By:  Paddie, et al. H.B. No. 1520

A BILL TO BE ENTITLED

AN ACT

relating to the recovery and securitization of certain extraordinary costs incurred by certain gas utilities; providing authority to issue bonds and impose fees and assessments.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1.  Section 1232.002, Government Code, is amended to read as follows:

Sec. 1232.002.  PURPOSE. The purpose of this chapter is to provide a method of financing for:

(1)  the acquisition or construction of buildings; [~~and~~]

(2)  the purchase or lease of equipment by executive or judicial branch state agencies; and

(3)  customer rate relief bonds authorized by the Railroad Commission of Texas.

SECTION 2.  Section 1232.066(a), Government Code, is amended to read as follows:

(a)  The board's authority under this chapter is limited to the financing of:

(1)  the acquisition or construction of a building;

(2)  the purchase or lease of equipment; [~~or~~]

(3)  stranded costs of a municipal power agency; or

(4)  customer rate relief bonds approved by the Railroad Commission of Texas.

SECTION 3.  Subchapter C, Chapter 1232, Government Code, is amended by adding Section 1232.1072 to read as follows:

Sec. 1232.1072.  ISSUANCE OF OBLIGATIONS FOR FINANCING CUSTOMER RATE RELIEF BONDS. (a) The authority, either directly or by means of a financing entity established by the authority, may issue obligations or other evidences of indebtedness for financing customer rate relief bonds approved under Subchapter I, Chapter 104, Utilities Code.

(b)  On a request to the authority from the Railroad Commission of Texas, the authority shall:

(1)  issue obligations or other evidences of indebtedness in the amount of the requested customer rate relief bonds, plus the issuance costs; and

(2)  grant to the Railroad Commission of Texas the proceeds of the obligations or evidences of indebtedness described by Subdivision (1).

(c)  The request from the Railroad Commission of Texas described by Subsection (b) must include a statement of the payment terms for recovering customer rate relief costs.

(d)  Obligations or evidences of indebtedness the authority issues under this section must be created under financing orders issued by the Railroad Commission of Texas. The financing orders must authorize the authority to create legally isolated, bankruptcy-remote financing entities to hold customer rate relief property. The authority may establish a financing entity authorized by a financing order.

(e)  Obligations or evidences of indebtedness the authority issues under this section for each approved customer rate relief financing must include, as part of the financing costs of the financing, the administrative costs related to the financing.

(f)  Obligations or evidences of indebtedness the authority issues under this section must be secured by:

(1)  customer rate relief property, as defined by Section 104.362, Utilities Code; and

(2)  customer rate relief charges, as defined by Section 104.362, Utilities Code, that are nonbypassable, as defined by that section, imposed by the authority on customers receiving natural gas services provided by the gas utility, as defined by that section, that is making the request to recover a regulatory asset under Section 104.365, Utilities Code.

(g)  The customer rate relief property and customer rate relief charges described by Subsection (f) must be consistent with the customer rate relief recovery terms stated in the gas utility's request to recover a regulatory asset under Section 104.365, Utilities Code, unless otherwise approved by the Railroad Commission of Texas.

(h)  An obligation or evidence of indebtedness the authority issues under this section is not a debt of this state, the Railroad Commission of Texas, or a gas utility.

(i)  The Railroad Commission of Texas shall provide to the authority assistance necessary to ensure that the customer rate relief charges described by Subsection (f) are collected and enforced, either directly or by using the assistance and powers of the gas utility requesting to recover a regulatory asset under Section 104.365, Utilities Code, as servicer.

(j)  The authority and the Railroad Commission of Texas have all the powers necessary to perform the duties and responsibilities described by this section. This section shall be interpreted broadly in a manner consistent with the most cost-effective financing of customer rate relief related costs.

(k)  Obligations or evidences of indebtedness issued by the authority under this section may be structured so that any interest on the obligations or evidences of indebtedness is excluded from gross income for federal income tax purposes. Any interest on the obligations or evidences of indebtedness is not subject to taxation by and may not be included as part of the measurement of a tax by this state or a political subdivision of this state.

