

The Public Utility Commission of Texas (commission) proposes new §25.227, relating to Electric Utility Service for Public Retail Customers. The proposed new rule will establish terms under which the General Land Office may take utility service, including transmission, distribution, and customer services to convey power to public retail customers purchased under the Public Utility Regulatory Act (PURA) §35.102. Project Number 21073 has been assigned to this proceeding.

Constance T. Corona, rate analyst, Office of Regulatory Affairs, has determined that for each year of the first five-year period the proposed section is in effect there will be no fiscal implications for state or local government as a result of enforcing or administering the section. There are no fiscal impacts in addition to those fiscal impacts resulting from Senate Bill 7.

Ms. Corona has determined that for each year of the first five years the proposed section is in effect the public benefit anticipated as a result of enforcing the section will be to allow public retail customers the option to purchase power at a lower cost directly from the General Land Office. There will be no effect on small businesses or micro-businesses as a result of enforcing this section. There is no anticipated economic cost to persons who are required to comply with the section as proposed.

Ms. Corona has also determined that for each year of the first five years the proposed section is in effect there should be no affect on a local economy, and therefore no local employment impact statement is required under Administrative Procedure Act §2001.022.

The commission staff will conduct a public hearing on this rulemaking under Government Code §2001.029 at the commission's offices, located in the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701, on September 1, 1999, at 9:00 a.m. in the Commissioners' Hearing Room.

Comments on the proposed new rule (16 copies) may be submitted to the Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, PO Box 13326, Austin, Texas 78711-3326, within 14 days after publication. The commission invites specific comments regarding the costs associated with, and benefits that will be gained by, implementation of the proposed section. The commission will consider the costs and benefits in deciding whether to adopt the section. All comments should refer to Project Number 21073.

This new rule is proposed under the Public Utility Regulatory Act, Texas Utilities Code Annotated §14.002 (Vernon 1998) (PURA), which provides the Public Utility Commission with the authority to make and enforce rules reasonably required in the exercise of its powers and jurisdiction, and §35.102 which grants the Commissioner of

the General Land Office the authority to sell or otherwise convey power generated from royalties taken in kind as provided by §§52.133(f), 53.026, and 53.077, Natural Resources Code, directly to a public retail customer.

Cross-Index to Statutes: Public Utility Regulatory Act §§35.101, 35.102, 35.103, 35.104, 35.105, and 35.106.

**§25.227. Electric Utility Service for Public Retail Customers.**

- (a) **Purpose.** The purpose of this section is to establish the terms under which the General Land Office may take utility service, including transmission, distribution, and customer services, in order to convey power to public retail customers purchased under the Public Utility Regulatory Act (PURA) §35.102. This section also requires electric utilities to file tariffs to specify the terms and conditions under which the General Land Office may take utility service from an affected utility pursuant to PURA §35.103(b). These tariffs must also include any stranded costs associated with providing the service.
- (b) **Application.** This section shall apply to electric utilities that provide retail electric service in Texas, including municipally owned electric utilities and electric cooperatives that have adopted customer choice. This section shall not apply to either municipally owned electric utilities or to electric cooperatives that have not adopted customer choice. In a certificated area of an electric utility in which customer choice has not been introduced, the General Land Office may not engage in retail transactions that exceed 2.5% of a retail electric utility's total retail load.
- (c) **Definitions.** As used in this section, the following terms have the following meanings unless the context clearly indicates otherwise:

- (1) **Affected utilities** – shall refer to all utilities as defined in subsection (b) of this section.
- (2) **Customer service** – As defined in §25.221 of this title (relating to Electric Cost Separation).
- (3) **Distribution service** – As defined in §25.221 of this title (relating to Electric Cost Separation)
- (4) **Transmission service** – As defined in §25.221 of this title (relating to Electric Cost Separation).
- (5) **Public retail customer** – A retail customer that is an agency of this state, a state institution of higher education, a public school district, or a political subdivision of this state.
- (6) **Stranded cost** – The amount estimated by the commission in the "base case" of the "Potentially Strandable Investment (ECOM) Report: 1998 Update," as described in PURA §39.262(i).
- (7) **Functional percentage** – The ratio of each of the transmission, distribution, and customer service costs to total costs for each rate class of each utility, as identified in Appendix F of the Staff Report filed in Project Number 20749, *Functional Cost Separation of Electric Utilities in Texas*.

