposed measures they wish to kill.

Rep. Paddie [told the Dallas Morning News](#) that this chronic problem will likely not be addressed during the regular session, which ends on May 31. However, he did hold out hope that the issue could be added to the agenda of an anticipated special session that Gov. Greg Abbott plans to call to address redistricting this fall. But again, absent any real requirement that such action take place, Texas citizens will be left to the vagaries of the same political process that has proved as unreliable as the state's power grid in the past.

As a result, Texans will likely face a long, hot summer knowing that the ERCOT-managed power grid they foolishly depend on for electricity remains short of needed reserve baseload capacity, and the policymakers they elected to represent them in Austin continue to do nothing effective to address the problem that has lingered for more than a decade now.

Texans who have the financial means would be well-advised to get with their local dealers in backup natural gas generators or home solar providers as the most readily-available ways to relieve their foolish dependency on the grid. The 99% or so who don't have the financial means to do that are stuck waiting out another summer hoping for the best.

This is no way to manage a grid.

---

## Texas Natural Gas Service assured in new construction with governor's OK

By Carolyn Davis  
Natural Gas Intelligence  
May 19, 2021

Texas municipalities are prohibited from banning utility services based on energy sources, including the use of natural gas, under legislation signed into law by Gov. Greg Abbott.

[House Bill \(HB\) 17](#), which took effect Tuesday (May 18) with Abbott's signature, would prevent cities and municipalities from discriminating against any particular utility service or infrastructure based on the type of energy being used.

The law was supported by the Texas Independent Producers and Royalty Owners Association, Texas Oil and Gas Association and Texas Pipeline Association.

According to the Texas House Research Organization, supporters said the bill ensures homeowners, builders and businesses have "the ability to decide how best to meet their energy needs. Some states and cities around the country have moved to ban natural gas in new residential and commercial construction.

"By prohibiting policies that would ban or discriminate against a single energy source...HB 17 would preserve customer choice and access to energy sources in Texas, including to affordable and reliable sources such as natural gas."

Critics had argued the bill was "too broad and could have a chilling effect on programs that promote energy efficiency if the programs were interpreted as discriminating against a particular energy source," House researchers said.

State Rep. Joe Deshotel (D-Beaumont) said he had sponsored the legislation initially in response to bans on new natural gas service enacted by [West Coast municipalities](#). However, shortly after [Winter Storm Uri](#) led to a massive power outage across Texas during February, the bill gained momentum.

During a state House hearing on the bill, Deshotel said natural gas had "played an important part in helping a lot of people" who were able to use gas fireplaces and stoves during the blackout.

"I know in my own home, I was able to keep things going because we had a generator that kicked on and ran on natural gas," Deshotel said.

The Texas bill follows similar legislation enacted in Arizona, Arkansas, Kansas, Louisiana, Mississippi, Oklahoma, Tennessee and Utah to preemptively prevent municipalities from banning gas use in new construction.

Beyond the West Coast, other states are considering gas bans. For example, last June the



[Massachusetts attorney general](#) called for an investigation into phasing out gas by 2050 following a series of explosions in the Merrimack Valley. New York City [Mayor Bill de Blasio](#) also has called for a ban on new gas service.

---

## **Pipelines face prospect of tougher climate standard**

By James Osborne  
Houston Chronicle  
May 20, 2021

WASHINGTON – In the years ahead, the natural gas sector is planning billions of dollars in construction projects to expand the network of pipelines that transport its product around the country and solidify natural gas' role in the nation's energy supply for decades to come.

But first they need to convince federal regulators to sign off as President Joe Biden sounds the alarm on climate change and the nation's reliance on fossil fuels.

The Federal Energy Regulatory Commission is reviewing whether to include contributions to climate change in the criteria for approving pipelines and other natural gas projects. The review is ongoing, with no timeline or a decision, but such a change stands to radically alter how the federal government decides whether to allow the construction of gas pipelines.

“FERC almost never denies (pipeline) applications. As long as there's a contract in place they approve it,” said Max Sarinsky, an attorney with New York University's Institute for Public Policy. “They have an obligation to review the impacts of these pipelines, both beneficial and adverse, and that's not something they've been doing with climate impacts.”

That changed earlier this year when FERC, under new Chairman Richard Glick, a Democrat, considered the greenhouse gas implications of replacing an 87-mile-stretch of the Northern Natural pipeline, which runs from West Texas to Michigan. The commission approved the pipeline but the decision drew the angry dissent of Commissioner James Danly, Republican, who argued the commission was overstepping its authority in considering the project's emissions.

“It appears to me that the (pipeline) industry and its customers are on the verge of experiencing some dramatic changes in the coming months and years,” he said during a FERC meeting in February.

Pipeline companies now face the question of whether their projects will pass muster with a more environmentally conscious FERC.

More than a dozen natural gas projects are under review at FERC, including a major expansion of Kinder Morgan's Tennessee Gas Pipeline and Southern Gas Pipeline, which connect Texas and Louisiana gas fields to the eastern United States. Also, the Canadian firm TransCanada has five gas projects awaiting approval at FERC, including the expansion of a pipeline in southern Louisiana to supply the Plaquemines LNG export terminal, which is being developed by the Virginia LNG firm Venture Global.

In the meantime, Glick has signaled he is not going to tread as lightly around pollution from natural gas as his predecessors, recently ordering FERC staff to review whether the expansion of a gas compressor station in Massachusetts was in the “public interest” after a series of accidental leaks into the surrounding community.

“A proposed pipeline’s contribution to climate change is one of its most consequential environmental impacts and we must consider all evidence in the record,” Glick said in a statement earlier this year.

### **Pushback in Congress**

That approach is drawing pushback in Congress. Earlier this month a group of 26 senators, including two Democrats, Sen. Joe Manchin, of West Virginia, and Kyrsten Sinema, of Arizona, wrote to FERC asking they move ahead on the pending projects without considering new standards on climate change.

“Many of the proposed projects before the commission, some pending for more than a year, are critical to addressing supply issues and strengthening our energy infrastructure,” read the letter, which was also signed by Texas’s Republican senators, John Cornyn and Ted Cruz.

Pipeline companies and their trade groups declined interview requests for this story, citing the ongoing debate within FERC. But behind the scenes, the prospect of the federal government digging into emissions data has widened an existing divide within the industry over climate change.

For some companies, it’s a reasonable request considering the need to reduce greenhouse gas emissions to net zero over the next three decades. But for others it’s a non-starter, giving environmental attorneys even more ammunition with which to tie up their projects in court.

“You have companies that want to be more proactive on methane and climate, but not everybody’s there yet,” said one energy attorney, who requested anonymity to discuss an active case before FERC.

The commission’s consideration of climate change, she said, “is not going to foreclose natural gas pipelines. That said it’s going to provide them with more cover and direction to consider climate impacts when they want to.”

The uproar over FERC’s certification process followed a recent trip by commissioner Danly to Houston, where he met with executives from natural gas and pipeline companies, said one executive, who declined to speak on record because his company has projects before FERC.

Danly “said all these orders are going to come out and you need to intervene,” the executive recounted. “The message was resonating all through the community.”

Danly did not respond to requests for comment.

Some 3 million miles of natural gas pipelines crisscross the United States, supplying power plants, industrial facilities and homes with what remains one of the world’s cheapest sources of energy.

But with scientists warning that the world needs to cut emissions immediately, pressure is growing

on national governments to stop the construction of fossil fuel pipelines and compressor stations that are designed to run for decades. This week, the International Energy Agency, which advises governments on energy supply, recommended that oil and gas development be halted if the world is to slow global warming and avoid environmental catastrophe.

### **Revolving door**

Biden took office promising to address climate change, which has become one of the preeminent issues of his party. But standing in the way are Republicans and Democrats from energy producing states, such as Manchin, who are not ready to give up on a fossil fuel industry that employs millions of people around the country.

In recent years, pipeline companies have beefed up their presence on Capitol Hill, employing former top congressional and federal agency staff to lobby on pipeline issues. Kinder Morgan recently hired Manchin's former chief of staff, Patrick Hayes, to lobby on their behalf. Dallas-based Energy Transfer Partners has Adam Ingols, the former chief of staff at the Department of Energy during the George W. Bush administration, lobbying on, "issues associated with the siting, permitting, and construction of liquid and gas pipeline infrastructure."

They likely have busy years ahead of them. Biden has put a temporary halt to oil and gas permitting on federal lands and committed the United States to cutting its greenhouse gas emissions by more than 50 percent by 2030, more than doubled the reduction pledged by former president Barack Obama.

"The Biden administration is taking climate very seriously," Sarinsky, the NYU attorney, said. "We're seeing agencies across the government make use of tools to assess the impacts of climate change."

FERC, as an independent body, is not bound by the Biden administration's policy choices. But later next month, the president will have the opportunity to decide on a replacement for Commissioner Neil Chatterjee, a Republican and former chief of staff to Senate Minority Leader Mitch McConnell, whose five-year term is coming to an end.

That would give Democrats a 3-2 majority on the commission.

[james.osborne@chron.com](mailto:james.osborne@chron.com)

[Twitter.com/@osborneja](https://twitter.com/@osborneja)

---

## **Ford's electric F-150 pickup raises stakes for truck-loving Texas' oil and gas industry**

By Paul Takahashi

Houston Chronicle

May 20, 2021

Ford Motor Co.'s all-electric version of its best-selling F-150 pickup is yet another sign of the

accelerating energy transition, one that raises the stakes for the oil and gas industry concentrated in truck-loving Texas.

The Detroit automaker on Wednesday unveiled the F-150 Lightning, an electric pickup that starts at just under \$40,000, can travel 230 miles on a full charge and can tow up to 10,000 pounds. For hurricane and tornado-prone Texas, the Lightning also offers another perk: Texans can plug into the truck's 9.6 kilowatt battery pack to power their home for three days during a blackout.

“For both Ford and the American auto industry, F-150 Lightning represents a defining moment as we progress toward a zero-emissions, digitally connected future,” Ford's executive chairman Bill Ford said in a statement. “F-Series is America's best-selling truck for 44 years, the backbone of work across the country, and a trusted icon for generations of customers. Now we are revolutionizing it for a new generation.”

The F-150 is the top-selling vehicle in Texas. If the Detroit automaker can turn the F-150 Lightning into a best seller, the electric truck can accelerate widespread adoption of electric vehicles, which represent a small but growing segment of the gigantic automotive industry. It would also have profound implications for Houston's critical oil and gas industry, which has long relied on the automotive industry to drive demand for crude and petroleum products such as gasoline and diesel.

The International Energy Agency estimates that electric vehicles displaced nearly 600,000 barrels of oil products per day in 2019. That figure is expected to grow to 2.5 million barrels per day by 2030.

Ford's electric truck offering has been highly anticipated. Other automakers, including Tesla and startup Rivian, are rolling out their own electric trucks, but Ford's entrance into the space is a potential market mover.

Ford's F-series pickup over the past decade has been the best-selling vehicle nationally and the top-selling truck globally. There are 16.6 million F-series trucks on the road today, representing roughly 6 percent of all vehicles. Ford sold \$42 billion worth of F-series trucks in 2019, higher than McDonald's, Nike and Starbucks sales that year.

Although the F-150 is the most popular vehicle in 39 states, it's particularly beloved in Texas, where the truck reigns supreme. The luxury King Ranch version with leather and wood trim is a Texas icon.

The F-150 Lightning has the potential to kick electric vehicle sales into high gear. Most electric vehicles to date have been sedans such as the Chevrolet Bolt and Nissan Leaf, but analysts predict the introduction of more popular SUV and truck models could expand the market for EVs.

Demand for electric vehicles is expected to surge in the coming decade as Ford and other major automakers ramp up production and as battery technology continues to advance, helping to reduce prices and improve range. Industry leaders predict that the prices of electric vehicles will become competitive with those of gas-powered vehicles in the U.S. as early as 2023. An estimated 280 million electric vehicles are predicted to be on the roads globally by 2040, according to global energy research firm Wood Mackenzie.

*paul.takahashi@chron.com*

*twitter.com/paultakahashi*

---

## **‘Rain chances are not going to go away:’ Storms bring hail, damage trees, trigger tornado**

By Kelsey Bradshaw

Austin American-Statesman

May 19, 2021

Several days of storms and wet weather have helped the Austin area keep up with normal rainfall amounts for the year, and more rain in the coming days will be welcome to a region that remains abnormally dry, the National Weather Service said.

Storms that have developed over South Texas and Central Texas over the past few days have hit areas south and east of Austin with severe storms, weather service meteorologist Eric Platt said.

Hail up to an inch in diameter and 66-mph wind gusts were reported in the New Braunfels area and a tornado was reported in Fayette County on Tuesday, the weather service said. Quarter-sized hail was reported in Kyle, and downed tree limbs were reported in Buda on Tuesday, Platt said.

Meteorologists were in Fayette County, about 7 miles north of Schulenberg, on Wednesday to survey an area where they confirmed that a weak tornado had landed, he said. Surveying for a tornado includes looking at structural damage to determine the strength of winds.

Extra Fayette County sheriff’s deputies were called into work on Tuesday between 6 p.m. and 9:30 p.m. to assist with incidents in the area, the sheriff’s office said.

The sheriff’s office reported three accounts of tornadoes, including on U.S. 77 near the Lavaca County line, near the Swiss Alp community, and on FM 609 in the O’Quinn area.

At least four crashes happened Tuesday night, and the Flatonia Volunteer Fire Department attended to five water rescues, the sheriff’s office said. Downed tree limbs and washed-out roads were also reported.

In Austin, an additional 11 Austin-Travis County EMS medics were deployed Tuesday, and two swift water boats were readied as the area saw rain.

So far this month, 3.72 inches of rainfall have been recorded at Camp Mabry, Austin’s main weather station. The month’s rainfall total so far was filled out this week when 2.01 inches of rain fell between Sunday and Tuesday, according to the weather service.

In the 48 hours ending Wednesday at 9 a.m., some of the highest rainfall totals in Central Texas measured by the weather service included:

- 9.24 inches near Muldoon in Fayette County.
- 3.47 inches southwest of Austin in Travis County.
- 3.06 inches near Harwood in Caldwell County.
- 2.67 inches northwest of Spicewood in Burnet County.
- 2.53 inches west of Wimberley in Hays County.
- 2.5 inches in Smithville in Bastrop County.
- 2.45 inches east of Round Rock in Williamson County.

“Rain chances are not going to go away any time soon,” Platt said. “They may start to dwindle a little bit as we head into next week, but we at least have a 30% or 40% chance.”

Even though the rain has brought some gloomier days, it continues to be appreciated in the area as the western half of Travis County is abnormally dry, according [to the U.S. Monitor’s latest update from May 11](#).

Even with the recent precipitation, Austin is still a bit behind on rainfall. Since Jan.1, a total of 11.8 inches of rain have fallen in the area. Normally, Austin records 12.86 inches of rainfall by this time in the year, Platt said.

The rain falling this week is landing on ground already saturated from rainfall earlier this month. But meteorologists on Wednesday afternoon canceled the area’s flash flood watch, which was supposed to last until Thursday afternoon.

Rain chances will continue into the weekend, though, with a half-inch of rainfall being possible on Friday and Saturday and a quarter-inch on Sunday, Platt said.

Storms in the coming days might bring hail and gusty winds to the area, but meteorologists don’t expect tornadoes in the Austin area, Platt said.

“The main thing is watching for some locally heavy rainfall,” he said.



**Andrew Keese**

Spokesperson  
 Railroad Commission of Texas  
 Office: 512-463-4817  
 Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: May 21, 2021

May 21, 2021 at 10:40 AM EDT

To: NewsClips

---

## **Texas gov knew of natural gas shortages days before blackout, blamed wind anyway**

**Official's phone logs offer blow-by-blow account of the disaster as it unfolded.**

By Tim De Chant

Ars Technica

May 21, 2021

Texas Governor Greg Abbott's office knew of looming natural gas shortages on February 10, days before a deep freeze plunged much of the state into blackouts, according to a [new report](#) from *E & E News*.

Abbott's office first learned of the likely shortfall in a phone call from then-chair of the Public Utility Commission of Texas DeAnne Walker. In the days leading up to the power outages that began on February 15, Walker and the governor's office spoke 31 more times.

Walker also spoke with regulators, politicians, and utilities dozens of times about the gas curtailments that threatened the state's electrical grid. The PUC chair's diary for the days before the outage shows her schedule dominated by concerns over gas curtailments and the impact they would have on electricity generation. Before and during the disaster, she was on more than 100 phone calls with various agencies and utilities regarding gas shortages.

After the blackouts began, Abbott [appeared on Fox News](#) to falsely assert that wind turbines were the driving force behind the outages.

Wind turbines were a factor, but only a small one. Wind in Texas [doesn't produce as much power in the winter](#), and regulators don't typically rely on wind turbines to provide significant amounts of power. Instead, regulators anticipated that natural gas and coal power plants would meet demand.

In public, Bill Magness, then-CEO of ERCOT, the state's electric grid regulator, didn't seem concerned about the approaching weather. In a virtual meeting on February 9, Magness [said](#), "As those of you in Texas know, we do have a cold front coming this way... Operations has issued an operating condition notice just to make sure everyone is up to speed with their winterization and we're ready for the several days of pretty frigid temperatures to come our way." During the two-and-a-half-hour public portion of the meeting, Magness devoted just 40 seconds to the unusual weather.

### **Early signs**

The first sign of trouble came the next day, when Magness, concerned that supply wouldn't match demand, asked customers to conserve energy. Later that day, Walker took a call from officials at energy provider Vistra Corporation, which told her that several of its power plants had received notices that natural gas supplies would be curtailed.

Curtailling the flow of gas usually happens when cold weather increases demand or damages infrastructure. In Texas, both happened. The higher demand could be anticipated, but the problems with the natural gas infrastructure, detailed in a US Department of Energy [situation report](#), were particularly troubling. Wellheads were “freezing off,” and gas processing facilities were dropping offline due to the cold weather, sharply reducing production that would feed the region’s pipelines.

Walker noted her call with Vistra in [her diary and phone log](#) for February 10–19, which she produced at the behest of the State Senate Committee on Business and Commerce. The document provides a striking blow-by-blow account of what was happening behind the scenes as bitter winter weather brought down Texas’s grid. “I received information from Vistra Corporation that they had received notices of gas curtailments at several power plants. I notified the Governor’s office and Chairman Hancock about the information from Vistra,” she wrote, referring to state senator Kelly Hancock, chair of the committee.

Also on February 10, Walker followed up with the chair of **Texas Railroad Commission**, the regulator that oversees gas pipelines, and the leadership of the Texas House and Senate to inform them of the impending problem. She also spoke with utilities and power companies, as well as their major customers. “I began discussions with representatives of the Texas Industrial Electric Consumers, in an attempt to resolve concerns that the gas curtailment issues could raise with electric generators. I spoke with representative of generators about the impact the gas curtailment would have on generation and began discussions with the various parties to resolve those concerns,” she wrote.

Gas curtailments dominated Walker’s schedule for the next three days.

### **Grid collapse**

On February 12, the Railroad Commission issued an [emergency order](#) dictating which customers should be prioritized for natural gas deliveries, and late on February 14, Texas’s grid finally began collapsing. In two text messages sent around midnight, ERCOT chief Magness told Walker that some wind turbines had frozen and several fossil fuel generators had tripped offline. Blackouts began just before 2 am, February 15. Walker promptly notified the governor’s office.

That was the only time Walker’s diary or logs mention wind power. After the two late-night text messages from Magness, Walker’s report does not mention wind power again. But it does reference gas curtailments more than 70 times over the next four days, a possible reflection of the scope, severity, and impact of the shortages.

The power outages soon found their way back to natural gas suppliers. “The concerns related to natural gas moved from concerns about curtailment to concerns about electric outages for gas producers,” Walker wrote on February 15. Power plants, short on gas, couldn’t generate enough electricity to power the infrastructure that kept gas flowing from suppliers to users, including the power plants themselves. It created a feedback loop that compounded the problem further. “I met with and informed the office of the Governor about the situation,” Walker wrote. “I interacted throughout the day with ERCOT and the Governor’s office related to the ongoing issues.”

Between when the outages began and when Abbott appeared on Fox host Sean Hannity’s show on February 16, Walker had spoken with the governor’s office more than 50 times. By this time, natural gas production in the South Central US, which includes Alabama, Arkansas, Kansas,



Louisiana, Mississippi, Oklahoma, and Texas, was [down 30 percent](#), representing a loss of 7 percent of all US production.

### **Continued blackouts**

Over the next three days, blackouts plagued the state. According to Walker's logs, Samsung's fab outside of Austin shut down on the morning of February 16. The fab lost 71,000 wafers to the disruption, costing the company at least \$268 million. It took Samsung [more than a month](#) to bring the fab back online. Power was cut to NXP's fab the next day. The company also lost a month of production, and it estimated that the outage cost it \$100 million.

The same day that NXP's fab was shut down, Abbott [ordered](#) natural gas producers to halt exports and sell to power plants in an effort to get them running again.

As the cold weather continued, millions remained without power, some for days. Pipes burst, flooding customers' homes and forcing them to look elsewhere for fresh water. Chemical plants and fuel refineries [spewed tons of toxic pollutants](#) into the air as they executed emergency shutdowns. The effects of the gas shortage [were felt as far north as Minnesota](#). [According](#) to the Texas Department of Health and Human Services, 151 people died of causes related to the disaster. Enter your email to get the Ars Technica newsletter

EMAIL [tim.dechant@arstechnica.com](mailto:tim.dechant@arstechnica.com) // TWITTER [@tdechant](https://twitter.com/tdechant)

---

## **What hurt South Texas drillers more — pandemic or winter storm? Drilling hit its lowest point in seven years as the winter storm shut off electricity to refineries and shut-in wells**

By Jessica Corso

San Antonio Business Journal

May 20, 2021

Crude oil production took a sharp downturn in South Texas during the winter storm that shut down the state, federal and state data shows.

The U.S. Energy Information Administration reports that the Eagle Ford Shale produced 872,000 barrels of oil in February, fewer barrels than at any point since the Covid-19 crisis hit South Texas' drilling industry. That's the fewest barrels of oil that the Eagle Ford has produced since January 2013, according to the data.

Before the storm, crude oil production in the shale play had been rising since hitting a low of 926,000 barrels in May 2020, and the number rebounded in March to a little over 1 million barrels — still shy of the 1.3 million barrels being produced before the coronavirus shut down the economy last spring.

Reports [surfaced early on](#) during February's record cold snap that wellheads had frozen and [natural gas prices shot up](#) as people throughout the U.S. sought fuel to heat their homes. But it wasn't only the gas supply that was affected.

The U.S. crude oil benchmark rose 14% during February, and energy analysts at IHS Markit reported that most Gulf Coast refineries [were operating at reduced rates](#) or completely shut down as the state struggled to send power to homes and businesses.

The downturn in production is shown not only in the EIA data but also in numbers released in recent months by the **Railroad Commission of Texas** .

Karnes County, the top oil producer in South Texas, produced 1.7 million fewer barrels of crude in February than in January, according to **Railroad Commission** data. Meanwhile, gas-rich Webb County saw its natural gas production fall by 7 billion cubic feet in February.

---

## **Opinion: PBPA stepped up in the face of February's winter storm**

By Ben Shepperd

PB Oil & Gas Magazine

May 20, 2021

Leaving nearly three million households without power, Winter Storm Uri swept across Texas in February, and was one of the most devastating winter events in decades. Almost immediately, experts began pointing fingers, looking for a culprit that let the state's energy grid go dark. But as the events were unraveling in real-time, our Permian Basin Petroleum Association members and so many across the state were working around the clock, in harsh conditions, to produce solutions and get natural gas to electric generation.

Texas natural gas producers led us out of the worst weather related disaster in modern Texas history and much of that challenge was caused by power outages we saw in the field.

Many have asked, and some in the media have noted, that oil and gas operators failed to designate field operations, like production facilities, compressor stations, and more, as a way to have prevented electricity loss.

However, prior to March 2021, oil and gas field facilities were expressly prohibited from being designated as critical load facilities, and because of that, natural gas production and processing facilities experienced power disruptions throughout the storm that created a chain reaction. The loss of power at compressor stations and processing facilities forced gas wells still in operation to be shut in—in other words, gas was readily available, but there was no way to get it where it needed to go.

As **Railroad Commission Chairman Christi Craddick** noted in her testimony to House and Senate panels, electrification is the best winterization for natural gas producers.

To prepare for the storm natural gas operators brought equipment from across the country ahead of the storm and located personnel in the field to minimize drives on roadways. Despite those efforts, dangerous travel conditions existed in the Permian Basin and across the state, and many field workers risked their lives and left their homes and families to keep millions of Texans warm. In some cases, their work kept their fellow Texans alive.

While weather conditions continued to deteriorate and power loss was sustained, surface equipment and processing plants began to seize up, further complicating any efforts to get these facilities back up and running. In the meantime, Texas' power grid was relying on record-breaking withdrawals from natural gas storage facilities across the state.

In addition to the increasing natural gas production to account for the decline of other fuel sources, natural gas continued to flow to "human needs customers" across the state, which allowed Texans to heat homes and use their cooking appliances to feed their families. Yet, against this backdrop, some are still calling on Texas to ban natural gas hookups to new homes and buildings.

PBPA worked closely with the **Railroad Commission of Texas**, Office of the Governor, Lieutenant Governor, Texas Electric Reliability Council (TERC), Public Utility Commission, members of the Texas Legislature, and more to address the issues and challenges we faced.

For example, PBPA staff worked directly through the TERC to gather specific metered connections for natural gas operators and provide that information directly to transmission companies to individually return power to operations and produce the natural gas that was fueling the state's electric grid.

We recognize that the Texas Legislature focused on encouraging reliability and ensuring this does not happen again, and we support those efforts.

Just this week ERCOT announced that the vast majority of issues faced by Texans were not caused by the lack of natural gas fuel, as had been initially claimed. Issues related to fuel limitations only accounted for 12 percent of the loss of power supply stemming from fuel. The largest percentages, accounting for 83 percent of all issues include: 54 percent losses caused by "weather related issues at power plants," 15 percent losses in "existing outages," and 14 percent losses for "equipment issues."

In addition to being a small part of that 12 percent of fuel limitations that caused outages, natural gas production actually increased as a portion of the fuel mix that was responsible for generating electricity during the storm.

While ERCOT notes the natural gas industry was not a large part of the problem, we firmly believe that our industry is part of the solution, and are working with lawmakers to develop a process that maps out where critical facilities are located and ensuring they are registered under the newly adopted form that ERCOT has now established.

We also know that greater communication is vital to prepare and prevent future energy challenges and there are several efforts to more formally establish the Texas Energy Reliability Council, which will include state agencies and regulated entities to promote reliability for Texans across the state by ensuring all parties are able to effectively communicate the challenges that may exist before, during, and after any other energy emergencies that may occur.

PBPA will continue to work to ensure that Texans are cool in the summer and warm in the winter, and we are proud to represent all those who left their homes so that many others across the state could be safe and warm in theirs. They are to be commended for their valiant efforts in this storm, but also for their consistency in providing safe, reliable, abundant, and affordable energy for Texans across the state.

*Ben Shepperd is president of the Permian Basin Petroleum Association.*

---

## **Weatherization bill the focus of power companies as legislative session winds down**

By Christian Flores

KEYE

May 20, 2021

Video story on webpage: <https://cbsaustin.com/news/local/weatherization-bill-the-focus-of-power-companies-as-legislative-session-winds-down>

AUSTIN – As the Texas House of Representatives has less than a week left to pass bills addressing the weeks-long power crisis that killed an estimated 200 Texans and left millions more out in the cold during Winter Storm Uri in February, heads of electricity generating and providing companies are optimistic state lawmakers will pass legislation preventing a repeat.

Vistra Corp. CEO Curt Morgan testified during a number of hearings in the immediate aftermath of the storms, where he pushed for state lawmakers to put requirements in place for every major player in the energy industry so Texans aren't put in life threatening situations in future winter storms.

His focus now is on one bill inching closer to Gov. Greg Abbott's desk: [Senate Bill 3](#).

“This was a bill we had interest in from the beginning. We thought it had a really good chance of being the vehicle that would fix the problems from Winter Storm Uri because it was comprehensive and I think it addressed the big issues on the weatherization front, and also to designate the critical infrastructure in that bill. It has some other things I think are important, as well, but nothing more important than weatherization,” Morgan said.

