

Reauthorization of the Periodic Rate Adjustment Mechanism

SB 774 by Fraser

AECT Position: [Support as Amended](#)

Proposal

- SB 774 will reauthorize the 2011 Periodic Rate Adjustment (PRA) bill, continuing the PUC's current authority to create a fair, appropriate and timely process for recovery of distribution investments in ERCOT.
- The 2011 PRA bill is set to expire in January 2017. Under SB 774, the bill will expire on September 1, 2019. This ensures that the PRA mechanism will be available for use through the next two legislative sessions.
- As amended, SB 774 revises the scope of a PUC report included in the 2011 PRA bill to more broadly study formula rate plans and other modernized ratemaking mechanisms. The report must be sent to the legislature on January 15, 2017.

AECT Discussion

- The existing PRA statute, which included input from all stakeholders and would remain substantively unchanged by the 2015 PRA bill, received overwhelming support. The bill was passed in the 2011 legislative session by a vote of 143 – 5 in the House of Representatives and 30-1 in the Senate.
- The concept behind the PRA mechanism is not new. It applies a conceptually similar rate adjustment mechanism to distribution investment that has successfully worked for electric transmission for more than a decade.
- SB 774 encourages investments that will modernize existing distribution grids in ERCOT, make them more resilient and better able to support new products and technologies.

Questions & Answers on SB 774

Has the PRA been used?

After the statute became effective in 2011, stakeholders fully participated in two projects at the PUC to further develop a rule and administrative processes to implement the statute. The first PRA proceeding was initiated in 2014, and additional PRA proceedings are expected in 2015.

Why was the PRA set to sunset in 2017?

The purpose of placing a 2017 sunset date on the PRA statute was for the PUC to gain material experience with the mechanism, advise the legislature on that experience and allow the legislature to determine what next steps are appropriate. Extending the PRA this session will allow the PUC to gain the required experience. This extension should occur now, as the PRA would otherwise expire in January 2017.

Does the PRA reduce regulatory oversight or stakeholder processes?

No. The PRA balances the benefits of timely recovery of these typically non-controversial utility investments with the need to review the appropriateness of these investments. It also expressly leaves unchanged the rights of cities with original jurisdiction to examine proposed rate adjustments.

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