

**SUBJECT:** Revising rule requirements for electric utility fuel factor adjustment

**COMMITTEE:** State Affairs — favorable, without amendment

**VOTE:** 8 ayes — Hunter, Hernandez, Anchía, Dean, Metcalf, Slawson, Smithee, Turner

0 nays

5 absent — Geren, Guillen, Raymond, Spiller, S. Thompson

**WITNESSES:** For — Mark Bell, Association of Electric Companies of Texas; Erika Kane, Xcel Energy (*Registered, but did not testify*: Scott Hutchinson, Entergy Texas; Michael Ruggieri, Southwestern Elec. Power Co.; Damon Withrow, Xcel Energy)

Against — John Gordon

On — Thomas Gleeson, Public Utility Commission; Katie Coleman, Texas Association of Manufacturers

**BACKGROUND:** Some have suggested that the current process governing the recovery of fuel costs by certain electric utilities is overly complicated and litigious and should be made more efficient.

**DIGEST:** HB 2073 would revise the rules for procedures to adjust an electric utility's fuel factor required to be implemented by the Public Utility Commission (PUC). The rules would be required to ensure that:

- the utility collected electric fuel and purchase power costs as contemporaneously as possible; and
- the utility's under-collected or over-collected balance of fuel and power costs were collected from or refunded to customers through fuel factor adjustment within 90 days of the balance being accrued.

Upon finding that a utility had an under-collected balance due to

extraordinary fuel and power costs that were unlikely to continue, PUC would be authorized to direct the utility to adjust its fuel factor to defer recovery to take place over a period of up to two years. The bill would not require PUC to hold a hearing on the fuel factor adjustment.

A utility customer, a municipality with jurisdiction over the utility, or the Office of Public Utility Counsel could protest a fuel factor as provided for by the bill. If PUC found that the utility was substantially and persistently over-collecting or under-collecting reasonably-stated fuel and power costs, PUC would be required to order the utility to modify its fuel factor for accuracy and attempt to remedy any over-collection or under-collection within 90 days.

An electric utility would be required to apply to reconcile fuel and power costs at least once every two years. Any resulting change to the utility's under-collected or over-collected fuel balance would have to be incorporated into the utility's fuel factor to eliminate the balance over a three month period. PUC could extend the three month period for a reasonable time if the utility demonstrated that the fuel balance change would impact financial integrity.

The bill would take effect September 1, 2023.