

BILL ANALYSIS

C.S.H.B. 2713
By: Dean
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Electric utilities are constantly competing with other industries for qualified employees. Large businesses in many industries offer employee compensation packages that include a base salary and additional incentive pay tied to performance metrics. C.S.H.B. 2713 seeks to ensure that electric utilities are able to attract, develop, and retain high-performing employees by establishing a presumption that, for rate-setting purposes, a utility employee's total compensation and benefit expenses are presumed to be reasonable and necessary, provided the expenses are consistent with recent market compensation studies.

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

ANALYSIS

C.S.H.B. 2713 amends the Utilities Code to require a regulatory authority, when establishing an electric utility's rates, to presume that employee compensation and benefits expenses are reasonable and necessary if the expenses are consistent with market compensation studies issued not earlier than three years before the initiation of the proceeding to establish the rates. For this purpose, "employee compensation and benefits" includes base salaries, wages, incentive compensation, and benefits, but does not include pension or other postemployment benefits or incentive compensation for an officer of an electric utility related to attaining financial metrics or metrics adverse to customers' interests as determined by the Public Utility Commission of Texas (PUC). The bill's provisions apply only to a proceeding for the establishment of rates for which the regulatory authority has not issued a final order or decision before the bill's effective date.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 2713 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The introduced and the substitute both exclude certain incentive compensation from consideration as employee compensation and benefits. However, whereas the introduced excluded incentive compensation related to attaining financial metrics for certain executive officer compensation subject to disclosure under applicable federal regulations, the substitute excludes incentive compensation for an officer of an electric utility related to attaining financial metrics or metrics adverse to customers' interests as determined by the PUC.