

By: Armbrister

S.B. No. 1271

A BILL TO BE ENTITLED

AN ACT

relating to incentives to encourage gas utilities to invest in new infrastructure.

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

SECTION 1. Chapter 104, Utilities Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. COST RECOVERY AND RATE ADJUSTMENT

Sec. 104.301. ADJUSTMENT FOR NEW INVESTMENT. (a) A gas utility may 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. The gas utility may implement the tariff or rate schedule without action by the regulatory authority.

(b) 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. 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) A gas utility may recover under the tariff or rate schedule only the return on investment, depreciation expense, ad

1 valorem taxes, revenue related taxes, and incremental federal
2 income taxes related to the difference in the value of the invested
3 capital as determined under Subsection (b). The return on
4 investment, depreciation, and incremental federal income tax
5 factors used in the computation must be the same as the factors
6 reflected in the gas utility's latest effective rates approved by a
7 regulatory authority for the area in which the tariff or rate
8 schedule is implemented under this section.

9 (d) A gas utility that implements a tariff or rate schedule
10 under this section shall file with the regulatory authority an
11 annual report describing the investment projects completed and
12 placed in service during the preceding calendar year and the
13 investments retired or abandoned during the preceding calendar
14 year.

15 (e) In addition to the report required under Subsection (d),
16 the gas utility shall file with the regulatory authority an annual
17 earnings monitoring report demonstrating the utility's earnings
18 during the preceding calendar year. If a tariff or rate schedule
19 implemented under this section does not affect all of the utility's
20 classes of customers, the utility shall adjust the earnings
21 monitoring report to reflect the allocations among customer classes
22 used in the latest effective rates approved by a regulatory
23 authority for the area in which the tariff or schedule is
24 implemented.

25 (f) If the gas utility is earning a return on invested
26 capital, as demonstrated by the report filed under Subsection (e),
27 of more than 75 basis points above the return established in the

1 latest effective rates approved by a regulatory authority for the
2 area in which the tariff or rate schedule is implemented under this
3 section, the gas utility shall file a statement with that report
4 stating the reasons why the rates are not unreasonable or in
5 violation of law.

6 (g) If a gas utility that implements a tariff or rate
7 schedule under this section does not file a rate case under
8 Subchapter C before the fifth anniversary of the date on which the
9 tariff or rate schedule takes effect, the gas utility shall file a
10 rate case under that subchapter not later than the 180th day after
11 that anniversary in relation to any rates subject to the tariff or
12 rate schedule.

13 SECTION 2. This Act takes effect September 1, 2003.