KEY FEATURES OF SB 7
TEXAS ELECTRIC UTILITY RESTRUCTURING PLAN

OPENING OF MARKET

- All customers of Investor Owned Utilities (IOUs) may choose a retail electric provider (REP) starting January 1, 2002. The PUC may delay competition in a part of the state where market conditions do not meet certain criteria.

- Each existing integrated utility shall be functionally separated into a regulated transmission and distribution company (TDC), an affiliated power generation company (PGC) and an affiliated retail electric provider (REP) company by the starting date of competition.

- A Co-op or MOU may opt into competition by a majority vote of its governing board or by competing outside of its certificated service territory.

- Pilot project to begin June 1, 2001. Projects to be conducted in each IOU service territory for 5% of its combined load of all customer classes. Twenty percent of the load designated for each pilot project must be set aside for aggregated loads.

RATES

- Beginning September 1, 1999, rates will be frozen for all customer classes served by IOUs through 12/31/2001.

- On January 1, 2002, the date the market opens, residential and small commercial customers will be entitled to rate decreases of at least 6 percent. Electric service will automatically be provided by the affiliated retail electric provider of the former utility at a 6 percent discount off of rates charged directly before competition. This is known as the Price to Beat. Customers may shop around and receive better rates and services from competing REPs.

- The Price to Beat includes the price of energy and the cost of delivery. The cost of delivery includes distribution services, transmission services, any competitive transition charges (based on the stranded costs of the formerly integrated utility, if any) and a systems benefit charge (a statewide charge used to finance low-income, customer education and school funding loss programs). The Price to Beat will be available for five years, and the affiliated REP may not charge a price lower or higher than the Price to Beat in the residential and small commercial market until the earlier of 36 months or the date 40 percent of the respective market is served by competitors.
CUSTOMER AND MARKET PROTECTIONS

- Prohibits the ownership and control of more than 20 percent of the capacity within a power region by a power generation company.

- Contains a strong affiliate code of conduct section to ensure fair competition among market participants.

- Rigid system reliability requirements are included.

- Strong consumer protections to prohibit fraudulent marketing, slamming, and other abuses. Also prohibits disconnections during extreme weather and limits telephone solicitations.

- Requires user-friendly consumer information to facilitate price shopping.

- Includes the implementation of a consumer education program.

- Creates a low-income program financed by a system benefit fund to assist families at or below 125 percent of the poverty level.

- Ensures that every customer is served.

STRANDED COSTS

- A utility may recover 100% of the difference between the market value and the regulatory book value of power generation assets presently being recovered in regulated rates.

- The Commission shall use market-based methods to determine stranded cost recovery for non-nuclear assets, and may only use an administrative method for nuclear. The outright sale of a nuclear asset is not permitted for the purposes of estimating stranded costs. Stranded costs may include nuclear decommissioning costs and the costs of retrofitting facilities to improve air quality, as approved by the PUC.

- A utility may securitize bonds for the collection of stranded costs for up to 75 percent of initial stranded costs and 100 percent of regulatory assets, as long as such securitization will reduce total costs paid by customers.

ENVIRONMENTAL PROTECTIONS

- Requires REPs to have an additional combined 2000 MW of renewable capacity statewide by January 2009.

- Establishes an emissions cap for grand fathered units and requires statewide 50 percent NOx emission reductions and 25 percent SO2 reductions by May 1, 2003.

- Costs of retrofitting certain older generation assets are allowed to be recouped as stranded costs.

- Requires programs so that REPs can meet 10 percent of their load growth through energy efficiency.

- Requires that 50% of new generating capacity be fueled by natural gas.