(l)  The authority shall make periodic reports to the Railroad Commission of Texas and the public regarding each financing made under this section.

SECTION 4.  Section 1232.108, Government Code, is amended to read as follows:

Sec. 1232.108.  LEGISLATIVE AUTHORIZATION REQUIRED. Except as permitted by Section 1232.1072, 1232.109, 2166.452, or 2166.453, before the board may issue and sell bonds, the legislature by the General Appropriations Act or other law must have authorized:

(1)  the specific project for which the bonds are to be issued and sold; and

(2)  the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance and sale of bonds for the project.

SECTION 5.  Chapter 104, Utilities Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CUSTOMER RATE RELIEF BONDS

Sec. 104.361.  PURPOSE; RAILROAD COMMISSION DUTY. (a) The purpose of this subchapter is to reduce the cost that customers would otherwise experience because of extraordinary costs that gas utilities incur to secure gas supply and provide service during natural and man-made disasters, system failures, or other catastrophic events, and to restore gas utility systems after those types of events, by providing securitization financing for gas utilities to recover those costs. The securitization financing mechanism authorized by this subchapter will:

(1)  provide rate relief to customers by extending the period during which the extraordinary costs described by Subsection (a) are recovered from customers; and

(2)  support the financial strength and stability of gas utility companies.

(b)  The railroad commission shall ensure that securitization provides tangible and quantifiable benefits to customers, greater than would have been achieved absent the issuance of customer rate relief bonds.

Sec. 104.362.  DEFINITIONS. In this subchapter:

(1)  "Ancillary agreement" means a financial arrangement entered into in connection with the issuance or payment of customer rate relief bonds that enhances the marketability, security, or creditworthiness of customer rate relief bonds, including a bond, insurance policy, letter of credit, reserve account, surety bond, interest rate or currency swap arrangement, interest rate lock agreement, forward payment conversion agreement, other hedging arrangement, or liquidity or credit support arrangement.

(2)  "Assignee" means any legally recognized entity to which an interest in customer rate relief property is transferred, other than as security. The term includes a corporation, limited liability company, public authority, trust, general partnership, limited partnership, or other financing entity.

(3)  "Authority" means the Texas Public Finance Authority.

(4)  "Bond administrative expenses" means expenses incurred to administer customer rate relief bonds issued under this subchapter, including fees for paying agents, trustees, and attorneys, and for paying for other professional services necessary to ensure compliance with applicable state or federal law.

(5)  "Bond obligations" means the principal of a customer rate relief bond and any premium and interest on a customer rate relief bond issued under this subchapter, together with any amount owed under a related ancillary agreement or credit agreement.

(6)  "Credit agreement" means a loan agreement, revolving credit agreement, agreement establishing a line of credit, or similar financing arrangement.

(7)  "Customer rate relief bonds" means bonds, notes, certificates, or other evidences of indebtedness or ownership the proceeds of which are used directly or indirectly to recover, finance, or refinance regulatory assets approved by the railroad commission, including extraordinary costs and related financing costs, and that are:

(A)  issued by an assignee under a financing order; and

(B)  payable from and secured by customer rate relief property and amounts on deposit in the obligation trust fund to the extent provided by the applicable financing order.

(8)  "Customer rate relief charges" means the amounts authorized by the railroad commission as nonbypassable charges to repay, finance, or refinance regulatory assets, including extraordinary costs, financing costs, and other costs authorized by the financing order:

(A)  imposed on and included in customer bills of a gas utility that has received a regulatory asset determination under Section 104.365;

(B)  collected in full by a gas utility that has received a regulatory asset determination under Section 104.365, or its successors or assignees, or a collection agent, as servicer, separate and apart from the gas utility's base rates; and

(C)  paid by all existing or future customers receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or its successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier.

(9)  "Customer rate relief property" means property described by Section 104.367.

