

By: King of Parker, Taylor, Woolley, Crabb,
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H.B. No. 624

A BILL TO BE ENTITLED

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AN ACT

relating to the securitization of the nonbypassable delivery rates
of transmission and distribution utilities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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

(c) After January 10, 2004, at a schedule and under
procedures to be determined by the commission, each transmission
and distribution utility, its affiliated retail electric provider,
and its affiliated power generation company shall jointly file to
finalize stranded costs under Subsections (h) and (i) and reconcile
those costs with the estimated stranded costs used to develop the
competition transition charge in the proceeding held under Section
39.201. Any resulting difference shall 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 [~~remaining stranded costs~~] may
be securitized under Subchapter G.

SECTION 2. Section 39.301, Utilities Code, is amended to
read as follows:

Sec. 39.301. PURPOSE. The purpose of this subchapter is to
enable utilities to use securitization financing to recover
regulatory assets, all other amounts determined under Section
39.262, and any amounts being recovered under a competition

1 transition charge determined as a result of the proceedings under
2 Sections 39.201 and 39.262. This [~~and stranded costs, because this~~]
3 type of debt will lower the carrying costs of the assets relative to
4 the costs that would be incurred using conventional utility
5 financing methods. The proceeds of the transition bonds shall be
6 used solely for the purposes of reducing the amount of recoverable
7 regulatory assets and other amounts [~~stranded costs~~], as determined
8 by the commission in accordance with this chapter, through the
9 refinancing or retirement of utility debt or equity. The
10 commission shall ensure that securitization provides tangible and
11 quantifiable benefits to ratepayers, greater than would have been
12 achieved absent the issuance of transition bonds. The commission
13 shall ensure that the structuring and pricing of the transition
14 bonds result in the lowest transition bond charges consistent with
15 market conditions and the terms of the financing order. The amount
16 securitized may not exceed the present value of the revenue
17 requirement over the life of the proposed transition bond
18 associated with the regulatory assets or other amounts [~~stranded~~
19 ~~costs~~] sought to be securitized. The present value calculation
20 shall use a discount rate equal to the proposed interest rate on the
21 transition bonds.

22 SECTION 3. Section 39.302(4), Utilities Code, is amended to
23 read as follows:

24 (4) "Qualified costs" means 100 percent of an electric
25 utility's regulatory assets and 75 percent of its recoverable costs
26 determined by the commission under Section 39.201 and any remaining
27 amounts [~~stranded costs~~] determined under Section 39.262 together

1 with the costs of issuing, supporting, and servicing transition
2 bonds and any costs of retiring and refunding the electric
3 utility's existing debt and equity securities in connection with
4 the issuance of transition bonds. The term includes the costs to
5 the commission of acquiring professional services for the purpose
6 of evaluating proposed transactions under Section 39.201 and this
7 subchapter.

8 SECTION 4. Sections 39.303(a) and (b), Utilities Code, are
9 amended to read as follows:

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

19 (b) The financing order shall detail the amount of
20 regulatory assets and other amounts [~~stranded costs~~] to be
21 recovered and the period over which the nonbypassable transition
22 charges shall be recovered, which period may not exceed 15 years. If
23 an amount determined under Section 39.262 is subject to judicial
24 review at the time of the securitization proceeding, the financing
25 order shall include an adjustment mechanism requiring the utility
26 to adjust its rates, other than transition charges, or provide
27 credits, other than credits to transition charges, in a manner that

1 would refund over the remaining life of the transition bonds any
2 overpayments resulting from securitization of amounts in excess of
3 the amount resulting from a final determination after completion of
4 all appellate reviews. The adjustment mechanism may not affect the
5 stream of revenue available to service the transition bonds. An
6 adjustment may not be made under this subsection until all
7 appellate reviews, including, if applicable, appellate reviews
8 following a commission decision on remand of its original orders,
9 have been completed. A retail electric provider shall be required
10 to appropriately refund or credit to its customers any reduction in
11 rates or any credits received from the utility under this section.

12 SECTION 5. This Act takes effect immediately if it receives
13 a vote of two-thirds of all the members elected to each house, as
14 provided by Section 39, Article III, Texas Constitution. If this
15 Act does not receive the vote necessary for immediate effect, this
16 Act takes effect August 27, 2007.