

BILL ANALYSIS

Senate Research Center
78R7179 CBH-D

S.B. 1271
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Natural Resources
4/5/2003
As Filed

DIGEST AND PURPOSE

Currently, if a utility makes an investment after it has prepared a rate case, it must wait until the next case to begin recovering on that investment. However, utilities are facing some challenges in obtaining the necessary capital for new investments to meet the continuing growth in Texas and to replace facilities to enhance safety. As proposed, S.B. 1271 permits utility companies to begin recovery on new investment in the year following completion of construction.

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 104, Utilities Code, by adding Subchapter G, as follows:

SUBCHAPTER G. COST RECOVERY AND RATE ADJUSTMENT

Sec. 104.301. ADJUSTMENT FOR NEW INVESTMENT. (a) Authorizes a gas utility to file with the regulatory authority a tariff or rate schedule that provides for an adjustment in the utility's monthly customer charge or initial block rate to recover the cost of a new investment placed in service for gas utility services. Authorizes a gas utility to implement the tariff or rate schedule without action by the regulatory authority.

(b) Provides that the amount the utility is allowed to recover under the tariff or rate schedule each calendar year is based on the difference between the value of the invested capital for the preceding calendar year and the value of the invested capital for the calendar year preceding that calendar year. Establishes that the value of the invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.

(c) Authorizes a gas utility to recover under the tariff or rate schedule only the return on investment, depreciation expense, ad valorem taxes, revenue related taxes, and incremental federal income taxes related to the difference in the value of the invested capital as determined under Subsection (b). Requires the return on investment, depreciation, and incremental federal income tax factors used in the computation to be the same as the factors reflected in the gas utility's latest effective rates approved by a regulatory authority for the area in which the tariff or rate schedule is implemented under this section.

(d) Requires a gas utility that implements a tariff or rate schedule under this section to file with the regulatory authority an annual report describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.

(e) Requires the gas utility, in addition to the report required under Subsection (d), to file with the regulatory authority an annual earnings monitoring report

demonstrating the utility's earnings during the preceding calendar year. Requires the utility, if a tariff or rate schedule implemented under this section does not affect all of the utility's classes of customers, to adjust the earnings monitoring report to reflect the allocations among customer classes used in the latest effective rates approved by a regulatory authority for the area in which the tariff or schedule is implemented.

(f) Requires a gas utility, if it is earning a return on invested capital, as demonstrated by the report filed under Subsection (e), of more than 75 basis points above the return established in the latest effective rates approved by a regulatory authority for the area in which the tariff or rate schedule is implemented under this section, to file a statement with that report stating the reasons why the rates are not unreasonable or in violation of law.

(g) Requires a gas utility, if it implements a tariff or rate schedule under this section but does not file a rate case under Subchapter C before the fifth anniversary of the date on which the tariff or rate schedule takes effect, to file a rate case under that subchapter by the 180th day after that anniversary in relation to any rates subject to the tariff or rate schedule.

SECTION 2. Effective date: September 1, 2003.