



Electric and Gas Utility Regulation in Texas and the Role of Cities

City of Lewisville City Council

October 6, 2025

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Electric Utility Regulation



The Regulated Market Design

- Utilities were integrated and “bundled.”
- They owned generation, transmission and distribution, and retail electric provider portions of the business. The state regulated all three.



Electric Utility Regulation in Texas

Pre-1975: The “old world” - Cities and Courts



1975: PURA and the PUC.



Original Jurisdiction.

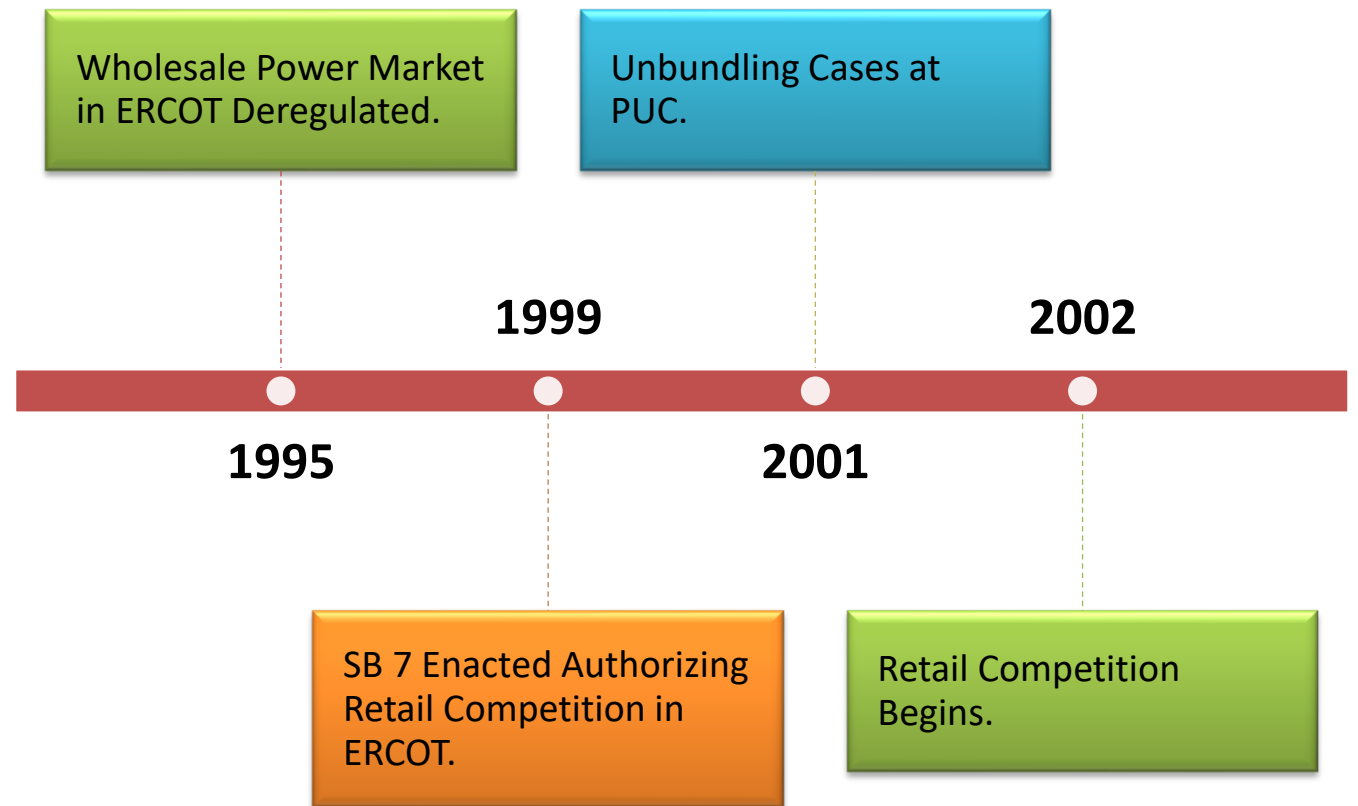


The “Golden Age” of Regulation.



