

BILL ANALYSIS

Senate Research Center
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S.B. 1015
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

At the Public Utility Commission (PUC) today there are very different processes to review and approve electric transmission and distribution capital projects, even though they are all poles and wires projects. For transmission projects (which are at higher voltage), the process is efficient and has been in place for nearly two decades, and nobody is advocating that it is not working. This process is called the Transmission Cost of Service, or TCOS, review. There, the PUC has a 60-day administrative process to review new projects and approve new rates to reflect those projects, and utilities can use that process up to twice per year between rate cases, including when a rate case is pending.

For distribution poles and wires, the process is more litigious, taking 145 days or more, and can only be used once per year, and not while a rate case is pending. This process is called the Distribution Cost Recovery Factor, or DCRF, review. This is a more recent addition to the Utilities Code, starting in 2011, and it is time for it to evolve to a more efficient way of handling these distribution poles and wires investments.

This bill makes the processes consistent for PUC review and approval of poles and wires projects between rate cases, whether they are transmission or distribution voltage, and it adopts the more efficient process used by the PUC today for transmission.

As Texas continues to grow, our utilities are spending just as much or more of their capital on distribution projects as transmission projects. There is no reason why the process at the PUC for review of these projects should continue to be so different.

This bill does not change or reduce the PUC oversight of transmission or distribution projects in full rate cases, which happen every four years under current law.

Electric utilities support this legislation, as does the Association of Electric Companies of Texas. Large industrial customers and cities that intervene in rate cases may oppose the legislation.

As proposed, S.B. 1015 amends current law relating to periodic rate adjustments by electric utilities.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Public Utilities Commission of Texas is modified in SECTION 1 (Section 36.210, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 36.210, Utilities Code, by amending Subsections (a), (d), (f), and (g) and adding Subsections (h) and (i), as follows:

- (a) Authorizes the Public Utility Commission of Texas (PUC), rather than the PUC or a regulatory authority, on the petition of an electric utility, to approve a tariff or rate schedule in which a nonfuel rate is authorized to be periodically adjusted upward or downward, based on changes in the parts of the utility's invested capital, as described by Section 36.053 (Components of Invested Capital), that are categorized or functionalized

as distribution plant, distribution-related intangible plant, and distribution-related communication equipment and networks in accordance with PUC rules adopted after consideration of the uniform system of accounts prescribed by the Federal Energy Regulatory Commission.

Deletes existing text requiring that a periodic rate adjustment be approved or denied in accordance with an expedited procedure that meets certain criteria and take into account 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 electric utility's base rates. Makes nonsubstantive changes.

(d) Prohibits an electric utility from adjusting the utility's rates under Section 36.210 (Periodic Rate Adjustments) more than twice per year. Deletes existing text prohibiting an electric utility, except as provided by Subsection (d-1) (relating to authorizing certain electric utilities to adjust the utility's rates more than four times between base rate proceedings), from adjusting the utility's rates under this section more than once per year and more than four times between comprehensive base rate proceedings.

(f) Deletes existing text providing that nothing in this section is intended to limit the jurisdiction of a municipality over the rates, operations, and services of an electric utility as provided by Section 33.001 (Municipal Jurisdiction), or limit the ability of a municipality to obtain a reimbursement under Section 33.023 (Ratemaking Proceedings) for the reasonable cost of services of a person engaged in an activity described by that section. Makes nonsubstantive changes.

(g) Requires that PUC rules provide for certain criteria, including filing requirements and discovery consistent with the expedited procedure described by Subsection (a), rather than (a)(1). Makes a conforming change.

(h) Authorizes an electric utility to file a request for a periodic rate adjustment under this section on any day on which the PUC is open for business. Provides that the fact that an electric utility has a base rate proceeding pending during a proceeding conducted under this section does not establish grounds for dismissal of either proceeding.

(i) Requires the PUC to enter a final order on a request for a periodic rate adjustment under this section not later than the 60th day after the date the request is filed.

SECTION 2. Repealer: Section 36.210(d-1) (relating to authorizing certain electric utilities to adjust the utility's rates more than four times between base rate proceedings), Utilities Code.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: upon passage or September 1, 2023.