

SUBJECT: Providing for interim rates by electric utilities during a rate suspension

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 10 ayes — King, Hernandez, Anchía, Darby, Geren, McQueeney, Metcalf, Phelan, Raymond, Smithee

2 nays — Y. Davis, Turner

2 absent — Guillen, Hull

1 present not voting — Thompson

WITNESSES: For — Mark Bell, Association of Electric Companies of Texas; Jason Ryan, CenterPoint Energy; Brian Lloyd, Oncor Electric Delivery (*Registered, but did not testify*: Kelly Sadler, AEP Texas; Scott Hutchinson, Entergy; Kevin Doffing, Project Vanguard; Michael Ruggieri, Southwestern Elec. Power Co.); Ben Utley, Texas New Mexico Power)

Against — Katie Coleman, Texas Association of Manufacturers; Thomas Brocato, Texas Coalition for Affordable Power and the Steering Committee of Cities Served by Oncor (*Registered, but did not testify*: Kristi Antonick, Americans for Prosperity; Martha Landwehr, BASF Corporation; Sam Gammage, Dow; Pasha Moore, Energy Impact; Jason Damen, Energy Transfer; Lauren Fairbanks, Freeport LNG; Cyrus Reed, Lone Star Chapter Sierra Club; Julie Moore, Oxy; Dana Pate, Samsung; Mia McCord, Texas Chemistry Council; Ryan Paylor, Texas Independent Producers & Royalty Owners Association; Tulsi Oberbeck, Texas Oil and Gas Association)

On — Anna Givens, Public Utility Commission of Texas (*Registered, but did not testify*: Joshua Sanders, City of Houston)

BACKGROUND: Concerns have been raised that the lengthy review process for electric utility rate changes under current law may prevent timely recoupment of

expenses and lead to increased debt and borrowing costs that can raise electric bills for consumers. It has been proposed that allowing utilities to adopt interim rates after initiating a rate case could help promote timely infrastructure investment.

DIGEST:

CSHB 3157 would require an electric utility that operated solely within ERCOT to put an interim rate into effect throughout the area in which the utility had sought to change its rates if the local regulatory authority or the Public Utility Commission (PUC) had suspended the rate change proposed by the utility. The interim rate would have to be put into effect on the 90th day after the utility filed a statement of intent to change a rate, and would have to be calculated using:

- the utility's proposed test year cost of debt, rate base, and expenses;
- the return on equity, or debt service coverage, for the utility established in PUC's final order in the utility's most recent base rate proceeding;
- rate base or expense items the same as established in that final order; and
- the utility's current class cost allocation methodology and rate design.

An electric utility that implemented an interim rate under the bill would have to notify each retail electric provider in the utility's service area at least 45 days before the interim rate's required effective date. The utility would be required to refund money collected under the interim rates in excess of the rate finally ordered, with interest at the utility's last approved rate of return. PUC could modify or deny an interim rate charged under the bill on a finding of exigent circumstances.

An expenditure for the costs of processing a refund or credit under the bill could not be considered for ratemaking purposes. The bill would specify that existing provisions of the Utilities Code governing temporary and bonded rates did not apply to an electric utility operating solely within ERCOT.

CSHB 3157 would apply only to a rate proceeding initiated on or after the bill's effective date.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2025.