

By: Fraser, Jackson

S.B. No. 1495

A BILL TO BE ENTITLED

AN ACT

relating to the securitization of the nonbypassable delivery rates of transmission and distribution utilities.

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

SECTION 1. Subsection (c), Section 39.262, Utilities Code, is amended to read as follows:

(c) After January 10, 2004, at a schedule and under procedures to be determined by the commission, each transmission and distribution utility, its affiliated retail electric provider, and its affiliated power generation company shall jointly file to finalize stranded costs under Subsections (h) and (i) and reconcile those costs with the estimated stranded costs used to develop the competition transition charge in the proceeding held under Section 39.201. Any resulting difference shall be applied to the nonbypassable delivery rates of the transmission and distribution utility, except that at the utility's option, any or all of the amounts recovered under this section ~~[remaining stranded costs]~~ may be securitized under Subchapter G.

SECTION 2. Section 39.301, Utilities Code, is amended to read as follows:

Sec. 39.301. PURPOSE. The purpose of this subchapter is to enable utilities to use securitization financing to recover regulatory assets and all other amounts determined under Section 39.262 and any amounts being recovered under a competition

1 transition charge determined as a result of the proceedings under
2 Sections 39.201 and 39.262. It is the policy of this state to
3 encourage electric utilities and transmission and distribution
4 utilities to use securitization financing [~~stranded costs,~~]
5 because this type of debt will lower the carrying costs of the
6 assets relative to the costs that would be incurred using
7 conventional utility financing methods. The proceeds of the
8 transition bonds shall be used solely for the purposes of reducing
9 the amount of recoverable regulatory assets and other amounts
10 [~~stranded costs~~], as determined by the commission in accordance
11 with this chapter, through the refinancing or retirement of utility
12 debt or equity. The commission shall ensure that securitization
13 provides tangible and quantifiable benefits to ratepayers, greater
14 than would have been achieved absent the issuance of transition
15 bonds. The commission shall ensure that the structuring and
16 pricing of the transition bonds result in the lowest transition
17 bond charges consistent with market conditions and the terms of the
18 financing order. The amount securitized may not exceed the present
19 value of the revenue requirement over the life of the proposed
20 transition bond associated with the regulatory assets or stranded
21 costs sought to be securitized. The present value calculation
22 shall use a discount rate equal to the proposed interest rate on the
23 transition bonds.

24 SECTION 3. Subdivision (4), Section 39.302, Utilities Code,
25 is amended to read as follows:

26 (4) "Qualified costs" means 100 percent of an electric
27 utility's regulatory assets and 75 percent of its recoverable costs

1 determined by the commission under Section 39.201 and any remaining
2 amounts [~~stranded costs~~] determined under Section 39.262 together
3 with the costs of issuing, supporting, and servicing transition
4 bonds and any costs of retiring and refunding the electric
5 utility's existing debt and equity securities in connection with
6 the issuance of transition bonds. The term includes the costs to
7 the commission of acquiring professional services for the purpose
8 of evaluating proposed transactions under Section 39.201 and this
9 subchapter.

10 SECTION 4. Subsections (a) and (b), Section 39.303,
11 Utilities Code, are amended to read as follows:

12 (a) The commission shall adopt a financing order, on
13 application of a utility to recover the utility's regulatory assets
14 and other amounts determined [~~eligible stranded costs~~] under
15 Section 39.201 or 39.262, on making a finding that the total amount
16 of revenues to be collected under the financing order is less than
17 the revenue requirement that would be recovered over the remaining
18 life of the stranded costs using conventional financing methods and
19 that the financing order is consistent with the standards in
20 Section 39.301.

21 (b) The financing order shall detail the amount of
22 regulatory assets and other amounts [~~stranded costs~~] to be
23 recovered and the period over which the nonbypassable transition
24 charges shall be recovered, which period may not exceed 15 years.

25 SECTION 5. This Act takes effect immediately if it receives
26 a vote of two-thirds of all the members elected to each house, as
27 provided by Section 39, Article III, Texas Constitution. If this

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- 1 Act does not receive the vote necessary for immediate effect, this
- 2 Act takes effect September 1, 2005.