If signed into law, SB 3 would require all electricity generators and providers, as well as natural gas facilities and pipelines in the state to weatherize. Violations of this law could result in a penalty of \$1 million per day. Facilities that experience weatherization failures will have to get a third party to assess their plans and procedures.

Currently, plants are not required to be weatherized. Instead, the Public Utility Commission of Texas and ERCOT can only make recommendations, and perform spot checks to see if plants are following their plans, but they cannot levy punishments if these plans are not followed.

This would also create a statewide emergency alert system for power outages.

During Winter Storm Uri, Vistra Corp. - the largest electricity generator in the state and one of the largest providers to customers - was able to still put more than their market share of electricity on the grid, but Morgan still points to issues that prevented them and other companies from working at full capacity.

“We actually performed quite well. We put more megawatts on the grid than anybody, more than

our market share. The problem is we could not run our gas plants at full load. We were only running at 70 percent capacity when we would have been running at 100 percent. The reason we couldn't run at full capacity is the pipeline pressures on the pipelines were not strong enough to move the full complement of gas they normally would. The reason that happened was we had freeze-ups from the wellhead at processing plants, at compressors. We also had a lot of the gas infrastructure that was not registered with the Transmission and Distribution Utilities, and it was cut off when we did the rolling blackouts, which only exacerbated the issue. So, the gas system was unable to provide the full amount of gas that was needed to run the generation. It's a virtuous cycle. I have to produce electricity to the oil and gas infrastructure for them to run, and they need to give me gas in order for me to make electricity. If that cycle doesn't work, then we have this catastrophe that occurred, and we should never have that. This is all imminently fixable," Morgan said.

The issue of registering gas providers as critical infrastructure will be addressed in another bill Morgan has been hoping will be signed into law, [House Bill 3648](#).

Under this bill, the state must designate certain natural gas facilities as critical infrastructure. By doing this, oversight agencies like ERCOT and the Public Utility Commission of Texas are aware of which companies need to be prioritized so they are last to have their power shut off during rolling blackouts, and first to regain their power during restoration periods.

Both chambers passed HB 3648 unanimously, with the Senate giving final passage on Wednesday. Now, this bill will get sent to the governor.

Meanwhile, state lawmakers have only days to pass SB 3 out of the House before sending it to Abbott's desk, but there is optimism this will happen because a House committee [unanimously passed it this week](#). This bill also unanimously passed both in committee and on the full floor in the Senate.

When SB 3 was first going through its Senate committee, Texas Oil and Gas Association President Todd Staples largely supported the bill, but did raise concerns about the cost of weatherization.

"We want to make certain on the winterization, which no state in the country mandates for field production neither does Canada, we need to make certain there's flexibility there, that we're not being so onerous on those small operators that they just, you know, the economics," Staples said.

Morgan said he understands the cost concerns.

However, he also said this does not compare to the potential cost - both literally and in human life - if there is a repeat of the statewide outages.

"Weatherization is something the oil and gas industry does all over the world. They do it in Canada, Alaska, North Dakota. We do it in some of the most harsh climates in the world. We ought to be able to produce and weatherize in Texas. People do that, they don't get paid extra for it. They do it as part of producing oil and gas in those locations," Morgan said. "In my own view, cost is a bit of a ruse in all of this. I do think there's a little bit of the idea that the gas business does not want to be regulated in the State of Texas, and any infringement on that is a big issue. I think it's just one of these things that comes hard for them, but ultimately I've got to believe they know we have to fix this because we can't have what happened during Uri ever happen again."

As of time of publication, SB 3 has not yet been placed on the House's calendar for floor discussion, but given the priorities laid out this session it is almost a certainty it will ahead of Tuesday's deadline.

---

## **State lawmakers craft compromise bill in response to historic February storm**

By Matt Zdun

KWTX

May. 20, 2021

Video story on webpage: <https://www.kwtx.com/2021/05/20/state-lawmakers-craft-compromise-bill-in-response-to-historic-february-storm/>

KILLEEN – Texas lawmakers are putting their final touches on a far-reaching bill that would require the state's power-generating infrastructure to weatherize in response to February's winter storm.

[Senate Bill 3](#) would require electricity generating plants and certain natural gas wells and pipelines to weatherize.

The bill would task a newly-created council with mapping out which pieces of natural gas infrastructure would need to be weatherized — namely, if they directly fuel electricity generating plants.

Opponents argue that the bill would not go far enough.

“We need to weatherize and winterize the entire natural gas supply chain,” Virginia Palacios, the executive director of Commission Shift, told KWTX.

“The area where this legislation is falling short is on the gas production side,” she said.

She also argued that the bill lacks an effective enforcement mechanism.

“The penalties [for not weatherizing facilities] are set so low that it would be cheaper for a company to just pay the penalties than to actually winterize their system,” she said.

Todd Staples with the Texas Oil and Gas Association, which represents natural gas interests in front of the Legislature, told KWTX in a written statement that the bill makes “substantial progress towards addressing the events that occurred during Winter Storm Uri.”

The bill would also require certain grid operators to practice for power outage emergencies twice per year and send out comprehensive radio, TV and roadside alerts before power outages.

During the February winter storm, some Texans argued that they were not given adequate notice to prepare for power outages.

“To the extent that we can really think these things through in the short amount of time and not have a knee-jerk reaction and be as comprehensive as possible, it’s good,” Caitlin Smith, a vice president with AB Power Advisors, told KWTX.

She said that the bill will likely be heavily modified later this week as lawmakers in both chambers continue to lobby for their priorities.

---

## **Feud erupts at FERC meeting over pipeline emissions**

By James Osborne  
Houston Chronicle  
May 20, 2021

WASHINGTON – Tensions erupted at the Federal Energy Regulatory Commission Thursday, as commissioners sparred over natural gas pipeline projects and their contribution to climate change.

Disagreement erupted when Commissioner James Danly, a Republican, said he could not support orders certifying the construction of two pipelines due to language analyzing their contribution to climate change, threatening to leave them without the necessary votes.

At a time the FERC is in the middle of a long-term debate over how it should consider greenhouse gas emissions, the analysis of individual projects before that debate is complete was too much for Danly, who argued commissioners were overstepping their authority under federal law.

“I can’t support these orders as drafted because they’re legally infirm,” he said.

The orders were the result of a compromise earlier this year between Chairman Richard Glick, a Democrat, and Commissioner Neil Chatterjee, a Republican, in which emissions of natural gas pipeline projects would be assessed in exchange for Glick, who controls FERC’s agenda, putting them up for a vote.

But Danly threatened to upend that agreement Thursday. Chatterjee, a former chief of staff to Senate Minority Leader Mitch McConnell, offered an angry rebuke, accusing Danly of holding up needed projects in the interest of scoring political points.

“It’s very frustrating to me these projects won’t move forward this way,” Chatterjee said. “This is not a game. There are jobs and the investment capitol at stake. It didn’t have to go down in this manner.”

FERC approved another gas pipeline project earlier this year replacing an 87-mile-stretch of the Northern Natural pipeline, which runs from West Texas to Michigan, by a near identical method.

But this time the two projects, one in Minnesota by Berkshire Hathaway and the other in Oregon and Nevada by TransCanada, proposed the expansion of pipelines, increasing the flow of natural gas and emissions into the atmosphere. Both Glick and fellow Democratic Commissioner Allison Clements would only support the orders in part, arguing further environmental analysis was needed.

With the three Republicans unable to pull together the necessary votes Thursday, Danly offered a surprise amendment in which the order would include language making clear the analysis of greenhouse gas emissions was, “for informational purposes only” and would not serve as precedent for future pipeline cases.

“This was a solution that arrived at me late last night,” he said.

That set off a fierce exchange of words, with Glick and Chatterjee accusing Danly of intentionally springing the amendment at the last minute. Commissioner Mark Christie, the former chairman of the Virginia State Corporation Commission, stepped in to try and calm the meeting.

“I came to this meeting to vote for both these projects, with or without the amendment frankly,” he said. “The pipelines provide gas so people can cook and have hot water. There ought to be five (yes) votes, but because of the greenhouse gas issue they might go down.”

Glick and Chatterjee eventually agreed to allow the amendment, and the two pipeline projects were approved by the Republican majority vote on the five-member commission. Though Chatterjee remained incensed.

“If I’m the general counsel for these companies I’d be losing my mind right now,” he said.

---

## **New Mexico land commissioner takes aim at oil, gas bond requirements**

By Susan Montoya Bryan

Associated Press

May 21, 2021

New Mexico’s financial assurance requirements for oil and gas wells, pipelines, and related infrastructure fall far short of what would be needed to offset closure and cleanup costs, according to the findings of an independent [study](#) released yesterday.

The research was commissioned by the state after concerns were raised last year about taxpayers being left on the hook if companies go bankrupt or abandon their operations without plugging wells, decommissioning pipelines or cleaning up.

While bonding requirements can vary widely depending on location and the type of well, the study estimated the bonding gap for companies operating on state trust lands and private land at more than \$8 billion. For example, closure and cleanup costs for an oil well on state trust land were estimated at more than \$218,000 while financial assurance amounted to just \$3,500.

For pipelines on trust land, the study estimated average financial assurance is about \$51 per mile, while the average decommissioning and surface reclamation cost is likely to top \$211,000 per mile.

Land Commissioner Stephanie Garcia Richard called the gaps in financial assurance “staggering”



and said the state needs to ensure companies are adequately bonded so the costs of plugging wells, remediating spills and contamination, and reseeded disturbed areas will be covered.

“No one can afford these obligations if they have gone bankrupt. That is why we need companies to be adequately bonded on the front end,” she said.

The State Land Office is planning a series of public meetings on how increasing bond amounts for oil and gas operators would affect communities, workers and small businesses.

Oil and gas is a driving force of New Mexico’s economy and the state budget. The State Land Office reported oil and gas royalty earnings of nearly \$110 million in April, which marked a record. Much of that goes to support public education and other trust land beneficiaries.

“Enormous sums of taxpayer money and money meant for public schools, along with the long-term health of our lands, are on the line,” Garcia Richard said, noting that there would be less money for beneficiaries if funds are diverted for cleanup.

Concerns about the inadequacy of bonds go beyond New Mexico. A 2019 report by the U.S. Government Accountability Office highlighted bonding shortfalls on federal lands and found that oil and gas bond amounts largely have not been updated in 40 years or more and fail to serve their intended purpose.

Abandoned wells have been an issue across much of the West, and some officials are concerned the problem could grow given the increase in development in places such as the Permian Basin, which straddles the Texas-New Mexico border.

The New Mexico Oil Conservation Division last year tallied the number of orphaned and abandoned wells in the state at more than 700, of which only 6% have been plugged. While the state has a restoration program funded by a tax on oil and gas operators, officials say its \$5 million budget would be drained quickly considering the number of wells needing to be plugged and remediated.

According to a 2020 legislative analysis, the State Land Office pulled one bond for a produced water spill in Lea County that occurred more than five years ago. The estimated cleanup cost was over \$600,000, but the bond only covered \$10,000.

The study highlighted some of the differences between the bonding requirements of the two state agencies. The Oil Conservation Division requires financial assurance to fund well plugging and land restoration efforts if a permit holder doesn’t comply. However, that assurance is not intended to secure payment for landowners whose livestock, crops or property may be damaged.

The study also found that under current requirements, the largest users of private and state trust lands often carry the lowest marginal amounts of financial assurance coverage.

---

**NBC 5 Investigates: How Texas wind power could work better in cold**

## weather

### What can Texas learn from cold-weather states?

By Scott Friedman, Eva Parks, and Jose Sanchez

KXAS

May 20, 2021

Video story on webpage: <https://www.nbcdfw.com/investigations/nbc-5-investigates-how-texas-wind-power-could-work-better-in-cold-weather/2637659/>

NBC 5 Investigates traveled to a frigid wind farm to see how Texas could make wind power more reliable before the next winter storm.

When the big winter storm hit Texas in February all kinds of power plants struggled. Plants that run on coal, on natural gas, and even wind farms shut down too. Wind turbine blades iced up and equipment simply froze up in the cold.

As the snow and ice melted, some Texas politicians suggested wind power cannot be trusted in the winter.

But wind farms operate in places where winter temperatures are much more extreme. So NBC 5 Investigates traveled north to see how they keep the blades spinning.

We found that technology exists to ensure wind turbines will be ready to run in the cold. But there are questions about how much Texas is willing to invest in winterizing wind farms and how far those efforts should reach. Decisions that could be critical in a state where wind now accounts for almost a quarter of the electricity Texans count on many days.



### Andrew Keese

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**Andrew Keese**

RRC News Clips: May 25, 2021

May 25, 2021 at 10:51 AM EDT

To: NewsClips

---

## **As Texas power grid reforms take shape, natural gas suppliers evade scrutiny**

By Jeremy Blackman

Houston Chronicle

May 25, 2021

The Texas Legislature is nearing agreement on a sweeping set of energy reforms that experts say are encouraging but won't likely fix the biggest failures from this winter's deadly outages.

Senate Bill 3 passed the House on Monday and is headed for negotiations between both the House and Senate later this week; lawmakers have until May 31 Monday to send it on to the governor.

While a final draft is still being worked out, neither Republican-controlled chamber has shown support for forcing natural gas suppliers to prepare for extreme cold. Most of the state's power grid runs on natural gas, and disruptions in the gas supply were among the earliest and most significant causes of the blackouts.

The version of the legislation passed by the House calls for some winterization, but limits it to wells and processing facilities that directly supply power plants — a hard designation to apply since gas from different sources is often combined as it enters pipelines. The measure also calls for minimal daily fines and tasks the industry-friendly **Railroad Commission** to set and enforce the rules.

Energy experts had hoped that at least new gas wells would have to be insulated, since they produce more than older wells. During Winter Storm Uri, the state's gas production fell more than 20 percent over five days.

The Federal Reserve Bank of Dallas [found last month](#) that safeguarding new wells would be among the cheapest preventative steps for the state, costing between \$85 million and \$220 million annually. The financial toll from the February outages is estimated to be at least \$80 billion.

Republicans in the House rejected amendments from Democrats that would have increased penalties for gas suppliers that don't winterize and would have required progress on winterization within six months of the measure becoming law.

Gas producers say they recognize the need to equip their operations for the cold, but contend that mandates requiring them to do so are unnecessary.

"The market can provide the signals that are necessary to make sure the product flows," said Todd Staples, president of the Texas Oil and Gas Association.

Doug Lewin, a clean energy advocate who runs the consulting firm Stoic Climate and Energy, warned that leaves the state without protections heading into at least the next winter.

“Everybody better buy their generators or their storage or whatever to put in their garage, because that basically means there would be nothing done to gas supply for this winter,” he said. “And I guess the Legislature is OK with that. I imagine most Texans aren’t.”

House Speaker Dade Phelan, R-Beaumont, called SB 3 one of the “most consequential pieces of legislation” in recent memory.

The measure would require power plants to winterize, would increase communication among regulators, improve oversight and create a statewide emergency alert system for future outages. It would also require gas companies to register certain infrastructure as “critical” so it doesn’t lose power during emergencies.

“This legislation will better ensure the reliability of our electricity market and make our grid more resilient in the face of extreme weather emergencies, and I applaud the House for their vital efforts to that end,” Phelan said in a statement.

The Legislature has declined to mandate weatherization after past grid failures, arguing that suppliers would find it in their own best interest to do so without regulation. The practice is common in the North where it freezes more often. It can cost between \$20,000 and \$50,000 to weatherize a well, according to the Reserve Bank.

This time, Gas suppliers have been at the center of political debate over the winter outages, which killed more than 200 Texans. As drilling rigs froze and gas processing plants shut down, the price of gas exploded, leading to record profits for some suppliers as power plants struggled to secure fuel.

Michael Webber, an energy resources professor at the University of Texas at Austin, said the bill is a step in the right direction but mostly ignores the scarcity incentives at play.

“Various gas companies have made a killing and a windfall, so why would they winterize now if it’s not required and it’s profitable not to do so?” he said.

Webber said the bill also fails to increase energy efficiency and otherwise reduce consumption during peak periods, or incorporate climate change science to more accurately predict weather patterns.

Daniel Cohan, an associate professor of civil and environmental engineering at Rice University, described the gas reforms last week as a half step.

“If you just winterize those lines that are directly carrying the gas to power plants, you’re not going to address the other systemic problems of the system,” he said. “It’s hard to see how this provides full coverage of the winterization that we need.”

jeremy.blackman@chron.com

---

# Texas electricity grid one step closer to reform after House advances proposal

By Wes Rapaport

KXAN

May 24, 2021

Video story on webpage: <https://www.kxan.com/news/texas-politics/texas-electricity-grid-one-step-closer-to-reform-after-house-advances-proposal/>

AUSTIN – The troubled electricity grid that took the spotlight during the fatal February freeze is one step closer to seeing changes from state lawmakers — with one week remaining in the legislative session.

The Texas House spent roughly four hours debating more than two-dozen changes to [Senate Bill 3](#) over the weekend, formally passing the legislation Monday morning.

The plan to reform the grid tackles three main objectives “from wellhead to light switch,” according to State Rep. Chris Paddie, R-Marshall, who led the House effort.

“And that is oversight and accountability, communication failures, which we saw throughout the system, and weatherization — to ensure that these facilities, both utility and natural gas facilities are prepared for these extreme weather events and will be able to continue to function and do the job that they are supposed to do,” Marshall said.

SB 3 would require electricity providers operating on the grid managed by the Electric Reliability Council of Texas (ERCOT) to weatherize their equipment. The rules would be set by the Public Utility Commission six months after the law takes effect.

“Those would go a long way... to really making this situation go away,” Curt Morgan, chief executive officer for Vistra Corp., said. “And I don’t think the legislature can walk away in this session without fixing this.”

Morgan, whose company is the state’s largest electric provider, said the weatherization mandate should be a requirement for all parts of the energy system. He expressed concern about the section of the legislation that would force only parts of the natural gas industry to weatherize.

“We had a failure of the gas system that also the electric system contributed to as well, so it’s very important that those two systems work seamlessly together,” he noted.

The bill creates a state advisory committee to decide what aspects of the gas industry are essential to feeding power generators. The **Railroad Commission** would develop rules for the weatherization of gas wells and mapping out critical infrastructure in the gas industry.

Todd Staples, the former state agriculture commissioner who now serves as president of the Texas Oil & Gas Association signaled support for weatherizing only what is deemed critical to keep the system working, rather than spending money to weatherize all parts of the process.

“Our goal is to make that product available,” Staples said. “Make certain that consumers like power generation units that need that product, have access to that.”

“We have more than enough natural gas,” Staples explained. “We need to do the pre-planning, the pre-contracting, identifying the assets, and that’s where that mapping system comes into play.”

Morgan, who said his company lost approximately \$1.6 billion during the storm and its aftermath, said the system only works if all groups in the industry are on the same page — particularly as it relates to winterization.

“I don’t think this is break the bank money,” he said about costs to weatherize, which he estimates are a few hundred million dollars across the energy sector.

“I don’t know how you can afford not to do it,” he added. “I mean, the state can’t see this happen again. You know, it’ll, it’ll slow the economic engine that we have, and of course, the disruption to people’s lives is unacceptable.”

SB 3 would also create a statewide power outage alert system. The legislation includes a provision requiring the Texas Division of Emergency Management to post on its website a list of essential supplies needed during various disaster scenarios to help Texans prepare for emergency situations.

After the 142-1 vote Monday, Texas House Speaker Dade Phelan, R-Beaumont, issued a statement praising the lawmakers involved in crafting the omnibus bill and called it “one of the most consequential pieces of legislation the state has tackled in recent memory.”

“This legislation will better ensure the reliability of our electricity market and make our grid more resilient in the face of extreme weather emergencies, and I applaud the House for their vital efforts to that end,” Phelan said.

The only House member to vote no was State Rep. Jeff Cason, R-Bedford.

The legislation was sent back to the Senate where the chamber will either agree on the House changes, or key lawmakers from each chamber will iron out the differences behind the scenes.

---

## **Fixing Texas’ unreliable power grid won’t be cheap or easy. Can we trust politicians to get it done?**

By James Osborne  
Houston Chronicle  
May 25, 2021

Rob Snyder quit the retail power business two years ago, no longer willing to take what he viewed as an increasing and unacceptable risk.

Quite simply, power supply was not keeping up with Texas’ rapidly growing population, a recipe for severe shortages and crazy price swings that could bankrupt a retail power company buying electricity in wholesale markets. In 2019, he sold his firm, Stream Energy, for \$300 million to the Houston power company NRG Energy.

Snyder was mostly worried about broiling summer days when power supplies often are stretched to their limits. But his analysis, borne out over four frigid days in mid-February, pinpoints the underlying problem that led to the massive failure of the state's power system and [an estimated 200 deaths across Texas](#): a shortage of power when conditions turn extreme.

It's a problem that will be neither cheap nor easy to fix. At the most fundamental level, experts say, avoiding another grid disaster will require the rethinking of [a market-driven system that favors efficiency — and the resulting lower prices — over reliability](#), which requires backup generation and redundant systems that can add significant costs, even if they are rarely used.

What worries insiders such as Snyder is politicians are looking for simple fixes, a checklist of solutions to protect against a repeat of February's frigid weather, as opposed to creating a more resilient system capable of handling extreme weather yet to be anticipated.

"I'm getting a lot of calls from legislators, and frankly the people who are going to be voting on this understand the problem just enough to be really freaking dangerous," Snyder said in March. "I don't know how this is going to come out."

The Texas Legislature is moving to require power generators, natural gas operators and pipeline companies to better weatherize their systems, as well as revamp the organizations that oversee the grid and power system, the Electric Reliability Council of Texas, or ERCOT, and the Public Utility Commission. But these measures do little to induce power companies to have sufficient generation ready for unusual weather that drives electricity demand far beyond what was forecast, experts say.

For the past decade, ERCOT has operated with the smallest amount of backup generation of any grid in the country. In 2019, ERCOT ran a reserve margin of just 9 percent, compared to 19 percent in the Midcontinent Independent System Operator, which runs from Minnesota to Louisiana, and 32 percent in Southwest Power Pool, which spans an area running from the Texas Panhandle to North Dakota.

That margin is increasing — reaching 15.5 percent this summer — but almost all of it comes from new solar and wind farms, which are weather-dependent and can't be counted on during power shortages.

"The power market needs to do two things. It needs to provide power today, but it also needs to plan years ahead. And that's where the Texas market fails," said Eric Fell, who studies power and gas markets for the research firm Wood Mackenzie. "ERCOT has skated by for years with several close calls where we avoided blackouts because the weather wasn't quite so crazy."

### **An influx of renewables**

Running a grid necessitates a constant balancing of electricity demand and supply. Historically, that meant ramping power plants up and down, depending on whether temperatures were rising or falling, or households were turning on televisions and dishwashers.

But as renewables have expanded in recent years, accounting for as much as 42 percent of the state's electricity generation during some months, the grid has become far more difficult to manage. Grid operators must predict how much power wind turbines and solar panels will generate based on weather forecasts, which is relatively easy for tomorrow, but not three weeks in

advance.

To manage this unknown, power grid operators rely on backup generation — a rule of thumb is one megawatt of backup for every megawatt of wind or solar. Grid-scale batteries offer an enticing option, storing solar power in the day and discharging it at night, but the costs remain prohibitive. So, power grid operators rely on natural gas plants, which can ramp up quickly when winds drop or clouds move in.

But renewables complicate this obvious solution by driving down power prices, making investors reluctant to sink hundreds of millions of dollars into building gas-fired plants. Since 2011, only 6,500 megawatts of additional gas capacity — enough to power about 1.3 million homes — has been built, compared to almost 40,000 megawatts of wind and solar.

And as more renewables come online, driving prices down further and discouraging investment in backup power, the problem is only expected to worsen. Some analysts worry that Texas could have insufficient generation to meet summer demand in just a few years.

“The mistake we made is if you increase prices across the board, you’re just going to get more of whatever the cheapest resource is,” said Katie Coleman, an attorney representing large industrial and power consumers. “We have such a high quantity of renewables, if they all show up we have a ton of power on the system, and prices get really low even though demand is really high. That’s sort of good for customers, but when wind or solar doesn’t show up, that’s where we have an issue.”

One bill by Rep. Phil King, R-Weatherford, seeks to charge wind and solar generators for the cost of building additional gas plants or other backup for the grid. But that idea was set aside amid criticism it would make the cost of building wind and solar prohibitive when more clean energy is needed to fight climate change.

Grids across the country are managing the onslaught of renewables. Following the 2014 “polar vortex” that drove record natural gas prices, PJM Interconnection, the nation’s largest power grid covering 13 states in the Northeast and Midwest, imposed a minimum price on power to protect coal and nuclear power plants, which tend to perform better during cold snaps, from competition with cheaper natural gas plants and renewables.

PJM, like all deregulated markets in the United States other than ERCOT’s, operates a capacity market, paying for power generation to be ready for theoretical emergencies years down the line.

Texas has long resisted such a move, with large power consumers such as petrochemical plants and big-box stores lobbying hard against a capacity system they argue provides windfalls for power plants at the expense of customers. When the utility commission took steps in 2013 toward a capacity market — which would have increased electricity bills by 1.4 percent — the Legislature warned the commission that it was overstepping its authority.

Other options are open to the Public Utility Commission. For example, the state could pay natural gas power plants to store fuel on site to avoid supply disruptions, which contributed to February plant outages.

The state also could set performance standards for power plants operating within ERCOT that



would minimize the likelihood of going offline in extreme weather, much as the Natural Transportation Safety Board sets standards for commercial airplanes, said Pat Wood, who chaired both the Texas Public Utility Commission and Federal Energy Regulatory Commission under former president and governor George W. Bush.

“If anything comes out of this crisis, it’s that there should be more redundancy throughout the system,” he said. “If it turns out we really can’t depend on our gas infrastructure to be as resilient as we need it to be, then have the backup.”

### **Power suck**

The resiliency of power generation is only half the problem. During the February blackout, power demand spiked to almost 70,000 megawatts — a winter record that exceeded the peak ERCOT forecast for the season by 20 percent. Even as large industrial and commercial customers shut down to avoid sky-high electricity prices, these demand reductions were more than offset by Texas’ hugely inefficient housing stock.

Over the past few decades, the state’s homes have shifted toward electric heating systems, which, while cheaper to install, are far less efficient than fuel oil or natural gas systems. In 2018, more than [60 percent of homes in Texas had electric heating, according to Census data](#).

Most of the time, that’s not a problem — Texas has some of the warmest weather in the nation. But when temperatures fall below freezing for sustained periods, as they did in February, those systems bleed energy to keep homes warm.

Electric heat pumps, common in Texas apartment buildings, operate like reverse air conditioners, extracting warmth from the air outside to increase the temperature inside. But once temperatures fall below freezing, there is little heat to extract. The systems fall back on electrical coils that require four times the electrical load of a heat pump operating under normal conditions, said Jeff Haberl, an engineering professor at Texas A & M University.

“Over time, municipalities and government entities have allowed for a large number of all-electric buildings, and unfortunately that means heat pumps,” he said. “It’s economics. It’s much more expensive for these developers to be running gas lines.”

To fix the problem, experts say, Texas needs to increase energy efficiency standards.

Like many states, Texas requires utilities to invest in energy efficiency, promoting fixes such as sealing gaps in window frames and installing double-paned glass. But the efficiency standards are low, and politicians are reluctant to raise them out of concern of increasing housing costs, said Dana Harmon, executive director of the Texas Energy Poverty Research Institute.

In 2015, Texas utilities spent \$6.50 per customer on energy efficiency, far below the national average of \$16, according to [a study by the nonprofit South-central Partnership for Energy Efficiency as a Resource](#).

### **Grid woes**

The other fundamental failing during the February winter storm was utilities’ limited ability to rotate outages.

Power grids are built around circuits, with tens of thousands of customers connected by a crisscrossing network of distribution lines and transformers. During past events, utilities would cut power to one circuit for a couple of hours, then turn them back on while turning off another circuit, so no one was without power for too long.

But in February, so much generation was knocked offline that utilities had only enough power to manage critical circuits, which service facilities such as hospitals and water treatment plants, as well as homes and businesses that surround them. Most everyone else was left in the dark.

