

1-1 By: Fraser, Jackson S.B. No. 1495
1-2 (In the Senate - Filed March 10, 2005; March 21, 2005, read
1-3 first time and referred to Committee on Business and Commerce;
1-4 April 6, 2005, reported favorably by the following vote: Yeas 9,
1-5 Nays 0; April 6, 2005, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to the securitization of the nonbypassable delivery rates
1-9 of transmission and distribution utilities.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. Subsection (c), Section 39.262, Utilities Code,
1-12 is amended to read as follows:

1-13 (c) After January 10, 2004, at a schedule and under
1-14 procedures to be determined by the commission, each transmission
1-15 and distribution utility, its affiliated retail electric provider,
1-16 and its affiliated power generation company shall jointly file to
1-17 finalize stranded costs under Subsections (h) and (i) and reconcile
1-18 those costs with the estimated stranded costs used to develop the
1-19 competition transition charge in the proceeding held under Section
1-20 39.201. Any resulting difference shall be applied to the
1-21 nonbypassable delivery rates of the transmission and distribution
1-22 utility, except that at the utility's option, any or all of the
1-23 amounts recovered under this section [~~remaining stranded costs~~] may
1-24 be securitized under Subchapter G.

1-25 SECTION 2. Section 39.301, Utilities Code, is amended to
1-26 read as follows:

1-27 Sec. 39.301. PURPOSE. The purpose of this subchapter is to
1-28 enable utilities to use securitization financing to recover
1-29 regulatory assets and all other amounts determined under Section
1-30 39.262 and any amounts being recovered under a competition
1-31 transition charge determined as a result of the proceedings under
1-32 Sections 39.201 and 39.262. It is the policy of this state to
1-33 encourage electric utilities and transmission and distribution
1-34 utilities to use securitization financing [~~stranded costs,~~]
1-35 because this type of debt will lower the carrying costs of the
1-36 assets relative to the costs that would be incurred using
1-37 conventional utility financing methods. The proceeds of the
1-38 transition bonds shall be used solely for the purposes of reducing
1-39 the amount of recoverable regulatory assets and other amounts
1-40 [~~stranded costs~~], as determined by the commission in accordance
1-41 with this chapter, through the refinancing or retirement of utility
1-42 debt or equity. The commission shall ensure that securitization
1-43 provides tangible and quantifiable benefits to ratepayers, greater
1-44 than would have been achieved absent the issuance of transition
1-45 bonds. The commission shall ensure that the structuring and
1-46 pricing of the transition bonds result in the lowest transition
1-47 bond charges consistent with market conditions and the terms of the
1-48 financing order. The amount securitized may not exceed the present
1-49 value of the revenue requirement over the life of the proposed
1-50 transition bond associated with the regulatory assets or stranded
1-51 costs sought to be securitized. The present value calculation
1-52 shall use a discount rate equal to the proposed interest rate on the
1-53 transition bonds.

1-54 SECTION 3. Subdivision (4), Section 39.302, Utilities Code,
1-55 is amended to read as follows:

1-56 (4) "Qualified costs" means 100 percent of an electric
1-57 utility's regulatory assets and 75 percent of its recoverable costs
1-58 determined by the commission under Section 39.201 and any remaining
1-59 amounts [~~stranded costs~~] determined under Section 39.262 together
1-60 with the costs of issuing, supporting, and servicing transition
1-61 bonds and any costs of retiring and refunding the electric
1-62 utility's existing debt and equity securities in connection with
1-63 the issuance of transition bonds. The term includes the costs to
1-64 the commission of acquiring professional services for the purpose

2-1 of evaluating proposed transactions under Section 39.201 and this
2-2 subchapter.

2-3 SECTION 4. Subsections (a) and (b), Section 39.303,
2-4 Utilities Code, are amended to read as follows:

2-5 (a) The commission shall adopt a financing order, on
2-6 application of a utility to recover the utility's regulatory assets
2-7 and other amounts determined [~~eligible stranded costs~~] under
2-8 Section 39.201 or 39.262, on making a finding that the total amount
2-9 of revenues to be collected under the financing order is less than
2-10 the revenue requirement that would be recovered over the remaining
2-11 life of the stranded costs using conventional financing methods and
2-12 that the financing order is consistent with the standards in
2-13 Section 39.301.

2-14 (b) The financing order shall detail the amount of
2-15 regulatory assets and other amounts [~~stranded costs~~] to be
2-16 recovered and the period over which the nonbypassable transition
2-17 charges shall be recovered, which period may not exceed 15 years.

2-18 SECTION 5. This Act takes effect immediately if it receives
2-19 a vote of two-thirds of all the members elected to each house, as
2-20 provided by Section 39, Article III, Texas Constitution. If this
2-21 Act does not receive the vote necessary for immediate effect, this
2-22 Act takes effect September 1, 2005.

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