

## **BILL ANALYSIS**

S.B. 1668  
By: Estes  
Regulated Industries  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Affiliate transactions have replaced many of the stand-alone expenses that utilities formerly incurred. Affiliate costs are typically incurred by the utility because of the consolidation of resources in a single service provider, thus avoiding costly duplication of services and allowing for the achievement of economies of scale. These cost savings benefit the utility customer.

This legislation changes the way disallowances for affiliate transactions are determined by the Public Utility Commission (PUC). The current practice results in massive disallowances, often 100 percent of an affiliate expense class of costs, even when the affiliate expense incurred is clearly a necessary expense. The bill changes that practice to require that the PUC establish a reasonable level of affiliate expense, rather than simply disallow 100 percent of a requested expense.

### **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 36.058, Utilities Code, by amending Subsection (c) and adding Subsection (f), as follows:

(c) Includes a finding that the price to the electric utility is not higher than the prices charged by the supplying affiliate for the same item or class of items to either its other affiliates or divisions or a nonaffiliated person within the same market area or having the same market conditions as information that must be included in a finding under Subsection (b).

(f) Requires the regulatory authority, if it finds that the affiliate expense for the test period is unreasonable, to determine the reasonable level of expense, and include that expense in determining the electric utility's cost of service.

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

### **EFFECTIVE DATE**

Effective immediately if it receives a vote of two-thirds of all members elected to each house or September 1, 2005 if the necessary vote is not received.