BILL ANALYSIS

Senate Research Center H.B. 2107
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Engrossed

DIGEST AND PURPOSE

As part of the electric deregulation legislation passed by the 76th Legislature, electric utilities are allowed to factor in stranded costs and allocate them to all customers before competition begins January 1, 2002. Stranded costs are investments or assets owned by a regulated utility, such as a nuclear power plant, that are likely to become inefficient in a competitive market. However, the unprecedented increase in the price of natural gas has caused an unintended windfall for electric utilities. Moreover, nuclear power plants are producing energy at rates comparable to natural gas, which may eliminate a utility's need to recoup stranded costs and may actually cause a utility to recover excess or negative stranded costs. The Public Utility Commission (PUC) is not scheduled to review each utility's stranded cost estimates and make adjustments to the charge assessed to customers until true-up in January 2004. H.B. 2107 would authorize the PUC to require utilities to stop mitigation and return negative stranded costs to customers by reducing the affiliated retail electric provider's price to beat.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 39.052(c), Utilities Code, to provide that a credit ordered in accordance with Section 39.201(d) is not a reduction to retail base rates.

SECTION 2. Amends Section 39.201(d), Utilities Code, to require the Public Utility Commission of Texas (commission), if the commission determines that an electric utility that is subject to Section 39.254 and that has a service area exclusively located within the Electric Reliability Council of Texas does not have positive stranded costs based on a computation under Subsection (h), to order that mitigation attributable to positive differences identified under Section 39.257, excluding estimates of positive differences for calendar year 2001 and including mitigation attributable to excess earnings identified in accordance with transition plans approved by the commission, be applied such that 50 percent of such amounts allocable to residential customers, according to a methodology determined by the commission, be applied as a nonbypassable credit to the electric utility's residential customers in September 2001 as ordered by the commission.

SECTION 3. Amends Section 39.204, Utilities Code, to require any positive difference under the report required by Section 39.257(b) to be applied to the net book value of generation assets, except that if Section 39.201(d) applies, the positive differences are to be applied as ordered by the commission.

SECTION 4. Effective date: September 1, 2001.