BILL ANALYSIS

Senate Research Center
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S.B. 1002
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current Texas law allows electric utilities to classify costs associated with the utility's pension programs using the term "operating expense," and as such, they are able to recover the associated costs in utility rates.

In December of 2016, the nationally-based Financial Accounting Standards Board (FASB) adopted rule changes that had the effect of altering the way pension costs are classified. Instead of accounting for all pension costs using the term "operating expense," they should now be classified in two categories using the terms "operating" and "non-operating" expenses.

This rule change simply affects the presentation of, not calculation of, retirement benefit costs, and was enacted to promote ease of financial analysis for the investor community.

This FASB change will affect utilities on a national scale because the explicit wording of the new rule potentially complicates rate-making for all utilities. FASB has acknowledged its impact, and has signaled that the Federal Energy Regulatory Commission (FERC) or individual states could set regulatory accounting for their rate-making purposes.

The bill proposes to make a simple change deleting the word "operating" in two places in PURA in order that Texas law would comport with the recent change enacted by FASB. Importantly, the change does not result in any additional costs to consumers, and maintains the spirit of Texas law by providing the ability of electric utilities to recover pension costs through their existing rate structure.

As proposed, S.B. 1002 amends current law relating to accounting principles applicable to pension and other postemployment benefit expenses for electric utilities.

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 Section 36.065(b), Utilities Code, as follows:

> (b) Authorizes an electric utility to establish one or more reserve accounts for expenses for pension and other postemployment benefits. Deletes existing text providing an effective date of January 1, 2005. Requires an electric utility to periodically record in the reserve account any difference between:
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> > (1) the annual amount of pension and other postemployment benefits approved as an expense, rather than as an operating expense, in the electric utility's last general rate proceeding or, if that 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 electric utility's last general rate proceeding are in effect; and

(2) makes a conforming change to this subdivision.

SECTION 2. Effective date: upon passage or September 1, 2017.