

## **BILL ANALYSIS**

S.B. 742  
By: Eltife  
Energy Resources  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Under current law, annual surcharges are authorized pursuant to the Gas Reliability Infrastructure Program (GRIP), which was adopted in 2003 to allow natural gas utility companies to achieve more rapid recognition and recovery of new investment, thereby saving all parties the expense of a full-blown rate case. In some cases, inappropriate expenditures have been capitalized and included in annual GRIP adjustments. Although these items were removed and refunded to customers through the more detailed GRIP review which is periodically undertaken in a general rate case, current law should be revised to provide for review and exclusion of such items from GRIP adjustments at the time the application for the adjustment is made.

### **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**

This bill amends the Utilities Code and provides that the purpose of GRIP is to provide an incentive to gas utilities to promptly replace aging portions of the gas delivery system, to encourage investment, and to enhance reliability, public safety, and service without triggering the need for a ratemaking proceeding to recover the utility's return on, and associated increases in, invested capital.

This bill defines the term "eligible infrastructure investment" and specifies what is not included in the meaning of that term. This bill provides regulatory procedures to be followed by the utility; empowers the regulatory authority to approve or to deny in whole or in part the proposed tariff, rate schedule or interim adjustment proposed by the gas utility; provides procedures for the gas utility's appeal to the Railroad Commission of a denial in whole or in part by a municipality acting in its capacity as a regulatory authority; and requires complete records be kept to facilitate the regulatory authority's review of the gas utility's filing. The gas utility's filing is also required to follow a format to be established by the Railroad Commission.

This bill provides that a municipality or coalition of municipalities shall be reimbursed its reasonable costs incurred in reviewing the GRIP filing, not to exceed 2% of the expected annual increase in revenue that the gas utility would derive from the interim rate adjustment. This bill also makes conforming changes where necessary throughout the bill.

This bill limits application of the bill to filings made after the effective date of the Act. A filing that is pending on the effective date of the Act is governed by prior law.

### **EFFECTIVE DATE**

September 1, 2007.