BILL ANALYSIS

S.B. 495
By: Van de Putte
Regulated Industries
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, municipal electric utilities are authorized to enter into fuel hedging contracts for fuel oil, natural gas, and electric energy to protect against loss due to price fluctuations. However, these utilities are not authorized to enter into hedging contracts for coal or nuclear fuel.

As proposed, S.B. 495 authorizes certain municipal electric utilities to enter into fuel hedging contracts for coal and nuclear fuel. All such contracts are required to comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchanges Commission. This bill also expands the definition of "hedging" to include commodities and related transportation costs, rather than commodity futures.

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.

ANALYSIS

SECTION 1. Amends Sections 2256.0201(a) and (d), Government Code, as follows:

> (a) Authorizes a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public to enter into a hedging contract and related security and insurance agreements in relation to coal and nuclear fuel in order to protect against loss due to price fluctuations.
>
> (d) Redefines "hedging."

SECTION 2. Effective date: upon passage or September 1, 2007.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.