

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1945
By: Fraser
Natural Resources & Economic Development
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Municipally owned utilities under Chapter 33, Utilities Code, are granted special powers and exclusive jurisdiction to set rates and provide services outside of the regulatory oversight of the Public Utility Commission (PUC). They are also specifically protected from competition within the Texas competitive electricity market.

Most municipally owned utilities serving more than 400,000 customers are governed by an external board, separate from the city council, that represents the interests of all consumer classes as well as the utility. Austin Energy in particular, which is governed directly by its city council, has demonstrated a willingness to subsidize local government economic and environmental policies through the utility's rate base. This has resulted in ever increasing energy rates for the Texans served in this particular area.

C.S.S.B. 1945 provides a mechanism for a group of Austin Energy ratepayers to petition PUC for a review of their rates, and compare them against comparable rates within the competitive retail electricity market. If the rates offered by Austin Energy are not found to be just and reasonable, PUC could either set the rates, or allow the petitioning ratepayers to participate in the competitive market.

C.S.S.B. 1945 amends current law relating to electricity service provided by municipally owned utilities.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 33, Utilities Code, by adding Subchapter F, as follows:

SUBCHAPTER F. REVIEW OF RATES OF CERTAIN MUNICIPAL UTILITIES

Sec. 33.151. **APPLICABILITY.** Provides that this subchapter applies only to a municipally owned utility:

- (1) that serves at least 400,000 customers; and
- (2) whose service area is located in the Electric Reliability Council of Texas (ERCOT) power region in a municipality with a population of less than 1.3 million.

Sec. 33.152. **REVIEW OF RATES; CUSTOMER CHOICE.** (a) Authorizes a retail customer or group of customers with a total usage of more than 25 million kilowatt hours per year, notwithstanding any other laws, to file a petition for Public Utility Commission of Texas (PUC) review of current or proposed rates of a municipally owned utility that apply to the petitioning customers.

(b) Requires the municipally owned utility that is the subject of the petition to file a rate application with PUC that complies in all material respects with the rules and forms prescribed by PUC not later than the 90th day after the date a petition is filed with PUC. Authorizes PUC for good cause to extend the deadline for filing the rate application.

(c) Requires PUC to conduct a full review of the rates that apply to the petitioning customers to determine whether those rates are:

(1) just and reasonable under Chapter 36 (Rates); and

(2) consistent with the rates available to similarly situated customers in areas of the state that have access to customer choice.

(d) Requires PUC, if PUC finds that the rates are not just and reasonable, or not consistent with the rates available to similarly situated customer areas of the state that have access to customer choice, to:

(1) set rates for the petitioning customer or customers that are just, reasonable, and consistent with the rates available to similarly situated customers in areas of the state that have access to customer choice, or

(2) set cost-based transmission and distribution rates for the municipally owned utility and allow a petitioning customer or customers to purchase electricity through a competitive retail electric provider.

SECTION 2. Effective date: upon passage or September 1, 2015.