(d) **Obligations of affected utilities.**

- (1) Each affected utility is obligated to provide the services prescribed by this section on a comparable and non-discriminatory basis, and under the same terms and conditions for service to similarly situated customers.
- (2) Each affected utility's obligations shall include, but are not limited to, the obligation to extend electric service to new locations.
- (3) The affected utility shall provide to the General Land Office within 48 hours of collection all billing determinants applicable to each public retail customer to which the General Land Office conveys power.

(e) **Filing requirements.**

- (1) Upon a request for service pursuant to this section by the General Land Office, an affected utility shall file tariffs to implement the provisions of this section not later than 15 days from the date of the request. The proposed tariffs shall comply with subsection (f) of this section, and with the commission's standard tariff format for this section. As part of this filing, affected utilities shall provide all supporting workpapers and documents used in the calculation of the power delivery charge and the competition transition charge.
- (2) The commission shall approve or deny a proposed tariff filed under this section within 30 days of filing.

- (f) **Tariff requirements.** Each tariff shall contain the following provisions:
- (1) **Power delivery charge.** The sum of the transmission, distribution, and customer services charges established under this section. No credits shall be made to the power delivery charge, except for credits related to transmission-level service and billing and customer service, as provided in paragraphs (5) and (6) of this subsection.
  - (2) **Transmission rate.** A charge for transmission service as established in subsection (h) of this section. A separate charge shall be listed for each rate class.
  - (3) **Distribution rate.** A charge for distribution service as established in subsection (h) of this section. A separate charge shall be listed for each rate class.
  - (4) **Customer service rate.** A charge for retail customer service as established in subsection (h) of this section. A separate charge shall be listed for each rate class.
  - (5) **Transmission-level service credit.** A credit equal to the Distribution rate, to be applied to the power delivery charge for public retail customers which take transmission-level electric service.
  - (6) **Billing and customer service credit.** A credit equal to the tariff administration, energy services, and other customer services portion of the customer service rate, which shall be applied to the power delivery charge

if the affected utility does not bill the public retail customer directly on behalf of the General Land Office.

- (7) **Competition transition charge.** A charge as established in subsection (g) of this section for the recovery of stranded costs associated with providing the service.
  - (8) **Terms and conditions.** Terms and conditions shall be consistent with the existing bundled rate tariffs.
- (g) **Competition transition charge (CTC)**
- (1) The competition transition charge shall be calculated as follows:
    - (A) The stranded costs for each utility shall be amortized over the average remaining life of the generation asset(s) underlying the stranded costs, and shall be allocated to each class pursuant to the method prescribed by PURA §39.253;
    - (B) The rate design of the CTC for each class shall be consistent with the rate design used to recover the costs of the generation assets underlying the stranded costs in the utility's last rate proceeding, calculated to reflect billing determinants for the year ending April 30, 1999.
  - (2) The CTC calculated pursuant to this section shall remain in effect until replaced by the CTC put into effect pursuant to PURA §39.201.

(h) **Rate design.**

- (1) The functional percentages determined for each rate class for each utility in Project Number 20749 shall be applied to each component of the existing bundled rate. The existing rate structure shall be maintained.
- (2) The rate design required by this section shall remain in effect until replaced by the rate design put into effect pursuant to PURA §39.201.

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's authority to adopt.

**ISSUED IN AUSTIN, TEXAS ON THE 6th DAY OF AUGUST 1999 BY THE  
PUBLIC UTILITY COMMISSION OF TEXAS  
RHONDA G. DEMPSEY**