

BILL ANALYSIS

Senate Research Center
84R9525 DDT-F

S.B. 774
By: Fraser
Natural Resources & Economic Development
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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.

As proposed, S.B. 774 amends current law relating to a study on periodic rate adjustment by electric 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 Section 36.210, Utilities Code, by amending Subsections (h) and (i), 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, including an analysis of alternative ratemaking mechanisms adopted by other states and recommendations regarding appropriate reforms to the ratemaking process in this state to provide efficient and adequate oversight of electric utilities. Makes a nonsubstantive change.

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

SECTION 2. Effective date: September 1, 2015.