Typically, utilities rely on automated systems to rotate outages, but because of the scale of power cuts — roughly one-third of the grid's total load — utilities had to shut circuits manually, a painstaking task requiring the delicate shifting of power to avoid shorting out the grid, said Eric Easton, a vice president for CenterPoint Energy.

“We had to go out into the field and isolate that circuit behind the hospital so we could leave the hospital in service, and then we could drop customers,” he said. “That’s how desperate we were.”

The problem is traditional circuits are too big, serving far too many customers and limiting utilities’ ability to rotate electricity with more precision, said Alison Silverstein, a consultant and former senior adviser at the Federal Energy Regulatory Commission.

“It’s like splitting a pizza into four slices for 12 people,” she said. “Four people are going to eat, but the other eight are going to go hungry.”

After suffering through a series of poorly executed rotating outages, California utilities upgraded the equipment on their circuits so, in the event of a wildfire, they can shut down relatively small groups of customers instead of the entire circuit.

But that work is not easy. Utilities’ customer records are old and often erroneous to the point they cannot map which customers are on which circuits, Silverstein said.

“Pacific Gas & Electric has moved heaven and earth in order do more granular outages,” she said. “It took a year to do the design and installations. They have worked like maniacs to reach out to every customer and done extraordinary data analysis to tell which customer is on which circuit.”

The Texas Public Utility Commission is considering tougher rules for how utilities operate their distribution systems. A spokesman declined to discuss the measures under consideration, but like most everything involved in building a more resilient grid, it costs money. California’s three largest utilities [report they spent more than \\$340 million modernizing their grids in fiscal year 2020](#) alone.

In the end, no power grid is designed to withstand every weather event. Grid planners try to reduce the risk to a manageable level — typically one blackout per 100 years — while keeping in mind what politicians deem is an acceptable price for electricity.

“You’re hearing a lot about market design. You’re hearing a lot about renewables,” said Snyder, the former power executive. “But what it really comes down to is this: Are you going to pay, say, 20 percent more in cost in respect to protect against what you thought was a 1-in-100-year event?”

---

## 10 ways to fix the Texas power grid, according to experts

By James Osborne

Houston Chronicle

May 25, 2021

Experts offer these solutions to fix the Texas power grid:

1. Weatherization standards. Require power plants, natural gas systems and wind turbines to insulate outdoor equipment to withstand temperatures in the single digits.
  2. Buy reliability. Use the capacity market model employed by deregulated markets across the country to pay power generators not just for the electricity they generate, as Texas does, but for their contribution to the long-term stability of the grid.
  3. On-site fuel. Pay extra to power plants that store fuel on site, which would help existing coal and nuclear plants that perform well in cold weather and provide incentives for natural gas plants to store gas or fuel oil on site for when pipelines go down.
  4. Label gas facilities “critical.” Map out the state’s natural gas infrastructure and order utilities not to turn off their power in the event of rotating outages.
  5. Housing efficiency. Require utilities to spend more fixing old, uninsulated homes and shift housing developers away from inefficient electric heating systems that require huge amounts of energy when temperatures fall below freezing.
  6. Rotating outages. Require utilities to modernize their grid equipment so that when large amounts of generation go down they can rotate smaller groups of customers, leaving people without electricity for one or two hours at a time, not days.
  7. Invest in batteries. Pump funding into improving grid scale batteries that can store power when the wind is not blowing or sun shining, so grid managers aren’t so reliant on the weather when power demand gets high.
  8. Drill, drill, drill. Get grid and utility operators in the habit of managing through power shortages with regular emergency drills simulating extreme weather events.
  9. Clear communication. When extreme weather events are coming, ERCOT, working with elected leaders, should communicate in plain language — no jargon, please — about the threat of power shortages and encourage the public to reduce their power consumption.
  10. Cheaper, not cheap electricity. While efficiency is an admirable goal, understand that a resilient power grid requires regular investment. That means paying a little more for electricity.
-

## Texas Legislature close to approving billions to pay for winter storm financial fallout

**Several billions of dollars in state-approved financing will be necessary to stabilize the state's distressed energy market after the winter storm. Texas approves more in finance bailouts for its utilities than any other state.**

By Erin Douglas and Mitchell Ferman

Texas Tribune

May 25, 2021

Justin Aguilar's bingo halls in Corpus Christi lost a week of business and thousands of dollars during February's deadly winter storm. That was devastating enough.

But that loss of income is dwarfed by what the business now owes because of the Texas power crisis: There's a \$120,000 electricity bill waiting to be paid.

Since the bookkeeper for Bingoland, Margaret Baldwin, got the eye-popping bill — nearly 50 times more than an average month for the two buildings — she's just held on to it. Normally, the organizations that rent the bingo halls would be on the hook. But instead of passing on the obscene costs, Baldwin is hoping for help from Austin.

"If we had to come up with the money and pay this, it would shut down the halls," she said.

The bingo halls had a variable electricity plan from Summer Energy that offers cheaper power when the state's electricity supply is sufficient, but more expensive rates when it's scarce. Exorbitant power bills now loom over thousands of Texas businesses like an overfilled dam, waiting. Baldwin and others are waiting for a desperately needed bailout from the Texas Legislature.

The February winter storm was one of the most devastating disasters in the state's history, killing at least 100 people. It was also one of the most expensive because of spikes in wholesale power prices and natural gas prices. Electricity regulators set power prices at the maximum rate — \$9,000 per megawatt-hour — for several days in hopes that market dynamics would encourage more electricity to be supplied.

Because the freeze knocked out many of the state's power generators, electricity companies had to buy what little power was available at that exorbitant rate (the average price for power in 2020 was \$22 per megawatt-hour). Natural gas fuel prices also [spiked more than 700%](#) during the storm.

Bottom of Form

But a package of bills to provide several billions of dollars in financial relief to the state's electricity and gas market could leave retail electric providers and their customers — mostly commercial real estate companies and small businesses like Bingoland — out of the bailout.

"I see no relief at all for the customers, who did absolutely nothing wrong," Marcie Zlotnick, a co-founder of two small retail electric businesses, said during a Senate committee hearing on Thursday.

She estimated that allowing retail electric providers to issue bonds to cover their storm-related

costs would cost less than \$1 per month for customers, and warned that the cost of not doing so could result in more retail electric provider bankruptcies and huge bills to their customers, which ultimately could mean less competition in the market.

“I am absolutely concerned about market consolidation,” Zlotnick told lawmakers.

### **Texas-sized bailouts**

Lawmakers are close to approving roughly \$7 billion in ratepayer-backed bonds to deal with the financial fallout from the storm, according to estimates by lawmakers. That’s several times what utilities requested and received to help finance damages from Hurricane Ike and Hurricane Harvey combined.

The bills, which are nearing passage as the Legislature begins its final week in session, would allow gas utility companies and electric co-operatives to issue bonds backed by the state’s assurance that there will be an extra charge on customers’ utility bills to pay back the bonds — a financial tool known as securitization.

Texas leads the U.S. in this type of bailout for its utilities when disaster strikes. The state’s Public Utility Commission has approved \$11 billion in financing in the last two decades, state data shows; by comparison, California, the next largest, approved around \$8.8 billion in securitized bonds between 1997 and 2019 — although it’s poised to [issue a whopping \\$7.5 billion](#) to bail out Pacific Gas & Electric for costs from the 2017 California wildfires.

In Texas’ winter storm package, about \$4.5 billion in ratepayer-backed bonds would rescue gas utility companies that were forced to buy natural gas for residential customers at soaring prices during the storm, and another \$2 billion in such bonds would aid rural electric cooperatives hard hit by the high electricity prices, lawmakers said.

Yet the approximately \$7 billion in financing may not cover Texas retail electric providers reeling from the Public Utility Commission’s decision to set power prices at \$9,000 for four days in February — [well after some argue](#) it was necessary.

Eric Gimon, a senior fellow at Energy Innovation Policy and Technology, a clean energy policy firm, said reform is necessary to ensure future catastrophes aren’t so costly. Gimon called the damage to the market “self-inflicted” due to the state’s pricing model, which left regulators with the option to set prices at the extremely high cap for several days.

“The markets need a circuit breaker,” he said. “Letting the price go to \$9,000 for four days was just crazy.”

The Texas House and Texas Senate are still debating whether to allow those companies to seek a [few more billion dollars in ratepayer-backed bonds](#) to pay for the “pricing error” as well as for power the companies paid for but never received during the storm. The House proposal includes that relief for retail electric providers — which state Sen. [Kelly Hancock](#), R-North Richland Hills, unsuccessfully attempted to strip from [House Bill 4492](#) at a committee hearing last week.

The bill, which could also provide assistance to pay off debts to the Electric Reliability Council of Texas, will soon be taken up by the Senate.

Using bonds approved by the state allows debt-strapped companies to attract cash from investors at a lower interest rate than if the utility tried to borrow money from investors on their own; so customers won't have to pay as much to cover the debts from the storm.

Without that option, companies could be forced to send the high bills from the storm to their commercial customers — like Bingoland — and then declare bankruptcy when those customers can't pay. Some retail electric company executives told lawmakers that they've delayed sending the flood of huge bills from the winter storm to customers in the hopes that the Legislature would approve relief.

Utility finance experts agree it is necessary to prevent gas and electric utility customers from being slammed with high bills. Still, Joseph Fichera, chief executive officer for Saber Partners, a consulting firm that typically represents utility regulators and ratepayers in securitization negotiations, warned that the practice can be challenging to effectively — and fairly — implement.

“There's a question of fairness: Are we going to socialize the costs and privatize the gains?” Fichera said. “And, at what cost? Any cost or the lowest cost?”

### **Response to climate change**

In recent years, power sector and utility finance experts said, bailouts backed by ratepayers are increasingly being used to finance the costs of climate catastrophes.

“This is what adapting to climate change looks like: Things you need to plan for or pay for,” said Ben Serrurier, who analyzes power markets for RMI, a clean energy policy nonprofit formerly known as the Rocky Mountain Institute.

As climate change brings more devastating wildfires in the West, California has used securitized bonds to pay for the costs of fire damage. And as a warming ocean causes stronger hurricanes in the South, Texas, Florida, Louisiana and Mississippi have used the same types of bonds to pay for storm damages.

The winter storm will require several times more in bonds than what the state typically approves for a hurricane.

“These catastrophic weather events that are a result of climate change are costing billions of dollars,” said Harriet Moyer, an energy finance consultant who works with the National Utility Finance and Securitization Project, a coalition of securitization and climate consultants and nonprofits. “We're playing catch-up, and we're never going to catch up.”

Gimon, of Energy Innovation Policy and Technology, said that as climate change makes severe weather events more common, policymakers have to make difficult decisions about who is left with the bill and where the assistance should stop.

“This could happen again,” Gimon said. “How often are we going to securitize something this big that's not addressing the underlying problem?”

### **What will Texas do?**

[House Bill 1520](#), approved by the House and voted out of a Senate committee, would provide gas

utility companies permission to seek about \$4.5 billion in low-cost loans, lawmakers said. It's likely to pass because the market price for gas is passed on directly to customers, so failing to act would leave residential customers with devastatingly high increases to monthly bills, lawmakers said during a committee hearing on the proposal.

CenterPoint Energy, one of the largest gas utility companies (and electric companies) in the state, will seek at least \$1 billion to cover the costs of gas it purchased during the winter storm, according to the company. If CenterPoint Energy tried to finance the cost itself, the average customer would pay about \$40 more per month for gas, Jason Ryan, CenterPoint senior vice president of regulatory services and government affairs, told lawmakers during a March House Energy Resources Committee hearing.

With the state's aid in getting a cheaper, longer-term loan, customers will pay between \$2 and \$5 more per month for 10 years, Ryan said.

[Daniel Pope, a vice president of SīEnergy](#), a gas distribution company, told lawmakers at the same hearing that without the financing, it would have to hike its customers' bills by as much as 13 times to pay for February's storm costs.

"We feel we have an ethical and moral obligation to provide service at a reasonable cost," Pope said. "The cost of gas experienced during February is, in no way, reasonable."

Several cities and municipalities that operate natural gas utilities — about 80 in Texas — are also distressed, the [Houston Chronicle reported](#). But not all will need such direct help from the state. Some cities are opting to go directly to the bond market: In Corpus Christi, the city has already said it will issue a [\\$35 million bond](#) to take care of natural gas costs from the storm to avoid passing on enormous bills to customers.

Rural electric cooperatives will also likely get permission to seek the state-supported low-cost loans. [Senate Bill 1580](#) has already passed the Senate, and the House gave it an initial approval Monday. It would allow electric cooperatives — namely [Brazos Electric Power Cooperative](#) and Rayburn Country Electric Cooperative Inc. — to go to the bond market for a total of more than \$2 billion, lawmakers said.

That's a unique use for that financial tool, experts said, because cooperatives aren't state agencies, and that difference could make the bonds more expensive. But the state doesn't have much of a choice, said Paul Forrester, a corporate finance, securities and energy lawyer at Mayer Brown, a Chicago law firm.

"These are extraordinary events and extraordinary costs, and you can't get blood out of a stone," Forrester said. "It really is the most efficient way to finance this type of event, and it's clearly the right thing to do, if you can."

---

**New Texas budget language would block Gov. Abbott from making**

## **unilateral decisions on roughly \$16 billion in federal coronavirus relief funding**

By Harvey Kronberg and Scott Braddock

Quorum Report

May 24, 2021

After bipartisan backlash from members of the Legislature over the stripping of budget language that would have barred Gov. Greg Abbott from unilaterally making decisions on what to do with roughly \$16 billion in federal coronavirus relief funding, QR has learned new language is being added to the spending plan to ensure Abbott cannot make those decisions on his own.

Republicans and Democrats alike were unhappy that budget conferees had stripped an amendment by Rep. Geanie Morrison, R-Victoria, to require that the legislature be the only branch of government that could appropriate the money – whether in a regular or special session. That amendment was unanimously added by the House on budget night.

But the concern from budget writers, apparently, was Morrison’s amendment may have been written too broadly and would have applied to all federal dollars flowing to Texas rather than solely the more than \$16 billion expected from the American Rescue Plan Act and other similar federal legislation.

Under a new budget rider expected to be filed in the next 24 hours or so – agreed to by House and Senate negotiators – only the Legislature can appropriate dollars coming from those pieces of federal legislation after this regular session is concluded.

This new language would necessitate another appropriations bill this fall when the Legislature is expected to convene in a special session focused on redistricting.

Gov. Abbott last week had tried to assure lawmakers that even though the Morrison amendment had been stripped, he would still give them a chance to “participate” in the appropriation of these funds. But his assurances may not have been good enough for members wary of promises from Abbott who has not always honored his promises to legislators.

The language expected to be adopted [can be downloaded here](#).



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869





**Andrew Keese**

RRC News Clips: May 28, 2021

May 28, 2021 at 11:51 AM EDT

To: NewsClips

---

**‘If you’re not at the table, you might be on the menu’: WFAA analysis shows power grid reform brings out the big lobbying guns in Austin**  
**A WFAA analysis finds the companies already have spent more than the prior legislative session, including the hiring of 338 lobbyists this year**

By Charlotte Huffman, Mark Smith, and Jason Trahan

WFAA

May 27, 2021

Video story on webpage: <https://www.wfaa.com/article/news/local/investigates/energy-companies-lobby-spend-up-to-24-million-sway-power-grid-reforms-texas-legislature/287-a334e34b-108c-4934-92ee-9288da409cb9>

AUSTIN – Every two years when lawmakers assemble at the Texas Capitol for a new legislative session, they are joined by thousands of lobbyists hired by special interests to influence how laws are made.

This session, the most powerful professional arm twisters are focused mainly on one thing: the Texas power grid.

Its spectacular collapse during February’s record-smashing winter storm revealed how unprepared our power system was to handle days of below-freezing temperatures.

About 4.5 million Texans lost power and heat the week of Valentine’s Day, and about 150 died, when power plant pipes and instrumentation froze and went offline. Some gas-fired plants were unable to power up and generate electricity because the plants couldn’t get natural gas for fuel because of winter outages in the oil patch.

The public rightly demanded answers, and more importantly, swift action from Austin.

Power plant officials, and the natural gas firms that supply their generators with fuel, knew what was coming: a mandate to prevent another tragedy by spending million, maybe billions, to weatherize all their facilities that froze up and stopped working during the storm.

To help manage the legislative storm, the Texas energy sector hired lobbyists. Hundreds of them.

“Yeah, they would be very foolish not to be well-represented while their futures are being debated,” said Bill Miller of HillCo Partners, one of the most influential lobbying outfits in Austin. Records show he’s representing 23 clients this session, including a major energy company.

“They need to have good, strong, smart people representing their interests, arguing for their side, whatever it may be,” said Miller, a 35-year veteran in the business. “And buying that kind of

talent – it does cost money.”

“There’s an old adage that, if you’re not at the table, you might be on the menu,” said Dr. Clare Brock, a Texas Woman’s University political science professor in Denton, and expert on lobbying.

### **Oncor, Vistra top of the list**

WFAA obtained public lobbying activity reports from the Texas Ethics Commission and spent weeks analyzing the data.

We found North Texas-based Oncor, which controls power lines and poles for one-third of the state, and Vistra, the state’s largest owner of power plants, were two of the biggest spenders in the entire state, ranking third and sixth among entities that hired lobbyists.

Both companies have 28 registered lobbyists registered this session, some of whom are Oncor and Vistra employees, and reports show they’re spending as much as \$2 million each, even as they face major profit losses from the storm.

Vistra officials would not agree to go on-camera to answer questions about their lobbying efforts, and did not answer any of our written questions.

Oncor spokesperson, Kerri Dunn provided WFAA with both a phone interview and written statement.

“We had our lobbying team put together in January,” Dunn told WFAA “Most of these members have been with our team for years. We did not particularly ramp up our team in response to the (February) storm. But it obviously is a focus of our team ....”

In a statement, Dunn said Oncor lobbyists advocate also for customers.

“We focus on advocating for the needs of our customers and our industry,” the statement said. “Since the February freeze and resulting power emergency, Oncor has been actively working with local stakeholders, market participants and elected officials to do our part to help ensure an event like this does not happen again. We appreciate the attention and work legislative and regulatory members have given this important issue. We will continue to monitor pending legislation.”

WFAA found energy-related industries this legislative session have hired 338 lobbyists, spending up to \$24 million for their services in the first three-and-a-half months of this year. That’s more than the companies spent all of 2019, the last time the legislature was in session, the analysis found.

“It’s not surprising at all,” said Ed Hirs, a University of Houston energy economist. “While it looks like a lot of money, It’s a small, tiny fraction of what this industry has creamed off the top of the Texas electricity market.”

Hirs says Texas consumers already pay too much for energy, citing [a \*Wall Street Journal\* analysis that reported Texas’ deregulated electricity market raised costs to consumer by \\$28 billion since 2004.](#) Additionally, surging natural gas prices during the freeze – as power plants and other consumers ran low on gas – led to billions of dollars in windfalls for pipeline

operators and investors, he says.

“We’ve set up the ERCOT casino over on the side with a bunch of electricity and energy traders,” Hirs said. “That doesn’t exist in a regulated market...The big losers: the consumers. Almost 200 dead and \$50 billion changing hands from the consumer side of the ledger to the consumer side.

“There are no lobbyists in Austin looking out for the consumer,” Hirs added. “That’s of course what the legislators are supposed to do....”

Others say they also remain unsurprised by the failure of the Texas Legislature, with only days remaining before the end of the legislative session, to draft stronger measures to avoid another disastrous freeze. They blame the failure, in part, because of the ability of energy-related lobbyists to sway lawmakers.

“After watching the failures for 40 years of lawmakers and the PUC and sister agencies – storm after storm – to enact strong measures, I’m not surprised,” said Tom “Smitty” Smith, former director of the Texas office of Public Citizen. He says the most recent bills fail to set firm deadlines and strong enough penalties for gas and electric companies to weatherize and install needed equipment.

Smith, however, told WFAA he disagreed with the [Wall Street Journal’s analysis](#) that a deregulated market had cost Texas consumers billions of dollars.

“The analysis done by many indicates the rates are actually lower in Texas due to competition kicking out the older, dirtier and least efficient plants,” Smith said. He said tweaks to the “market design” need to occur, with gas and electric price caps too high.

“I think we need to put more effective caps on the hottest days of summer and coldest days of winter,” Smith said.

### **Subtle, but sizable, influence**

Records WFAA analyzed reveal oil and gas interests have comparatively fewer lobbyists on staff than the electric industry. Some critics claim that’s because their influence is engrained in Texas politics, allowing them to wield more power with fewer paid lobbyists.

“There is a hidden army of oil and gas executives and equipment suppliers that are alerted every time there is a need to call lawmakers,” Smith told WFAA. “Often the biggest donors to legislators jump into action at the reception of a text.”

Smith told WFAA the oil and gas industry network is the best “corporate network of anyone in the state.” The network involves not just phone calls, but campaign donations.

Oil and gas contributions comprised 60 percent of the campaign contributions to the **Texas Railroad Commission**, which is supposed to regulate the industry, according [to a recent Texans for Public Justice study](#).

This session, for example, one of the strongest voices advocating for the oil and

gas industry has been a current elected official, **Christi Craddick, RRC chair**. Critics like Smith say because most of Craddick's campaign contributions come from those she regulates, her public message often is more cheerleader than overseer.

"She is bought and controlled by the oil and gas industry," Smith said. He said that Craddick, along with the two other RRC Commissioners – **Wayne Christian and Jim Wright** – often appear in lockstep arguing that electric power plants need to weatherize, but not oil and gas facilities. That's despite evidence that fossil fuel extraction and delivery tanked days before the lights went out, indicating it, too, was affected by the cold.

In a statement, Craddick told WFAA that her campaign contributions from oil and gas interests are fully disclosed according to law. "As a regulator of the oil and gas industry, it stands to reason that my political contributors would include entities that operate under the jurisdiction of the **Railroad Commission of Texas**."

She also defended her public advocacy of oil and gas.

"My public comments related to the oil and gas industry are reflective of my support for a healthy and robust state economy," Craddick said. "The oil and gas industry provides one third of our state's economy and, as a Texan who appreciates the roads, bridges, schools, and water infrastructure funded by this industry, I will continue to advocate for a vibrant Texas energy sector and overall economy."

### **Lobbyists gifts**

Due to allowed time lags in reporting, lobbying disclosures on gifts given to lawmakers this session aren't entirely available yet. But looking at prior legislative sessions, gifts to lawmakers included Cowboys and Rangers tickets; a night at the Four Seasons; spa treatment packages; gift certificates; and bar tabs at the Cloak Room, a favorite lobbying hangout in Austin.

With energy and electricity reform on the table, Miller says this year's gifts are sure to be just as lucrative.

"We're talking about billions and billions and billions of dollars," Miller said. "We're talking about the survival of companies and co-ops and electricity interests. We're not talking about small potatoes."

"It just rubs us the wrong way, right?" said Dr. Brock, whose research focuses on lobbying behavior.

"People have a really icky feeling about money and politics," Brock told WFAA. "People feel like it must be corrupt. You know, our political process is supposed to serve us. At the same time, every single person has that right to organize and petition government. And lobbying is nothing if not organizing and petitioning government."

### **The influence game**

Lobbyists typically may be subject matter experts, Dr. Brock said. They may even be former lawmakers.

“Lobbyists are trained to have a seat at the table and influence these small provisions one way or the other,” Brock said. “They might not be able to make or break outcomes. They might not be able to alter the trajectory of what’s happening in government, but they might be able to change a definition.”

For example, changing a simple word in a bill from “and” to “or” could end up saving an energy company millions of dollars. In other words, what would have been a requirement to spend money might end up being... just a recommendation.

Companies that hire lobbyists know they’re getting their money’s worth. [A study after the 2008 housing collapse looked at the effect of lobbying and found companies that lobbied Congress saw returns of more than \\$220 for every \\$1 spent on lobbying.](#)

### **Local officials**

So, who are the key local lawmakers in power grid reform, and what do they say about the influence of lobbying on decision-making?

“There is a good side to it. There’s also a dark side to it. And, I just stay away from the dark side,” said state Sen. Bob Hall, R-Rockwall.

Hall and Sen. Kelly Hancock, R-North Richland Hills, are key players in legislation to reform the power grid this session.

Combined, they’ve authored nine bills that focus on protecting Texans from another power grid breakdown.

“That stuff just doesn’t drive us, not in this office,” Hancock said of lobbyists. “Our goal and our objective is to do what’s best for the state of Texas.”

Hall explained it this way. “A lot of people think of a lobbyist as somebody with a handful of money trying to convince people to change something or, you know, luxury travels to places and perks and things like that – to convince them to do something that’s counter to their principles... Certainly there is some of that that goes on. There’s no question that does go on. But there’s the good side.”

Both senators say lobbyists provide them with important insight and expertise into the electric industry that they wouldn’t otherwise have. But when the industry’s lobby becomes too strong, Sen. Hall says it has the power to derail good legislation.

“Matter of fact, their lobby is so strong that they are the ones that have prevented us in previous sessions from actually taking steps to weatherize, to winterize,” Hall said, referring back to a 2011 winter storm and subsequent effort to get plants to winterize that ended in recommendations, not mandates.

It remains to be seen whether the necessary power grid reform will happen this legislative session, which ends on Monday, Memorial Day.

“If it’s not fixed, it’s going to be a real problem for them at the ballot box next year,” Hirs told WFAA.

What does Bill Miller say to critics who argue lobbyists wield too much control over the legislature?

“You can’t control it,” he said. “The truth is, you can hire all the lobbyists in town, but the true power is in those chambers.”

Email [investigates@wfaa.com](mailto:investigates@wfaa.com)

---

## Study shakes up assumptions about fracking, earthquakes

By Carlos Anchondo

E & E News

May 28, 2021

Shallow wastewater injection is the primary cause of widespread earthquake activity in West Texas oil and gas fields that are a center of hydraulic fracturing, according to a new study led by Virginia Tech.

Previously, researchers did not have a full explanation for most earthquake activity in the Delaware Basin, a subbasin of the prolific Permian Basin.

Manoochehr Shirzaei, a study co-author and an associate professor of geophysics and remote sensing at Virginia Tech, said that the major role of shallow injection of wastewater — a byproduct of fracking that needs to be disposed of — “was not known before and has a profound impact on our understanding of induced seismicity and hazard associated with wastewater injection.”

Deep injections only have a local impact, the study said, compared with a “basinwide causal link between shallow injection and deeper seismicity.”

The research, published this month in *Proceedings of the National Academy of Sciences*, [found](#) that the injection of large volumes of wastewater into shallow aquifers in the fuel-rich Delaware Basin in western Texas causes an elastic stress change in the underground rock, which can then activate deep basement faults and induce earthquakes.

Shirzaei said there is a strong correlation between where earthquakes happen and changes in elastic stress at the location of faults with certain orientations.

“That’s a clue ... so that’s how we argued that seismicity, most overall seismicity, must be induced by the shallow injection,” Shirzaei said, noting that shallow injection is between 1 kilometer and 2 kilometers, with so-called deep injection happening below 4.5 kilometers.

The Delaware has experienced a “seismicity surge since 2014,” the study said, although Shirzaei said an exact number of earthquakes since that year isn’t known because “monitoring networks may miss many events and underestimate the actual seismicity.”

Managing oil field wastewater has evolved into a multibillion-dollar industry, with the Texas oil

sector alone producing over 350 billion gallons of wastewater a year ( [Energywire](#), Nov. 13, 2019). Projections show that volumes of wastewater from industry are “likely to increase,” according to an EPA [report](#) last year, which delved into questions about reusing the wastewater, particularly in water-scarce parts of the country.

Shirzaei said there are “very few” deep injection sites in the Delaware but added that a 5.0 magnitude event near Mentone, Texas, last year was [associated](#) with one of those sites.

He said oil and gas companies pursue shallow injection because it is cheaper than deep injection or water treatment.

On top of “human interventions,” the tectonic settings themselves also help to “predetermine the magnitude and likelihood of the earthquake,” Shirzaei said in a release.

The study could help companies and regulators “rethink the ways induced earthquakes are caused,” Shirzaei said, and eventually help to mitigate associated hazards.