(10)  "Financing costs" means any of the following:

(A)  interest and acquisition, defeasance, or redemption premiums that are payable on customer rate relief bonds;

(B)  a payment required under an ancillary agreement and an amount required to fund or replenish reserve or other accounts established under the terms of an indenture, ancillary agreement, or other financing document pertaining to customer rate relief bonds;

(C)  issuance costs and ongoing costs related to supporting, repaying, servicing, or refunding customer rate relief bonds, including servicing fees, accounting and auditing fees, trustee fees, legal fees and expenses, consulting fees, administrative fees, printing fees, financial advisor fees and expenses, Securities and Exchange Commission registration fees, issuer fees, placement and underwriting fees, capitalized interest, overcollateralization funding requirements, rating agency fees, stock exchange listing and compliance fees, filing fees, and any other bond administration expenses; and

(D)  the costs to the railroad commission of acquiring professional services for the purpose of evaluating extraordinary costs under this subchapter.

(11)  "Financing order" means an order adopted under Section 104.366 approving the issuance of customer rate relief bonds and the creation of customer rate relief property and associated customer rate relief charges for the recovery of regulatory assets, including extraordinary costs, related financing costs, and other costs authorized by the financing order.

(12)  "Financing party" means a holder of customer rate relief bonds, including a trustee, collateral agent, any party under an ancillary agreement, or other person acting for the holder's benefit.

(13)  "Gas utility" means:

(A)  an operator of natural gas distribution pipelines that delivers and sells natural gas to the public and that is subject to the railroad commission's jurisdiction under Section 102.001; or

(B)  an operator that transmits, transports, delivers, or sells natural gas or synthetic natural gas to operators of natural gas distribution pipelines and whose rates for those services are established by the railroad commission in a rate proceeding filed under this chapter.

(14)  "Nonbypassable" means a charge that may not be offset by any credit.

(15)  "Normalized market pricing" means the average monthly pricing at the Henry Hub for the three months immediately preceding the month during which extraordinary costs were incurred, plus contractual adders to the index price and other non-indexed gas procurement costs.

(16)  "Regulatory asset" includes extraordinary costs:

(A)  recorded by a gas utility in the utility's books and records in accordance with the uniform system of accounts prescribed for natural gas companies subject to the provisions of the Natural Gas Act (15 U.S.C. Section 717 et seq.) by the Federal Energy Regulatory Commission and generally accepted accounting principles; or

(B)  classified as a receivable or financial asset under international financial reporting standards under the railroad commission's authorization in the Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event issued February 13, 2021, or any later notice or order issued by the railroad commission for other similarly authorized natural or man-made disasters or system failure events.

Sec. 104.363.  EXTRAORDINARY COSTS. For the purposes of this subchapter, extraordinary costs are the reasonable and necessary costs, including carrying costs, placed in a regulatory asset and approved by the railroad commission in a regulatory asset determination under Section 104.365.

Sec. 104.364.  JURISDICTION AND POWERS OF RAILROAD COMMISSION AND OTHER REGULATORY AUTHORITIES. (a) The railroad commission may authorize the issuance of customer rate relief bonds if the requirements of Section 104.366 are met.

(b)  The railroad commission may assess to a gas utility costs associated with administering this subchapter. Assessments must be recovered from rate-regulated customers as part of gas cost.

(c)  The railroad commission has exclusive, original jurisdiction to issue financing orders that authorize the creation of customer rate relief property, customer rate relief charges to service customer rate relief bonds, and financing costs. Customer rate relief charges, if authorized by the railroad commission through a financing order in that commission's sole discretion, must be imposed pursuant to customer rate relief property and not by a gas utility.

(d)  Except as provided by Subsection (c), this subchapter does not limit or impair a regulatory authority's plenary jurisdiction over the rates, charges, and services rendered by gas utilities in this state under Chapter 102.

Sec. 104.365.  REGULATORY ASSET DETERMINATION. (a) The railroad commission, on application of a gas utility to recover a regulatory asset, shall determine the regulatory asset amount to be recovered by the gas utility.

(b)  A gas utility desiring to participate in the customer rate relief bond process under a financing order must file an application with the railroad commission not later than the 90th day after the date of the conclusion of the event for which regulatory asset recovery is requested. The railroad commission shall determine an application date deadline consistent with this subsection.

