

BILL ANALYSIS

S.B. 735
By: Hancock
State Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties point to a recent report in which the Public Utility Commission of Texas (PUC) noted that a number of electric utilities have not been subjected to a comprehensive or even cursory rate review by the PUC for many years and contend that this lack of oversight has allowed some utilities to charge inappropriately high rates. S.B. 735 seeks to address this issue by requiring the PUC to establish a schedule that requires certain electric utilities to make periodic filings with the PUC to modify or review base rates charged by the electric utility.

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 rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 of this bill.

ANALYSIS

S.B. 735 amends the Utilities Code to require the Public Utility Commission of Texas (PUC) by rule and not later than June 1, 2018, to establish a schedule that requires an electric utility to make periodic filings with the PUC to modify or review base rates charged by the electric utility. The bill authorizes the schedule to be established on the basis of the period since the PUC entered its final order in the electric utility's most recent base rate proceeding, whether the electric utility has earned materially more than the utility's authorized rate of return on equity as demonstrated by earnings monitoring reports, or other criteria that the PUC determines is in the public interest. The bill requires the PUC to extend the date for the proceeding by one year on a year-to-year basis if, 180 days before the date the proceeding is required, the electric utility's most recent earnings monitoring report shows the electric utility is earning, on a weather-normalized basis, less than 50 basis points above the average of the most recent commission-approved rate of return on equity for each transmission and distribution utility with 175,000 or more metered customers for a transmission and distribution utility, and, for a transmission-only utility, the average of the most recent commission-approved rate of return on equity for each transmission-only utility. The bill authorizes the PUC to extend the date for the proceeding for good cause shown or because of resource constraints of the PUC. These provisions expressly do not limit the ability of a regulatory authority to initiate a base rate proceeding at any time under the Public Utility Regulatory Act and apply only to an electric utility, other than a river authority, that operates solely inside the Electric Reliability Council of Texas.

S.B. 735 authorizes an electric utility subject to the bill's provisions relating to the rate review schedule, beginning on the effective date of the schedule adopted by the PUC, to adjust the

utility's rates under statutory provisions relating to periodic rate adjustments more than four times between base rate proceedings. The bill authorizes the PUC to extend the deadline for making a determination with regard to whether a transaction in which an electric utility or transmission and distribution utility will be merged or consolidated with another electric utility or transmission and distribution utility; in which at least 50 percent of the stock of an electric utility or transmission and distribution utility will be transferred or sold; or in which a controlling interest or operational control of an electric utility or transmission and distribution utility will be transferred is in the public interest for not more than 60 days if the PUC determines the extension is needed to evaluate additional information, to consider actions taken by other jurisdictions concerning the transaction, to provide for administrative efficiency, or for other good cause.

S.B. 735 repeals Sections 36.210(h) and (h-1), Utilities Code, which require the PUC to conduct certain studies analyzing electric rates and to report on the findings of those studies, and Section 36.210(i), Utilities Code, which sets statutory provisions providing for periodic adjustments to electric rates to expire September 1, 2019.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.