In addition to nearly 30 years of data, researchers used data analytics and computer modeling to better understand the “surge” in earthquakes in the Delaware and determined that earthquakes basinwide “mainly occur where the deep stress increases because of shallow injection.”

### **Policy battles**

Todd Staples, president of the Texas Oil and Gas Association, called earthquake events “rare in context of total activity” and said the industry is taking steps to reduce them further.

“The oil and natural gas industry is actively working to mitigate impact in the Delaware Basin through recommended practices, which include pre-completion risk assessment, proper monitoring and mitigation protocols,” Staples said in a statement.

“We believe that more data is always better,” he said, noting that the sector continues to work with centers at the University of Texas, Austin, that collect data on earthquakes in Texas.

Yet Sharon Wilson, a senior field advocate with the group Earthworks, said earthquakes induced by the disposal of oil and gas wastewater are only one threat from industry.

“Earthquakes caused by oil and gas waste injection, shallow or deep, shake the communities hosting disposal,” Wilson said in an email.

“Because Texas and other oil [and] gas producing states treat toxic, potentially radioactive waste as if it were harmless, quakes are just another oil [and] gas waste threat among several,” Wilson continued.

**Andrew Keese, a spokesperson for the Texas Railroad Commission**, said its “highest priority is protection of public safety and the environment, and our staff continues to enforce some of the country’s most stringent regulations on disposal wells in areas of seismicity.”

Keese said that since seismicity-related disposal well rules went into effect in 2014, the agency has received just over 900 disposal well applications in areas “of historic seismicity.”

Of those applications, nearly 600 permits have been issued with special conditions, Keese said in an email, with “requirements to reduce maximum daily injection volumes and pressure and/or to record volumes and pressures daily as opposed to monthly.”

Just over 200 applications were returned or withdrawn, he said, and the remainder were either sent to a hearing, were issued without special conditions or are pending technical review.

Brian McGovern, a spokesperson for the Texas Commission on Environmental Quality, said the agency does not regulate the type of injection wells that are addressed in the study but is “fully aware of the concerns with induced seismicity and links to underground injection.”

“TCEQ staff have participated in discussions on induced seismicity with other state and federal agencies,” McGovern said in an email, also noting that the agency hasn’t “had an opportunity to review the study to provide any technical comments.”

Twitter: [@cjanchondo](#) Email: [canchondo@eenews.net](mailto:canchondo@eenews.net)

---

## **Unwillingness to fix power supply: How politicians choose to leave Texans in the dark**

Reform Austin  
May 27, 2021

In February 2021, the whole world stood in shock as they witnessed one of the most important economies unable to cope with a winter storm.

During the time, politicians argued that harsh weather was to blame, as it took a toll on ERCOT’S infrastructure forcing statewide outages. However, none mentioned the many times they had a chance to fix the power grid but simply chose not to.

As part of a three-piece series titled “[Failures of Power](#),” the Houston Chronicle makes a historic recall on three different times politicians willingly turned down the opportunity to solve power failures.

The first blown chance took place during the storm of 2011, when low temperatures froze ERCOT, causing rolling blackouts that impacted more than 4 million Texans throughout the state.

In response, both lawmakers and regulators promised to come up with solutions, especially ones that required energy companies to ensure reliability through weatherizing infrastructure.

At the same time, the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation stressed the need to implement stricter weatherization standards for power plants and natural gas operators alike.

However, the proposed legislation -based on a free-market power system- never stood a chance to solve the problem, as it made weatherization voluntary.



This minor piece of legislation that lacked authority to penalize incompliance was authored by the current Texas comptroller Glenn Hegar, who 10 years later [stated](#) the Legislature should have taken a “much more active role” in 2011.

The second opportunity to fix the grid came nine years ago, as a vicious cycle of power loss involving the oil and gas industry unraveled during the aftermath of the 2011 storm.

When natural gas facilities shot down during the outages unable to feed electricity generation plants, two state agencies in charge of regulating utilities as well as the oil and gas industry advocated for lawmakers to urge gas suppliers and power plants to fix the problem.

Federal officials recommended minimum standards for the weatherization of natural gas wells and processing facilities, in addition to a labeling system with the objective of ensuring uniform guidelines. In this regard, the **Railroad Commission** issued a letter for operators of gas infrastructure to label them as critical loads, as reliable gas supply is a priority during power outages.

But as oil and gas companies are both big lobbyists and campaign donors, such recommendations were not enforced within Congress and ultimately not followed. Months later, temperatures fell, wells froze, gas production sank and gas operators who were not labeled as critical facilities were left without power.

Even to this day and after this year’s storm, despite an overall consensus on the need to weatherize operations, gas produces continue defending a market-based system, arguing it gives the necessary signals to ensure production flow.

A third opportunity to fix reliability was shot down in 2013 when warnings of the power grid’s reserve margin running extremely low were ignored.

Economists alerted that Texas’ free-market grid was disincentivizing companies to build plants that could eventually provide power in emergencies, an alert that was supposed to be solved through the increase of power rates in order to encourage plant construction and ensure reserves but it was ultimately ignored as well.

The alternative was a shift to a capacity market, where rates benefit both the electricity provision and capacity maintenance during high-demand periods as well. But this recommended solution to prevent an expected disaster was strongly opposed by the big industries including refining and petrochemical companies, who lobbied strongly with then-Governor Rick Perry.

Based on a self-regulating approach with the only constant of stable failure throughout the years, every blown opportunity to fix reliability by betting on profit instead of sound weatherization continues to impact millions of Texans.

“Our system now is more vulnerable than it was 30 years ago,” [said](#) Woody Rickerson, vice president of grid planning and operations at the Electric Reliability Council of Texas.

But as we continue losing lives disaster after disaster and as the opportunities to fix the power grid continue being knowingly disregarded, the reason behind unpreparedness is not lack of capacity but the lack of political will.

And while politicians continue lobbying, enlisting their campaign donors, and debating between a market-based system and a capacity-based system, today, the only assurance is that Texans' wellbeing will remain in the dark.

---

## **Opinion: Texas lawmakers make a big deal about nothing to prevent blackouts**

By Chris Tomlinson

Houston Chronicle

May 28, 2021

No lawmaking body does a better job of applying cosmetics to the porcine than the Texas Legislature, and the bills intended to prevent more blackouts are the latest, greatest examples.

The [Texas House and Senate are winding up their work](#), and they have passed measures presumably addressing February's power failures that killed at least 200 Texans and left 4.8 million homes and businesses without electricity for days during the coldest storm in decades.

The Republican leaders and majorities in both chambers, though, did exactly [what I feared they would do](#). None of the bills heading for Gov. Greg Abbott's signature address core problems, such as the wholesale market design or the \$9,000 price cap. Nothing they did will prevent another blackout of equal scale.

They did agree on more than \$9 billion in bailouts for the electric utility industry that Texans will pay off over the next 20 or 30 years through mandatory charges on their utility bills. The goal is to spread the cost of the disaster to all Texans and make the monthly fee so low we do not complain.

This will bail out electricity providers who guarantee customers a set monthly rate, even though electricity is sold on a wholesale market where the price changes every 15 minutes between free and \$9,000 a megawatt-hour.

When the February freeze hit and prices maxed out, many retail providers went bankrupt and left behind \$2.5 billion in unpaid bills. [House Bill 4492](#) allows the state to issue bonds to pay off those bills and charge customers a monthly fee to repay them.

Electricity co-ops also ran up huge bills for electricity used to power critical facilities. [Senate Bill 1580](#) allows them to issue bonds estimated to total \$2 billion. Again, the co-op's customers will repay those bonds through their monthly bills.

Winter Storm Uri also triggered a 700 percent spike in natural gas prices, creating all kinds of financial pain for another sector that typically guarantees a set price. To help natural gas utilities, the Legislature authorized them [to issue \\$4.5 billion in bonds](#). We will repay these on our gas bills.

"Considering the extraordinary costs incurred in the recent winter storm, customers could see a dramatic increase in their monthly bills," Rep. Chris Paddie, R-Marshall, wrote as his intent for

the bond authorizations. “This financing mechanism will provide rate relief to customers by extending the time frame over which the extraordinary costs are recovered.”

The result will be an additional \$2-\$5 monthly charge on electricity and gas bills for the next 20-30 years.

Extraordinary costs are what you get when electric and gas utilities operate in competitive markets like the ones we have in Texas. When we need power and heat the most, prices skyrocket and companies that meet demand rake in massive profits, in this case, more than \$9 billion worth.

By issuing state-approved bonds and allowing private companies to escape the financial consequences of their poor planning before the storm, lawmakers are socializing the industry’s losses and guaranteeing future profits.

The chance to make money was supposed to motivate electricity generators and natural gas well operators to prepare for a cold snap, but they didn’t. Their facilities froze over, shut down and triggered the cascade of blackouts that left people cold, hungry and dead. They will not pay a price for their failure.

Most of the country has legal safeguards to guarantee power does not go out and prices remain stable. The Texas Legislature purposely rejected guard rails in the Electric Reliability Council of Texas market because [they valued cheap over reliable. They still do.](#)

Texas lawmakers gleefully passed bills requiring greater coordination and better communication, which cost very little. But [Senate Bill 3](#) is remarkably vague about weatherization requirements, and a House amendment would make the state finance them.

Only those parts of the electricity and natural gas supply chains identified as critical must be weatherized. Then the Public Utilities Commission and the **Railroad Commission** are responsible for determining what kinds of weather events to worry about, and the punishment for failing to comply are laughably insignificant.

The Legislature did not follow the examples set by other grids. They did not create a capacity market that guarantees there will always be enough power. They did not order ERCOT to connect to the rest of the country to obtain backup when needed.

Lawmakers are not promoting new technologies, such as grid-scale batteries distributed across the state to store electricity. Nor are they requiring energy efficiency improvements.

One day, I hope the Texas Legislature will make pundits like me eat our cynical words by passing measures that will solve our state’s biggest problems. The end of the 87th Legislative Session on Monday will not be that day.

Chris Tomlinson writes commentary about business, economics and politics.

[twitter.com/cltomlinson](https://twitter.com/cltomlinson)

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

## The bills that died in the Texas Legislature this year

By Jef Rouner  
Reform Austin  
May 26, 2021

Texas has one of the shortest legislative sessions out of all the states, with the regular congress meeting just five months every two years. As such, there's a lot that does not get done even when it's very popular. As the 87th Legislative Session draws to a close, here's what was left unfinished.

### Power Grid Reform

Texas ended up in the national news when the state power grid failed during Winter Storm Uri, leaving millions in freezing temperatures with no electricity or water and over 150 people dead. As such, the state legislature made a lot of grand promises about fixing the problem, most of which [probably will not actually do much without a fundamental restructuring of the way Texas deals in power](#). Still, with so much finger-pointing going around, it was expected that the legislature would at least pass something to look like they were trying to avoid the next catastrophic event.

It is still possible that Senate Bill 3 will make it into law at the buzzer, but it has been a hard fight. The House version keeps the mandate that natural gas facilities properly winterize their systems, but it is restricted to only those that are directly connected to power plants and identified by a supply chain mapping committee by January 1, 2022. Also, the rules regarding winterization are left to the discretion of the **Railroad Commission**, an entity well known to be weak on oversight of the natural gas industry, and they are given six months to adopt it, but there is no timeline to enforce the rules and the penalties are so low as to make it moot. There is significant debate about who will pay for that too. That debate is likely to continue in the Senate while a conference bill is ironed out, but the clock is ticking. As of right now, this is the least dead of the major bills.

### Medicaid Expansion

The state came as close as it's ever been to finally fully embracing the provision under the Affordable Care Act this session, but ultimately it didn't pass. The expansion of Medicaid, which would offer care to over a million Texans, would be paid for by more than 90 percent by the federal government, but Texas has refused to be a part of it.

State Sen. Nathan Johnson (D-Dallas), authored Senate Bill 117, which would have brought about the Medicaid expansion, and the bill actually had enough [bipartisan support](#) in the House to move forward. Unfortunately, committees in both chambers strangled the bill and kept it from coming to a full vote or even a hearing. On top of that, the legislature [seems allergic to even studying the negative effect](#) that refusing the expansion has had on Texans. A modest step to extend the existing Medicaid coverage for low-income new moms from being kicked off two months after childbirth to 12 months is also facing danger. It's scheduled on the last day House Bills can be considered in the Senate and it has been reduced by the upper chamber to six months after childbirth. More worrying for advocates is the budget conference committee report released today has a [contingency waiver](#) only for six months.

## **Medical Marijuana**

Marijuana reform advocates had high hopes for this session, but it looks like the most they might get [is the reduction of some penalties](#). That's not nothing, but it's a far cry from the wishes of many Texans. One of the most unfortunate failures of this session involves medical marijuana. While cannabis has been approved for the treatment of some conditions in the state, advocates have been rankled that a host of other problems are not being included on the list. The most prominent among these is PTSD, which is still prohibited for marijuana use.

House Bill 1535 would fix that, and it has remarkably high bipartisan support. It passed out of committee in both chambers unanimously, and easily cleared the House with only 12 nays. Late Tuesday evening, the Senate passed a watered-down version of House Bill 1535 that only keeps the THC cap at 1% and only includes PTSD and all cancer patients and not patients with chronic pain and those with "debilitating conditions". It's unclear whether the House, which was somewhat more expansive on who is eligible for medical marijuana and had a much higher % THC cap, will concur or try to hash out the Senate changes in the last few days of session.

## **Gambling**

New gambling legislation was always a long shot in Texas, with Governor Greg Abbott being consistently against the idea. However, the Las Vegas Sands Corporation [has been dropping huge money](#) into lobbying for more gambling in the state, as well as [the various sports gambling entities](#).

The bets do not appear to have paid off. Two measures, House Joint Resolution 133 and Senate Joint Resolution 49, which would have legalized more resort gambling, have seen their deadlines for hearings come and go. The same has been true of the sports gambling bills and the measure to repeal the gambling ban from the constitution that would have put the issue before the voters. Even the relatively popular measure of allowing the Ysleta del Sur Pueblo and the Alabama-Coushatta tribes to continue operating their bingo halls couldn't get gambling over the line this year.

## **Raising the Minimum Wage**

Texans hoping to see the minimum wage raised to \$15 an hour are out of luck. State Rep. Martinez Fischer (D-San Antonio) filed House Bill 1827 earlier this year which would have gradually increased the minimum up closer to a living wage. Sadly, this bill was almost a non-starter from the beginning. It never even got brought up in committee.

Hopefully, at some point, the idea will be put up before voters, where it tends to pass even in fairly conservative states like Florida. For now, Texas is sticking with low wages that generally can't support a family. It's one of the many major initiatives that the state legislature let fall by the wayside as they focused on banning abortion and expanding the dominance of guns.

---

**The Lege this week: bitterness and brinkmanship**

## **Amid the theatrics that consumed the final full week of session, lawmakers still haven't finalized much of their already-lackluster winter storm response.**

Texas Observer

May 28, 2021

Welcome to the 87th Legislative Session. Since the last session came to a close in June 2019, Texas has been hit by an unrestrained pandemic and a crippling economic crisis—and now the fallout from deadly blackouts. Under unprecedented circumstances, lawmakers are faced with a [number of urgent challenges](#). The *Texas Observer* is following along every step of the way.

[Go here for last week's dispatch](#) from the state Capitol.

What we're following:

### **The Final Days**

Bitterness and political brinkmanship has flared up in the final days of the 2021 legislative session, as time runs out to pass bills.

In the final hours before a midnight deadline Tuesday to vote on Senate bills, House Democrats slowed floor debate to a crawl—a procedural delay tactic known as “chubbing”—in an attempt to block a slate of right-wing legislation. They ultimately succeeded in stopping bills that would have blocked transgender athletes from playing on school sports teams based on their gender identity, banned local governments from paying for lobbyists, and outlawed “censorship” by social media platforms. All of these were key priorities for Lieutenant Governor Dan Patrick. Democrats cheered and waved transgender pride flags on the floor as the clock struck midnight. “Ding dong the bill is dead,” [tweeted](#) Representative Erin Zwiener, a Hays County Democrat and member of the House LGBTQ Caucus, of the anti-trans sports bill.

Despite having passed most of the GOP's top priorities—including permitless carry and a near-ban on abortions—conservatives lashed out at House Speaker Dade Phelan for allegedly kowtowing to Democrats. The next day, Patrick [demanded](#) that Governor Greg Abbott call an immediate special session for his three priority bills that died in the House. Patrick then slow-walked the Senate through its own list of House bills to pass before its Thursday night deadline, threatening to hold key legislation hostage.

Does this all sound familiar? It should. As the 2017 session came to a close, Patrick threatened to hold must-pass bills hostage until the House passed his favored red-meat legislation, including the so-called “bathroom bill”—another attack on trans Texans. That ultimately died in the House, leading Patrick to call for a special session. Abbott caved and included the bathroom bill as part of an expansive summer session dubbed by critics the “[Session of Oppression](#).” The bathroom bill still failed.

In a press conference Thursday, Abbott [tried to hold his ground](#), warning Patrick against trying to force a special session. “Not only am I the only one with the authority to call the special session, I get to decide when, and I get to decide what will be on that special session. And here's what I would do if anybody tries to force this ... it's not gonna be like it has been in the past.”

Patrick usually wins these political showdowns, but maybe not this time? In [response](#), he

insisted he wasn't holding anything hostage and committed to passing an essential bill to extend the life of some state agencies, including the Texas Commission on Law Enforcement. — *Justin Miller*

### **Another Failed Opportunity?**

Now forget all the theatrics, power plays, and ego-stroking. There are just three days left until *sine die*—the end of session—on Monday. What about the Texans who shivered in their homes for days on end during the winter storm in February? Whose loved ones froze to death, whose homes were ruined by burst pipes, who went without safe water, and who will likely be paying for the failures of their state government in utility bills for decades to come?

In the immediate wake of that deadly storm and power grid collapse, there was a rush of committee hearings, investigations, and promised reforms. Usually, the Legislature is out of session when major tragedies, like hurricanes, mass shootings, and pandemics, hit Texas. This was a rare exception.

But after introducing a flood of legislation in the weeks following the storm, Republicans took a sharp detour, focusing instead on sweeping voter restrictions, curbs on how race and history are taught in public schools, punitive restraints on urban police budgeting, abortion bans, a “Star Spangled Banner” mandate, lifting gun restrictions, and cracking down on local control, to name a few.

Lawmakers largely let the natural gas industry, whose failures were most responsible for triggering the winter storm catastrophe, and who still raked in billions of dollars from Texans' suffering, off the hook. Natural gas operators are exempted from most of the proposed weatherization mandates, and any new regulations will be meted out by the gratuitously pro-industry **Railroad Commission**

“Everybody better buy their generators or their storage or whatever to put in their garage, because [the failure to mandate winterization] basically means there would be nothing done to gas supply for this winter,” Doug Lewin, an energy expert and renewables advocate, [told the \*Houston Chronicle\*](#). “I guess the Legislature is OK with that. I imagine most Texans aren't.”

In other words, the state will still rely on the unregulated whims of the free market to power Texas while Republican leaders' aversion to considering what climate change means for extreme weather in Texas, and their attempts to scapegoat renewable energy, persist.

The [biggest and most important components](#) of the Legislature's storm response still haven't been finalized. Just before midnight, GOP Senator Kelly Hancock brought up House Bill 4292, a highly complex plan to spread out the exorbitant [costs](#) incurred by electricity providers during the winter storm over the long term. But in the dead of night, he swapped the bill with a completely different—seemingly more complex—version that had never received a public hearing. Hancock repeatedly insisted it was not a “bailout” for electric utilities while acknowledging that the “[debt is socialized](#),” meaning customers will ultimately pick up the tab. The bill passed unanimously, which means the final version of the multi-billion dollar plan will be negotiated by members of the House and Senate behind closed doors in the final days of session.

— *Justin Miller*

## COVID-19 Liability and Workers' Comp

On Monday, the House signed off on a measure meant to stymie potential coronavirus-related lawsuits, a top priority of the governor and the business lobby. After U.S. Senator John Cornyn failed to pass such a policy at the federal level, dozens of states took up the anti-liability mantle. The Texas measure, [Senate Bill 6](#), institutes new civil protections for a range of entities including physicians, manufacturers, nursing home operators, and small business owners. These last as long as a state of disaster is declared due to any pandemic disease.

SB 6 also broadly protects employers from employees and their families. Texas is the only state that [allows employers](#) to opt out of workers' compensation insurance. Those who opt out save money on insurance premiums, but they become far more vulnerable to lawsuits from employees and their families. In cases of COVID-19 exposure at work, SB 6 will retroactively shield employers who elected not to carry workers' comp. They won't be completely immune, but they'll be protected at roughly the same high level as bosses who chose to pay for workers' comp, says Jay Harvey, past president of the Texas Trial Lawyers Association. In return for early concessions from the Republican author, the group has remained neutral on the legislation.

In related news, lawmakers look set to pass [Senate Bill 22](#), which addresses trouble first responders and corrections officers have faced in drawing workers' comp benefits, or [state death benefits](#), in COVID-19 cases. The bill would not help any [other workers](#) such as teachers, bartenders, or grocery clerks. — *Gus Bova*

## What We're Reading

### [A year after George Floyd's murder, only a few of Texas lawmakers' police reform measures appear likely to become law](#)

Narrowly targeted pieces of Texas' George Floyd Act—like restricting chokeholds and requiring officers to provide first aid—are expected to pass. But the Act itself and many other related reforms have failed to progress. “There's going to be blood on your hands when you had the power to change it,” said Gary Bledsoe, president of the Texas NAACP. / *Texas Tribune*

### [Guaranteed: Trigger provision requires Gov. Greg Abbott to consult lawmakers on COVID relief spending](#)

After previously getting nixed, a House budget provision meant to ensure the governor doesn't get carte blanche when it comes to spending the state's \$16 billion share of federal recovery aid was added back in. / *Dallas Morning News*

### [El Paso lawmakers say gun reform promises after Walmart massacre were broken](#)

After the El Paso massacre, Republican leaders like Greg Abbott and Dan Patrick indicated support for gun-reform measures. Instead, when the Legislature convened more than one year later, Republicans went hard the other way, passing a law that will allow almost any Texan to carry a handgun without a permit. El Paso Representative Joe Moody gave a long and somber speech ahead of final passage: “All [victims' families] wanted was some accountability, yet here we are. ...I heard lots of promises. I haven't heard [them] since.” / *El Paso Matters*

### [A false date rape drugging accusation against a lobbyist exposed claims of his role in the Texas Capitol's culture of sexual harassment](#)

A DPS investigation concluded that the allegations against a lobbyist at a powerful firm were false. Still, the incident laid bare larger questions about a Capitol culture that many female staffers



say often leads to allegations of misconduct and harassment being brushed under the rug by those with the power to act. The accused lobbyist has faced multiple accusations of inappropriate behavior with women as both a legislative staffer and lobbyist—and in at least two instances has been banned from visiting certain Capitol offices because of them. / *Texas Tribune*

### [How ‘critical race theory’ came to dominate education debates in Texas](#)

In the early hours of Saturday morning, after hours of debate on legislation that would supposedly ban critical race theory in Texas public schools by putting a host of restraints on how teachers can teach race and racism, the Senate passed its bill. Passed on a party-line vote, it now heads back to the Texas House. / *Dallas Morning News*

### **All Hat, No Cattle**

*The Texas Legislature is known for its outlandish members, ludicrous antics, and right-wing flare-ups. Here’s your weekly dose.*

On Monday, as Democratic Representative Terry Canales laid out a [Senate bill](#) to impose fees on electric vehicles, Republican Representative Bryan Slaton promptly [raised a point of order](#)—a procedural tactic that can kill legislation during floor debates.

Slaton then said he would withdraw the objection if Canales could get House Speaker Phelan to give SB 29—the anti-trans school sports bill—a vote. Throughout the session, Slaton has repeatedly tried to advance anti-trans legislation, or attach anti-trans amendments to other bills, without success. Canales refused and Slaton’s point of order was sustained, ultimately killing the bill.

Canales promptly took to Twitter to condemn Slaton’s tactics: “My answer, Kill my Bill, BIGOT!”

---

## **Chapter 313 program doomed after Texas lawmakers miss deadline; ‘We’re going to lose a lot of projects’**

### **Tesla, Samsung among big brands that secured property tax breaks through ‘313’**

By Kathryn Hardison

Austin Business Journal

May 27, 2021

Texas lawmakers missed an important deadline this session to extend a \$10 billion program that has been used to incentivize massive manufacturing and energy projects to the Lone Star State by lowering their school property tax bills.

The Texas Legislature missed a May 26 deadline to advance House Bill 4242, which would have extended the Chapter 313 incentives program by two years. Those incentives have been used for major local projects such as Tesla’s \$1 billion gigafactory and Samsung Austin Semiconductor’s massive East Austin facility, as well as tons of energy projects throughout the state.

The decision not to advance HB 4242 means the program will likely expire in December 2022. Many have questioned the program’s effectiveness in its current form, while others have said that

allowing the program to expire could have negative consequences for the future of Texas' economic development — a longtime badge of honor for Texas as companies pour into the state to seek a [business-friendly environment, lower costs of living and relatively lower taxes](#).

Texas, and its cities and counties, still have mechanisms — such as chapters 380 and 381 of the local government code — to offer property tax breaks and other incentives to incoming or expanding businesses, but the pending loss of Chapter 313 has set many economic development advocates back on their heels.

“This is going to leave a mark,” said Glenn Hamer, president and CEO of the Texas Association of Business. “There’s no other way to put it. I can’t tell you how much of one right now.”

University of Texas at Austin government professor Nate Jensen, a critic of incentives, said support for the Chapter 313 program has “frayed a bit” of late as interfaith groups and organized labor have joined organizations from both sides of the political spectrum in opposition of the program. For example, Central Texas Interfaith on May 24 sent a call to action urging members to ask their legislators to oppose HB 4242. The email decried that “Chapter 313 costs taxpayers nearly \$1 billion a year in tax breaks” which largely benefit large petrochemical and manufacturing companies.

[Dale Craymer](#), president of Texas Taxpayers and Research Association, said on May 27 that it’s unlikely lawmakers will try to push the issue through before May 31, the last day of the session, or bring it back up in a special session. Agreements currently in place will remain intact, and companies can continue to apply for the program’s property tax breaks until the end of 2022.

Chapter 313 allows a school district to offer a cap of up to 10 years on a portion of the taxable property value of new manufacturing or renewable energy projects. This has been a major incentive for many companies because of the state’s high property taxes in lieu of no income tax. In addition to Samsung — which may seek incentives soon for a \$17 billion expansion that could land in Austin — and Tesla, companies that have benefited from the program include Freeport LNG [in the Houston area](#) and Caterpillar Inc. in Seguin. A total of 509 agreements were in effect as of earlier this year, according to the Texas comptroller. The projects incentivized by Chapter 313 represent \$217 billion in investments by companies and in turn have received gross tax benefits of \$10.8 billion, the state reports.

Craymer said many are worried companies won’t consider Texas for future economic development projects that are on the drawing board today — which are likely to break ground in three to four years — because there won’t be any assurance of incentives.

“We’re going to lose a lot of projects that companies are currently in the initial planning stages for. If Texas isn’t on their list now, we likely won’t be on their list in the future,” he said. “Even if we come back in 2023 and create a new program, it will create a gap of investment in the state.”

[Tony Bennett](#), president and CEO of the Texas Association of Manufacturers, said in a May 27 statement that nearby states are likely celebrating after the Legislature’s decision to not renew the program.

“Texas will be sidelined for major automotive, petrochemical, aerospace and high-tech manufacturing projects that cannot afford to locate in a state with the fourth-highest property taxes

in the nation, especially when nearly all other states offer property tax discounts,” he said. “I never thought I’d see the day when Texas took the same path California took decades ago when lawmakers took manufacturing jobs for granted and hurt their economy.”

Craymer said Chapter 313 is crucial to attracting projects, though there are issues with the program. Over the years, the bulk of the savings has shifted to the school districts and away from businesses, he said, adding that after crunching the numbers, businesses typically end up with net tax savings of 36%.

“Chapter 313 is not a free ride, it is only a partial discount on your tax bill,” he said. “You get a 36% discount in Texas versus an 80% discount in Louisiana or a 100% discount in other states like Georgia. Chapter 313 is not as generous an incentive as what companies can get in other states.”

