

## **BILL ANALYSIS**

C.S.H.B. 624  
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Regulated Industries  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Under current law, electric utilities are permitted to securitize any stranded costs that the utility may incur as a result of moving from a regulated market to a competitive environment. While there are several costs associated with the transition to competition, the statute addresses only the securitization of stranded costs. As proposed, C.S.H.B. 624 would permit utilities to securitize additional costs as a result of the transition to a competitive environment.

### **RULEMAKING AUTHORITY**

It is the Committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **ANALYSIS**

SECTION 1. Amends Section 39.262(c), Utilities Code, as follows:

(c) Requires each transmission and distribution utility, its affiliated retail electric provider, and its affiliated power generation company, as specified, to file in order to finalize stranded costs under Subsection (h) and (i) and to reconcile other costs as specified, after January 10, 2004. Requires that any resulting difference 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, rather than remaining stranded costs, may be securitized under Subchapter G.

SECTION 2. Amends Section 39.301, Utilities Code, as follows:

Sec. 39.301. PURPOSE. Provides that the purpose of this subchapter is to enable utilities to use securitization financing to recover regulatory assets. Adds that utilities are authorized to use securitization financing to recover all other amounts determined under Section 39.262 and any amounts being recovered under a competition transition charge determined as a result of the proceedings under Section 39.201 and 39.262. Makes conforming changes.

SECTION 3. Amends Section 39.302(4), Utilities Code, to redefine "qualified costs."

SECTION 4. Amends Sections 39.303(a) and (b), Utilities Code, to make conforming changes and amends Section 39.303(b), Utilities Code, as follows:

(b) Requires that the financing order shall detail the amount of regulatory assets or other amounts to be recovered and the period over which the nonbypassable transition charges shall be recovered, which period may not exceed 15 years. Adds that if an amount determined under Section 39.262 is subject to judicial review at the time of the securitization proceeding, the financing order shall include an adjustment mechanism requiring the utility to adjust its rates, other than transition charges, or provide credits, other than credits to transition charges, in a manner that would refund over the remaining life of the transition bonds any overpayments resulting from securitization of amounts in excess of the amount resulting from a final determination after completion of all appellate reviews. The adjustment mechanism may not affect the stream of revenue available to service the transition bonds. An adjustment may not be made under this subsection until

all appellate reviews, including, if applicable, appellate reviews following a commission decision on remand of its original orders, have been completed.

### **EFFECTIVE DATE**

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect August 27, 2007.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

In the original, two places that related to stranded costs were overlooked in the drafting. The substitute simply strikes these two phrases and replaces them.

On page 2, line 18 of the committee substitute, "stranded costs" is struck and replaced with "other amounts".

On page 3, line 16 of the committee substitute, "stranded costs" is struck and replaced with "regulatory assets or other amounts".