

By: Schwertner

S.B. No. 1094

A BILL TO BE ENTITLED

AN ACT

relating to the recovery of purchased power costs by electric utilities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 36.206, Utilities Code, is amended to read as follows:

Sec. 36.206. MARK-UPS. (a) A cost recovery factor established for the recovery of purchased power costs must ~~may~~ include:

(1) the cost the electric utility incurs in purchasing capacity and energy; and

(2) a mark-up added to the cost or another mechanism the commission determines will:

(A) reasonably compensate the utility for any administrative costs, financing costs, and financial risk associated with purchased power obligations so that the mark-up is sufficient to ensure that the utility has financial incentives to procure purchased power rather than rely solely on utility-owned generation; and

(B) allow the utility to retain a reasonable portion of ~~[(3)]~~ the value added by the utility in making the purchased power available to customers.

(b) The mark-ups and cost recovery factors:

(1) must ~~[, if allowed, may]~~ be retained by the

1 electric utility; and

2 (2) may not be less than an amount sufficient [~~those~~
3 ~~necessary~~] to encourage the [~~electric~~] utility to include
4 economical purchased power as part of the utility's energy and
5 capacity resource supply plan.

6 (c) An electric utility's rate of return established in the
7 utility's base rate may not be reduced in connection with the
8 implementation of this section.

9 SECTION 2. Section 36.207, Utilities Code, is repealed.

10 SECTION 3. Section 36.206, Utilities Code, as amended by
11 this Act, applies only to a proceeding for the establishment of
12 rates that begins on or after the effective date of this Act. A
13 proceeding that begins before that date is governed by the law in
14 effect immediately before the effective date of this Act, and that
15 law is continued in effect for that purpose.

16 SECTION 4. This Act takes effect September 1, 2023.