A large majority of the Legislature doesn’t like incentives programs, which has ultimately been the program’s downfall and why it’s become a controversial topic over the years. The Texas Public Policy Foundation praised lawmakers for not taking initiative to renew the program.

“Sunsetting this program is a critical victory for each and every Texan — made possible by a tidal wave of bipartisan support for free-market principles and broad property tax relief Texans sorely need,” [Kevin Roberts](#), TPPF’s CEO, said in a statement. “For two decades, Texas taxpayers have borne the brunt of special-interest corporate welfare that raises our property taxes and allows government to pick winners and losers. These 20 years of hard data have proven Chapter 313 doesn’t live up to its lofty promises to create jobs or lure new businesses to our state.”

Another effort to expand and extend the program was House Bill 1556, authored by Republican Rep. Jim Murphy. The bill, which stalled earlier this month, would have [extended the program for another decade](#) and allowed companies to apply for a tax cap on upgrades and renovations to existing facilities. It also proposed eliminating some types of projects that could qualify, like nuclear energy, and changed how a minimum qualified investment would be determined. Murphy’s bill attracted scrutiny and was ultimately amended to leave much of the current program intact.

“Not only was it an incredibly costly bill at a time of serious budget constraints, but it was silent on most of the major criticisms of the program,” Jensen wrote in a May 27 email. “Rather than proposing a reform to the program along with a renewal, supporters pushed for an expansion. This was a huge blunder and once this expansion died, there was no serious backup bill.”

According to Hamer at the Texas Association of Business, the failure to extend Chapter 313 incentives will cast a pall over the 2021 Legislative session, despite other business wins surrounding education, broadband access and protections for businesses amidst the Covid-19 pandemic.

“This is a cloud and a significant disappointment,” Hamer said. “I’m not going to say anything otherwise.”

*Paul Thompson contributed to this story.*

---

## Texas could give landowners more say in eminent domain negotiations under bill sent to Greg Abbott's desk

**After failing last session, lawmakers finalized a bill — described as a “delicate compromise” — that provides new protections for landowners in negotiating with companies attempting to seize their land through eminent domain.**

By Erin Douglas

Texas Tribune

May 27, 2021

The Texas Legislature approved a bill early Thursday that will revise eminent domain negotiations between landowners and companies — such as railroads, pipeline and utility companies — that are seeking to condemn land, requiring that landowners be given the terms of the contract up front, as well as more information about the eminent domain process.

After six years of heated negotiations between groups that represent landowners and the groups that represent big pipeline, utility, railroad, and oil and gas companies, the Legislature passed a limited version of a [bill that failed in 2019](#).

The House approved the legislation on May 13. The Senate approved the bill unanimously in the early hours of Thursday morning; it now goes to Gov. [Greg Abbott](#) for his consideration.

Companies would also be required under the bill to restore the surrounding area to as close to the original condition as possible and compensate the landowner for damages to the surrounding land that isn't restored.

State law currently offers few protections for property owners after a company notifies state regulators of its intent to build; the company must compensate the owner for the land, but it isn't required to make other concessions, such as altering the route.

Eminent domain — always a contentious issue in Texas — became a political flashpoint in recent years due to Kinder Morgan's 423-mile Permian Highway Pipeline that runs through the Texas Hill Country. Angered landowners sought to stop the project with lawsuits, [but lost](#). Last August, singers Willie Nelson and Paul Simon, who both live in the Texas Hill Country, [opposed the pipeline in a \*Houston Chronicle\* op-ed](#). The pipeline [began service in January](#).

State Sen. [Lois Kolkhorst, R-Brenham](#), who has worked on the issue since she joined the Senate six years ago, acknowledged that the legislation did not go as far as many landowners would have liked, but she described it as an effort to start giving landowners more leverage when companies want to seize private land to build oil or gas pipelines, railroads or power transmission lines that companies argue are in the public's best interest.

“Giving the right to private companies to come in and take your land — that you do not want to sell — should be one of the highest privileges that we give in statute,” Kolkhorst said during a [Senate Jurisprudence Committee hearing last Thursday](#).

She said [House Bill 2730](#) is a first pass at creating more balance in negotiations. The final

version of [House Bill 2730](#) requires companies to show landowners the contract terms up front, allows landowners to file complaints against a right-of-way agent and requires the state to give landowners more information about the eminent domain process.

“What you have is six years of negotiation by industry on all sides, including landowners, energy and infrastructure,” said Thomas Zabel, an oil and gas lawyer who spoke on behalf of the Texas Pipeline Association. “There’s a little give and take on both sides.”

During the 2019 legislative session, a [bill by Kolkhorst sought](#) to prevent companies from making low-ball offers to property owners, require public meetings between property owners and the companies, and restore damaged land to as close to its original condition as possible.

But after the bill was watered down in a joint House-Senate conference committee — an effort led by Rep. [Tom Craddick](#), R-Midland — it [failed to make it to Abbott’s desk](#).

An initial version of this year’s bill, sponsored by state Rep. [Joe Deshotel](#), D-Beaumont, angered landowners who felt it favored companies. The Texas Farm Bureau publicly opposed it. Billy Howe, the Farm Bureau’s associate director of government affairs, said that after “intense negotiations,” lawmakers came back with language that the powerful agricultural and rural community interest group would support, because it was closer to the 2019 bill.

Craddick was the only member to vote against the bill in the House.

“We feel [this bill] is going to improve the process for landowners, so we’re going to support it and see if it works,” Howe said. He said the bill includes provisions that should result in more fair compensation for land taken through eminent domain.

“It’s going to take a good step forward in improving that initial offer,” Howe said.

Deshotel told his colleagues on the House floor May 12 that his goal was to put landowners and property owners closer to even standing with pipeline, electric and railroad companies that use eminent domain, which he said were “starting to have an advantage over landowners.”

“We wanted to give [landowners] a real say and real involvement in the process that affects their property,” Deshotel said.

Jaren Taylor, a utility and eminent domain lawyer who spoke on behalf of the Association of Electric Companies of Texas during the Senate committee hearing, said if the bill passed, it would be a signal of compromise.

“I don’t disagree that not everyone is happy with it, but frankly that’s a sign of quality negotiation and compromise,” Taylor said.



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



**TXOGA News**

TXOGA Clips 7/6/21

July 06, 2021 at 7:00 AM EDT

To: Christopher.Hotchkiss@rrc.texas.gov

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk



TXOGA News  
Industry News

The TXOGA daily news is provided as a service to TXOGA members. It is intended to be a sampling of media coverage regarding the industry and does not necessarily reflect the views or positions of TXOGA.

**TXOGA News**

**Eminent domain law to address landowner concerns**

Victoria Advocate - 07/3/2021  
should always be used as a last resort," said **Todd Staples**, president of the *Texas Oil & Gas Association*.  
"And further, we want a system  
[Read Full Article](#)

**Railroad Commission finalizes monitoring, enforcement plans**

Midland Reporter Telegram - 07/3/2021  
During the 30-day public comment period, the *Texas Oil and Gas Association* provided feedback in concurrence with strategic priorities, Keese  
[Read Full Article](#)

**Industry News**

**OPEC oil alliance in standoff between Saudi Arabia and UAE**

Houston Chronicle - 07/5/2021  
*OPEC* oil alliance in standoff between Saudi Arabia and UAE  
[Read Full Article](#)

**President Biden's Climate Plan Is More Revolution Than Transition**

Forbes - 07/3/2021  
becoming popular among states looking to shield their *oil* and *gas* industries. For instance, *Texas* legislators have advanced a bill aimed at  
[Read Full Article](#)

**Global LNG trade remained flat in 2020, EIA says**

Houston Chronicle - 07/2/2021

An advertisement for ENERTIA SOFTWARE. It features the company logo at the top, followed by the headline "FROM THE FIELD TO THE FRONT OFFICE". Below this, it says "Fully-Integrated Enterprise Resource Planning Solutions" and a "LEARN MORE" button.

An advertisement for VFS FIRE &amp; SECURITY SERVICES. It features a stylized green and white logo at the top, followed by the text "VFS FIRE &amp; SECURITY SERVICES Industrial Fire Protection" and a website link "www.vfsfire.com".



the EIA. **TELLURIAN LNG** : *Tellurian* extends Driftwood lease, forges ahead as **natural gas** deficit swells **LNG**

[Read Full Article](#)

### Climate change has gotten deadly. It will get worse.

The Washington Post - 07/4/2021

Researchers say they are 'virtually certain' that warming from human greenhouse gas emissions played a pivotal role in recent fatalities

[Read Full Article](#)

### Court strikes Trump EPA rule for full-year 15% ethanol sales

Chron.com - 07/2/2021

AP) — A federal appeals court on Friday threw out a Trump-era **Environmental Protection Agency** rule change that allowed for the sale of a 15%

[Read Full Article](#)

### A Green Recovery After Covid-19: New Strategies For The Oil Industry

Forbes - 07/5/2021

could become an energy company that dominates **oil** -extraction fields in Colombia and West **Texas** while also producing electricity wholesale

[Read Full Article](#)

### Improving Drilling Performance in East Texas Haynesville Shale

Hart Energy - 07/5/2021

in one of Rockcliff Energy's wells in the Carthage Field in East Texas' **Haynesville Shale** basin. (Source: Schlumberger) Breaking through the

[Read Full Article](#)

### Why oil companies are working with customers to cut consumption of petroleum

Houston Chronicle - 07/6/2021

2 of 2 **Chevron** has teamed up with Toyota to develop hydrogen fueling stations and other infrastructure to

[Read Full Article](#)

### Gas pipeline fire sends flames boiling to the surface of Gulf of Mexico

CBS Austin - 07/3/2021

**Gas pipeline** fire sends flames boiling to the surface of Gulf of Mexico

[Read Full Article](#)

### PSP is still committed to Permian's long-term prosperity

Midland Reporter Telegram - 07/3/2021

the key phrase is "this region," as in the entire **Permian Basin** . Because while it's no surprise that the pandemic reaffirmed our resiliency

[Read Full Article](#)

Meltwater - 225 Bush St Suite 1000, San Francisco, California 94104 USA

[To unsubscribe from this newsletter Click Here](#)



CHRISTI CRADDICK, CHAIRMAN  
WAYNE CHRISTIAN, COMMISSIONER  
JIM WRIGHT, COMMISSIONER



DANA AVANT LEWIS, DIRECTOR

# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

### MEMORANDUM

**To:** Christi Craddick, Chairman  
Wayne Christian, Commissioner  
Jim Wright, Commissioner

**From:** Ezra A. Johnson, Administrative Law Judge (ALJ)  
Robert Musick, Technical Examiner

**Date:** June 18, 2021

**Subject:** Late-filed Exceptions to Proposal for Decision

**OG-20-00003542:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 179 Battery, Commingle Permit 5789, Various Fields, Crane County, Texas; District 08.

**OG-20-00003543:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 1 Battery, Commingle Permit 1086, Various Fields, Crane County, Texas; District 08.

**OG-20-00003544:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 11 Battery, Commingle Permit 1031, Various Fields, Crane County, Texas; District 08.

**OG-20-00003545:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 16 Battery, Commingle Permit 1031, Various Fields, Crane County, Texas; District 08.

**OG-20-00003546:** Application of Stronghold Energy II Oper, LLC (Operator No. 827681) Pursuant to Statewide Rule 32 for an Exception to Flare Gas for the McKnight 203 Battery, Commingle Permit 6594, Various Fields, Crane County, Texas; District 08.

---

Please find attached the late-filed exceptions to the proposal for decision issued in the above-referenced dockets on May 24, 2021. On June 16, 2021, the Director of the Hearings Division informed Stronghold that objections or comments to the proposal could be submitted on or before June 18, 2021.

## Mia Hutchens

---

**From:** Bill Black  
**Sent:** Wednesday, July 21, 2021 10:31 AM  
**To:** Mia Hutchens  
**Subject:** Fw: RRC News Clips: July 14, 2021

---

**From:** Andrew Keese <Andrew.Keese@rrc.texas.gov>  
**Sent:** Wednesday, July 14, 2021 10:07 AM  
**To:** NewsClips <newsclips@rrc.state.tx.us>  
**Subject:** RRC News Clips: July 14, 2021

### **UT report: Failure of natural gas system ‘exacerbated’ winter storm blackouts**

By Paul Takahashi  
Houston Chronicle  
July 13, 2021

The failure by natural gas producers to supply adequate fuel to power plants “exacerbated” the electricity shortage during the February freeze, according to a new report from the University of Texas at Austin.

A dozen researchers from UT’s Energy Institute found that while all power sources — including coal, wind, solar and nuclear — faltered during the winter storm, failures to weatherize natural gas wells and ensure electricity to critical equipment compounded the catastrophic power failure. The storm and blackouts killed at least 200 people and caused billions of dollars in property damage across Texas.

“Days before ERCOT called for blackouts, natural gas was already being curtailed to some natural gas consumers, including power plants,” the report’s authors wrote. “Natural gas output started to decline rapidly before the electricity forced outages began early on February 15, with production declining about 700 million cubic feet per day from February 8-14. This decline is likely due to weather-related factors and not a loss of power at natural gas facilities.”

The 101-page report didn’t break new ground on what caused the widespread Texas blackouts, but it provided more details and a solid baseline of facts as policymakers debate ways to improve the electricity grid and natural gas system to prevent future blackouts. UT’s report was published on the same day as the Electric Reliability Council of Texas unveiled a roadmap to improve the state’s power grid.

“I think it’s a really good step forward,” said Jay Zarnikau, one of the report’s authors. “It’s not necessarily going to address all failures identified in our report, but I think it was a good roadmap.”

UT researchers looked at public data and legislative testimony, but also were given access to confidential data from ERCOT, including the performance of certain power plants, communications about the winter storm and ERCOT’s emergency program that automatically shut off power to some natural gas producers. The study was funded in part by the Public Utility Commission, which oversees the Electric Reliability Council of Texas.

Researchers found that frozen wells caused natural gas production to fall by 85 percent in the days leading up to Feb. 16, with up to two-thirds of processing plants in the Permian Basin experiencing an outage. Researchers looked at a sample of 27 natural gas processing plants, and found that as many as 18 of them had zero output at the worst of the storm. Natural gas producers are not required to weatherize their equipment in Texas.

Other power sources also failed during the storm. Wind turbines and solar panels froze, a sensor at a nuclear plant malfunctioned and coal plants struggled to keep their fuel dry and plants running.

As the cold temperatures endured, Texas' natural gas production fell to 11.8 billion cubic feet per day on Feb. 17 from an average of 21.3 billion cubic feet during the week ended Feb. 13. The Permian Basin produces about half of the natural gas in Texas. UT's report contradicts an oil and gas trade group, which has said power outages to producers and pipelines were the main reason natural gas production plummeted during the storm.

Austin-based energy research firm Enverus, commissioned by the Texas Oil and Gas Association, found in April that the declines in natural gas production before rolling blackouts began were minimal compared to the declines that occurred after power was cut in the oil field.

“Without debate, Texas natural gas carried the load of keeping Texans warm during winter storm Uri by providing over 60 percent of daily generating capacity, and this UT Energy Institute report and two ERCOT reports confirmed that weather-related issues at the power generation facilities were the primary cause for power outages, while fuel limitations represented a relatively small percentage of the overall challenges experienced,” TXOGA President Todd Staples said in an email. “Recently adopted legislation, including enhanced communication and coordination such as critical load designation, Texas Energy Reliability Council, and mapping the entire system, will ensure Texas will be better prepared during emergency weather events, thereby minimizing the possibility of lost production.”

UT researchers also found that the natural gas industry failed to ensure that power flowed to critical pipelines supplying fuel to power plants. There were 67 electricity customers in the natural gas industry enrolled in ERCOT's voluntary Emergency Response Service program, which automatically cuts electricity to large industrial power users during a power shortage. At least five critical natural gas production and pipeline locations were enrolled in the program, researchers said. Dozens of natural gas facilities failed to file a two-page application that would have exempted them from power outages.

TXOGA said the critical load application explicitly stated that these blackout exemptions did not apply to oil-field services.

“We don't exactly know what they were, but they were in that fuel supply chain of moving fuel to power plants, said researcher Carey King. “So these entities would have been turned off whenever the Emergency Response Program was triggered.”

Ultimately, 25,000 megawatts of natural gas generation went offline during the storm. One megawatt can power 200 Texas homes on a hot summer day. Natural gas power plants provide a little less than half of Texas' power.

---

## **Texas Senate signals support for drastic power market reforms spurred by freeze**

By James Osborne  
Houston Chronicle  
July 13, 2021

WASHINGTON – Texas state senators during a hearing Tuesday signaled their support for plans to redesign the state's power market to focus on reliability over cheap electricity in a bid to avoid a repeat of February's deadly blackout.

The grid manager Electric Reliability Council of Texas in collaboration with the state's Public Utility Commission, earlier released a 60-point plan to improve the Texas power grid, including proposals to increase payments to power generators capable of supplying electricity during times of extreme weather conditions, as well as manage the variability around wind and solar power generation.

Such a system would present a significant shift from the existing power market, which almost exclusively pays power plants for the electricity they generate, not their ability to deliver electricity during a deep freeze or hot summer days when power plants typically break down. It also would likely mean higher electricity costs for Texas residents and businesses.

While a decision by regulators is likely months away, PUC Chairman Peter Lake told senators the existing model of cheap electricity during normal conditions and huge spikes at times of shortage had to change.

"We're not tweaking around the edges," he said. "The way the market is designed, there's only a reward (for power generators) when you get into crisis. We need to move away from that model to one where if you provide reliability, that's where the financial incentive is presented."

The PUC has begun holding workshops to figure out a new system for compensating power companies, with plans to decide on a new market design by the end of the year, Lake said.

The commission considered similar action almost a decade ago, following a far less severe blackout during a winter storm in 2011. But the Legislature fought back, criticizing plans to pay generators extra for maintaining reliability as a giveaway to power companies.

Following February's blackout, in which millions of Texans were left without power for days and nearly 200 people died as a result, the Legislature appears in the mood to take action — and swiftly.

"The bottom line is reliability is an issue we feel needs to be addressed soon," State Sen. Charles Schwertner, R-Georgetown, chairman of the Senate Business and Commerce Committee, said. "It is vitally important."

In June, Gov. Greg Abbott signed into law legislation that requires power plants, natural gas facilities and other infrastructure to better weatherize their systems, with penalties of up to \$1 million for not complying. The following month he directed the PUC and ERCOT to take steps to improve reliability, including getting more generation built and increasing power reserves.

### **Market rules**

But under Texas's system state officials have no authority to order more generation, instead requiring the creation of new market rules to get power companies to invest. Brad Jones, who replaced the ousted ERCOT president Bill Magness in May, is pushing several changes, including keeping closer tabs on power plant maintenance, paying generators to store fuel on site — so they can keep running if pipelines freeze.

Jones, the interim ERCOT president, also has raised the possibility of creating a so-called capacity market system in which power companies receive compensation just for having generation available, whether they use it or not.

"Ultimately where we want this grid and this market to be is serving Texas," Jones, told senators. "It will continue to drive the growth of business and industry in Texas."

How much ERCOT's plan would raise power prices remains to be seen. But it is likely to mean significant increases in energy costs for refineries, manufacturing plants and other commercial and industrial operations, which have lobbied against past efforts to raise power prices.

“At some point the leadership of this state needs to stand up to the industrials and say even with these protections in place, your power is going to be cheaper than anyone else in the country,” said Tom “Smitty” Smith, a long-time activist in Austin and executive director of the nonprofit Texas Electric Transportation Resources Alliance.

Texas Industrial Energy Consumers, which represents large power consumers, did not return a phone call for comment Tuesday. The Association of Electric Companies of Texas, which represents power plants, also did not respond to a request for comment.

Even after Tuesday’s collegial Senate hearing, efforts to reform the state’s power market are likely to face significant questions in Austin. Both residents and lawmakers continue to distrust power companies following the events of February

“Most didn’t know what ERCOT was prior to the freeze. I still have to write it down,” said state Sen. John Whitmire, D-Houston. “It’s a shame the public doesn’t have the confidence in the system.”

### **Here comes August**

State Sen. Donna Campbell, R-New Braunfels, urged the PUC to move with urgency, reminding commissioners that “we still have the heat of August to come in.”

But change is unlikely to come that quickly. The rules proposed by ERCOT and the PUC, which they have the legislative authority to enact, represent the biggest change to the Texas power market since the state deregulated electricity more than two decades ago.

“We have to provide economic incentives for companies to invest not only in existing generation but new generation,” Lake said. “It’s something we absolutely have to get right.”

---

## **Is Gov. Abbott planning to add energy issues to special session?**

Texas Energy Report

July 12, 2021

Rumors that electricity, natural gas and nuclear waste or related issues will be added to the special session agenda remain just that — for now.

---

## **Officials in charge of Texas’ power grid try to reassure lawmakers and the public that they’re fixing lingering problems**

**Lawmakers cannot pass laws to improve Texas’ power grid during the special legislative session. They’re discussing it anyway.**

By Mitchell Ferman

Texas Tribune

July 13, 2021

Gov. [Greg Abbott](#) did not include improving Texas’ main power grid in his [11-item agenda](#) for the special legislative session that began earlier this month, so lawmakers cannot pass new grid-related laws.

That didn't stop a Senate committee from calling the state's top electricity and utility regulators to the Capitol Tuesday morning to discuss the state of the power grid following [unexpected power plant outages](#) in June, lingering issues with the state's energy infrastructure from February's deadly winter storm and plans to implement legislation that lawmakers [approved](#) in the spring during the regular legislative session.

Tuesday's hearing was more of a status update on the power grid, but it was the first public opportunity for lawmakers to question the grid operator's interim president, Brad Jones, and the three-member board of the Public Utility Commission, [which oversees](#) Jones and the Electric Reliability Council of Texas. All four regulators replaced officials ousted after the winter storm that crippled the grid for days during subfreezing weather.

"It's a shame the public doesn't have confidence in the system," state Sen. [John Whitmire](#), D-Houston, told Jones.

Other senators questioned why in June, two weeks after the regular legislative session ended, some Texas power plants [unexpectedly went offline](#), spurring ERCOT to ask Texans to set thermostats higher during a heat wave to conserve energy.

Jones said the June power crunch was caused by issues stemming from the February freeze.

"We're seeing those problems show themselves today," Jones said. He did not elaborate.

Bottom of Form

Energy experts have raised concerns about the state's aging energy infrastructure following the February storm, and state Sen. [Angela Paxton](#), R-McKinney, questioned the grid officials about those concerns. Jones acknowledged the problem, adding that the state hasn't "invested enough in part of our generation fleet."

On Tuesday, Jones released a 60-point plan aimed at building lawmakers' and the public's confidence in the power grid's reliability.

Some key points in the plan include requiring CEOs of energy companies to sign a letter that their equipment is prepared to withstand inclement weather, incentivizing power plant operators to store reserve fuel onsite in case of emergencies and re-writing ERCOT's external communications materials to better inform the public about the state of Texas' power supply.

"My guarantee to you is that we intend to communicate more clearly than we've done in the past," Jones told lawmakers. "To remove industry jargon, to speak to you in ways that all of us can understand."

State Sen. [Brandon Creighton](#), R-Conroe, said some of the fault lies with state lawmakers, who have failed [over the last decade to implement meaningful grid-related improvements](#) following a severe winter storm in 2011 that highlighted that power companies and natural gas producers hadn't properly prepared their facilities for cold weather.

"There are many things that are on us," Creighton said.

Creighton added that it may take the PUC and ERCOT months or years to implement some of the changes lawmakers approved in the spring, such as requiring power plants to protect critical infrastructure from extreme weather.

When lawmakers reconvene for another special session in the fall, some are hoping grid-related issues will be on the agenda.

“It should be included in the next special session,” said Tom Smith, longtime former director of Public Citizen’s Texas office.

---

## **ERCOT has a long list of improvements for Texas electric grid. What’s in the plan?**

By Haley Samsel  
Fort Worth Star-Telegram  
July 13, 2021

Five months after a winter storm caused widespread power outages and [an estimated death toll](#) of hundreds of people, the Electric Reliability Council of Texas [announced a 60-item list](#) of reforms that the agency hopes will improve the state’s power grid and repair its strained relationship with Texans.

“Change is required for ERCOT to continue to reliably serve the millions of customers and businesses that depend on us,” Brad Jones, the agency’s interim president and chief executive, said in a statement. “These changes will benefit all Texans and support continued economic growth for the state of Texas.”

The [“roadmap” released on Tuesday](#) comes just a week after Gov. Greg Abbott [issued a public letter](#) instructing the Public Utility Commission of Texas, which oversees ERCOT, to incentivize energy companies to develop and maintain more natural gas, coal and nuclear power resources.

He also instructed the three-member board, which the governor appoints, to establish a regular maintenance schedule to prevent too many power plants from going offline at one time and require renewable energy companies to pay for power when wind and solar aren’t able to provide it. State legislators rejected the renewable energy idea in May, [according to \*The Texas Tribune\*](#).

ERCOT’s plan addresses some of Abbott’s requests, vowing to “adopt a more aggressive approach” to operating the grid. That will mean bringing more power online sooner if necessary and purchasing more reserve power in advance to keep the grid stable on days when the weather is uncertain.

The checklist will be updated regularly throughout the rest of the year, according to an ERCOT press release. Jones and his staff worked with the Public Utility Commission, retired industry executives, environmental advocates and companies participating in the energy market to “ensure all areas for improvement were considered and included,” the release reads.

Jay Zarnikau, a research fellow for UT Austin’s economics department and an author of [a new report analyzing ERCOT data](#) during the February winter storm, said he was “really impressed” by what he had seen of the roadmap, though it may not accomplish each of Abbott’s priorities. The Public Utility Commission funded the UT Austin study and provided previously unreleased data, though researchers say the agency did not influence the content or findings of the analysis.

“I think (the roadmap) is a really good step forward,” Zarnikau said. “It’s not necessarily going to address all failures identified in our report, but I think it’s a good document.”

Of the 60 items on its list, the agency has completed 20 as of Tuesday. Those actions include proposing a new rule requiring energy generators to report all forced outages — such as those due to weather-related complications — and automatically release outage information to ERCOT. Companies would also have to provide operational updates more frequently under the proposed rule.

In addition, ERCOT has conducted more than 30 on-site inspections of power plants to ensure that companies are “following their weatherization plan in preparation” for hot summer weather. The agency also says it has improved its assessment and communication of “extreme low-probability, high-impact weather scenarios,” which includes information like temperatures, rainfall and wind speed.

Still, the agency has a long way to go in accomplishing all of the priorities listed on its roadmap. The legislature [passed several new laws this spring](#), including the creation of a winter storm emergency alert plan, changes to how ERCOT can [price energy during periods of scarcity](#) and a mandate for companies to prepare their power plants for extreme weather.

ERCOT must now implement those laws across the state, and the agency has introduced an idea of its own: requiring the chief executives of power companies to sign a letter twice per year “attesting that their companies have completed their weatherization preparations” for summer and winter conditions.

In addition, ERCOT staff acknowledged the need to “eliminate industry jargon” from its communications materials in order to reach a broader audience, including people who speak Spanish. Staff members are also planning a listening tour to hear the perspectives of different communities across Texas, according to ERCOT documents.

The agency also pledged to review how it sends out alerts to “minimize false alarms and public fatigue.” Last month, [an ERCOT alert urging residents](#) to reduce electricity use for a week raised concerns that the grid [could not withstand the hot Texas summer](#). The number of unplanned outages at Texas power plants [increased more than tenfold in June](#) compared to May, and the agency has not yet explained what led to the issues.

It remains to be seen how Jones, the interim chief executive of ERCOT, will enforce some of his proposed reforms. ERCOT is expected to hire a new president by the end of the year, [according to The Houston Chronicle](#).

Jones was scheduled to testify before state legislators Tuesday and face questions about some of his more controversial ideas, including paying gas-fired power plants to store fuel on site so it could be used in case of emergencies.

“It’s a very thorough plan,” Michael Greene, a former ERCOT board chairman, told the Chronicle. “They talk about reforming the market, but a lot is going to depend on what the (Public Utility Commission) does.”

