

BILL ANALYSIS

C.S.H.B. 3157
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that under current state law, electric utilities must file a rate case with the Public Utility Commission (PUC) at least once every four years to adjust base rates, but the review process can take longer than a year, creating significant regulatory lag. This delay may prevent timely recoupment of infrastructure and operational expenses, which could lead to increased debt and borrowing costs that ultimately raise consumer electric bills. With Texas experiencing rapid population and economic growth, utilities face mounting pressure to expand infrastructure for reliable power delivery, yet the existing regulatory lag may challenge their financial stability and ability to support necessary investments. C.S.H.B. 3157 seeks to reduce regulatory lag and promote timely investment in electric infrastructure by allowing utilities to implement interim rates after initiating a rate case with the PUC, maintaining the existing framework for non-ERCOT utilities while creating a separate, more prescriptive system for ERCOT utilities.

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. 3157 amends the Utilities Code to make the following provisions of the Public Utility Regulatory Act inapplicable to an electric utility that operates solely inside ERCOT:

- the authorization for a regulatory authority to establish temporary rates to be in effect during the suspension period for a proposed rate change pending a hearing and decision concerning the rate change;
- the provision establishing that the rates in effect when the suspended tariff was filed continue in effect during the applicable suspension period if the regulatory authority does not establish temporary rates; and
- the authorization for an electric utility to put a changed rate into effect throughout the area in which the utility sought to change its rates, including an area over which the Public Utility Commission of Texas (PUC) is exercising appellate or original jurisdiction, by filing a bond with the PUC under certain conditions.

The bill does the following regarding an electric utility that operates solely inside ERCOT:

- if the regulatory authority orders a rate suspension for a proposed rate change pending a hearing and decision concerning the rate change, requires an electric utility, on the 90th day after the date the electric utility files a statement of intent to change rates under applicable provisions of the act, to put an interim rate into effect throughout the area in

- which the utility sought to change its rates, subject to the authorization under these provisions for the PUC to modify or deny an interim rate;
- requires the interim rate to be calculated using the following:
 - the electric utility's proposed test year cost of debt, rate base, and expenses, including depreciation expense at the current authorized depreciation rates;
 - the return on equity, or debt service coverage, for the electric utility established in the PUC's final order in the utility's most recent base rate proceeding;
 - rate base or expense items the same in nature and kind as established in the PUC's final order in the electric utility's most recent base rate proceeding; and
 - the utility's current class cost allocation methodology and rate design;
- requires an electric utility that implements an interim rate for distribution services under these provisions to give notice to each retail electric provider in the utility's service area at least 45 days before the interim rate's effective date;
- requires the electric utility to refund money collected under the interim rates in excess of the rate finally ordered with interest on that money at the utility's last approved rate of return; and
- authorizes the PUC to modify or deny an interim rate charged under these provisions on a finding of exigent circumstances.

The bill prohibits a regulatory authority from considering for ratemaking purposes an expenditure for costs of processing a refund or credit under the bill's provisions relating to interim rates.

C.S.H.B. 3157 applies only to a rate proceeding initiated on or after the bill's effective date. A rate proceeding initiated before the bill's effective date is governed by the law in effect on the date the proceeding was initiated, and the former law is continued in effect for that purpose.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3157 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 substitute makes the following Public Utility Regulatory Act provisions inapplicable to an electric utility that operates solely inside ERCOT, whereas the introduced repealed these provisions:

- the authorization for a regulatory authority to establish temporary rates to be in effect during the suspension period for a proposed rate change pending a hearing and decision concerning the rate change;
- the provision establishing that the rates in effect when the suspended tariff was filed continue in effect during the applicable suspension period if the regulatory authority does not establish temporary rates; and
- the authorization for an electric utility to put a changed rate into effect throughout the area in which the utility sought to change its rates, including an area over which the PUC is exercising appellate or original jurisdiction, by filing a bond with the PUC under certain conditions.

The substitute and the introduced both provide for electric utility interim rates but differ in the following ways:

- the substitute establishes that its provisions relating to interim rates apply only to an electric utility that operates solely inside ERCOT, which the introduced did not establish;
- the substitute replaces the introduced version's authorization for an electric utility, during a suspension period ordered for a proposed rate change pending a hearing and decision

concerning the rate change, to put an interim rate into effect throughout the area in which the utility sought to change its rates with a requirement for an applicable electric utility, if the regulatory authority orders a rate suspension for a proposed rate change pending such a hearing and decision, to put an interim rate into effect on a specified date throughout the area in which the utility sought to change its rates, subject to the bill's provisions;

- the substitute omits the provision from the introduced that prohibited the interim rate from exceeding the proposed rate;
- the substitute includes a requirement absent from the introduced for the interim rate to be calculated using certain information set out by the bill's provisions;
- with respect to the requirement for an electric utility that implements an interim rate under the bill's provisions to give notice to each retail electric provider in the utility's service area at least 45 days before the interim rate's effective date, the introduced and the substitute differ as follows:
 - the substitute specifies that the requirement applies to an electric utility that implements an interim rate for distribution services, which the introduced did not do; and
 - the introduced made the requirement applicable to an electric utility operating inside ERCOT, whereas the substitute makes it applicable to an electric utility operating solely inside ERCOT;
- the introduced required the electric utility to refund or credit against future bills money collected under the interim rates in excess of the rate finally ordered, whereas the substitute requires an applicable electric utility to refund such money with interest on that money at the utility's last approved rate of return;
- the substitute omits a provision from the introduced that authorized an electric utility to surcharge bills to recover the amount by which the money collected under the interim rates is less than the money that would have been collected under the rate finally ordered; and
- the substitute includes an authorization absent from the introduced for the PUC to modify or deny an interim rate charged under the bill's provisions on a finding of exigent circumstances.