

## **BILL ANALYSIS**

Senate Research Center  
89R12142 SCR-F

S.B. 1963  
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Business & Commerce  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Storm activity continues to create significant costs for utilities, particularly as the state continues to grow, adding residents, businesses, and corresponding utility infrastructure. Each storm is a one-time event that results in calculable costs, making it appropriate to securitize those costs at as low a rate as possible. Securitization benefits consumers by reducing the costs of borrowing needed funds, while providing the necessary cash flow for storm recovery.

S.B. 1963 would treat the lower-cost financing mechanism of securitization for Electric Reliability Council of Texas (ERCOT) utilities in the same manner as is currently authorized for non-ERCOT utilities by utilizing the Texas Electric Utility System Restoration Corporation as the financing entity.

The utility would be allowed to request securitization and issuance of system restoration bonds for costs of \$50 million or more in any calendar year. The Public Utility Commission of Texas would issue an order that determines the amount of system restoration costs and authorize the securitization, charges and recovery by the 150th day after an application is filed.

As proposed, S.B. 1963 amends current law relating to a financing mechanism allowing electric utilities to obtain recovery of costs associated with a weather-related event or other natural disaster and grants authority to issue bonds.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 36.451, Utilities Code, by amending Subsection (b) and adding Subsection (i), as follows:

(b) Provides that the purpose of Subchapter J (Lower-Cost Financing Mechanism for Securitization For Recovery of System Restoration Costs) is to make available a lower-cost, supplemental financing mechanism to allow an electric utility, rather than an electric utility operating solely outside of the Electric Reliability Council of Texas, to obtain timely recovery of system restoration costs under Subchapter I (Securitization For Recovery of System Restoration Costs) through securitization and the issuance of transition bonds or system restoration bonds by an issuer other than the electric utility or an affiliated special purpose entity.

(i) Authorizes an electric utility, notwithstanding Section 36.403(j) (relating to the recovery of an electric utility's system restoration costs), to apply for securitization and the issuance of system restoration bonds under this subchapter for estimated and actual system restoration costs of \$50 million or more in any calendar year.

SECTION 2. Amends Section 36.456, Utilities Code, by adding Subsections (b-1), (b-2), and (b-3), as follows:

(b-1) Authorizes an electric utility, notwithstanding Sections 36.405(c) (relating to requiring the Public Utility Commission of Texas (PUC) to issue an order determining the amount of system restoration costs eligible for recovery and securitization within a certain timeline) and (d) (relating to authorizing an electric utility to file an application for a financing order within a certain timeline and the PUC's required response timeline), to file an application with the PUC under this subchapter for a determination of the amount of estimated and actual system restoration costs eligible for recovery and securitization and a financing order that authorizes the securitization of estimated and actual system restoration costs, the issuance of system restoration bonds, and the creation of system restoration charges for the recovery of qualified costs.

(b-2) Requires the PUC, for an application filed under Subsection (b-1), to issue an order that determines the amount of estimated and actual system restoration costs eligible for recovery and securitization and a financing order that authorizes the securitization of estimated and actual system restoration costs, the issuance of system restoration bonds, and the creation of system restoration charges for the recovery of qualified costs not later than the 150th day after the date the application is filed.

(b-3) Requires that the estimated system restoration costs, for an application filed under Subsection (b-1), be subject to true-up and reconciliation and that system restoration charges be adjusted after the actual system restoration costs are known.

SECTION 3. Effective date: upon passage or September 1, 2025.