---

## U.S. coal production plummeting again

By James Osborne

Houston Chronicle

July 14, 2021

WASHINGTON – U.S. coal production plummeted to [an all-time low in 2019](#), following a brief upswing in 2017, according to data from the U.S. Department of Energy.

In 2019 the United States produced [706.3 million short tons of coal](#), a 7 percent decline from the previous year and the lowest level since 1965. That resulted in almost 800 lost coal mining jobs, leaving the industry at a little under 53,000 workers.

The drop came as U.S. coal consumption fell 15 percent to 586.5 million short tons, as the industry’s primary customer, the power sector, shifted towards cleaner sources of energy in a bid to address climate change.



In the first year of former president Donald Trump's administration coal production increased 6 percent before continuing on its longstanding decline through the remainder of his administration, according to federal data.

---

## **Cyberattacks and ransomware: How can we protect our energy infrastructure?**

**The ransomware attack that brought down the Colonial Pipeline highlighted the industry's vulnerability. We asked experts to weigh in on how the U.S. can bolster its defenses.**

By Collin Eaton

Wall Street Journal

July 12, 2021

A ransomware attack forced the largest U.S. fuel pipeline to shut down for six days in May and led to gasoline shortages across several Southeastern states. In its wake, U.S. officials have sought to bolster the defenses of an industry that for years has had fewer cybersecurity rules compared with other critical infrastructure sectors.

The Transportation Security Administration, which has regulatory authority over pipeline cybersecurity, recently issued a directive that would require pipelines to quickly report attacks to a cybersecurity division of the Department of Homeland Security. The Biden administration also has ordered agencies to improve their efforts to detect attacks and to strengthen their partnerships with private industries, and several cybersecurity-related bills are moving through Congress.

Meanwhile, Joseph Blount, chief executive of Colonial Pipeline Co., the target of the May attack, has defended his decision to pay ransom of \$4.4 million in cryptocurrency to the attack's perpetrators, saying he needed every tool at his disposal to restore the 5,500-mile pipeline's systems. The Federal Bureau of Investigation for years has advised companies not to pay when hit with ransomware, a type of code that takes computer systems hostage for payment, because it supports a booming criminal marketplace. The Justice Department said last month it recovered about \$2.3 million worth of the cryptocurrency.

The attack on Colonial Pipeline showed the vulnerability of the nation's vast energy infrastructure and has spurred debate over how the U.S. and the oil-and-gas industry can better protect critical infrastructure against assaults.

The Wall Street Journal spoke with three experts in oil-and-gas cybersecurity about how companies, regulators and policy makers can advance the security of the nation's energy infrastructure. Jim Guinn is global managing director for cybersecurity in energy, chemicals, utilities and mining at Accenture Security. Suzanne Lemieux is manager for operations security and emergency-response policy for the energy trade group American Petroleum Institute. Chris Bronk is associate professor of computer information systems and information system security at the University of Houston. Here are edited excerpts of the conversation:

**WSJ:** How can companies and the government make the energy industry more resilient against cyberattacks?

**MS. LEMIEUX:** We need to have a better information-sharing process from government agencies to private companies. There's a lot of intelligence coming through right now that just doesn't make its way to private-sector operators who need it to make better defenses for their systems. We've seen a security directive from TSA that requires incident reporting. We want to make sure there's a process in place on the government side to anonymize and share that information back with the sector so that we know what the current threats are. It takes months to declassify things. We need to really improve how they're postured to share with the private sector.

MR. BRONK: There's been a real mania about cyber intelligence, and a lot of emphasis on information sharing. But the fundamental issue is getting the intelligence community to move information around. Declassifying intelligence and rapidly kicking it out to entities that don't have the capacity to process classified information is just impossible. It's not going to get better. When the Ukraine power-grid hack happened in 2015, we waited months for Homeland Security to give us a finalized assessment, and it was essentially something that other smart people had put together long before.

If an industry wants to protect itself, it's going to have to adopt an industrial-related set of activities. This has to be the kind of event that an organization prepares for regularly, that it drills on.

WSJ: For oil-and-gas pipelines, there's no equivalent to the North American Electric Reliability Corp., or NERC, which regulates parts of the utilities sector's cybersecurity and imposes fines on companies that do not meet certain standards. Should the U.S. government create a similar body to ensure oil and gas companies have minimum standards?

MS. LEMIEUX: The oil-and-gas industry is very different for many reasons from the electric sector. The utilities don't have the antitrust issues and the competitive markets that we have in the oil-and-gas industry. There's a very long supply chain in oil and gas, a lot of different company structures, from individual owner operators to integrated companies, and lots of complexity that we see as much more difficult to cover with one standard or one regulation. We would not want to see a monolithic approach to this, because it just wouldn't work.

TSA does have regulatory authority to regulate pipeline cybersecurity. They have chosen in the past to do it through guidelines, which the industry worked on with them. We're hearing that the TSA is going to issue a second directive, and that some of these directives will have fines if you're found in violation. There's a misconception that operators won't take steps to protect against cyber threats unless they are mandated to by regulators. That overlooks the fact that companies across all industries have a business incentive to protect their data and operations from malicious actors.

MR. BRONK: The TSA directive is not a radical piece of regulation. It basically says, consult with the federal government. When you look at the grand struggle for having capacity to do cybersecurity in the federal government, TSA is just really far down the ladder. The question is whether it will create something that looks a lot like NERC's critical-infrastructure-protection plan. That's up to Transportation Secretary Pete Buttigieg, who is focused on infrastructure renewal. There aren't teeth there. But with each of these incidents, the capacity for rule-making and regulation will increase.

The industry has had an incredible aversion to regulation. The oil-and-gas industry was born out of the breakup of Standard Oil. Government changed the industry radically and I think that probably left a deep mark on the culture of the companies that were the successors to Standard Oil.

MR. GUINN: There need to be standards that we adhere to, for the minimum security control. Everybody should have a baseline. If you achieve resilience beyond that, you should be incentivized for it, not penalized. If this turns into an audit exercise, you will be less successful.

WSJ: What else can U.S. agencies do to improve public policy on energy cybersecurity?

MR. GUINN: An integrated energy company can deal with wind, solar, oil and gas, refining, pipelines, trains and terminals. If you look at all of that, how many different agencies are you having to respond to if you have a material situation? The Department of Energy, Homeland Security, the Pipeline and Hazardous Materials Safety Administration, the Coast Guard. There are so many that there is confusion. Every dollar you spend on coordination across all those agencies is \$1 you could have spent to become more cyber resilient. I would love to see there be just one entity that can help the energy industry.

WSJ: Why are ransomware attacks against the energy industry increasing?

MR. GUINN: Because many organizations are paying the ransoms. Our threat-intelligence team's report on the energy industry, meaning everything outside of utilities, found that when you compare the full year 2020 to the first five months of 2021, there was a 42% increase in publicly known ransomware attacks against energy companies. It went from 19 last year to 27 from January to May.

We have energy moving from 10th-most-targeted industry last year to No. 4 this year. Once an industry starts paying, attacks increase. In the year since the pandemic started, in March 2020, we saw eight out of 10 operational technology cybersecurity programs canceled, reduced or deferred. They know they have to have cyber resilience. But when commodity prices get so distressed, so fast, you have to make a business decision about what spending you could stop. That's a perfect storm.

WSJ: What's your stance on whether companies should or should not pay the ransoms?

MR. BRONK: Many of these ransoms are a rounding error for companies. It's like that Austin Powers scene where Dr. Evil says "we're going to hold the world ransom for \$1 million," and everyone is like, that's not very much money. The ransomers are going where the payouts are. And these ransomers have gotten pretty businesslike. The outcome of paying the ransom and getting the keys to unlock your stuff has gotten a lot better. But still, every ransom that gets paid is legitimizing this illegal business activity.

MR. GUINN: When you're dealing with critical infrastructure, every business needs to make the determination if they would pay. When you ask energy companies, do you have a cyber incident response plan, the answer is usually yes. But do you have a strategy and business imperatives laid out for what will trigger you to pay? Most say no. You don't want to be faced with that decision in the throes of an actual event. You need to tabletop it. You need to exercise it. You need to debate it internally. You need to be able to figure out what your protocols would be to determine whether you would or would not pay.

*Mr. Eaton is a Wall Street Journal reporter in Houston. He can be reached at [collin.eaton@wsj.com](mailto:collin.eaton@wsj.com).*

---

## **Pfluger files bill to modify federal Endangered Species Act**

By Caitlin Randle

Midland Reporter-Telegram

July 13, 2021

a bill that he says will "modernize" the federal Endangered Species Act and prevent it from "being used as a weapon against critical agriculture and energy industries."

House Resolution 4370, or the Listing Reform Act, would reform the ESA and limit federal regulations regarding endangered species, according to a press release Tuesday. The release notes that environmental groups have sought to have the sagebrush lizard and lesser prairie chicken listed as endangered species, which could have an impact on the oil industry.

"Extreme environmental groups regularly wield the outdated Endangered Species Act as a weapon against the agriculture and energy industries," Pfluger said in the release. "This legislation reforms the ESA to deliver reasonable, common-sense protections for endangered species while preventing overbearing regulations coming from Washington, D.C."

The bill would require the federal government to further analyze the cost of reviewing petitions for the ESA. Text of the bill was not yet available as of Tuesday afternoon.

HR 4370 has been endorsed by the Texas Farm Bureau, the Texas & Southwestern Cattle Raisers Association, the Permian Basin Petroleum Association, the National Endangered Species Act Reform Coalition and Texas Cattle Feeders Association, according to the release.

“Texas Farm Bureau appreciates Congressman August Pfluger for introducing the Listing Reform Act, which creates commonsense solutions to streamline the Endangered Species Act,” TFB President Russell Boening said in the release. “Easing regulatory burdens on farmers, ranchers and landowners has long been a priority for Farm Bureau.”

PBPA President Ben Shepperd said the purpose of the ESA has been distorted and the act has been misused.

“This bill represents exactly the kind of changes that supporters of true reform, including PBPA, have been calling for,” he said. “This legislation stands as a shining example of how incremental, but important, changes can go a long way towards the modernizing and updating of the nearly-50 year old ESA, that the nation so desperately needs.”

The bill was introduced to the U.S. House on July 6 and referred to the House Committee on Natural Resources.

---

## **‘In hell’: Nowhere has been drier than this stretch of Texas**

By Daniel Cusick

E&E News

July 14, 2021

A West Texas cotton farmer in a desiccated field in 2014, during a historic drought that struck the region for a decade. Jim Brandenburg/ Minden Pictures/Newscom

Ten years ago this month, two North Texas counties began to feel the squeeze of what farmers in the Southern Great Plains call a “long dry spell.”

No one in Wilbarger or Wichita counties — or the rest of Texas, for that matter — imagined just how dry it would get.

By the end of the 2011, Wilbarger, home to the legendary Waggoner Ranch (once hailed as “the largest ranch under one fence”), was running a rain deficit of nearly 20 inches, roughly 65% below average over the calendar year.

The rest of Texas was not far behind.

Deep-pocketed ranchers, like Waggoner, shipped livestock to cooler climates in Montana and Wyoming. The less fortunate shipped underweight “killer cattle” to auction, where they were sold for hamburger.

“During that peak time, everybody was selling out. Cows weren’t worth a lot,” said Langdon Reagan, agriculture extension agent for Wilbarger County.

Texans prayed for soaking rain. It came 42 months later, in May 2015, ending one of the longest, deepest, most crippling droughts in modern U.S. history.

“We went from trying to raise crops and cattle to just trying to stay alive,” Michael White, a fourth-generation wheat, cotton and cattle producer from south Wilbarger County, recalled in a telephone interview. “They say you can’t feed yourself through a drought. Luckily we did.”

But will future generations be as lucky?

It’s an existential question in the Southern Plains, where average temperatures are projected to rise 4.4 to 8.4 degrees Fahrenheit by the end of the century, compared to 1976-2005 averages, according to the 2018 National Climate Assessment.

“Temperatures similar to the summer of 2011 will become increasingly likely to reoccur, particularly under higher [greenhouse gas emissions] scenarios,” the [assessment](#) said. If emissions remain high, “the region is projected to experience an additional 30-60 days per year above 100°F than it does now.”

### **‘Kind of like living in hell’**

Relatively few people in Wilbarger and Wichita counties are familiar with the National Climate Assessment. But nearly everybody remembers the string of uninterrupted triple-degree temperatures from June to August 2011. It was the precursor to the four-year drought of record for Texas.

“It was kind of like living in hell, we all think,” recalled Kyle Miller, general manager of Wichita County Water Improvement District No. 2, which provides irrigation water to farmers across 41,000 acres of cropland.

“Between 2011 and 2015 we were so desperate for rain, we weren’t able to provide water to our farmers,” he added. “Our lake that we irrigate out of got down to about 18%” capacity. That was a game-stopper.”

Today, the lake is at 100% after a wetter-than-average spring. The irrigation season started a month early to reduce risk of overspill. “This part of the world, we’re praying for rain, and sometimes we wonder if we’re going to get any or we’ll get all of it at one time,” Miller said.

Acute drought followed by heavy precipitation is becoming more common in the South compared to other regions like the Northern Great Plains or the Pacific Northwest, which is still emerging from this month’s history-making heat wave. What made the 2010s Texas drought so devastating, experts say, was the duration of deadly heat and the compounding impacts on the landscape — from dead seedlings to soil erosion and livestock dying in the field.

A recent [analysis](#) of D4 exceptional drought — the worst kind — shows that Wilbarger and Wichita counties experienced the hottest, driest conditions of the 2010-2019 decade — in all of the U.S. It was a period of remarkable drought elsewhere, too. There was crushing dryness in California and a 2019 “flash drought” that enveloped the Southeast and Ohio Valley ([Climatewire](#), Oct. 4, 2019).

But none compared to the scorched Texas counties.

Becky Bolinger, a Colorado State University climatologist who published the analysis, found that Wilbarger County spent more than 20% of the 2010s under D4 drought, a direct outcome of the 2011-2015 period. Wichita and Tillman County, Okla., just across the state border, closely followed at 19%.

In a telephone interview, Bolinger stressed that D4 drought can happen across much of the United States, particularly in the West and South, where precipitation and temperature swings are becoming more volatile.

But she was struck by Wilbarger’s singular status.

“To me what was interesting is that it was one small county popping out in a sea of other small counties,” Bolinger said. “I would say, without looking at all of the data, there is a pattern of increased variability in the Southern Plains. Over the long term, conditions there are expected to become hotter and drier.”

### **Desperate times, ‘Draconian’ measures**

The city of Wichita Falls, population 104,000 and home to Sheppard Air Force Base, isn’t waiting for conditions to become less stable. Last decade’s drought triggered a crisis. The city’s primary drinking water reservoir fell to below 20% of capacity. The same thing happened to two backup reservoirs.

“Residents were selling their homes and moving, industries began closing their doors and Sheppard Air Force Base was considering and planning to move missions from Wichita Falls to other bases,” the city’s public works department noted in a post-disaster summary.

At Sheppard AFB, the region’s largest employer, commanders faced the prospect of moving some operations to other installations. Instead, the base dramatically reduced its water consumption, including through the use of “gray water” and eco-friendly latrines. Sheppard’s swimming pool was spared from at least one water restriction in 2014 when an anonymous off-base entity paid for water to be trucked onto the base to fill the pool.

Daniel Nix, the city’s utilities operations manager, said industrial facilities were the first to step up. They cut their net water discharges to near zero by capturing all wastewater through a closed-loop reuse system. The measure helped, but it was a Band-Aid on a bleed-out.

Other water conservation measures were more “draconian,” according to the public works summary. One involved asking the city’s roughly 35,000 metered water customers to accept treated and blended wastewater piped directly to their home taps without passing through an environmental buffer like a lake, wetland or aquifer.

The process, called “direct potable reuse” had been studied for years, and some experts say it will become an essential tool in water-constrained places in the future. Currently only Texas allows DPR for drinking water, and only two communities in the state have deployed it: Wichita Falls and Big Spring in west central Texas.

Hesitancy to send treated wastewater to drinking taps has slowed DPR’s adoption. But Wichita Falls embraced it, even pushing Texas officials to fast track its approval process (*Climatewire*, July 11, 2014).

“We were getting outcries from citizens asking what was taking so long. Didn’t the state of Texas know we were running out of water?” Nix said.

Today, Wichita Falls continues to repurpose water for drinking, mostly via “indirect potable reuse,” where treated and filtered wastewater is first released into Arrowhead Lake before returning to taps via standard water treatment. The program will continue indefinitely, Nix said, conserving between 2 million and 4 million gallons of water per day during peak summer demand months.

“We’re confident that the system will play its part in helping us get through future droughts,” Nix said. “Will it completely drought proof us? Probably not, especially if the next drought is worse than the one we just went through.”

### **‘Crazy dry’ weather or climate change?**

In North Texas, like much of rural America, worsening drought remains for many an act of God, rather than a catastrophe linked to human behavior.

White, 58, the wheat and cotton farmer, acknowledges “that some things have changed climate-wise” in Wilbarger County. But he contends that over the 100-year history of his family’s farm, extreme conditions have challenged every generation at least once, probably more.

“I’m not a big true believer in climate change the way it’s presented,” he said. “I think we have cycles in everything. Some things have changed, sure, but I don’t think it is necessarily a man-made deal, but a natural deal.

“Early this year, everywhere you read there was another La Niña setting in, and it was going to be another very dry year. We probably just had the wettest last 60 days in a long time. But 30 miles west of me, it was totally different.”

Scientists say such conditions are consistent with climate change. Temperature and precipitation extremes can shift over relatively short periods and within tightly defined geographic areas, like the space occupied by one or two counties.

Miller, of the Wichita County Water Improvement District, isn’t fully buying it either.

“I don’t know what it’s like in Washington, but here we think it’s pretty foolish to try to predict the weather,” he said.



**Andrew Keese**

Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



**From:** Andrew Keese  
**Sent:** Wednesday, June 23, 2021 9:37 AM  
**To:** NewsClips  
**Subject:** RRC News Clips: June 23, 2021

## **New legislation signals strong support for CCUS in Texas**

By Madeline Mathews Thomas

JD Supra

June 22, 2021

On June 9, 2021, Texas Governor Greg Abbott signed House Bill 1284 (“HB 1284”), which was introduced along with its Senate companion, SB 450, during the state’s 87th legislative session. HB 1284 grants the **Texas Railroad Commission (“RRC”)**, the governmental agency that regulates the state’s oil and gas industry, sole jurisdiction over Class VI Injection Wells and carbon capture, use, and sequestration (“CCUS”) activities in Texas.

Class VI Injection Wells, which we have [discussed previously](#), are used to inject carbon dioxide (“CO<sub>2</sub>”) into deep rock formations, also known as geologic sequestration. This technology is utilized in order to reduce CO<sub>2</sub> emissions to the atmosphere and mitigate climate change. Class VI wells are one of six types of underground injection well classes established by the U.S. Environmental Protection Agency (“EPA”) that are subject to the requirements of Section 1421 of the Safe Drinking Water Act for the purpose of protecting underground sources of drinking water from endangerment.

A Class VI Underground Injection Control permit is required prior to drilling and operating a Class VI well for CCUS operations. While Texas currently has “primacy” (approval from the EPA for permitting and enforcement authority) over issuing permits for wells in Classes I-V, it does not yet have primacy for wells in Class VI, which means that final authorization still comes from the EPA. At this time, only Wyoming and North Dakota currently have Class VI primacy, though Louisiana is currently in the process of applying for primacy. Again, more on that [here](#).

Until the passing of HB 1284, which is effective immediately, the **RRC** and the Texas Commission on Environmental Quality (“TCEQ”) split jurisdiction over geologic storage of CO<sub>2</sub>, depending on whether the geologic formation itself was capable of producing oil, gas or geothermal resources. This shared regulatory responsibility within the state created an impediment to Texas’ eventual goal of receiving primacy from the EPA.

HB 1284 changed that by tasking a single agency with seeking delegation authority from the EPA on Class VI Injection Wells. The **RRC** now has sole jurisdiction in Texas over the regulatory processes for these wells, simplifying the steps toward and paving the way for the **RRC** to seek primacy from the EPA and thus streamline the permitting process. If Texas were granted primacy from the EPA over Class VI Injection wells, the **RRC** would be required to enforce the EPA’s environmental standards, and primacy could be revoked if the **RRC** failed to do so. The TCEQ will also continue to have input on each application for a permit to build a Class VI well, regardless of whether or not primacy is achieved.

This recently enacted legislation is indicative of strong support in Texas for the development of CCUS projects and helps clear the path for onshore and offshore CCUS deployment within the state. The next step will be for Texas to apply for primacy from the EPA, a process which is expected to take one to two years. Louisiana began this process last year, sending drafts of primacy documents to the EPA for review at the end of 2020.



Class VI regulations were published in the Louisiana Register on January 20, 2021, and it is expected that the EPA will complete its review of the package and public comments by the third quarter of this year.

---

# US E&Ps' pledge to end 'routine flaring' falls short

By Deon Daugherty

Energy Intelligence

May 24, 2021

US producers are lining up behind the World Bank's "Zero Routine Flaring by 2030" initiative as part of wider commitments to reduce greenhouse gas emissions. But while adherence is a strong first step, Energy Intelligence analysis has found that it will not end flaring to the degree many might think.

The initiative standardizes a definition for "routine flaring" at a time when many different definitions are found across the industry, sources say. The World Bank defines it as such:

- Routine flaring of gas is flaring during normal oil production operations in the absence of sufficient facilities or amenable geology to reinject the produced gas, utilize it onsite, or dispatch it to a market.

That language might suggest that a wide net has been cast to capture a significant amount of flared gas ([NGW Jul.15'19](#)). But Energy Intelligence has found meaningful limitations in its real-world application -- potentially allowing flaring to continue well beyond 2030 if not addressed through further action.

That could create problems for oil and gas producers, which face mounting pressure to address their wider emissions footprint.

Just last year, France's government intervened on a supply deal for US LNG, calling US gas "dirty" due to a lack of regulatory pushback against flaring in the Permian Basin ([NGW Oct.26'20](#)).

## Qualifying What Counts

Flaring is a tricky problem for the industry. Global flaring has remained at around 140 billion cubic meters for the past decade. At the height of US shale production in 2019, the country's flaring jumped by 23% year on year, pushing global totals up 3%.

Routine flaring is just one piece of that, and what counts as "routine" can vary across different circumstances.

For example, flaring is generally considered routine in the absence of sufficient pipeline capacity. But under its 2030 initiative, the World Bank limits this definition to new development areas – a significant limitation to its remit. Routine flaring at existing assets that lack pipeline access is not counted toward the pledge if there is no economic use for the gas.

Flaring based on a system upset or equipment problem is categorized as routine for the operator of the assets. However, if a third party operates, the flaring is not considered routine. Companies are also only responsible for routine flaring at developments they operate, not those where they are a nonoperated partner.

Any gas flared for safety purposes is not considered routine flaring.

So what does all this mean in practice? Energy Intelligence analyzed the efficacy of the World Bank's initiative by applying its definition to the Permian, where rampant flaring has followed a surge in associated gas output. The analysis found numerous examples of flaring that fall outside the "routine" definition.

Routine Flaring	Not Routine Flaring
Gas production exceeds existing infrastructure capacity	Gas flared during an accident to ensure safe operations
Flaring from an oil/gas separator	Gas blow-down following an emergency shutdown to prevent overpressurization
Process unit flaring, including the process at oil storage tanks or tail gas treatment units	Gas containing hydrogen sulfide (H <sub>2</sub> S)
High-line pressure on operator-owned equipment that lasts more than three months	Presence of high levels of volatile organic compounds other than methane
Distance from a new development to a pipeline is too far to be economic	Ensuring safety during process unit flaring, including the occurrence at oil storage tanks or tail gas treatment units
--	Equipment failure of a third party contracted to handle gas
--	Start-up following facility shutdown
--	Temporary failure of third-party facility that prevents receipt of gas
--	During construction activities, such as tie-ins, change in operating conditions or plant design modifications
--	Reservoir or well maintenance, such as wire line intervention
--	High-line pressure on operator-owned equipment that is resolved within three months
--	High-line pressure; third-party ownership
--	Distance from an existing well to a pipeline is too far to be economic
<i>Source: Energy Intelligence research</i>	

Texas law requires permits for flaring that happens outside of a handful of situations surrounding early-stage production. But the **Texas Railroad Commission**, which oversees those permits, very rarely denies such requests ([NGW Jul.1'19](#)).

### **Clarifying Perceptions**

All this is not to say the World Bank initiative is an ineffective tool. But given that no signatory companies have released absolute figures around how much carbon dioxide is abated with the pledge -- nor did they when requested by Energy Intelligence -- the magnitude of its impact is difficult to judge.

The World Bank was unable to provide an estimate of how much flaring would be categorized as “routine” by press time.

Occidental Petroleum was the first company to endorse the pledge ([NGW Mar.8'21](#)). A spokesman for the company told Energy Intelligence that Oxy will report data to World Bank this year. Chevron’s routine flaring data will be reported to World Bank in 2023, a spokesman said.

One issue with the pledge’s limitations is that stakeholders unfamiliar with the nuances of industry flaring may conclude that signatory companies are making more significant changes than the initiative holds them to. If stakeholders were to then find out that isn’t the case, it risks further damaging the industry’s already tenuous reputation.

“I am quite certain that most investors believe that [the endorsement] means that companies are committing to eliminate the vast majority of their flaring,” Andrew Logan, senior director for oil and gas at investment advisory group Ceres, tells Energy Intelligence. “The idea that it might not include a large set of perhaps very common situations is going to be a very unwelcome surprise to a lot of investors.”

In other words, the work doesn’t stop once the World Bank pledge is fulfilled.

Royal Dutch Shell, for example, has reduced its overall flaring in the Permian by 90% since 2016 as well as its methane and greenhouse gas emissions intensity by 80% -- all while its production has risen by 80%.

“All numbers we are proud of, but more work needs to be done to get us to our goal,” says spokeswoman Natalie Gunnel.

---

## **BP starts production from new Gulf of Mexico project**

By Paul Takahashi  
Houston Chronicle  
June 23, 2021

BP has started production from two new deepwater wells in the Gulf of Mexico, furthering its plans to add 900,000 barrels of oil and natural gas production per day by year-end.

The two wells, at the Manuel project site about 140 miles off the coast of New Orleans, are expected to boost production from the Na Kika platform by an estimated 20,100 barrels of oil and gas per day. The British oil major on Wednesday said it added a new subsea production system to the platform, which will extract oil and

gas from reservoirs 21,000 feet below the gulf. BP and Shell each hold a 50 percent working interest in the Manuel project.

“Manuel is exactly the type of high-value project that is critical to growing our business here in the Gulf of Mexico,” said Starlee Sykes, BP’s senior vice president of the Gulf of Mexico and Canada. “BP’s focused and resilient hydrocarbons business is a key pillar of our strategy.”

Although BP has moved aggressively into wind and solar projects over the past year, the company plans to expand its traditional oil and gas business in the Gulf of Mexico, where BP is a leading producer. BP operates four production platforms in the gulf: Thunder Horse, Atlantis, Mad Dog and Na Kika, with a fifth platform, Argos, expected to come online in 2022.

BP expects to increase its Gulf of Mexico production to more than 400,000 barrels of oil per day by the middle of this decade, up from more than 300,000 barrels of oil per day in 2019.

The oil giant has said it plans to use its revenue from its oil and gas business to help fund its pivot from an international oil company into an international energy company. It announced plans last year to become a net-zero emissions company by 2050 or sooner, promising to gradually reduce its oil and gas production as it shifts toward renewable and green energy sources.

BP next year expects to launch its new Argos platform, which [in April was transported from a South Korea manufacturer](#) to a fabrication yard near Corpus Christi where it is being finished. The 27-story-tall floating semi-submersible, one of BP’s largest, is expected to produce up to 140,000 barrels of oil and gas per day, boosting BP’s output in the Gulf by about a quarter. The platform is BP’s first addition to the Gulf since 2008, before the deadly Deepwater Horizon explosion and oil leak in 2010.

“The safe production of resilient hydrocarbons in the basins we know best is core to advancing our strategy to transform into an integrated energy company,” said Ewan Drummond, BP’s senior vice president of projects.