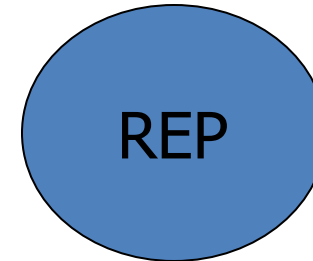
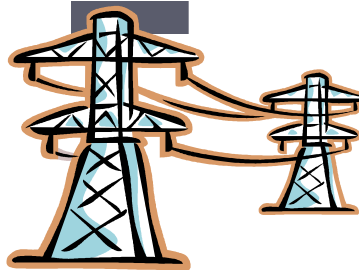
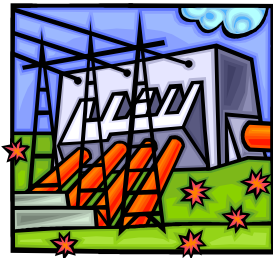
Cities Mobilize: Creation of Coalitions.

Deregulation Time Chart



The Deregulated Market Design

- Utilities are “unbundled,” they don’t own generation, transmission & distribution, and retail electric provider portions of the business.

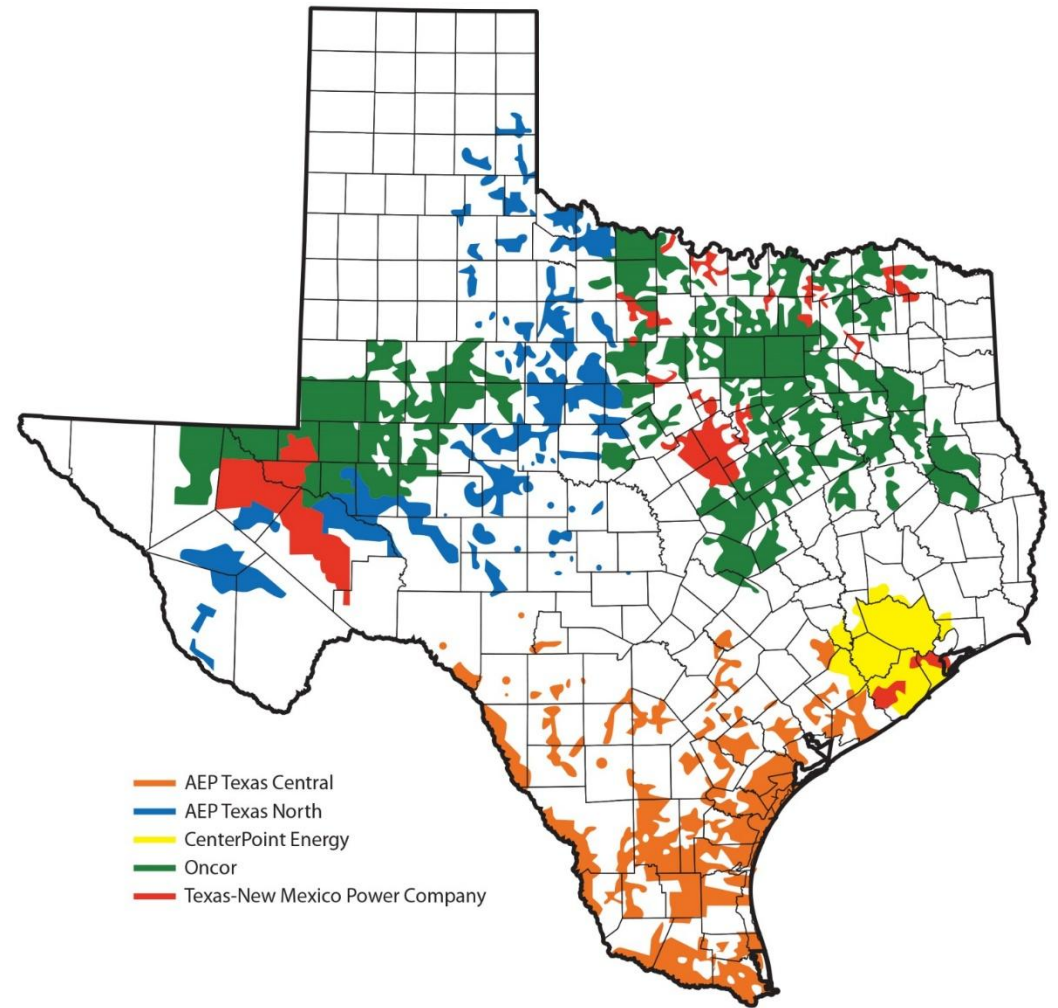


- Affiliates, or wholly separate companies, own different portions of the business.

