

## **BILL ANALYSIS**

Senate Research Center

S.B. 403  
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Natural Resources  
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Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The cost of providing pensions and other postemployment benefits can significantly increase from year to year. Such increases in pension and retiree health care expenses can force gas utilities to file more frequent rate cases, at a cost to the ratepayer.

S.B. 403 applies the existing accounting and rate treatment of postretirement Public Utility Regulatory Act language to the Gas Utility Regulatory Act for the accounting and rate treatment of postretirement benefits of gas utilities whose rates are set by the Railroad Commission of Texas or by municipalities. The bill allows a gas utility to establish one or more reserve accounts for expenses related to pension and other postemployment benefits. Once the reserve accounts are established, the variation in expenses will be captured and reviewed by the regulatory body for inclusion in rates during subsequent proceedings. This change will allow gas utilities to better manage the challenges of volatile and escalating pension and retiree health care expenses.

S.B. 403 amends current law relating to the consideration of pension and other postemployment benefits in establishing the rates of a gas utility.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter B, Chapter 104, Utilities Code, by adding Section 104.059, as follows:

Sec. 104.059. PENSION AND OTHER POSTEMPLOYMENT BENEFITS. (a) Requires the Railroad Commission of Texas or the governing body of a municipality (regulatory authority), in establishing a gas utility's rates, to allow recovery of the gas utility's costs of pensions and other postemployment benefits, as determined by actuarial or other similar studies in accordance with generally accepted accounting principles, in amounts the regulatory authority finds reasonable and necessary.

(b) Requires the gas utility, if a gas utility establishes one or more reserve accounts for the purpose of tracking changes in the costs of pensions and other employment benefits, to periodically record in the reserve account any difference between:

(1) the annual amount of pension and other postemployment benefits approved and included in the gas utility's then current rates or, if that annual amount cannot be determined from the regulatory authority's order, the amount recorded for pension and other postemployment benefits under generally accepted accounting principles during the first year that rates from the gas utility's last general rate proceeding were in effect; and

(2) the annual amount costs of pensions and other postemployment benefits as determined by actuarial or other similar studies that would otherwise be recorded by the gas utility were this provision not applicable.

(c) Requires the gas utility to establish separate reserve accounts for pensions and for other postemployment benefits, and apply the same methodology to allocate pension and other postemployment benefits between capital and expense as in the gas utility's last rate case.

(d) Provides that a surplus in a reserve account exists if the amount of pension and other post employment benefits under Subsection (b)(1) is greater than the amount determined under Subsection (b)(2). Provides that a shortage in a reserve account exists if the amount of pension and other postemployment benefits under Subsection (b)(1) is less than the amount determined under Subsection (b)(2).

(e) Requires the regulatory authority, if the gas utility establishes reserve accounts for the costs of pensions and other postemployment benefits, at a subsequent general rate proceeding to review the amounts recorded to each reserve account to determine whether the amounts are reasonable and necessary, determine in accordance with Subsection (d) whether each reserve account has a surplus or shortage, and subtract any surplus from or add any shortage to the gas utility's rate base with the surplus or shortage amortized over a reasonable time.

SECTION 2. Provides that Sections 104.059(b)-(e), Utilities Code, as added by this Act, apply only in relation to a reserve account established by a gas utility on or after January 1, 2012.

SECTION 3. Effective date: upon passage or September 1, 2011.