

By: Metcalf

H.B. No. 2868

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the consideration of the proportion of long-term debt
3 and equity capitalization in establishing the rates of certain
4 electric utilities.

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

6 SECTION 1. Subchapter B, Chapter 36, Utilities Code, is
7 amended by adding Section 36.068 to read as follows:

8 Sec. 36.068. CONSIDERATION OF PROPORTION OF LONG-TERM DEBT
9 AND EQUITY CAPITALIZATION. (a) This section applies only to an
10 electric utility that operates solely within ERCOT.

11 (b) Except as provided by Subsection (c), in considering an
12 electric utility's capitalization ratio when establishing the
13 utility's rates, the regulatory authority shall presume the return
14 on the utility's invested capital is reasonable if calculated:

15 (1) using the utility's actual proportion of long-term
16 debt and equity capitalization as reported on the utility's most
17 recent quarterly financial statement issued before the initiation
18 of the applicable rate proceeding; and

19 (2) in a manner consistent with the methodology
20 included in earnings monitoring reports.

21 (c) If the regulatory authority finds that the
22 capitalization ratio calculated in Subsection (b) is unreasonable,
23 the regulatory authority shall calculate the reasonable return on
24 the utility's invested capital using an equity capitalization ratio

1 equal to the national average for electric utility operating
2 companies.

3 SECTION 2. (a) Section 36.068, Utilities Code, as added by
4 this Act, applies only to a proceeding for the establishment of
5 rates for which the regulatory authority has not issued a final
6 order or decision before the effective date of this Act.

7 (b) A proceeding for which the regulatory authority has
8 issued a final order or decision before the effective date of this
9 Act is governed by the law in effect immediately before that date,
10 and that law is continued in effect for that purpose.

11 SECTION 3. This Act takes effect immediately if it receives
12 a vote of two-thirds of all the members elected to each house, as
13 provided by Section 39, Article III, Texas Constitution. If this
14 Act does not receive the vote necessary for immediate effect, this
15 Act takes effect September 1, 2025.