(c)  Notwithstanding the deadline provided by Subsection (b), a gas utility desiring to participate in the customer rate relief bond process under a financing order by requesting recovery of a regulatory asset relating to the February 2021 winter storm may file an application with the railroad commission on or before the 60th day after the effective date of the Act enacting this subchapter.

(d)  If the railroad commission does not make a final determination regarding the regulatory asset amount to be recovered by a gas utility before the 91st day after the gas utility files the application, the railroad commission is considered to have approved the regulatory asset amount requested by the gas utility.

(e)  The regulatory asset determination is not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as authorized by Section 104.370.

(f)  The regulatory asset determination is not subject to rehearing by the railroad commission and may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the order is signed by the railroad commission.

(g)  The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(h)  All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and limited to whether the financing order:

(1)  complies with the constitution and laws of this state and the United States; and

(2)  is within the authority of the railroad commission to issue under this subchapter.

(i)  The railroad commission by order shall establish a schedule, filing requirements, and a procedure for determining the prudence of the costs included in a gas utility's regulatory asset.

(j)  To the extent a gas utility subject to this subchapter receives insurance proceeds, governmental grants, or other sources of funding that compensate or otherwise reimburse or indemnify the gas utility for extraordinary costs following the issuance of customer rate relief bonds, the gas utility may record the amount in a regulatory liability account and that amount shall be reviewed in a future proceeding. If an audit conducted under a valid gas purchase agreement identifies a change of greater than five percent to the total amount of the gas supply costs incurred during the event for which regulatory asset recovery was approved, the gas utility may record the amount in a regulatory asset or regulatory liability account and that amount shall be reviewed for recovery in a future proceeding.

Sec. 104.366.  FINANCING ORDERS AND ISSUANCE OF CUSTOMER RATE RELIEF BONDS. (a) If the railroad commission determines that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to be made to gas utilities, the railroad commission, after the final resolution of all applications filed under Section 104.365, may request the authority to issue customer rate relief bonds on the railroad commission's behalf. Before making the request, the railroad commission must issue a financing order that complies with this section.

(b)  To make the determination described by Subsection (a), the railroad commission must find that the proposed structuring, expected pricing, and proposed financing costs of the customer rate relief bonds are reasonably expected to provide benefits to customers by comparing:

(1)  the net present value of the costs to customers resulting from the issuance of customer rate relief bonds; and

(2)  the costs that would result from the application of conventional methods of financing or recovering gas utility extraordinary costs and other costs authorized by a financing order.

(c)  The financing order must:

(1)  include a finding that the use of the securitization financing mechanism is in the public interest and consistent with the purposes of this subchapter;

(2)  detail the total amount of the regulatory asset determinations to be included in the customer rate relief bond issuance;

(3)  authorize the recovery of any tax obligation of the gas utilities arising or resulting from:

(A)  receipt of customer rate relief bond proceeds; or

(B)  collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the railroad commission determines reasonable;

(4)  authorize the authority's issuance of customer rate relief bonds through one or more legally isolated, bankruptcy-remote financing entities established by the authority;

(5)  include a statement of:

(A)  the aggregated regulatory asset determination to be included in the principal amount of the customer rate relief bonds, not to exceed $10 billion for any separate bond issue; and

(B)  the maximum scheduled final maturity of the customer rate relief bonds, not to exceed 30 years, except that the legal final maturity may be longer based on rating agency and market considerations;

(6)  provide for the imposition, collection, and mandatory periodic formulaic adjustment of customer rate relief charges in accordance with Section 104.370 by all gas utilities for which a regulatory asset determination has been made under Section 104.365 to guarantee that the bonds will be paid in full;

(7)  authorize the creation of customer rate relief property in favor of the authority and the authority's transfer of the property;

(8)  direct the authority to disperse the proceeds of customer rate relief bonds to gas utilities for which a regulatory asset determination has been made under Section 104.365 and include the amounts to be distributed;

(9)  provide that customer rate relief charges be collected and allocated among customers of each utility for which a regulatory determination has been made under Section 104.365 through uniform monthly volumetric charges to be paid by customers as a component of the gas utility's gas cost or in another manner that the railroad commission determines reasonable; and

(10)  reflect the commitment made by each gas utility receiving proceeds that the proceeds are in lieu of recovery of those costs through the regular ratemaking process or other mechanism to the extent the costs are reimbursed to the gas utility by customer rate relief bond financing proceeds.

