

BILL ANALYSIS

C.S.H.B. 1397
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Concerns have been raised over possible negative financial effects on non-ERCOT electric utilities due to those utilities having to operate under an outdated regulatory model that produces regulatory lag, i.e., an extended period between the date that infrastructure is placed in service and the date investors may start recovering their investment. C.S.H.B. 1397 seeks to address this issue by authorizing a non-ERCOT utility to apply for a rider to recover the utility's reasonable and necessary power generation investment and costs associated with that investment.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 4 of this bill.

ANALYSIS

C.S.H.B. 1397 amends the Utilities Code to postpone from September 1, 2023, to September 1, 2031, the expiration date of certain statutory provisions relating to cost recovery and rate adjustment for electric utilities that operate solely outside of ERCOT. The bill authorizes such an electric utility to file, and authorizes the Public Utility Commission of Texas (PUC) to approve, an application for a rider to recover the utility's reasonable and necessary power generation investment and costs associated with that investment. The bill authorizes such an application to be filed by the utility and approved by the PUC before the utility places the power generation investment in service to enable full and timely recovery. The bill requires any approved rider to take effect on the date the investment begins providing service to the utility's customers and requires the rider to account for changes in the number of an electric utility's customers and the effects, on a weather-normalized basis, that energy consumption and energy demand have on the amount of revenue recovered through the utility's base rates. The bill requires a utility that filed an approved rider that includes incremental generation investment greater than \$200 million on a Texas jurisdictional basis to initiate a comprehensive base rate proceeding at the PUC not later than 18 months after the date the rider takes effect. The bill requires the PUC, not later than September 1, 2020, to adopt rules as necessary to implement the bill's provisions regarding the recovery of generation investment.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1397 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a requirement for certain electric utilities to initiate a comprehensive base rate proceeding at the PUC.