

SUBJECT: Reviewing rate adjustments and transactions of certain electric utilities

COMMITTEE: State Affairs — favorable, without amendment

VOTE: 9 ayes — Cook, Giddings, Craddick, Geren, Guillen, K. King, Kuempel, Meyer, Oliveira

0 nays

4 absent — Farrar, Paddie, E. Rodriguez, Smithee

SENATE VOTE: On final passage, April 19 — 31-0

WITNESSES: No public hearing

BACKGROUND: Utilities Code, ch. 36, under the Public Utility Regulatory Act, allows the Public Utility Commission (PUC) to establish and regulate rates of an electric utility and requires the commission to ensure that electric utilities demand just and reasonable rates.

Sec. 36.210 provides procedures for utilities to request periodic rate adjustments. An electric utility may adjust its rates not more than once per year and not more than four times between comprehensive base rate proceedings.

DIGEST: SB 735 would require the Public Utility Commission (PUC), by June 1, 2018, to establish a rate schedule by rule that would require an electric utility to make periodic filings with the commission to modify or review the electric utility's base rates. The bill would apply only to an electric utility, other than a river authority, that operated solely inside the Electric Reliability Council of Texas.

The rate schedule established by the PUC could be established on the basis of:

- the period since the commission entered its final order in the

- utility's most recent base rate proceeding;
- whether the electric utility had earned materially more than its authorized rate of return on equity as demonstrated by earnings reports; or
 - other criteria the PUC determined were in the public interest.

The PUC would be required to extend the date for the proceeding by one year on a year-to-year basis if, 180 days before the date the proceeding was required, the electric utility's most recent earnings report showed the utility was earning, on a weather-normalized basis, less than 50 basis points above:

- for a transmission and distribution utility, 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; 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 PUC also could extend the date for the proceeding for good cause shown or because of resource constraints of the commission.

Beginning on the effective date of the rate schedule adopted by the PUC, the electric utility could adjust its rates more than four times between base rate proceedings.

While the PUC currently is required to decide whether to approve certain mergers and transfers of electric utilities within 180 days of receiving a report of the transaction, the bill would allow the PUC to extend the deadline for up to 60 days if it determined the extension was 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.

The bill would remove requirements that the PUC conduct certain studies

analyzing electric rates and report on those findings. The bill also would repeal the current September 1, 2019, expiration date for Utilities Code, sec. 36.210.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017.

**SUPPORTERS
SAY:**

SB 735 would increase transparency and accountability in the electric utility industry by requiring the Public Utility Commission (PUC) to establish a schedule to review the electricity rates of certain utilities. The PUC has become concerned that certain electric utilities have not been subject to a rate review in several years, and the bill would ensure these electric utilities were reviewed and monitored.

The bill would provide a mechanism allowing the PUC to postpone a comprehensive rate review if it determined an electric utility was under-earning. The PUC also would have flexibility to postpone a rate review for good cause if there were resource constraints at the commission, lessening the possibility of unnecessary or overly burdensome rate cases.

**OPPONENTS
SAY:**

SB 735 would require the PUC to set a schedule for electric utilities to undergo comprehensive rate reviews, which can be costly and time consuming both for the PUC and for the utilities. An increase in the number of rate cases could add administrative and financial costs to electric utility providers.