(d)  The principal amount determined by the railroad commission may be increased to include an amount sufficient to:

(1)  pay the financing costs for issuance;

(2)  reimburse the authority for any costs incurred for the issuance;

(3)  provide a bond reserve fund; and

(4)  capitalize interest for the period determined necessary by the railroad commission.

(e)  The authority, consistent with this subchapter and the terms of the financing order, shall:

(1)  issue customer rate relief bonds at the railroad commission's request, in accordance with the requirements of Chapter 1232, Government Code, and other provisions of Title 9, Government Code, that apply to bond issuance by a state agency; and

(2)  determine the methods of sale, types of bonds, bond forms, maximum interest rates, and other terms of the customer rate relief bonds that in the authority's judgment best achieve the economic goals of the financing order and effect the financings at the lowest practicable cost.

(f)  The authority shall establish legally isolated, bankruptcy-remote financing entities and may enter into credit agreements or ancillary agreements in connection with the issuance of customer rate relief bonds.

(g)  The financing order becomes effective in accordance with its terms. The financing order, together with the customer rate relief property and the customer rate relief charges authorized by the financing order, is irrevocable and not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as provided under Subsection (i) and authorized by Section 104.370.

(h)  The railroad commission shall issue a financing order under this section not later than the 90th day following the date of the conclusion of all proceedings filed under Section 104.365.

(i)  A financing order is not subject to rehearing by the railroad commission. A financing order may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the financing order is signed by the railroad commission.

(j)  The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(k)  All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and is limited to whether the financing order:

(1)  complies with the constitution and laws of this state and the United States; and

(2)  is within the authority of the railroad commission to issue under this subchapter.

(l)  The authority shall issue customer rate relief bonds not later than the 45th day after receipt of a financing order issued under this section.

(m)  The authority shall deliver customer rate relief bond proceeds net of upfront financing costs to each gas utility sufficient to reimburse the gas utility the regulatory asset amount determined to be reasonable under Section 104.365 not later than the 15th day after the date of issuance of the customer rate relief bonds.

(n)  For the weather-related event that occurred in February 2021, the authority shall deliver customer rate relief bond proceeds net of upfront financing costs to each gas utility no later than December 31, 2021. This subsection expires September 1, 2023.

Sec. 104.367.  PROPERTY RIGHTS. (a) Customer rate relief bonds are solely the obligation of the assignee or issuing financing entity and are not a debt of a gas utility or a debt or a pledge of the faith and credit of this state or any political subdivision of this state.

(b)  Customer rate relief bonds are nonrecourse to the credit or any assets of this state or the authority.

(c)  The rights and interests of the authority or the authority's successor under a financing order, including the right to impose and receive customer rate relief charges authorized in the financing order, are only contract rights until first transferred to an assignee or pledged in connection with the issuance of the customer rate relief bonds, at which time the rights and interests become customer rate relief property.

(d)  Customer rate relief property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, notwithstanding that the imposition and collection of customer rate relief charges depends on further acts of the gas utility or others that have not yet occurred. The financing order remains in effect, and the customer rate relief property continues to exist, for the same period as the pledge of the state described by Section 104.374.

(e)  All revenue and collections resulting from customer rate relief charges constitute proceeds only of a property right arising from the financing order.

(f)  An amount owed by the authority or an issuer under a credit agreement is payable from and secured by the customer rate relief property, including customer rate relief charges and amounts to the extent provided in the proceedings authorizing the credit agreement.

Sec. 104.368.  PROPERTY INTEREST NOT SUBJECT TO SETOFF, COUNTERCLAIM, SURCHARGE, OR DEFENSE. The interest of an assignee or pledgee in customer rate relief property, including the revenue and collections arising from customer rate relief charges, is not subject to setoff, counterclaim, surcharge, or defense by the gas utility or any other person or in connection with the bankruptcy of the gas utility, the authority, or any other entity. A financing order remains in effect and unabated notwithstanding the bankruptcy of the gas utility or authority, or any successor or assignee of the gas utility or authority.

