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AN ACT

relating to including pension and other postemployment benefits in the computation of rates for electric utilities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 36, Utilities Code, is amended by adding Section 36.065 to read as follows:

Sec. 36.065. PENSION AND OTHER POSTEMPLOYMENT BENEFITS.

(a) The regulatory authority shall include in the rates of an electric utility expenses for pension and other postemployment benefits, as determined by actuarial or other similar studies in accordance with generally accepted accounting principles, in an amount the regulatory authority finds reasonable. Expenses for pension and other postemployment benefits include, in an amount found reasonable by the regulatory authority, the benefits attributable to the service of employees who were employed by the predecessor integrated electric utility of an electric utility before the utility's unbundling under Chapter 39 irrespective of the business activity performed by the employee or the affiliate to which the employee was transferred on or after the unbundling.

(b) Effective January 1, 2005, an electric utility may establish one or more reserve accounts for expenses for pension and other postemployment benefits. An electric utility shall periodically record in the reserve account any difference between:

(1) the annual amount of pension and other

1 postemployment benefits approved as an operating expense in the  
2 electric utility's last general rate proceeding or, if that amount  
3 cannot be determined from the regulatory authority's order, the  
4 amount recorded for pension and other postemployment benefits under  
5 generally accepted accounting principles during the first year that  
6 rates from the electric utility's last general rate proceeding are  
7 in effect; and

8 (2) the annual amount of pension and other  
9 postemployment benefits as determined by actuarial or other similar  
10 studies that are chargeable to the electric utility's operating  
11 expense.

12 (c) A surplus in the reserve account exists if the amount of  
13 pension and other postemployment benefits under Subsection (b)(1)  
14 is greater than the amount determined under Subsection (b)(2). A  
15 shortage in the reserve account exists if the amount of pension and  
16 other postemployment benefits under Subsection (b)(1) is less than  
17 the amount determined under Subsection (b)(2).

18 (d) If a reserve account for pension and other  
19 postemployment benefits is established, the regulatory authority  
20 at a subsequent general rate proceeding shall:

21 (1) review the amounts recorded to the reserve account  
22 to determine whether the amounts are reasonable expenses;

23 (2) determine whether the reserve account has a  
24 surplus or shortage under Subsection (c); and

25 (3) subtract any surplus from or add any shortage to  
26 the electric utility's rate base with the surplus or shortage  
27 amortized over a reasonable time.

1 SECTION 2. This Act takes effect immediately if it receives  
2 a vote of two-thirds of all the members elected to each house, as  
3 provided by Section 39, Article III, Texas Constitution. If this  
4 Act does not receive the vote necessary for immediate effect, this  
5 Act takes effect September 1, 2005.

David Newburn  
President of the Senate

Tom Craddick  
Speaker of the House

I hereby certify that S.B. No. 1447 passed the Senate on April 14, 2005, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendment on May 19, 2005, by the following vote: Yeas 29, Nays 0. \_\_\_\_\_

Patsy Spaw  
Secretary of the Senate

I hereby certify that S.B. No. 1447 passed the House, with amendment, on May 13, 2005, by the following vote: Yeas 142, Nays 0, two present not voting. \_\_\_\_\_

Robert Haney  
Chief Clerk of the House

Approved:

17 JUNE '05  
Date

RICK PERRY  
Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
9:24 AM O'CLOCK

JUN 17 2005

Roger Williams  
Secretary of State