

## **BILL ANALYSIS**

H.B. 1064  
By: Pitts  
State Affairs  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

A demand ratchet is a billing mechanism that allows a transmission and distribution utility to assign costs to those customers who caused the utility to incur the costs. This system unfortunately includes customers who have limited or seasonal usage. Changing the billing system from one based on a ratcheted demand to one based on actual demand for a customer who falls under this latter category would alleviate some cost pressures that such a utility faces while complementing the utility's duty to provide reliable electric service.

H.B. 1064 implements a tiered pricing structure for a nonresidential secondary service customer by requiring the Public Utility Commission of Texas (PUC) to adopt a rule requiring transmission and distribution utilities to waive the application of demand ratchets for a customer with a maximum load factor equal to or below a factor specified by the PUC, which exempts such a customer from being billed on a ratcheted demand and instead allows the customer to be billed according to actual demand and utility usage.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTIONS 1 and 2 of this bill.

### **ANALYSIS**

H.B. 1064 amends the Utilities Code to require the Public Utility Commission of Texas (PUC) by rule to require a transmission and distribution utility to waive the application of demand ratchet provisions for each nonresidential secondary service customer that has a maximum load factor equal to or below a factor set by commission rule; to implement procedures to verify annually whether each nonresidential secondary service customer has a maximum load factor that qualifies the customer for the waiver; to specify in the utility's tariff whether the utility's nonresidential secondary service customers that qualify for the waiver are to be billed for distribution service charges on the basis of kilowatts, kilowatt-hours, or kilovolt-amperes; and to modify the utility's tariff in the utility's next base rate case to implement the waiver and make the required specification relating to distribution service charges. The bill requires the PUC to adopt rules as necessary to implement the bill's provisions before June 1, 2012.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.