By: King of Parker, Taylor, et al.

H.B. No. 624

Substitute the following for H.B. No. 624:

By: King of Parker

C.S.H.B. No. 624

## A BILL TO BE ENTITLED

1 AN ACT

2 relating to the securitization of the nonbypassable delivery rates

- 3 of transmission and distribution utilities.
- 4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
- 5 SECTION 1. Section 39.262(c), Utilities Code, is amended to
- 6 read as follows:
- 7 (c) After January 10, 2004, at a schedule and under
- 8 procedures to be determined by the commission, each transmission
- 9 and distribution utility, its affiliated retail electric provider,
- 10 and its affiliated power generation company shall jointly file to
- 11 finalize stranded costs under Subsections (h) and (i) and reconcile
- 12 those costs with the estimated stranded costs used to develop the
- 13 competition transition charge in the proceeding held under Section
- 14 39.201. Any resulting difference shall be applied to the
- 15 nonbypassable delivery rates of the transmission and distribution
- 16 utility, except that at the utility's option, any or all of the
- amounts recovered under this section [remaining stranded costs] may
- 18 be securitized under Subchapter G.
- 19 SECTION 2. Section 39.301, Utilities Code, is amended to
- 20 read as follows:
- Sec. 39.301. PURPOSE. The purpose of this subchapter is to
- 22 enable utilities to use securitization financing to recover
- 23 regulatory assets, all other amounts determined under Section
- 24 39.262, and any amounts being recovered under a competition

C.S.H.B. No. 624

transition charge determined as a result of the proceedings under 1 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. commission shall ensure that securitization provides tangible and 10 quantifiable benefits to ratepayers, greater than would have been 11 achieved absent the issuance of transition bonds. The commission 12 shall ensure that the structuring and pricing of the transition 13 14 bonds result in the lowest transition bond charges consistent with 15 market conditions and the terms of the financing order. The amount securitized may not exceed the present value of the revenue 16 17 requirement over the life of the proposed transition bond associated with the regulatory assets or other amounts [stranded 18 costs] sought to be securitized. The present value calculation 19 shall use a discount rate equal to the proposed interest rate on the 20 21 transition bonds.

- 22 SECTION 3. Section 39.302(4), Utilities Code, is amended to 23 read as follows:
- (4) "Qualified costs" means 100 percent of an electric utility's regulatory assets and 75 percent of its recoverable costs determined by the commission under Section 39.201 and any remaining amounts [stranded costs] determined under Section 39.262 together

C.S.H.B. No. 624

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

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- 8 SECTION 4. Sections 39.303(a) and (b), Utilities Code, are 9 amended to read as follows:
- (a) The commission shall adopt a financing order, on 10 application of a utility to recover the utility's regulatory assets 11 and other amounts determined [eligible stranded costs] under 12 Section 39.201 or 39.262, on making a finding that the total amount 13 14 of revenues to be collected under the financing order is less than 15 the revenue requirement that would be recovered over the remaining life of the <u>regulatory assets or other amounts</u> [stranded costs] 16 using conventional financing methods and that the financing order 17 is consistent with the standards in Section 39.301. 18
  - (b) The financing order shall detail the amount of regulatory assets and other amounts [stranded costs] to be recovered and the period over which the nonbypassable transition charges shall be recovered, which period may not exceed 15 years. 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

C.S.H.B. No. 624

would refund over the remaining life of the transition bonds any 1 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 stream of revenue available to service the transition bonds. An 5 6 adjustment may not be made under this subsection until all appellate reviews, including, if applicable, appellate reviews 7 following a commission decision on remand of its original orders, 8 have been completed. 9

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