

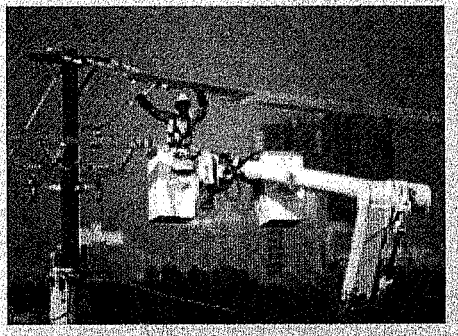
Periodic Rate Adjustments

S.B. 1693 by Carona and H.B. 3610 by Thompson



Passage of S.B. 1693 by Senator John Carona and H.B. 3610 by Representative Senfronia Thompson would:

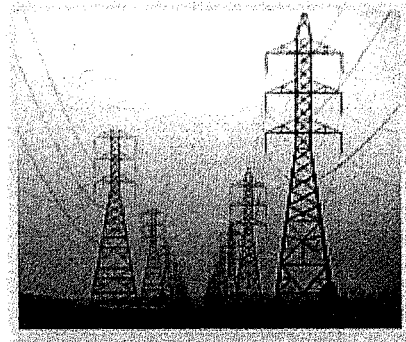
- Confirm the PUC's authority to allow periodic rate adjustments of distribution and related investments, which are typically non-controversial.
- Create a review process that is more predictable, less litigious and provides more timely cost recovery.
- Treat distribution and related investments the same way regulatory law has successfully treated transmission investments since 1999.
- Allow for a more frequent review of utilities' distribution and related investment.
- Leave unchanged the rights of cities with original jurisdiction, as well as the PUC's authority to review rates to ensure that they are reasonable and necessary.



Distribution

Existing ratemaking process is 35 years old, and recent rate cases have been bogged down in excessive litigation, highlighting the need for reform.

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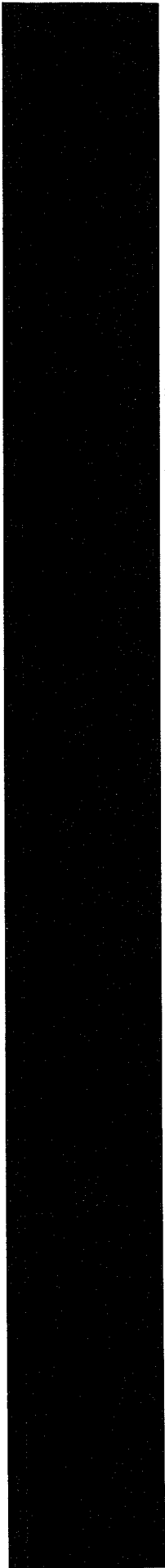


Transmission

Ratemaking process was reformed in 1999 to encourage investment, improve timeliness of cost recovery and reduce litigation.

Since reforming the transmission ratemaking process, transmission has been built across Texas to address major areas of congestion and support new generation:

- 50,689 MW new generation investments since 1995 – over 70% natural gas
- More than 7,000 miles of transmission since 1999



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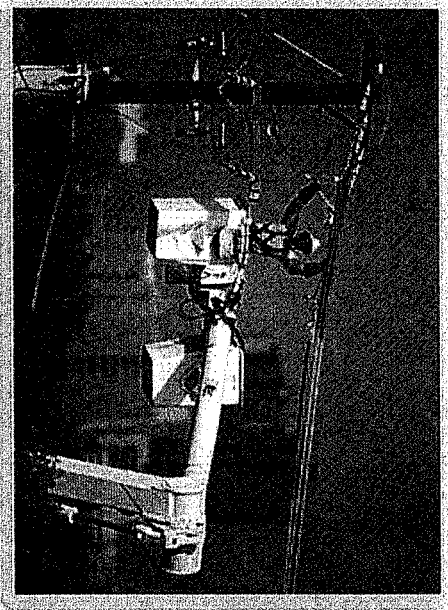
***S.B. 1693 by Carona / Periodic Rate Adjustments
Senate Business & Commerce Committee – Mar. 29, 2011***

Periodic Rate Adjustments (PRA) - Overview

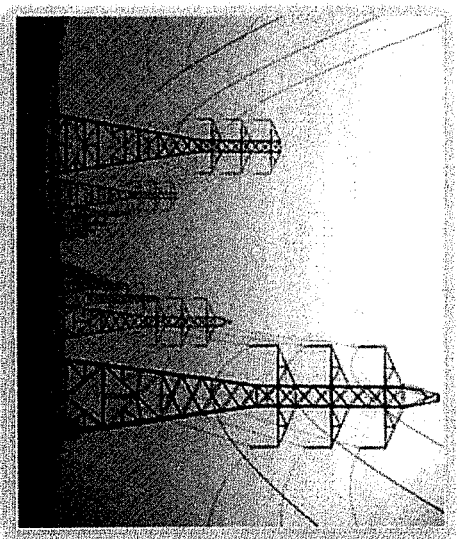


- Confirms the PUC's authority to allow periodic rate adjustments of distribution and related investments, which are typically non-controversial.
- Creates a review process that is more predictable, less litigious and provides for more timely cost recovery.
- Treats distribution and related investments the same way regulatory law has successfully treated transmission investments since 1999.
- Allows for a more frequent review of utilities' distribution and related investment.

Periodic Rate Adjustments (PRA) - Intent



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Distribution

Transmission

Existing ratemaking process is 35 years old, and recent rate cases have been bogged down in excessive litigation, highlighting the need for reform.

Ratemaking process was reformed in 1999 to encourage investment, improve timeliness of cost recovery and reduce litigation.

PRA Expected to Benefit Texas Like Current Transmission Cost Recovery Process



- In 1999, the Texas legislature allowed utilities building transmission to periodically adjust their rates to ensure timely recovery of costs.
- Since reforming the transmission ratemaking process, transmission has been built across Texas to address major areas of congestion and support new generation:
 - 50,689 MW new generation investments since 1995 – over 70% natural gas
 - More than 7,000 miles of transmission since 1999
- All Texans have benefited from encouraging transmission investment through:
 - Economic benefits of increased reliability
 - Lower energy costs from reduced congestion
 - Lower prices associated with diverse fuel mix

Key Bill Components: S.B. 1693



- Allows utilities to file tariffs that include periodic adjustments based on changes in the utility's distribution and related investments.
- Establishes a rulemaking to develop an expedited procedure, which involves stakeholders, to review the filing of periodic rate adjustments.
- Allocates approved costs in the same manner as the utilities' last rate case, and applies the rates on a system-wide basis.
- Requires utilities seeking periodic rate adjustments to combine nonfuel rates charged to retail electric providers (REPs) into a single, annual rate adjustment where possible.
- Leaves unchanged the rights of cities with original jurisdiction, as well as the PUC's authority to review rates to ensure that they are reasonable and necessary.