Sec. 104.369.  CUSTOMER RATE RELIEF CHARGES NONBYPASSABLE. A financing order must include terms ensuring that the imposition and collection of the customer rate relief charges authorized in the order are nonbypassable.

Sec. 104.370.  TRUE-UP MECHANISM. (a) A financing order must include a formulaic true-up charge adjustment mechanism that requires that the customer rate relief charges be reviewed and adjusted at least annually, at time periods and frequencies provided in the financing order, to:

(1)  correct any overcollections or undercollections of the preceding 12 months; and

(2)  ensure the expected recovery of amounts sufficient to provide for the timely payment of upcoming scheduled customer rate relief bond payments and financing costs.

(b)  True-up charge adjustments must become effective not later than the 30th day after the date the railroad commission receives a true-up charge adjustment letter from the gas utility or replacement servicer notifying the railroad commission of the pending adjustment.

(c)  Any administrative review of true-up charge adjustments must be limited to notifying the servicer of mathematical or clerical errors in the calculation. The servicer may correct the error and refile a true-up charge adjustment letter, with the adjustment becoming effective as soon as practicable but not later than the 30th day after the date the railroad commission receives the refiled letter.

Sec. 104.371.  SECURITY INTERESTS; ASSIGNMENT; COMMINGLING; DEFAULT. (a) Customer rate relief property does not constitute an account or general intangible under Section 9.106, Business & Commerce Code. The creation, granting, perfection, and enforcement of liens and security interests in customer rate relief property are governed by this section and not by the Business & Commerce Code.

(b)  A valid and enforceable lien and security interest in customer rate relief property may be created only by a financing order and the execution and delivery of a security agreement with a financing party in connection with the issuance of customer rate relief bonds. The lien and security interest attach automatically from the time that value is received for the customer rate relief bonds and, on perfection through the filing of notice with the secretary of state in accordance with the rules prescribed under Subsection (d), are a continuously perfected lien and security interest in the customer rate relief property and all proceeds of the property, whether accrued or not, have priority in the order of filing and take precedence over any subsequent judicial or other lien creditor. The security interest is perfected as of the date of the filing, except that if notice is filed before the 11th day after value is received for the customer rate relief bonds, the security interest is perfected retroactive to the date value was received.

(c)  Transfer of an interest in customer rate relief property to an assignee is perfected against all third parties, including subsequent judicial or other lien creditors, when the financing order becomes effective, transfer documents have been delivered to the assignee, and a notice of that transfer has been filed in accordance with the rules prescribed under Subsection (d). If notice of the transfer is not filed in accordance with this subsection before the 11th day after the delivery of transfer documentation, the transfer of the interest is not perfected against third parties until the notice is filed.

(d)  The secretary of state shall:

(1)  establish and maintain a separate system of records for the filing of notices under this section; and

(2)  adopt rules governing filing notices under this section that are based on Chapter 9, Business & Commerce Code, adapted to this subchapter, and use the terms as defined by this subchapter.

(e)  The priority of a lien and security interest perfected under this section is not impaired by any later modification of the financing order under a mechanism adopted under Section 104.370 or by the commingling of funds arising from customer rate relief charges with other funds. Any other security interest that may apply to those funds is terminated when the funds are transferred to a segregated account for the assignee or a financing party. If customer rate relief property has been transferred to an assignee, any proceeds of that property must be held in trust for the assignee.

(f)  If a default or termination occurs under the customer rate relief bonds, a district court of Travis County, on application by or on behalf of the financing parties, shall order the sequestration and payment to the financing parties of revenue arising from the customer rate relief charges.

Sec. 104.372.  BOND PROCEEDS IN TRUST. (a) The authority may deposit proceeds of customer rate relief bonds issued by or on behalf of the authority under this subchapter with a trustee selected by the authority or the proceeds may be held by the comptroller in a dedicated trust fund outside the state treasury in the custody of the comptroller.

