

## **BILL ANALYSIS**

S.B. 774  
By: Fraser  
State Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

In 2011, S.B. 1693 established the periodic rate adjustment (PRA) as a mechanism for electric utilities to expedite cost recovery for investments in distribution infrastructure. At that time Texas had seen a surge in consumer demand growth for service, and utilities were struggling to retrofit existing infrastructure to keep up with demand.

Under the circumstances electric utilities asked for an exception to established “rate case” procedures, which normally occur every five years and take approximately 18 months to be litigated at the Public Utility Commission of Texas. This exception was granted in the form of the PRA, which allowed electric utilities to recover certain distribution costs between rate cases.

The authorization for PRA is set to expire in 2017. To date, only one electric utility has initiated the process but more PRA proceedings are expected in 2015. Texas is still experiencing tremendous growth in transmission and distribution service demand and the need for an expedited rate adjustment is still a relevant concern.

S.B. 774 extends the expiration of periodic rate adjustments (PRAs) for electric utility distribution investments from January 1, 2017, until September 1, 2019.

S.B. 774 expands a currently contemplated study on utility ratemaking, including a state-by-state analysis of ratemaking and legislative recommendations, which must be delivered to the legislature on January 31, 2017. (Utilities and consumers want the study delivered in 2017 so as to give PUC and the legislature two full years before the expiration of PRA to consider alternatives to our current ratemaking processes.)

S.B. 774 amends current law relating to studies on the rates of electric utilities.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

## **ANALYSIS**

SECTION 1. Amends Section 36.210, Utilities Code, by amending Subsections (h) and (i) and adding Subsection (h-1), as follows:

(h) Requires that the study and report analyzing any periodic rate adjustment established under this section by the Public Utility Commission of Texas (PUC) be available for the legislature's review by January 31, 2019, rather than January 31, 2017, so that the legislature may properly be informed as to the need to continue PUC's authority to allow periodic rate adjustments. Requires that the report contain but not be limited to certain analyses and cost savings, as set forth.

(h-1) Requires PUC to conduct a study and make a report analyzing alternative ratemaking mechanisms adopted by other states and to make recommendations regarding appropriate reforms to the ratemaking process in this state. Requires PUC to include in the report an analysis that demonstrates how PUC's recommended reforms would improve the efficiency and effectiveness of the oversight of electric utilities and ensure that electric rates are just and reasonable, as required by this chapter. Authorizes PUC to retain an independent consultant, at the expense of electric utilities, to conduct the study. Requires PUC to provide the report to the legislature no later than January 15, 2017.

(i) Provides that this section expires September 1, 2019, rather than January 1, 2017.

## **EFFECTIVE DATE**

September 1, 2015.