---

## **Wastewater reuse bill lauded by oil & gas industry**

By Yantis Green  
San Angelo Live  
June 22, 2021

AUSTIN – Todd Staples, president of the Texas Oil & Gas Association, issued the following statement after SB 601, which creates the Texas Produced Water Consortium at Texas Tech University to study the beneficial use of produced water specifically focusing on the economics, technology and impact on environmental and public health, was signed into law by Governor Abbott:

“Today’s oil and natural gas companies are technology companies, and treating, reusing and recycling produced water for beneficial use in the oil patch and beyond is becoming more common thanks to this industry’s commitment to innovation. This Consortium will allow industry and our partners to build upon pioneering work in produced water recycling and reuse to find even more innovative ways to allow wastewater to be recycled and treated into new drought-proof sources of water, keeping the Texas oil and natural gas industry at the forefront of water conservation, innovation and sustainability efforts in the state. We thank bill authors Senator Charles Perry, Representative Dustin Burrows and the Texas Legislature for promoting innovation in the responsible development of our state’s natural resources.”

## Court's 'historic' FERC slap-down shifts pipeline war

By Niina H. Farah, Mike Soraghan and Miranda Willson

E&E News

June 23, 2021

A federal court ruling yesterday could influence how the Federal Energy Regulatory Commission reviews and approves pipelines, with major implications for the gas industry and legal cases around the country, analysts say.

The U.S. Court of Appeals for the District of Columbia Circuit axed a certificate for the Spire STL pipeline in a forceful opinion that criticized FERC for failing to follow its own policies and delve into whether there was a need for the 65-mile natural gas pipeline from Illinois to Missouri.

Instead, the court found that FERC had relied too heavily on Spire's precedent agreement with shipper Spire Missouri, a retail utility that was affiliated with the pipeline developer (*E&E News PM*, June 22).

The fate of the operational pipeline is now in the hands of the agency. Analysts said the ruling could influence FERC's ongoing review of its Certificate Policy Statement, which dictates the process for determining whether a proposed pipeline is in the public interest and should therefore be approved. FERC Chairman Richard Glick reopened the review this year but has not indicated when it will end.

The agency has historically greenlit proposals as long as they included one or more precedent agreements, which indicate that customers are willing to reserve capacity on the pipeline, but that practice could change depending on the outcome of the FERC review (*Energywire*, May 28).

"I don't think it can be overstated how important this decision is today," said Gillian Giannetti, an attorney with the Natural Resources Defense Council's Sustainable FERC Project. "This is a historic opinion that could change the landscape of how FERC assesses pipeline need."

In a statement, FERC said it is reviewing the decision to determine what actions "may be appropriate."

The ruling could affect other major projects currently being challenged in court, such as the PennEast and Mountain Valley natural gas pipelines, which FERC also approved after reviewing affiliate precedent agreements, legal experts said.

"FERC is really going to have to flesh out a new process by which it considers public convenience and necessity for affiliate projects, and there are many, many of those around the country right now," said Jennifer Danis, a senior fellow at Columbia Law School's Sabin Center for Climate Change Law.

Danis, who filed an amicus brief in the case on behalf of a client, said it will be important for the commission in the future to back up its conclusions on pipelines with data and modeling. She noted that federal law has always required FERC to take those steps but said litigation is sometimes necessary to prompt compliance. This case defined the outer bounds of what FERC could do under the law, she said.

"The D.C. Circuit is quite clear about protecting the public interest and FERC's obligations, when it's making assertions about vague public benefits, that it has that data to support those," she said.

In the ruling, the D.C. Circuit agreed with the Environmental Defense Fund that FERC had ignored "record evidence of self-dealing" and had not seriously weighed the benefits of the projects against their potential risks.

“Under the circumstances presented in this case — with flat demand as conceded by all parties, no Commission finding that a new pipeline would reduce costs, and a single precedent agreement between affiliates — we agree with EDF that the Commission’s approach did not reflect reasoned and principled decisionmaking,” said Senior Judge Harry Edwards in an opinion for the court.

“This is a tremendous victory to get rid of this blind reliance on affiliate precedent agreements and the idea that they can weigh the adverse impacts with a one-sentence conclusion,” said David Bookbinder, chief counsel at the Niskanen Center, which has represented landowners before the commission in various proceedings.

The decision would directly affect Bookbinder’s case against the pipeline associated with the Jordan Cove liquefied natural gas terminal in Oregon. As with the Spire STL pipeline, FERC also relied on affiliated precedent agreements in its approval of Jordan Cove’s Pacific Connector pipeline, he noted.

Bookbinder said he is planning to notify its panel of judges in the D.C. Circuit in his case of the decision soon.

The ruling “cuts FERC off at the knees about several of their favorite subterfuges, their insistence that affiliate agreements are as valid as any other precedent agreements and that they don’t have to look at any other factor,” he said.

“The court said you certainly do have to look at other factors when people are bringing you evidence of self-dealing,” Bookbinder said.

Natalie Karas, the lead counsel of the energy program at EDF, who led the challenge against the FERC certificate, agreed that yesterday’s decision would likely alter FERC’s approach but did not comment on whether the ruling might spark new lawsuits against natural gas pipelines.

“I think, going forward, this decision will guide FERC’s action in approving new applications and considering other similar examples and will show to pipeline developers what would be considered permissible under the statute and what would not,” she said.

### **Glick and a looming shutdown?**

FERC’s review of its Certificate Policy Statement on pipeline approval processes has drawn thousands of comments so far.

The current policy statement says that FERC will scrutinize “all relevant factors” when considering proposed pipeline projects. But environmental groups, industry representatives and commissioners themselves acknowledge that the existence of precedent agreements has historically been viewed by the commission as a proxy for pipeline need.

“[The] fact that the court so swiftly knocked down the Commission’s reliance on an affiliate precedent agreement to demonstrate market need here will undoubtedly factor into FERC’s broader reexamination of the Certificate Policy Statement,” Jeff Dennis, general counsel and managing director of Advanced Energy Economy, a clean energy trade group, said in an email.

Glick, who voted against the commission’s 2019 decision to approve the Spire STL pipeline, has criticized the reliance on precedent agreements, particularly in cases where project applications only include agreements between affiliated companies. Yesterday’s ruling underscores the need for the commission to revisit its methodologies for discerning the demand for and benefits of a project, Glick said.

“As I noted in my 2019 dissent regarding the Spire project, the Commission must consider all relevant factors when determining the need for a project and balance the evidence of need against adverse impacts,” Glick said

in a news release. “Today’s decision shows that when FERC cuts corners with its analysis, it puts its decisions — and the investments made in reliance on those decisions — at substantial risk.”

Former FERC Commissioner Cheryl LaFleur, a Democrat who had also voted against approving the pipeline, praised the court’s ruling on social media shortly after the decision.

“I was excited to see today’s DC Circuit opinion vacating and remanding this case, which clearly violated @FERC’s own standards for public interest and necessity,” she wrote on Twitter.

Although precedent agreements between affiliate companies have come under fire as a questionable signal of project need, supporters argue that the deals are still binding contracts showing market demand for a pipeline.

“An affiliated shipper’s need for capacity and its obligation to pay for such service under a binding contract are not lessened just because it is affiliated with the project sponsor,” FERC wrote in its majority order approving the Spire STL pipeline in 2018.

Despite yesterday’s ruling, the pipeline developer said the pipeline “has more than proven it is essential,” particularly during the polar vortex last February.

“While other parts of the Midwest struggled with supply and extremely high costs, the STL Pipeline ensured the St. Louis region had access to reliable, affordable energy, when it needed it most,” said Jason Merrill, a spokesperson for the company.

“We are currently reviewing the order and considering next steps,” Merrill said.

Analysts at ClearView Energy Partners, though, predicted that the pipeline could be shut down.

“Spire STL’s shut down currently looks to be more a question of when than if,” ClearView said in a note yesterday.

### **‘This is shocking’**

Landowners, who say Spire and its contractors bullied and mistreated them throughout development and construction of the project, called for immediate action on the pipeline.

“They need to shut that gas off right now,” said Kenny Davis, who has about 1,500 feet of the pipe on his land. “As far as I’m concerned, they’re trespassing.”

But it’s not clear to them what comes next.

“It’s never happened before,” he said, “so I don’t know what’s going on.”

Nate Laps, a consultant hired by Davis and other landowners whose land was condemned, has been leading the fight for years. Laps said he was stunned by the ruling.

“This is shocking,” he said. “This is an unknown.”

Davis said Spire took his land under what’s called “quick-take” condemnation, after offering him “pennies on the dollar” compared with what it was worth. He still hasn’t been paid, or gotten a court date to make his case.

The construction crews mixed precious topsoil with clay, ripped out his timber and ruined the best deer-hunting spot on the land, he said. He had hoped to build a retirement home on the property, but can’t because the high-pressure line runs through the middle of it, and the home would be in the blast zone if it ruptured.



“FERC just let them get away with it,” Davis said.

Spire said it went “above and beyond expectations” in its handling of construction ([Energywire](#), Sept. 23, 2019).

FERC allowed the pipeline to begin operations in 2020, despite protests from landowners that the company wasn’t fixing the damage it had done to their farms. Under former Chairman Neil Chatterjee, FERC told officials that any problems had been handled responsibly.

“Spire is appropriately documenting any environmental compliance issues,” Chatterjee [wrote](#) in 2019.

Laps’ firm holds a purchase option on its clients’ land as wide as the easement, and that could be a factor in any resolution of what happens with the land and the pipe.

He said it might be best for the landowners in the long term if the pipeline keeps pumping gas, since it’s already operating. Ripping it out would cause more damage, though pipelines usually stay in the ground even after operations cease, according to Laps. His clients, he said, didn’t oppose the pipelines, but were angered by Spire’s tactics.

“They just want to be made whole,” Laps said, “and return to good farming practices.”

Email: [nfarah@eenews.net](mailto:nfarah@eenews.net)

---

## Key to the shale boom? 3 federal subsidies

By Carlos Anchondo and Lesley Clark

E&E News

June 23, 2021

Federal subsidies played a key role in helping to sustain the U.S. shale boom over the past two decades, swelling the expected value of oil and gas projects by as much as \$20 billion per year, according to a new report.

The [analysis](#), released this morning by the Stockholm Environment Institute, examined the three largest U.S. federal oil and gas subsidies and how they affected the expected value of nearly 2,500 oil and gas fields that began producing between 1998 and 2019.

The report found that two subsidies alone — the expensing of intangible drilling costs and the percentage depletion allowance — increased the expected value of new oil and gas projects by billions of dollars in most years, and by more than \$20 billion in years with high oil prices, such as 2008 and 2010 to 2014.

The analysis said the two subsidies — which Democrats have long targeted for repeal — added “substantial value” to new, unconventional oil and gas projects in top-producing regions like the Bakken Formation, the Appalachian region and the Permian Basin.

It also said that some oil and gas firms benefited more than others. It estimated that subsidies boosted Chesapeake Energy Corp.’s expected project returns by \$9 billion in 2008, primarily from oil and gas fields under development in the Marcellus Shale of the Appalachian region and in the Haynesville shale formation, located in parts of Texas and Louisiana.

And in 2012, subsidies “could have amplified” Pioneer Natural Resources Co.’s expected project returns by \$8 billion, the report added, primarily from fields being developed in the Permian Wolfcamp shale play.

Neither Chesapeake nor Pioneer could be reached for comment yesterday.

The report noted that there is little information available about which companies, types of oil and gas drilling, or regions of the country have benefited most from subsidies because neither the companies themselves nor the IRS provides detailed information.

The study from the international policy organization comes as Democrats seek to repeal oil and gas subsidies — some dating back a century or more — as part of their effort to address climate change and transition the United States to cleaner sources of energy.

Biden and congressional Democrats have sought to overhaul the tax code to address fossil subsidies.

“In the push to create a modern, low-carbon economy, the tax code is a powerful policy tool, and can be used to help transition away from high-carbon industries, like fossil fuels, to less polluting forms of energy,” the report said.

The study’s lead author said the analysis provides evidence that the subsidies aren’t necessary to spur production.

“When times are good, these subsidies are just going to extra profit, over and above what would be needed to make the field viable,” said Peter Erickson, the climate policy program director at the institute’s U.S. center.

Biden, who pledged on the campaign trail to end fossil fuel subsidies, has proposed paying for his infrastructure plan by ending what his administration calls “long-entrenched subsidies to fossil fuels” (*Energywire*, April 8).

He would instead use targeted tax incentives to promote clean energy.

The American Petroleum Institute did not respond to a request for comment on the report. But in response to Biden’s infrastructure plan, API in March said the oil and gas industry “receives no special tax treatment,” and that the U.S. tax code is “applied equally across industries.”

“Targeting specific industries with new taxes would only undermine the nation’s economic recovery and jeopardize good-paying jobs, including union jobs,” said Frank Macchiarola, API’s senior vice president for policy, economic and regulatory affairs, in a statement at the time.

The SEI report said that “what makes these tax measures subsidies” is that “they are financial benefits not generally available to other industries.”

Former President Obama repeatedly but unsuccessfully called for repealing the same tax breaks in his annual budget requests.

### **Biden and Congress**

Biden’s Treasury Department estimated in April that eliminating subsidies for fossil fuel companies would increase government tax receipts by more than \$35 billion over the next decade.

ClearView Energy Partners LLC noted at the time that although Treasury did not detail which fossil provisions it would target, the \$35 billion in tax breaks suggests an effort to eliminate direct incentives such as deductions for intangible drilling costs.

The fossil fuel industry also enjoys master limited partnerships, a deduction for domestic manufacturing and clean coal investment credits, among others.

House Democrats have filed legislation targeting 11 provisions of the tax code, including breaks for intangible drilling costs and the enhanced oil recovery credit.

Sen. Ron Wyden (D-Ore.) in April also introduced a bill that would eliminate fossil fuel tax breaks and create new incentives for zero-emissions energy sources.

But Republicans on the Senate Finance Committee insisted that the rollbacks would hurt jobs in the industry.

Environmentalists have estimated that fossil fuel corporations receive as much as \$15 billion in direct subsidies from the federal government every year.

Twitter: [@cjancho](#) Email: [canchondo@eenews.net](mailto:canchondo@eenews.net)

---

## **Bennet introduces drilling reform, orphaned well bills**

By Heather Richards

E&E News

June 23, 2021

Colorado Democratic Sen. Michael Bennet is the latest lawmaker this year to propose billions of dollars to clean up the nation's orphaned oil and gas wells.

With a pair of bills released yesterday, Bennet aims to rush dollars toward federal agencies tasked with tracking and reclaiming abandoned wells on public land.

The legislation also includes reforms that could irk GOP lawmakers, like higher bonding for wells to make sure taxpayers are not left on the hook for cleanup costs.

"Our bills not only invest in orphaned well clean up, but also restore the role of local leaders in lease sales, and hold companies operating on public lands to the same high standards that responsible operators already follow," said Bennet in a statement.

The bills have yet to find co-sponsors, but they echo popular reform ideas circulated this year by the White House, tucked into infrastructure proposals in recent days and introduced in bills by other lawmakers in the 117th Congress.

Bennet's "Oil and Gas Bonding Reform and Orphaned Well Remediation Act" [would](#) provide \$8 billion, over a 10-year period, to pay for the cleanup of abandoned oil and gas infrastructure.

It would also increase the bonding companies have to pay from \$10,000 on a single federal lease to \$150,000. A statewide blanket bond would be raised from the current \$25,000 minimum requirement to \$500,000.

The "Public Engagement Opportunity on Public Land Exploration (PEOPLE) Act" [would](#) make public the identity of individuals or companies nominating federal lands for lease — a process that is currently opaque.

The “PEOPLE Act” would also require notice to local governments and anyone with water or recreational rights. And it would beef up requirements for public input and environmental review prior to a lease sale taking place.

### **Other bills**

Orphan wells are considered a health and climate hazard for their potential to leak toxins like benzene into water sources and gases like methane into the atmosphere.

Bennet’s cleanup bill names nearly 57,000 oil and gas wells known to be orphaned across the U.S. on federal, state, tribal and private lands.

That figure comes from the Interstate Oil and Gas Compact Commission but is well short of some federal estimates that put the number of undocumented orphan wells in the millions. The Interior Department has claimed there are at least 14,400 orphaned wells on federal lands.

New Mexico Democratic Rep. Teresa Leger Fernandez’s [H.R. 2415](#) would authorize \$7.25 billion in grants to fund orphan well cleanup on state and private lands and increase bonding equal to Bennet’s suggestion. Republicans oppose the bill.

Sens. Ben Ray Luján (D-N.M.) and Kevin Cramer’s (R-N.D.) “Revive Economic Growth and Reclaim Orphaned Wells (REGROW) Act,” [S. 1076](#), would create a fund of more than \$4 billion for cleanup but would not require the bonding increase. Texas Democratic Rep. Lizzie Fletcher and North Dakota Republican Rep. Kelly Armstrong have a companion, H.R. 3585.

A sweeping [discussion draft](#) by Energy and Natural Resources Chairman Joe Manchin (D-W.Va.) borrows from the bill ([see related story](#)).

Biden administration officials have said they support recent well plugging and conservation bills pending on Capitol Hill ([E&E Daily](#), June 17). They are also working on a report on oil and gas leasing.

The president’s fiscal 2022 budget includes a threefold increase in funding for orphan wells and abandoned mine cleanup — priorities that the White House has said will create and maintain jobs in the fossil fuel industries while addressing climate ([Energywire](#), April 12).

### **‘Put Americans to work’**

Even if the bills don’t pass, lawmakers are vowing continued scrutiny of oil and gas production and its environmental effects.

Reps. Ro Khanna (D-Calif.), chairman of the Oversight and Reform Subcommittee on Environment, and Katie Porter (D-Calif.), chairwoman of the Natural Resource Subcommittee on Oversight and Investigations, flagged orphans as a potential crisis in a [letter](#) Monday to JP Morgan Chase & Co. demanding, among other things, the bank’s estimates of orphan well cleanup costs from its debtors and clients.

Bennet’s two bills, which tout long-standing asks from environmentalists and public land advocates, have gathered a slew of early supporters, including nine county commissioners in Colorado and several conservation and wildlife organizations.

“For decades, orphaned oil and gas wells have not only left communities with the cleanup, but also with the hazards of chemicals leaking into their air and drinking water,” said Jim Ramey, Colorado state director for the Wilderness Society.

David Willms, senior director of conservation in the West for the National Wildlife Federation, said Bennet's bills would "put Americans to work."

Twitter: [@hroxaner](#) Email: [hrichards@eenews.net](mailto:hrichards@eenews.net)



**Andrew Keese**

Spokesperson

Railroad Commission of Texas

Office: 512-463-4817

Cell: 512-963-1869



## **Mia Hutchens**

---

**From:** Andrew Keese  
**Sent:** Wednesday, June 16, 2021 12:55 PM  
**To:** NewsClips  
**Subject:** RRC News Clips: June 16, 2021

### **Governor signs Ashby bill requiring flood history for oil disposal**

By Jeff Awtrey

KTRE

June 15, 2021

AUSTIN – Gov. Greg Abbott has signed an East Texas state representative’s bill to protect groundwater around oil and gas disposal sites.

Trent Ashby (R-Lufkin) authored HB 2201.

The bill requires the **Texas Railroad Commission** to look at the history of flooding over the past 10 years when it considers granting a permit to build a pit for the disposal of commercial oil and gas.

The bill passed the House on a 147-0 vote on April 29. It passed in the Senate on a 31-0 vote. Sen. Robert Nichols (R-Jacksonville) sponsored the bill.

---

### **Opinion: If Texas will not regulate methane emissions, then the feds must**

By Chris Tomlinson

Houston Chronicle

June 16, 2021

The oil and natural gas deposits in the Permian Basin are millennia older than the states of Texas and New Mexico, which today sit on top of them.

The methane and other greenhouse gas emissions emanating from the tens of thousands of wells in Permian do not recognize political boundaries, floating wherever the prevailing winds take them.

Those imaginary lines on the map, though, make a considerable difference to operators of those wells. Texas and New Mexico’s differing approaches to regulating the energy industry prove the importance and necessity of Congress reinstating restrictions on methane leaks.

To say Texas takes a laissez-faire approach to methane emissions would be an understatement.

Methane is the element of natural gas that burns, giving off heat for generating electricity or cooking food. The problem is that natural gas prices are so low, and the cost of sealing up equipment can be so high that too many well operators either burn it off with flares or let it leak out.

The gas is far more heat-trapping than carbon dioxide and is responsible for 25 percent of global warming. The Permian Basin is the nation’s hot spot for methane leaks, and requiring the industry to plug them would go a long way toward slowing climate change.

New Mexico recognizes the economic value and the environmental importance of capturing methane. In March, New Mexico's Oil Conservation Commission voted unanimously to require operators to capture 98 percent of natural gas emissions and barred them from venting or flaring except for emergencies.

Chair Adrienne Sandoval said the new regulations came after months of consultation with industry executives, environmental groups and the public. The industry has until the end of 2026 to comply.

"The Oil Conservation Commission has done its part by finalizing strong methane waste rules," Mario Atencio with the Chaco Canyon Coalition told the *Carlsbad Current-Argus*. "And since nearly 70 percent of oil and gas methane pollution in New Mexico occurs through leaks, it is critical that the New Mexico Environment Department also adopts a rule that holds polluters accountable."

The world's largest oil and gas companies understand the urgency to take action. Oil giant BP pledged to spend \$1.3 billion in the Permian Basin to cut emissions. Rystad Energy found that 40 percent of future flaring could be avoided at no cost.

Texans, sadly, are hemming and hawing and dragging up the rear.

Forty operators and seven trade associations formed the Texas Methane and Flaring Coalition to end routine flaring, but they don't plan to get there until 2030. They also expect the **Texas Railroad Commission**, which uses its anachronistic name to confuse the public about its actual mission to regulate the energy industry, to take no formal action to reduce greenhouse gas emissions.

"We need an all-hands-on-deck approach to solving problems – not costly top-down mandates that attempt to pick winners and losers," said Jason Modglin, president of the Texas Alliance of Energy Producers.

**Railroad Commission Chair Christi Craddick** is more than happy to accommodate the industry that provides the bulk of her campaign funds when she runs for re-election every six years. She has opposed proposed new rules on emissions and praised the previous administration for rolling back federal regulations.

"As **Texas' Railroad Commissioner**, I fought against former President Barack Obama's one-size-fits-all environmental policies that impeded job creation and stifled energy production growth," Craddick wrote in a 2020 op-ed. "Texas' energy regulation is guided by free-market principles and based on studies of the processes that ensure responsible Texas energy production."

Next week, Congress will vote on reimposing Obama's rules limiting methane emissions, and Texans should welcome them. Because despite what Craddick claims, keeping methane out of the atmosphere and in the pipeline benefits everyone.

Methane is valuable. When sloppy operators don't capture it, they are taking money from mineral rights holders and investors.

Controlling emissions from oil and gas infrastructure also creates jobs. More than 200 companies with over 750 locations across the country make their money helping drillers and operators keep the valuable product inside the pipes, according to research funded by the Environmental Defense Fund.

"In recent years, we've seen a range of operators - from small independent producers to multi-national companies - embrace methane reductions as a critical part of doing business," said Andrew Baxter, EDF's director of energy strategy. "Sensible methane standards that apply nationwide will even the playing field among operators and yield significant benefits to the economy and the environment."

The world needs natural gas for at least another decade, but only if we can limit the leaks and stop routine flaring. New Mexico has done it, and if Texas won't, then Congress must.

*Tomlinson writes commentary about business, economics and politics.*

twitter.com/cltomlinson

[chris.tomlinson@chron.com](mailto:chris.tomlinson@chron.com)

---

## **Is Texas headed toward another blackout? Did the Legislature fix the power grid? Here are answers to your questions about the grid.**

**The state's grid operator indicated that conditions are improving and said that power outages to residents are unlikely.**

By Erin Douglas and Mitchell Fermin

Texas Tribune

June 15, 2021

The Electric Reliability Council of Texas on Monday asked residents to reduce their electricity usage through at least Friday due to "tight" power grid conditions. A number of power plants are inexplicably offline at the same time as the state is experiencing record June demand for electricity.

ERCOT officials said outages to residents are unlikely this week. Asking consumers to cut back on power is the first step the grid operator takes to reduce strain on the grid. On Tuesday, ERCOT issued a statement that the grid "remains strong during record demand." A spokesperson told the *Tribune* that the situation "looks like it will continue to improve" and thanked Texans for successful electricity conservation efforts.

Here's what you need to know.

### **Why is ERCOT asking for power conservation?**

A significant number power plants are unexpectedly offline at the same time as Texans are expected to use a record amount of electricity due to hot weather. That has resulted in "tight" grid conditions, meaning that there is not much more supply of electricity available than demand.

Approximately 12,000 megawatts of power generation were offline Monday afternoon — enough to power 2.4 million homes on a hot summer day. That's several times more than what ERCOT would typically expect to go down during June.

As of Tuesday, 1,200 megawatts of power was regained to the grid. About 74,000 megawatts of electricity generation were available to the grid Tuesday, an ERCOT spokesperson said.

Power grids must keep supply and demand in balance at all times. When Texas' grid falls below its safety margin of excess supply, the grid operator starts taking additional precautions to avoid blackouts. The first precaution is to ask the public to cut back electricity usage.

### **What is causing the "tight" grid conditions? Heat in Texas isn't new.**

While high demand during hot temperatures is expected, it's the supply side that's caught grid operators off guard this week.

ERCOT officials said the power plant outages were unexpected — and could not provide details as to what could be causing them. Warren Lasher, ERCOT senior director of systems planning, said Monday that having



this many plant outages in June is “not consistent” with previous summers and called the situation “very concerning.”

ERCOT has promised to conduct an analysis to determine why so many units are offline this week. Some experts theorized that the winter storm in February may have caused damage to plants that is causing new complications, but ERCOT officials did not offer any details.

**What does this mean for the rest of the summer? Are we going to have another blackout?**

ERCOT officials said it “appears unlikely” that the ERCOT grid would need to implement outages, like it did in February, to reduce strain on the grid.

It is unclear, however, if Texans will experience widespread electricity blackouts later this summer.

After the winter storm, [ERCOT warned that Texans could experience electricity outages](#) this summer if the state sees a severe heat wave or drought that drives up demand for power. In its annual forecast ahead of the summer months, ERCOT officials included for the first time ever extreme, low likelihood scenarios that would each leave the grid short a significant amount of power, which would trigger outages to residents.

The scenarios were completed against the backdrop of this summer likely being one of the hottest on record, according to [an April climate outlook from the National Oceanic and Atmospheric Administration](#). Still, officials have said extreme situations that cause blackouts are very unlikely.

**Where are the power plant outages?**

An ERCOT official said the outages were “spread” across the state and declined to provide specifics.

However, at least one of the generators out of service includes a unit at the Comanche Peak nuclear plant outside of Fort Worth. It was shut down when the main transformer experienced a fire, according to Vistra Corp., which owns the plant.

**Are power plants manipulating the market to get a higher price for power this week?**

Asked by media on Monday whether they believed market manipulation was occurring, ERCOT officials declined to comment, but said that the grid operator’s independent market monitor is the entity responsible for tracking whether manipulation occurs.

ERCOT officials promised to conduct an analysis to determine why so many units are offline.

**Are renewables or fossil fuels to blame for this week?**

The majority of the unexpected power plant outages are from “thermal” sources, which in Texas are largely powered by natural gas plants. Of the approximately 12,000 megawatts of generation forced offline Monday, about 9,600 megawatts, or nearly 80% of the outages, were from thermal power sources, according to ERCOT.

Less than 500 megawatts of thermal generation offline on Monday were planned to be out for maintenance, ERCOT officials said.

Power from wind turbines on Monday afternoon was between 3,500 to 6,000 megawatts, according to ERCOT, which was 1,500 megawatts lower than what the grid operator typically expects during the peak time of usage in the summer afternoons. ERCOT officials said wind output will likely increase as the week continues.

**What did the Legislature do to fix the power grid, and is any of it helping this week?**

Texas lawmakers passed energy grid legislation that aimed to prevent electricity blackouts in response to the February crisis, but it will likely take years before those changes are fully implemented.

