

- SUBJECT:** Consideration of certain benefits in establishing the rates of a gas utility
- COMMITTEE:** State Affairs — committee substitute recommended
- VOTE:** 8 ayes — Cook, Frullo, Gallego, Geren, Harless, Hilderbran, Huberty, Solomons
- 0 nays
- 5 absent — Menendez, Craddick, Oliveira, Smithee, Turner
- WITNESSES:** For — Chuck Harder, CenterPoint Energy; (*Registered, but did not testify:* Thure Cannon, Patrick Nugent, Texas Pipeline Association; David Park, Atmos Energy; Grant Ruckel, ONEOK; Mark Santos, Texas Gas Association)
- Against — None
- BACKGROUND:** Utilities Code, ch. 104, subch. B, regulates the computation of gas utility rates. The Gas Utility Regulatory Act currently does not allow rates to be adjusted to offset the increased cost of pension and other retiree health care expenses.
- DIGEST:** CSHB 966 would require the Railroad Commission to allow recovery of the gas utility's costs of pensions and other postemployment benefits in amounts it deemed reasonable and necessary when setting the gas utility's rates.
- If the gas utility established one or more reserve accounts for the purpose of tracking changes in the cost of pensions and other postemployment benefits, it would have to periodically record differences between the annual amount of benefits approved and included in the gas utility's current rate, or if that amount could not be determined, the amount recorded for benefits during the first year that rates from the utility's last general rate proceeding were in effect, and the annual amount of costs of the benefits.
- CSHB 966 would require the gas utility to establish separate reserve accounts for the benefits and apply the same methodology to allocate

benefits between capital and expense as in the gas utility's last rate case. A surplus would exist if the amount of the benefits was greater than the determined cost of the benefits. A shortage would exist if the amount of the benefits was less than the determined cost of the benefits.

If the gas utility established such reserve accounts, the Railroad Commission would be required to review the amounts recorded to determine if they were reasonable and necessary and whether the account had a surplus or a shortage, and then deduct or add to the gas utility's rate base accordingly.

The bill would take immediate effect if finally passed by a two-thirds record vote of the elected membership of each house. Otherwise, it would take effect September 1, 2011. The bill would apply only in relation to a reserve account established by a gas utility on or after January 1, 2012.

NOTES:

The companion bill, SB 403 by Eltife, passed the Senate by 31-0 on the Local and Uncontested Calendar on April 7 and was reported favorably, without amendment, by the House State Affairs Committee on April 20, making it eligible to be considered in lieu of HB 966.