

## **BILL ANALYSIS**

Senate Research Center  
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C.S.H.B. 412  
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Business & Commerce  
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Committee Report (Substituted)

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

Credit scoring and credit history are used by a few institutions and industries to determine service approval and/or costs. Evidence shows that credit scoring and credit history unfairly target minorities and moderate income individuals and families. The critical need for telecommunications and electric service make the use of credit scoring and credit history in denying service an especially severe and potentially dangerous policy. C.S.H.B. 412 intends to ensure fair pricing and service in the telecommunications and electric industries for people throughout the economic spectrum.

C.S.H.B. 412 explicitly defines "credit history" as not including an individual's outstanding balance for retail electric services or telecommunications services, so that this Act will provide valuable protection to the consumers of Texas, without protecting those who are "gaming" the system.

C.S.H.B. 412 prohibits the use of credit scoring and credit history in the denial or pricing of service to a buyer or potential buyer of residential retail electric service on contracts of one year or less after the price to beat provision of the Public Utility Regulatory Act (PURA) expires. Until that time, competitive retail electric providers will be allowed to use utility payment data to deny service. After the price to beat provision expires, all retail electric providers will be allowed to use electric payment history as a means to deny service. However, retail electric providers will be prohibited from using any credit history, credit score, or utility payment data as a means to deny service after the price to beat expires. Retail electric providers will be allowed to provide rewards, benefits, or credits to their customers based on payment history with that provider. C.S.H.B. 412 will in no way limit a retail electric provider's ability to charge a deposit or advance payment as a condition of service.

C.S.H.B. 412 will also prohibit the use of credit scoring and credit history in the denying or pricing of service to a buyer or potential buyer of basic telecommunications service. C.S.H.B. 412 will not limit the authority of a provider of basic telecommunications services to require a deposit, advance payment, or credit limit as a condition of service.

### **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 A, Chapter 17, Utilities Code, by adding Sections 17.008 and 17.009, as follows:

Sec. 17.008. PROTECTION OF RESIDENTIAL ELECTRIC SERVICE APPLICANTS AND CUSTOMERS. (a) Defines "credit history," "credit score," "electric service provider," "satisfactory elective bill payment history," and "utility payment data" in this section and Section 17.009.

(b) Prohibits a retail electric provider from denying an applicant's request to become a residential electric service customer on the basis of the applicant's credit history or credit score under certain conditions.

(c) Prohibits a retail electric provider, notwithstanding Subsection (b) and while the provider is required to provide service to a geographic area as the affiliated retail electric provider, from denying an applicant's request to become a residential electric service customer within that geographic area on the basis of the applicant's credit history, credit score, or retail electric payment history, unless the applicant has an outstanding balance.

(d) Prohibits a retail electric provider from using a credit score, credit history, or utility payment data as the basis for determining the price for month-to-month electric service or electric service that includes a fixed price commitment of twelve months or less under certain circumstances.

(e) Provides that if a retail electric provider is otherwise required to provide to an applicant for residential electric service written notice of adverse action the provider has taken based on the applicant's credit score or credit history, the written notice must include information on how an applicant may overcome that adverse action by providing satisfactory electric bill payment history under Subsection (b).

(f) Requires a retail electric provider or electric utility, after the date described in Subsection (b), to timely provide to the customer or former customer bill payment history information with the retail electric provider or electric utility during the preceding twelve-month period. Authorizes bill payment history information to be obtained by the customer or former customer once during each twelve-month period without charge. Authorizes the electric services provider, if additional copies of bill payment history information are requested during a twelve-month period, to charge the customer or former customer a reasonable fee for each copy.

(g) Requires a retail electric provider or electric utility, on request by another retail electric provider, to timely verify information that purports to show a customer's service and bill payment history with the retail electric provider or electric utility.

(h) Provides that Subsections (e), (f), and (g) apply only if the database described by Section 17.010 is not being maintained.

(i) Provides that this section does not limit a retail electric provider's authority to require a deposit or advance payment as a condition of service.

(j) Authorizes a retail electric provider, notwithstanding Subsection (e), to provide rewards, benefits, or credits to residential electric service customers on the basis of the customer's payment history for retail electric service to that provider.

(k) Requires the Public Utility Commission (commission), on notice to the office and opportunity for hearing, to exempt a retail electric provider from Subsection (b) if the retail electric provider demonstrates that actual customer bill payment history is not as predictive of payment behavior as the credit scoring methodology used by the retail electric provider.

Sec. 17.009. PROTECTION OF RESIDENTIAL TELEPHONE SERVICE APPLICANTS AND CUSTOMERS. Prohibits a provider of basic local telecommunications services and nonbasic network services from denying an applicant's request to become a residential customer on the basis of the applicant's credit history or credit score or using a credit score or credit history as the basis for determining price for service for an existing residential customer or in response to an applicant's request to become a residential customer. Provides that this section does not limit the authority of a provider of basic local telecommunications services and nonbasic network services to require a deposit, advance payment, or credit limit as a condition of service.

Sec. 17.010. DATABASE. (a) Requires the commission to require residential electric service providers to submit to an independent third party approved by the commission customer information that is necessary to determine whether a customer has a satisfactory electric bill payment history under certain conditions.

(b) Prohibits a retail electric provider from using information in the database for purposes of targeted marketing to specific customers.

(c) Requires the commission, on notice to the office and opportunity for hearing, to withdraw approval of the database described by this section if the commission determines that the database does not meet the criteria established in Subsection (a).

(d) Provides that this section does not limit the provision or use of information in excess of the minimum required to determine whether a customer has a satisfactory electric bill history, except as provided by Subsection (b).

SECTION 2. Requires the commission, if it has not approved a database described by Section 17.010, Utilities Code, as added by this Act, by September 1, 2006, to report that fact and the reason for it to the governor, the lieutenant governor, and the speaker of the house of representatives not later than October 1, 2006.

SECTION 3. Effective date: September 1, 2005.