[Senate Bills 2 and 3](#) included a few key changes to the state's power grid that experts said will begin to address some issues, such as requiring power companies to upgrade plants to withstand more extreme weather and creating a statewide emergency alert system. The state likely won't require companies to start weatherization upgrades until 2022 at the earliest.

The legislation also changes ERCOT's governing board to replace what lawmakers called "industry insiders" with appointees selected by a committee comprising selections by Gov. [Greg Abbott](#), Lt. Gov. [Dan Patrick](#) and House Speaker [Dade Phelan](#).

### **What more could the Legislature have done to fix the power grid?**

Nothing was done by lawmakers to pay consumers to reduce electricity usage, or provide other incentives or aid in reducing demand. They [didn't pass legislation that would help](#) Texans better insulate their homes and reduce their electricity usage, which could both lower power bills and reduce demand on the grid.

Lawmakers also [did not provide any direct assistance](#) to people harmed by the power crisis in February.

They did not order an energy market overhaul; some proposals would have fundamentally changed the state's deregulated market structure, which relies on supply and demand to set power prices.

### **What can I do to help cut back electricity usage?**

ERCOT said Texans can reduce electricity use by setting the thermostat up to 78 degrees (or, a level that is safe for you); turning off lights and pool pumps; avoiding use of large appliances such as ovens, washing machines and dryers; and turning off or unplugging unused electric appliances. The best time to reduce power consumption is in the late afternoon, when usage is at its peak.

### **Will my electricity bill be more expensive this week?**

It depends on what type of electricity plan you have, and whether it is tied to spikes in wholesale power prices. The Texas Legislature recently outlawed plans that rely entirely on the wholesale prices in the market, so while some bills may increase, consumers should not see the type of extreme spikes that some customers of companies [such as Griddy](#) saw in February.

### **Will my electricity service be disconnected if I'm behind on payment?**

Not for a few more weeks. The Public Utility Commission of Texas recently said it would lift the utility moratorium June 18, which means that utility companies will begin to send disconnection notices at that time. Disconnections can resume June 29 at the earliest.

Renters who need assistance paying their utility bill should apply for rental relief at [texasrentrelief.com](https://texasrentrelief.com).

Homeowners who need assistance paying their utility bill should apply for relief through the Comprehensive Energy Assistance Program at [tdhca.state.tx.us/community-affairs/ceap/](https://tdhca.state.tx.us/community-affairs/ceap/) or connect with local nonprofits that provide assistance through [tdhca.state.tx.us/texans.htm](https://tdhca.state.tx.us/texans.htm)

### **How is this different from the February winter storm?**

All 254 Texas counties do not normally experience subfreezing temperatures for consecutive days every winter, and ERCOT did not plan for the possibility of extreme cold weather in 2021. After the deadly and disastrous winter storm, ERCOT outlined scenarios for an extremely hot summer, but it did not plan for 12,000 megawatts of power generation to be offline unexpectedly in mid-June.

ERCOT officials on Monday promised to conduct an analysis to determine why so many units are offline this week. Some energy experts have raised questions about whether some of these outages are lingering damages resulting from February's storm.

---

## As Texans are asked to conserve electricity, can power grid withstand summer heat?

By Eleanor Dearman  
Fort Worth Star-Telegram  
June 15, 2021

The Electric Reliability Council of Texas, the organization tasked with managing Texas' power grid, on Monday called on residents to reduce electricity use, citing significant strain on the grid due to forced outages at power plants combined with potential record demand. David J. Phillip AP

Will Texas see another blackout as residents who suffered a deadly winter storm are again asked to conserve electricity?

Ann Bluntzer, acting director of the TCU Energy Institute, said she feels more confident headed into the summer months than she was in February, when millions went several days without electricity, though she noted there is a small chance of outages if there's extreme heat and extreme energy consumption.

"I think we're not going to have the weatherization issues in summer," Bluntzer said. "When you look at what really fell apart in February, a lot of it can be pointed to those centers were not properly weatherized, and that led to a lot of the failures."

The Electric Reliability Council of Texas, the organization tasked with managing Texas' power grid, on Monday called on residents to reduce electricity use, citing significant strain on the grid due to forced outages at power plants combined with potential record demand. The organization reported more than 12,000 megawatts of generation was out in the state as of 2:30 p.m Monday.

One megawatt typically powers around 200 homes on a summer day, according to ERCOT.

"We are deeply concerned about the issues associated with all of these plants that are offline at this time," Warren Lasher, ERCOT's senior director of System Planning, said at the time. "We will be doing a thorough investigation to understand what the issues are and to assess what the implications are for the grid."

About 24 hours later, ERCOT was seeing roughly 10,600 megawatts offline, nearly 9,700 of which were forced outages, spokesperson Leslie Sopko told the *Star-Telegram*. ERCOT also reported that Monday saw a record 69,943 megawatts in demand for electricity.

"Power plant owners continue repairs of unexpected equipment failures, and ERCOT is using all the tools in its toolbox to maintain reliability in the face of potential record-setting electricity demand," a news release reads.

As ERCOT asks Texans to conserve power each afternoon between 3 p.m. and 7 p.m. through Friday, the organization is stressing that the "grid is operating exactly as it was designed and intended."

"The issuance of conservation notices is a common practice and prevents ERCOT from entering emergency conditions," ERCOT said in a news release. "Conservation efforts combined with the changes in procedures and processes implemented by ERCOT and the PUC following the winter storm prevented the possibility of rotating outages yesterday and ensured that no Texans lost power."

Top of Form

Bottom of Form

Pressed Monday about whether he's confident Texas can get through the summer without blackouts, Lasher emphasized that he found the number of outages Monday "very concerning" but didn't directly answer the question.

"We operate the grid with the resources that we have available, and it's the responsibility of the generation owners to make sure that their plants are available during the peak hours when customer demand is very high during the summer months," he said.

### **ERCOT expects record demand**

[ERCOT previously said it is expecting record-high demand](#) for electricity this summer because of hot and dry conditions and population growth. The grid manager in a May 6 news release said it anticipates enough generation to meet the summer peak demand of a forecasted 77,144 megawatts. The organization, which is overseen by the Public Utility Commission of Texas, has forecasted a 15.7% reserve margin for the summer.

A little after 2:30 p.m. on Tuesday, ERCOT was reporting a demand of about 69,200 megawatts, with just over 3,000 megawatts in operating reserves.

The margin the past couple days is "tight," said Wei-Jen Lee, an electrical engineering professor at UT Arlington. He said 15% is a "healthy" margin.

"Now you don't have too much room for error," he said.

Lee doesn't expect a blackout over the summer, but said he does expect Texans to get requests to conserve power.

Virginia Palacios, executive director of Commission Shift, which advocates for changes at the **Railroad Commission of Texas**, anticipates an outage like the one in February.

"We're at the beginning of the summer, it's not even the hottest part of the summer, and we're already having these issues," she said. "Unless we have all these generators back online in the next month or so — even then it's a little tenuous, because our weather is so much more unpredictable now, and we're so much more prone to extremes."

The reasoning for the unplanned outages remains unclear. Lasher on Monday said he didn't have information on whether the generator outages are due to repairs from the winter storm.

"My hunch is that we're seeing more generators out for maintenance right now because they're still recovering from what happened in February," Palacios said. "So I think this is sort of like the aftereffects of February. ... We're not ready for this fast approaching summer that we've had already."

Doug Lewin, an energy and climate consultant, said that under normal circumstances he'd say the chance of outages like those seen in February are very low.

"But clearly these are not normal circumstances, right?" he said.

Lewin said he hopes to see a quick investigation into what's causing the outages to fix the problem before August when temperatures could climb higher.

### **Changes after the February winter storm**

[A presentation](#) from a June 8 ERCOT board meeting lays out changes to summer operations, some of which are in response to the winter storm. Among initiatives is a plan by ERCOT to visit select power plants to [review](#)

[their plans to weatherize for the summer.](#) According to ERCOT, such checks have happened in the past for winter weatherization, but not for summer.

Lasher said 20 plant visits had been conducted as of Monday, with 11 more scheduled over the coming two weeks. He said four of the plants that have been checked went offline Monday.

“While the risk for emergency conditions remains low this summer based on many of the scenarios studied, a combination of factors in real time, including record demand, high thermal generation outages and low wind/solar output could result in tight grid conditions,” Woody Rickerson, ERCOT’s vice president of grid planning and operations, said in a May statement. “We cannot control the weather or forced generation outages, but we are prepared to deploy the tools that are available to us to maintain a reliable electric system.”

Texas lawmakers passed a wide-ranging bill in response to the winter storm that, among other measures, requires electricity generators, transmitters and critical natural gas facilities to prepare for extreme weather. Abbott signed Senate Bill 3 on June 8, declaring that “the legislature passed comprehensive reforms to fix all of the flaws that led to the power failure.”

The bill has been criticized by some energy professionals and Democrats for not going far enough to protect Texans.

Bluntzer noted that there’s really no weatherization to be done in the summer months. She didn’t expect the legislation to have any significant impact this summer.

During a news conference marking the bill signing, Sen. Kelly Hancock, R-North Richland Hills, defended the grid’s ability to endure the summer months. He noted that the reserve margins are predicted to increase in the coming years.

“Our system continues to grow, we continue to have investment that helps meet the demands that we have on our load, and so that’s why, if you look at the report that ERCOT had out regarding summer capacity, that they feel very comfortable that we’ll be able to meet the demands this summer,” Hancock said.

### **What can you do to save power?**

According to ERCOT, some steps Texans can take to conserve power are:

- Setting your thermostat to 78 degrees or higher.
- Turning off lights and pool pumps.
- Avoid the use of large appliances.
- Turn off and unplug electronics you don’t need.

*This is a developing story. Check back for updates.*

---

## As the power grid waivers again, Texans are still recovering from the winter storm

Experts say the energy reform bill signed by Governor Greg Abbott doesn't go far enough to protect Texans from future blackouts.

By Sumaiya Malik

Texas Observer

June 15, 2021

Four months after Winter Storm Uri, Carolina Lopez-Herrera is still putting her house back together. She is one of millions of Texans who lost power and water for days during the record-breaking freeze this February. As the frigid cold set in, her tiny cat, which she and her sister had rescued from a dumpster weeks earlier, stopped moving. Pipes and the water heater burst, causing damages costing more than \$50,000. In the aftermath, she's had to remove walls, replace the water heater, and gut the cabinets and floors. Lopez-Herrera, a 20-year-old paralegal and student at the University of Houston, has been struggling with getting reimbursements from her insurance company and keeping track of the contractors still working on the house. The disruption caused her 18-year-old sister, Susana, to move to California to stay with their father while the house is being repaired.

This spring, frustrated with how her life was turned upside down by the power outage, Lopez-Herrera testified at the Texas Capitol about her experience in support of an energy efficiency bill. She urged lawmakers to implement energy efficiency programs so that homes do not lose power in the event of future storms. The bill did not make it out of committee.

Of the bills that passed this session, Senate Bill 3 is touted as the one that prepares Texas for future extreme weather and winter storms. On June 8, Governor Greg Abbott signed SB 3, saying that "everything that needed to be done was done to fix the power grid in Texas." The final version of the bill is expected to pave the way for the Public Utility Commission of Texas (PUC) to enforce weatherization at critical facilities. "The power grid is more secure, more robust, and safer than ever before," [Abbott said](#) after signing the bill. But [experts say](#) the reforms don't go far enough in fixing the grid, and while SB 3 details how power plants will be regulated, it fails to help homeowners save themselves—and their homes—from future disasters. On Monday, just a week after Abbott signed SB 3, the Electric Reliability Council of Texas (ERCOT), which manages the state's grid, issued a week-long [conservation alert to Texans](#) during a not-abnormally hot summer day. Natural gas power plants were forced offline for repairs, leaving little room for error as the grid operator once again struggled to keep pace with electric demand.

This year, legislators decided to increase the budget of the PUC by more than \$1.5 million. But that extra money won't give the agency enough teeth quickly according to Doug Lewin, president of Stoic Energy. He says the bill also does not provide homeowners incentives to make their homes more energy efficient. Instead, the bill focuses on the supply of power, which is only half the problem, Lewin says. The other half, the demand-side catering to homeowner needs, has not been addressed fully; energy-efficient solutions should have been a part of the bill, he says.

The bill also gives regulatory agencies broad leeway to levy fines against operators who don't comply with new weatherization rules. But in some cases, those fines might be less than the cost of weatherizing power plants. For example, during three days of the February winter storm, an operator who hadn't weatherized might incur \$5,000 in fines a day for a total of \$15,000, whereas weatherizing a well costs up to \$50,000, says Virginia Palacios, the executive director of [Commission Shift](#), a non-profit advocating for changes at the Texas Railroad Commission.

"As always, implementation and execution is different than the adoption of legislation, so we'll all need to watch and make sure that those things get done," Lewin says. "We of course systematically underfund our state agents, and our Public Utility Commission is no exception. ... The solutions that could have been deployed that

would have put us in a better shape to handle the outages in February, the PUC couldn't get to because they're underfunded.”

When the ice and snowstorm hit, Lopez-Herrera thought she was prepared. She and her sister did not take the alerts from their university or their family too seriously because their house is across the street from a grocery store, with four gas stations nearby. “We rationalized: We have electricity, it won't be that bad,” Lopez-Herrera says.

But the single-digit temperatures across Texas caused power plants to malfunction; nearly all types of energy production struggled to keep pace with the astronomical demand for heat across the state. Natural gas production in particular dropped sharply as the product began to freeze in pipelines and in gas wells that weren't designed to withstand the freeze. Blackouts persisted across Texas, leaving millions in poorly insulated homes that became colder by the minute.

By the third day without power, Lopez-Herrera and Susana spent all their time in bed. They were barely able to eat; experienced horrible, brain-splitting headaches; couldn't stop shivering; and lost some sensation in their limbs—all signs of hypothermia. Desperate to save their cat, Lopez-Herrera cut a cotton sock and slid it on the cat's belly for warmth. The cat meowed, the sock warmed her up, and she survived.

The storm killed at least 151 Texans, mostly from hypothermia, according to [numbers](#) released by the Texas Department of State Health Services. A *BuzzFeed News* [analysis](#) estimates the true death toll to be more than four times higher. In 2011, a similar cold plunge caused rolling power outages, property damage, and death. Many of the energy industry's failures were preventable: If they had invested in weatherization—for example, insulating gas wells and implementing better maintenance checks—energy production would not have failed so spectacularly, according to a 2011 [federal report](#) on the outages.

Like Lewin, Palacios, and other energy experts, Lopez-Herrera, who has read the language of the energy bill and has been following the issue closely, says she doesn't think that SB 3 addresses the root cause of the issue. The bill does not ensure that Texans would be saved from the extreme conditions brought on by power outages in the future. If gas wells freeze again, her power might go out and her pipes might burst again, too.

Lopez-Herrera says that to make such extensive repairs to her home again would be horrible. “One time would be enough for me, but a second time in less than five years would age me, and I am 20,” she says. “It would be so hectic and stressful to go through this again. I hope I don't have to, but [if] it must happen I prefer it to happen to me than to a young family or elderly couple.”

---

## Navasota LP-Gas serving Grimes County's past, present & future

By Connie Clements

Navasota Examiner

June 16, 2021

June 16 marks 75 years that Navasota LP-Gas Co. has provided liquid petroleum services to Grimes and surrounding counties. Owner Chad Ross continues the three generation legacy begun by his grandfather Norman Bounds, and carried forward by his father Bob Ross. The reason for this longevity is best summed up by the company's ability to meet the needs of 4,000-plus customers, and its work ethic.

Ross said, “Over the years lots of things have changed, regulations have changed, and we've been able to stay up with all of that. We've had a pretty much spotless safety records in 75 years. There's a lot more competition

now than there was when I first started and we've been able to hold our own because of the service we provide."

He continued, "My grandad was always busy, whether it was here or at his place. My dad was the same way. It was a work ethic I grew up with...that to get to where you want to be, you've got to adapt to the changes, which we have down here, and you keep working."

All three generations have been active on the board of the Texas Propane Gas Association (TPGA), and in the early 2000s, even lobbied for regulation changes within the **Railroad Commission of Texas (RRC)** which governs the LP gas industry.

Ross said, "We're a very overregulated industry but it's kept this industry in this state pretty safe. Therefore, there are not many accidents that happen."

Ross said that all of his employees have the required Hazmat, Department of Transportation, and **RRC** certifications and attend continuing education classes.

He said, "It's a lot to do what we do. We've been able to maintain all the customers we've got and there's only six of us."

### **Changing landscape**

Grimes County has changed significantly since 1946 when the company was formed.

Ross said, "More people are moving out of the city and into the rural area. All of these big farms and ranches that use to be around here, they're being sold off. New little subdivisions are everywhere. We're still providing fuel to those lands whether it's farm or ranch but now it's from a different perspective because it's to take care of your home and keep you comfortable."

A change since 2000 is the increase in home generator use. While Navasota LP-Gas Co. doesn't sell generators, they provide the propane to run them.

Ross said, "There are more homes being built nowadays either all-electric with a standby generator, or that generator is their backup electricity if they have gas heat, water, cooking, dryer, fireplaces and outdoor kitchens. If their power goes out, they can still function like they do on a daily basis because they have a backup generator. We've seen a tremendous increase in the generator business."

### **Nature's challenges**

In this century alone, Navasota LP-Gas Co. has withstood Hurricane Ike, a pandemic, and the "Texas Freeze."

Recalling Navasota's week without electricity in 2008 during Ike, Ross said his mom, dad and longtime employee Gail Finke moved a desk into the shop, plugged in a portable generator, a computer, and thanks to their landline, were able to service customers by filling cylinders and delivering to those with generators.

The industry, however, is still feeling the impact of the 2020 pandemic.

Ross said, "The propane tanks we install at customer homes, since the first of the year, have gone up almost 40-50% and it's very hard to get them. We can place an order for a load of tanks and it's almost 17 weeks before we get them. Barbecue cylinders have been on backorder since February. We've had people come as far away as Huntsville, Houston, and Hearne looking for those cylinders because there are none around."

Navasota LP-Gas Co. was in better shape during the February freeze than other industry suppliers. Ross said they were able to provide gas for several days. While they couldn't get trucks on the road, they filled containers for people as far away as Conroe, the north side of Houston and Hearne.



He said, “We still do so much of our stuff old school. We can still load our trucks the old-fashioned way. We don’t rely on all of the electronic gadgets which a lot of companies have tried to stay up with over the course of the years.”

### **Enjoy what you do**

Ross enjoys the camaraderie and sense of family at Navasota LP-Gas Co.

He said, “As a little kid, I thought it was the neatest thing to get on one of those big trucks to go with my dad or my granddad to go do something.”

Ross worked in the family business while in high school and began fulltime in 1987, obtaining his certifications that same year. Bob took the reins in 1971 with Chad’s mother Annie by his side, and the mantle passed to Chad after his mother died in October 2019 followed by his father in March 2020.

He said, “I miss my dad and grandad every day, and not be able to walk in here and talk to them, it’s tough. Not being able to bounce ideas off them, it’s tough.”

Ross continued, “With both of them passing, it required me to be here in the office more. I used to do all the service work, getting out and meeting the customers. It’s a little different. I miss the interaction of being out in the field.”

Ross credits his knowledge and skills to his grandfather, his father, and the many long-term Navasota LP-Gas employees.

He said, “Their loyalty to the company and to me speaks volumes. We enjoy coming to work. We made it fun. If you can’t enjoy what you do, you might as well get out and do something different.”

---

## **Jack McDonald to EPA: give my generation time**

By Jack McDonald

Earthworks

June 15, 2021

*Jack provided the below comment [live to the EPA during its June 15, 2021 methane public listening session to provide input on the rule it will publish this September to cut oil and gas production’s methane pollution.](#)*

My name is Jack McDonald. I am 19 years old, and I live in Dallas Texas.

When I was younger my family lived on the Barnett Shale. Our town had 50 wells drilled with plans to go to over 100. Our house was just a mile from gas wells that released emissions into the air and regularly had spills. There were plans for fracking within 1000 feet of homes and near my school. A cul-de-sac in the neighborhood across the street had several cases of rare childhood cancers. The health department determined breast cancer rates were elevated. My family moved. We were fortunate; many people do not have the means to move.

I first told this story at an EPA listening session on rolling back methane regulations in October of 2019. Unfortunately, despite near unanimous protesting from those who commented at the session, those methane rollbacks did happen.

When I last testified I was a senior in high school. I took a gap year in between my senior year of high school and college, during that time I have had the privilege of becoming the Texas Field Analyst for Earthworks. In that role, I have begun to understand the full extent to which Texas has sold its soul to oil and gas.

I have watched this Texas Legislative session as the chairmen of the \*environmental regulations\* committee proposed a bill that would prevent state agencies from enforcing federal environmental regulation. I have seen bills that aim to regulate flaring die without even a committee hearing, even bills just to study the impact of methane died. I learned that in the Texas Legislature Climate Change is a dirty word, that even some environmental groups are afraid to say in hearings. Bill after bill was filed to protect the interests of fossil fuels even to the detriment of the people. When 151 people died earlier this year during the winter storm, it seems that fossil fuels lobbyists saw an opportunity. They used the storm to pass laws like HB 17 which prevents local governments from regulating where their local utility sources its power. Even the few Democrats willing to say the word climate change supported that bill despite the representative who filed saying in a hearing that it was designed to target the climate plans of cities like Dallas and Austin.

I was also able to visit the Permian Basin with Sharon Wilson who does optical gas imaging for Earthworks. I had seen OGI footage before, but being out among those wells was a totally different experience. I saw tanks where no one had bothered to close the hatches. Flares that no one had bothered to light. I visited neighborhoods where the smell of gas was overpowering. I knew from work I had done as a Field Analyst that many of the things we saw were against state regulation, but clearly those regulations were not working. Even now after submitting numerous complaints on the sites that we saw nothing has changed.

I worked on research understanding the extent to which Texas has failed to regulate its oil and gas producers. Through that research I learned that oil and gas operators were failing to get permits for flaring more than 75% of the time. That report which Earthworks published earlier this year elicited a response from the **Railroad Commission**. The best they could do to explain why 75% of flares were not being permitted by the **RRC** was to say that those must be emergencies. Texas doesn't regulate methane. When a site has a release of methane they don't even have to report a volume for it. The closest thing to methane regulation is those flaring permits and even those it seems like the state can't be bothered to actually enforce.

I've only been working in this field full time for about nine months. But I understand the pollution that Texas oil and gas communities live with, and the dread with which the rest of the world looks at Texas and our outsized contribution to the climate crisis. If Texas is left to its own devices it will bring the rest of the world hurtling towards climate catastrophe. Texas is an environmental rogue state, and we need the EPA's help to stop it. .

Federal regulation is a necessity. We need the strongest methane regulation that the EPA can achieve under the Clean Air Act. I understand a plan has been laid out for a 65% reduction, and Texas communities need every percentage point. Moreover, Texas regulators are not equipped, nor inclined, to regulate the oil and gas industry. They'd rather let oil and gas do what they want, regardless of the consequences. Texas needs to be stripped of its ability to enforce the Clean Air Act — Texas, and the planet — need EPA to intervene.

I'm only 19. I'm going to college next year. My generation needs time to be prepared to fully address the climate crisis. Time to learn, grow, innovate, and contribute. We'll gladly seize the reins when the time comes, but you've got to give us the breathing room to do so.



**Andrew Keese**  
Spokesperson  
Railroad Commission of Texas  
Office: 512-463-4817  
Cell: 512-963-1869



**From:** [Kinnan Golemon](#)  
**To:** [Kate Zaykowski](#); [Lauren Spreen](#)  
**Subject:** RE: Commissioner Wright's Task Forces  
**Date:** Tuesday, June 15, 2021 10:57:50 AM

---

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Kate:

Thanks. I remember the "printing on wallboards" & was wondering status when headlines came my way! Best regards, KG

---

**From:** Kate Zaykowski [mailto:Kate.Zaykowski@rrc.texas.gov]  
**Sent:** Monday, June 14, 2021 3:45 PM  
**To:** Lauren Spreen <[REDACTED]>; Kinnan Golemon <[REDACTED]>  
**Subject:** RE: Commissioner Wright's Task Forces

Hey! No announcement, he just spoke at an event in Midland last weekend. Article is below.

## **Railroad Commissioner Wright launches tasks forces to study industry issues**

By Mella McEwen  
Midland Reporter-Telegram  
June 11, 2021

Having been on the **Railroad Commission** only five months, **Commissioner Jim Wright** has already been active member of the panel.

"I ran for office for fair and consistent regulations," he told his audience at the Shale Energy Conference and Trade Show Thursday. "I ran for market sustainability."

To that end, market sustainability is the focus of one of three task forces he has established, with the goal of looking at ways to sustain markets and mitigate price volatility.

When the state's shale revolution took off, Wright said it brought Texas into a different dynamic, yet the industry didn't have a chance to figure out what its market was or how to compete in that market.

A second task force, on education, has already met twice and grew out of his campaign for office. He was shocked to find many of the people he talked to did not know what the commission was, what it did, nor did they fully understand the contributions the oil and gas industry is making to the state, he told the crowd.

He hopes that in the next budget cycle, the agency will receive funding for advertising and social media postings explaining the commission and the industry's contributions, he said.

His third task force, comprised of industry representatives, landowners and environmentalists, is charged with looking at the commission's environmental regulations and crafting guidance documents to help commission staff enforce regulations. That way, he said, rules when applied, are applied evenly and across the board.

Emissions and flaring are a dominant environmental topic, he noted, and he expressed his belief that one solution is to create more market for that gas to create electricity. Creating a closed-loop system whereby the gas is dedicated to plants that would extract the carbon dioxide, thus qualifying them for the same incentives renewable energy receives.

Mexico could become an important market for Texas natural gas, he said. More and more natural gas is being converted to liquefied natural gas and exported around the world – to Asia and Europe. The problem is, the tankers carrying the LNG have to traverse the Panama Canal and can frequently get backed up. Wright said he's told there is significant demand in Asia for US LNG, but it's not reliable because of the canal.

Building LNG export facilities on Mexico's coast to help send supplies to Asia and Europe could be one way around the Panama Canal bottleneck, he said.

Increased natural gas supplies and ensuring gas compression facilities are designated as critical could help the state avert the blackouts experienced during Winter Storm Uri in February, Wright said. He stressed that natural gas production facilities did not all freeze up in the frigid temperatures. Rather a lack of electricity to the processing and compression plants prevented operators from getting the gas where it needed to go – the power-generating plants.

Legislation signed this week – Senate Bill 3 and House Bills 3648 and 1520, designed to ensure facilities are weatherized and that improved communication between entities like the **RRC**, Public Utility Commission and Energy Reliability Council of Texas means processing and compression facilities are designated as critical during extreme weather, he said.

The legislation, especially SB 3, are a step in the right direction, Wright said, but more work needs to be done to ensure blackouts are avoided in the event of extreme weather in the future.

Wright stressed he supports all forms of energy, whether fossil fuels or renewables, as long as they benefit the consumer and are reliable.

His final topic was the State Plugging Fund to plug orphaned wells. Recounting legislators expressing their frustration to him that funds are appropriated to plug these wells, yet the number to be plugged doesn't seem to change, he cautioned that changes will be coming to plugging rules. The goal is to make greater headway in plugging the inventory of orphaned wells, he said.

---

**From:** Lauren Spreen <[REDACTED]>

**Sent:** Monday, June 14, 2021 3:18 PM

**To:** Kinnan Golemon <[REDACTED]>

**Cc:** Kate Zaykowski <[Kate.Zaykowski@rrc.texas.gov](mailto:Kate.Zaykowski@rrc.texas.gov)>

**Subject:** Re: Commissioner Wright's Task Forces

---

**CAUTION:** This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

I'm not either, Kinnan and was hoping to read that story. I may subscribe if we can't find it elsewhere and will send to you. They used to be an open publication, not behind a paywall.

Kate, see note from Kinnan below. Is there an announcement elsewhere? Thanks in advance for any help.

Lauren Spreen

On Jun 14, 2021, at 2:26 PM, Kinnan Golemon <[REDACTED]> wrote:

Lauren:

I see in the clips a reference to the Midland newspaper article about Commissioner Wright has made an announcement of his "Task Forces". Are you aware of where one can find a copy of his announcement. I am not a subscriber to the Midland newspaper.

Thanks, KG