

BILL ANALYSIS

C.S.H.B. 2327
By: Thompson, Senfronia
State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The periodic rate adjustment (PRA) is a mechanism for electric utilities to expedite cost recovery for investments in distribution infrastructure. Informed observers note that the PRA was established during a time in which Texas was experiencing a surge in consumer demand for service and utilities were struggling to retrofit existing infrastructure to keep up with that demand. These observers further explain that under these circumstances electric utilities asked for an exception to established rate case procedures, which was granted in the form of the PRA to allow electric utilities to recover certain distribution costs between rate cases. The authorization for the PRA is set to expire in 2017 and the observers contend that Texas is still experiencing tremendous growth in transmission and distribution service demand and that the need for an expedited rate adjustment is still a relevant concern. The informed observers also report that it is possible that other states have adopted different approaches that could work in Texas. C.S.H.B. 2327 seeks to extend the PRA provisions and conduct a study on alternative ratemaking mechanisms adopted by other states, among other provisions.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2327 amends the Utilities Code to require the Public Utility Commission of Texas (PUC) to conduct a study and make a report analyzing alternative ratemaking mechanisms adopted by other states and to make recommendations regarding appropriate reforms to the ratemaking process in Texas. The bill requires the PUC to include in the report an analysis that demonstrates how the recommended reforms would improve the efficiency and effectiveness of the oversight of electric utilities and ensure that electric rates are just and reasonable, as required by statutory provisions governing electric utility rates. The bill authorizes the PUC to retain an independent consultant, at the expense of electric utilities, to conduct the study and requires the PUC to provide the report to the legislature not later than January 15, 2017. The bill extends from January 31, 2017, to January 31, 2019, the deadline by which the PUC study on periodic rate adjustment is required to be available for the legislature's review and postpones from January 1, 2017, to September 1, 2019, the expiration date of statutory provisions relating to periodic rate adjustments by electric utilities.

EFFECTIVE DATE

September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2327 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 36.210, Utilities Code, is amended by amending Subsections (h) and (i) to read as follows:

(h) The commission shall undertake a study and conduct a report analyzing any periodic rate adjustment established under this section. The study shall be available for the legislature's review by January 31, 2019 [~~2017~~], so that the legislature may properly be informed as to the need to continue the commission's authority to allow periodic rate adjustments. The report shall contain but shall not be limited to:

- (1) an analysis of all periodic rate adjustments approved by the commission;
- (2) an analysis of the amounts in real dollars and percentages of the approved amounts by the commission and the effects on all classes of ratepayers;
- (3) the costs savings, if any, realized by all parties by utilizing periodic rate adjustment as opposed to ratemaking proceedings;
- (4) an analysis on distribution costs included in periodic rate adjustments, and their appropriateness for inclusion in periodic rate adjustments; [~~and~~]
- (5) an analysis submitted by the office on the effects of periodic rate adjustments; and

(6) an analysis of alternative ratemaking mechanisms adopted by other states and recommendations regarding appropriate reforms to the ratemaking process in this state to provide efficient and adequate oversight of electric utilities.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 36.210, Utilities Code, is amended by amending Subsections (h) and (i) and adding Subsection (h-1) to read as follows:

(h) The commission shall undertake a study and conduct a report analyzing any periodic rate adjustment established under this section. The study shall be available for the legislature's review by January 31, 2019 [~~2017~~], so that the legislature may properly be informed as to the need to continue the commission's authority to allow periodic rate adjustments. The report shall contain but shall not be limited to:

- (1) an analysis of all periodic rate adjustments approved by the commission;
- (2) an analysis of the amounts in real dollars and percentages of the approved amounts by the commission and the effects on all classes of ratepayers;
- (3) the costs savings, if any, realized by all parties by utilizing periodic rate adjustment as opposed to ratemaking proceedings;
- (4) an analysis on distribution costs included in periodic rate adjustments, and their appropriateness for inclusion in periodic rate adjustments; and
- (5) an analysis submitted by the office on the effects of periodic rate adjustments.

(h-1) The commission shall conduct a study and make a report analyzing alternative ratemaking mechanisms adopted by other states and shall make recommendations regarding appropriate reforms to the ratemaking process in this state. The commission shall include in the report an analysis that demonstrates how the commission's recommended reforms would improve the efficiency and effectiveness of the oversight of electric utilities and ensure that electric rates are just and reasonable, as required by this chapter. The commission may retain an independent consultant, at the

expense of electric utilities, to conduct the study. The commission shall provide the report to the legislature not later than January 15, 2017.

(i) This section expires September [~~January~~] 1, 2019 [~~2017~~].

(i) This section expires September [~~January~~] 1, 2019 [~~2017~~].

SECTION 2. This Act takes effect September 1, 2015.

SECTION 2. Same as introduced version.