

BILL ANALYSIS

Senate Research Center

S.B. 1015
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Business & Commerce
5/29/2023
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

At the Public Utility Commission today there are two very different processes to review and approve the cost recovery of electric transmission and distribution capital projects, even though all projects are used to provide service to customers. For transmission projects (which are at higher voltage), the process is efficient and has been in place for nearly two decades. This process is called the Transmission Cost of Service, or TCOS, review. Nobody is advocating that the TCOS review is not working. For a TCOS review, the Public Utility Commission has an efficient 60-day administrative process to review new transmission projects and approve new rates to reflect those projects. Electric utilities can use that process up to twice per year between full rate cases, including when a rate case is pending.

For distribution projects, the process is more litigious, taking 145 days or more, and, unlike a TCOS review, can only be used once per year and not while a full rate case is pending. This process is called the Distribution Cost Recovery Factor, or DCRF, review. The DCRF review is a more recent addition to the Utilities Code, starting in 2011, and it is time for it to evolve to a more efficient, less litigious, way of handling the cost recovery for distribution projects.

This bill makes the processes consistent for Public Utility Commission review and approval of capital projects between rate cases, whether they are transmission or distribution, and it incorporates the more efficient, less litigious process used by the Public Utility Commission today for a TCOS review. As Texas continues to grow, our electric utilities are spending just as much or more of their capital on distribution projects as transmission projects. There is no reason why the process at the Public Utility Commission for review of these projects should continue to be so different.

This bill does not change or reduce the Public Utility Commission's oversight of transmission or distribution projects in full rate cases, which happen every four years under current law.

S.B. 1015 amends current law relating to periodic rate adjustments by electric utilities.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Public Utility Commission of Texas is modified in SECTION 1 (Section 36.210, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 36.210, Utilities Code, by amending Subsections (a), (d), and (g) and adding Subsections (h) and (i), as follows:

(a) Authorizes the Public Utility Commission of Texas (PUC), rather than the PUC or a regulatory authority, on the petition of an electric utility, to approve a tariff or rate schedule in which a nonfuel rate is authorized to be periodically adjusted upward or downward, based on changes in the parts of the utility's invested capital, as described by Section 36.053 (Components of Invested Capital), that are categorized or functionalized as distribution plant, distribution-related intangible plant, and distribution-related communication equipment and networks in accordance with PUC rules adopted after consideration of the uniform system of accounts prescribed by the Federal Energy

Regulatory Commission. Requires that a periodic rate adjustment be approved or denied in accordance with a procedure that meets certain criteria.

Deletes existing text requiring that a periodic rate adjustment be approved or denied in accordance with an expedited procedure that provides for appropriate updates of information and extends for not less than 60 days. Makes nonsubstantive changes.

(d) Prohibits an electric utility from adjusting the utility's rates under Section 36.210 (Periodic Rate Adjustments) more than twice per year. Deletes existing text prohibiting an electric utility, except as provided by Subsection (d-1) (relating to authorizing certain electric utilities to adjust the utility's rates more than four times between base rate proceedings), from adjusting the utility's rates under this section more than once per year and more than four times between comprehensive base rate proceedings.

(g) Requires that PUC rules provide for certain criteria, including filing requirements and discovery consistent with Subsection (a), rather than the expedited procedure described by Subsection (a)(1). Makes a conforming change.

(h) Authorizes an electric utility to file a request for a periodic rate adjustment under this section on any day on which the PUC is open for business, except that if the utility has a base rate proceeding pending, the utility is prohibited from filing the request before the 185th day after the date the base rate proceeding was initiated. Authorizes the electric utility to revise a request to reflect the final order issued in the base rate proceeding. Provides that the fact that an electric utility has a base rate proceeding pending during a proceeding conducted under this section does not establish grounds for dismissal of either proceeding.

(i) Requires the PUC to enter a final order on a request for a periodic rate adjustment under this section not later than the 60th day after the date the request is filed. Authorizes the PUC to extend the deadline for not more than 15 days for good cause.

SECTION 2. Repealer: Section 36.210(d-1) (relating to authorizing certain electric utilities to adjust the utility's rates more than four times between base rate proceedings), Utilities Code.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: upon passage or September 1, 2023.