

## **BILL ANALYSIS**

Senate Research Center

C.S.H.B. 989  
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Business & Commerce  
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Committee Report (Substituted)

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

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 set 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. Non-ERCOT utilities are reluctant to invest in new transmission, even to relieve constraints or accommodate resource opportunities, such as wind-energy generation.

C.S.H.B. 989 allows PUC to establish a mechanism to provide non-ERCOT companies an opportunity to more quickly recover costs associated with new transmission 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 Subchapter E, Chapter 36, Utilities Code, by adding Section 36.209, as follows:

Sec. 36.209. RECOVERY BY CERTAIN NON-ERCOT UTILITIES OF CERTAIN TRANSMISSION COSTS. Provides that this section applies only to certain electric utilities. Authorizes the Public Utility Commission (commission) to permit an electric utility to recover on an annual basis specific reasonable and necessary expenditures. Authorizes the commission to permit electric utilities to recover only certain costs and prohibits the commission from permitting the electric utility to over-recover costs.

SECTION 2. Effective date: upon passage or September 1, 2005.