

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1447
By: Averitt
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Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

When integrated utilities were unbundled on January 1, 2002, the Public Utility Commission (PUC) established rates for the transmission and distribution of utilities at a point in time when annual costs for pension and retiree health care benefits were relatively low. Currently, these expenses are more volatile due to the investment market, growing obligations resulting from increased life spans, and dramatic increases in health care expenses.

Legacy employees who devoted most of their careers to the former regulated utility were unintentionally impacted by electric utility restructuring. As electric companies restructured they shifted the pension and retiree health care costs associated with service by non-transmission and distribution function employees to the deregulated entity, when it is appropriate for the costs associated with the employees' years of service to remain with the regulated utility.

C.S.S.B.1447 allows electric utilities to establish pension and retiree medical expense reserve accounts. Once the pension and retiree medical expense reserve accounts are established, the variation in pension and retiree health care expenses will be captured and reviewed by the PUC for inclusion in rates during subsequent rate proceedings. This will allow electric utilities to manage the challenges of volatile and escalating pension and retiree health care expenses.

The bill also addresses the fair treatment of legacy employees by clarifying that the pension and retiree health care costs that arose from service to the integrated electric utility are proper expenses of the transmission and distribution utility.

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 Subchapter B, Chapter 36, Utilities Code, by adding Section 36.065, as follows:

Sec. 36.065. PENSION AND OTHER POST EMPLOYMENT BENEFITS. (a) Sets forth required benefit expenses for the regulatory authority to include in the rates of an electric utility. Requires that the portion of certain personnel's pension and other post employment benefit expense that arises from their respective service with a predecessor integrated electric utility be included in the utility's rates.

(b) Authorizes an electric utility, effective January 1, 2005, to establish one or more reserve accounts for pension and other post employment benefits expense. Provides that the purpose of the reserve account or accounts is to allow an electric utility to periodically record specific information.

(c) Provides that a surplus in the reserve account exists under specific circumstances. Provides that a shortage in the reserve account exists under specific circumstances.

(d) Sets forth requirements of the regulatory authority in subsequent general rate proceedings if one or more reserve accounts for pension and other

postemployment benefits expense are established by an electric utility under Subsection (b).

SECTION 2. Effective date: upon passage or September 1, 2005.