

BILL ANALYSIS

C.S.H.B. 3460
By: Baxter
Regulated Industries
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas Utilities Code requires the Public Utility Commission (PUC) to set an interest rate for utility customer deposits once per year, but also requires that the rate be at least six percent. A six-percent floor seemed reasonable in 1997, but today, six percent is far above what financial institutions are willing to pay on deposits. Because of that disparity, concerns have been raised that, especially for very large customers, deposits at those rates may actually be attractive investment opportunities; and anecdotal evidence exists that some customers may be overpaying deposits for this very reason.

The PUC recommended in the *Scope of Competition in Electric Markets in Texas* Report to the 79th Texas Legislature that it is appropriate for the Legislature to consider the removal of subsection (c) from Texas Utilities Code Section 183.003, thereby eliminating the six percent floor.

If the six-percent floor is removed the PUC recommended that the interest rate cap should be 100% of the twenty-six-week treasury-bill yield. The current yield on a twenty-six-week (six-month) treasury bill is 2.46 percent.

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.

ANALYSIS

C.S.H.B. 3460 amends Section 183.003 of the Utilities Code to remove the 6% floor of utility interest rate deposits and sets the rate of deposits at the average rate paid over the previous 12-month period on United States treasury bills with a 26-week maturity.

EFFECTIVE DATE

This Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original measure was a non-Legislative Council draft and the committee substitute is a Legislative Council draft. The committee substitute is substantially similar to the original measure. However, an effective date has been added in Section 2 of the substitute and subsection (b) is drafted such that there will no longer be, upon passage, any subsection to Section 183.003, Utilities Code as the original measure proposed.