

BILL ANALYSIS

Senate Research Center

C.S.H.B. 624
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law provides that an electric utility is authorized to securitize any stranded costs that it may incur as a result of moving from a regulated market to a competitive environment. However, there are several other costs associated with such a transition that are un-securitizable by the utility.

C.S.H.B. 624 permits an electric utility to securitize these other additional costs that result from the utility's transition to a competitive market.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 39.262, Utilities Code, by amending Subsection (c) and adding Subsections (l), (m), (n), and (o), as follows:

(c) Authorizes, at the electric utility's option, any or all of the amounts recovered under this section (True-up Proceeding) to be securitized under Subchapter G (Securitization), rather than any or all remaining stranded costs.

(l) Requires an electric utility or transmission and distribution utility to report to and obtain approval of the Public Utility Commission of Texas (PUC) before closing certain transactions in order to protect retail customers in this state and ensure the appropriateness of the nonbypassable rates of electric utilities and transmission and distribution utilities, notwithstanding any other provision of this title (Public Utility Regulatory Act).

(m) Requires PUC to approve a transaction under Subsection (l) if it finds that the transaction is in the public interest. Requires PUC, in making its determination, to consider whether the transaction will adversely affect the reliability of service, availability of service, or cost of service of the electric utility or transmission and distribution utility. Requires PUC to make the determination concerning a transaction under this subsection not later than the 180th day after the date PUC receives the relevant report. Provides that the transaction is considered approved if PUC has not made a determination before the 181st day after that date.

(n) Provides that Subsections (l) and (m) do not apply to a transaction described by Subsection (l) for which a definitive agreement was executed before April 1, 2007, if an electric utility or transmission and distribution utility or a person seeking to acquire or merge with an electric utility or transmission and distribution utility made a filing for review of the transaction under Section 14.101 (Report of Certain Transactions; Commission Consideration) before May 1, 2007, and the resulting proceeding was not withdrawn.

(o) Authorizes PUC, if an electric utility or transmission and distribution utility or a person seeking to acquire or merge with an electric utility or transmission and distribution utility files with PUC a stipulation, representation, or commitment in

advance of or as part of a filing under subsection (l) or under Section 14.101, to enforce the stipulation, representation, or commitment to the extent that the stipulation, representation, or commitment is consistent with the standards provided by this section and Section 14.101. Authorizes PUC to reasonably interpret and enforce conditions adopted under this section.

SECTION 2. Amends Section 39.301, Utilities Code, to enable a utility to use securitization financing to recover, in addition to regulatory assets, all other amounts determined under Section 39.262, and any amounts recovered under a competition transition charge determined under proceedings under Sections 39.201 and 39.262, rather than stranded costs. Makes conforming changes.

SECTION 3. Amends Section 39.302(4), Utilities Code, to make a conforming change.

SECTION 4. Amends Sections 39.303(a) and (b), Utilities Code, as follows:

(a) Makes conforming changes.

(b) Requires the financing order, if the amount determined under Section 39.262 is subject to judicial review during the securitization proceeding, to include an adjustment mechanism that requires the utility to adjust its rates, other than transition charges, or provide credits in a manner that refunds overpayments resulting from securitization of monies in excess of the resulting amount from a financial determination after completion of all appellate reviews. Prohibits the mechanism from affecting the revenue available to service transition bonds. Prohibits adjustments under this subsection from being made until all appellate reviews have been completed. Makes a conforming change.

SECTION 5. Effective date: upon passage or August 27, 2007.