

By: Metcalf

H.B. No. 2868

Substitute the following for H.B. No. 2868:

By: Darby

C.S.H.B. No. 2868

A BILL TO BE ENTITLED

AN ACT

relating to the consideration of the proportion of long-term debt and equity capitalization in establishing the rates of certain electric utilities.

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

SECTION 1. Subchapter B, Chapter 36, Utilities Code, is amended by adding Section 36.068 to read as follows:

Sec. 36.068. CONSIDERATION OF PROPORTION OF LONG-TERM DEBT AND EQUITY CAPITALIZATION. (a) This section applies only to an electric utility that operates solely within ERCOT.

(b) Except as provided by Subsection (c), in considering an electric utility's capitalization ratio when establishing the utility's rates, the regulatory authority shall presume the proportion of debt and equity proposed by the utility is reasonable if calculated:

(1) using the utility's actual proportion of long-term debt and equity capitalization as recorded in the utility's books and records for the most recent available financial quarter before the initiation of the applicable rate proceeding; and

(2) in a manner consistent with the methodology included in earnings monitoring reports.

(c) If the regulatory authority finds that the capitalization ratio calculated in Subsection (b) is unreasonable, the regulatory authority shall use an equity capitalization ratio

1 equal to the national average for electric utility operating
2 companies.

3 SECTION 2. (a) Section 36.068, Utilities Code, as added by
4 this Act, applies only to a proceeding for the establishment of
5 rates for which the regulatory authority has not issued a final
6 order or decision before the effective date of this Act.

7 (b) A proceeding for which the regulatory authority has
8 issued a final order or decision before the effective date of this
9 Act is governed by the law in effect immediately before that date,
10 and that law is continued in effect for that purpose.

11 SECTION 3. This Act takes effect immediately if it receives
12 a vote of two-thirds of all the members elected to each house, as
13 provided by Section 39, Article III, Texas Constitution. If this
14 Act does not receive the vote necessary for immediate effect, this
15 Act takes effect September 1, 2025.