

## **BILL ANALYSIS**

C.S.H.B. 989  
By: Chisum  
Regulated Industries  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Rates and tariffs are regulated by the Public Utility Commission (PUC) for transmission and distribution companies, as well as for integrated electric utilities. Rates and tariffs are at a level sufficient to recover costs and yield a rate of return. Sometimes additional transmission facilities need to be constructed to relieve congestion on the electric grid or to accommodate new generation. However, costs associated with this new construction are not factored into the rates, and generally are not recoverable until they are considered in a base rate case.

The Electric Reliability Council of Texas (ERCOT) transmission and distribution companies are authorized to have their transmission rates periodically adjusted by the PUC to ensure timely recovery of their transmission investment. Under current law, non-ERCOT companies do not have this opportunity. As a result, non-ERCOT utilities are reluctant to invest in new transmission, even to relieve constraints or accommodate resource opportunities like wind-energy generation.

C.S.H.B. 989 addresses this inequity by allowing the commission to establish a mechanism to provide non-ERCOT companies an opportunity to more quickly recover costs associated with new transmission construction.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 36.201, Utilities Code by making a conforming change to add Section 36.209 as an exception to the general prohibition against establishment of automatic rate adjustments.

SECTION 2. Amends Subchapter E, Chapter 36, Utilities Code by adding Section 36.209: specifies applicability; permits the commission to establish a mechanism to allow an electric utility to recover transmission infrastructure improvement costs and certain changes in wholesale transmission charges. The utility may recover only costs allowable to customers in this state and may not over-recover costs.

SECTION 3. Immediate effect clause if sufficient votes are received or September 1, 2005 effective date.

### **EFFECTIVE DATE**

If the Act receives a vote of two-thirds of all members of each house it will have immediate effect. Otherwise, the Act will take effect on September 1, 2005.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The substitute bill does not grant additional rulemaking authority; the original did. The original bill required the commission to establish a procedure to ensure that non-ERCOT utilities may recover certain costs through a rate rider mechanism. The substitute bill stipulates applicability to non-ERCOT utilities in areas not included in the Southeastern Electric Reliability Council on January 1, 2005 and allows, but does not require, the commission to establish a mechanism to

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permit an electric utility to recover certain costs. The substitute also stipulates that the utility may recover only costs allowable to customers in this state and may not over-recover costs. The original did not have this provision.