(b)  Bond proceeds, including investment income, must be held in trust for the exclusive benefit of the railroad commission's policy of reimbursing gas utility costs. The authority shall use the proceeds to:

(1)  reimburse each gas utility the regulatory asset amount determined to be reasonable for that gas utility in the financing order;

(2)  pay the financing costs of issuing the bonds; and

(3)  provide bond reserves, as applicable.

(c)  If there are no outstanding bonds or bond interest to be paid, the remaining proceeds must be used to provide credits to gas utility customers.

Sec. 104.373.  REPAYMENT OF CUSTOMER RATE RELIEF BONDS. (a) If any customer rate relief bonds or related financing costs remain outstanding, uniform monthly volumetric customer rate relief charges must be paid by all current and future customers that receive service from a gas utility for which a regulatory asset determination has been made under Section 104.365. A gas utility and its successors, assignees, or replacements shall continue to bill and collect, as servicer, customer rate relief charges from the gas utility's current and future customers until all customer rate relief bonds and financing costs are paid in full.

(b)  The authority shall report to the railroad commission the amount of the outstanding customer rate relief bonds issued by the authority under this subchapter and the estimated amount of annual bond administrative expenses.

(c)  All revenue collected from the customer rate relief charges shall be remitted promptly by the applicable servicers to the authority to pay bond obligations, ongoing financing costs, and bond administrative expenses to ensure timely payment of bond obligations and financing costs.

(d)  Revenue received from the customer rate relief charges may be applied only as provided by this subchapter.

(e)  Bond obligations are payable only from sources provided for payment by this subchapter.

Sec. 104.374.  PLEDGE OF STATE. (a) Customer rate relief bonds issued under this subchapter and any related ancillary agreements or credit agreements are not a debt or pledge of the faith and credit of this state or a state agency or political subdivision of this state. A customer rate relief bond, ancillary agreement, or credit agreement is payable solely from customer rate relief charges as provided by this subchapter.

(b)  Notwithstanding Subsection (a), this state, including the railroad commission and the authority, pledges for the benefit and protection of the financing parties and the gas utility that this state will not take or permit any action that would impair the value of customer rate relief property, or, except as permitted by Section 104.370, reduce, alter, or impair the customer rate relief charges to be imposed, collected, and remitted to financing parties until the principal, interest and premium, and contracts to be performed in connection with the related customer rate relief bonds and financing costs have been paid and performed in full. The authority or any other entity issuing customer rate relief bonds may include this pledge in any documentation relating to those bonds.

Sec. 104.375.  TAX EXEMPTION. (a) Customer rate relief bonds issued under this subchapter, transactions relating to customer rate relief bonds, and profits made from the sale of customer rate relief bonds are exempt from taxation by this state or a political subdivision of this state.

(b)  A gas utility's receipt or collection of customer rate relief charges is exempt from state and local income, sales, franchise, gross receipts, and other taxes or similar assessments.

(c)  A tax obligation of the gas utility arising from receipt of customer rate relief bond proceeds or from the collection or remittance of customer rate relief charges is an expense that may be recovered by the gas utility.

Sec. 104.376.  ASSIGNEE OR FINANCING PARTY NOT PUBLIC UTILITY. An assignee or financing party may not be considered to be a public utility or person providing natural gas service solely by virtue of the transactions described by this subchapter.

Sec. 104.377.  NO PERSONAL LIABILITY. A commissioner of the railroad commission, a railroad commission employee, a member of the board of directors of the authority, or an employee of the authority is not personally liable for a result of an exercise of a duty or responsibility established under this subchapter.

Sec. 104.378.  SEVERABILITY. After the date customer rate relief bonds are issued under this subchapter, if any provision in this title or portion of this title is held to be invalid or is invalidated, superseded, replaced, repealed, or expires for any reason, that occurrence does not affect the validity or continuation of this subchapter or any other provision of this title that is relevant to the issuance, administration, payment, retirement, or refunding of customer rate relief bonds or to any actions of a gas utility, its successors, an assignee, a collection agent, or a financing party, which shall remain in full force and effect.

SECTION 6.  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 September 1, 2021.