The Market Following Deregulation

- The generation and sale of electricity to end-use customers is not regulated by the state. They are subject to competition.
- The “wires” that provide transmission and distribution service and bring electricity from generating units to end-use customers remain regulated by the state and cities.
- Electric Utility = “Wires” Company
= Transmission and Distribution
Utility = TDU.

Texas Transmission and Distribution Utilities



ercot 

ERCOT has
authority over most
—
but not all — of the
state.

Most of ERCOT's
responsibilities are not subject
to federal jurisdiction.



ERCOT: Four Primary Responsibilities

1

Maintain system reliability.

2

Facilitate a competitive wholesale market.

3

Facilitate a competitive retail market.

4

Ensure open access to transmission.

Why is ERCOT important to consumers?



ERCOT's operations, and the rules that govern those operations, affect:



Wholesale energy costs



Reliability of service



Process of switching retail electric providers



Most of what ERCOT's rules cover is addressed nowhere else.

ERCOT as a Stakeholder Process

The ERCOT stakeholder process is the way that participants in the ERCOT market make decisions about how the market will work.

Members participate in committee meetings to deliberate on changes to market rules.



Cities at ERCOT

- Cities have participated at ERCOT in large numbers since 2006.
- Over 165+ city members in 2025.
- Representation on TAC and WMS.



Gas Utility Regulation



Gas Utility Regulation in Texas

1890 – Railroad Commission created.



1920 – Cox Act Adopted. Creates oil and gas division within RRC. Authority over gas utilities.



Cities retain original jurisdiction.



Historically, utilities filed one comprehensive case approximately every 4 years.

Gas Utility Regulation, Cont.

Utilities said cost recovery was not timely enough.



Gas Reliability Infrastructure Program (GRIP) was created in 2003. ACSC opposed GRIP Program.



Rate Review Mechanism (RRM) was created in 2007.



Similar to GRIP, but allowed for City review.

Gas Utility Regulation, Cont.

Major Gas Utility Companies

- Atmos (2 divisions)
- CenterPoint (2 divisions)
- Texas Gas Service / ONE Gas (4 divisions)

Fully Bundled / Vertically Integrated / Regulated

- Competition
- Piecemeal Ratemaking
 - GRIP
 - RRM
 - COSA
 - Energy Efficiency Programs
 - Riders



The Unique Role of Cities in The Regulatory Process

The Unique Role of Cities in The Regulatory Process



Municipalities are regulatory authorities with original jurisdiction over electric (distribution) and gas utility **rates** and **services** with their city limits.



Municipalities do NOT have jurisdiction over:

Telephone

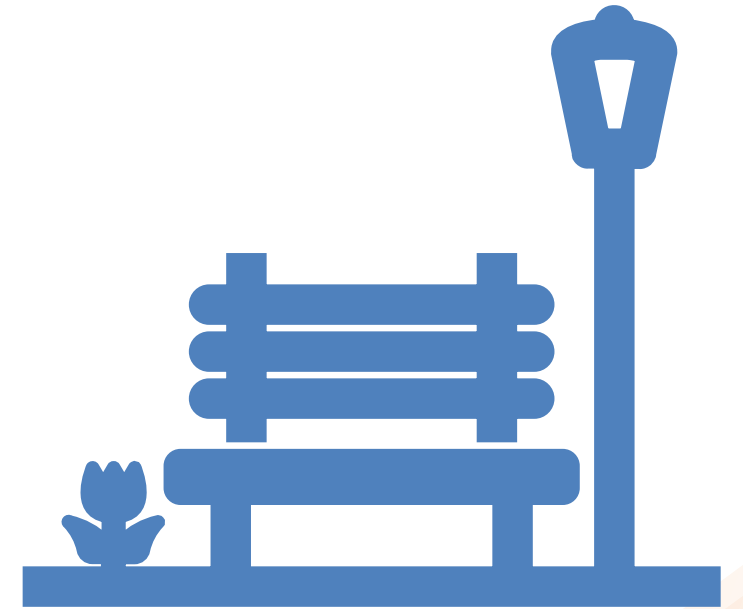
Internet

Cable

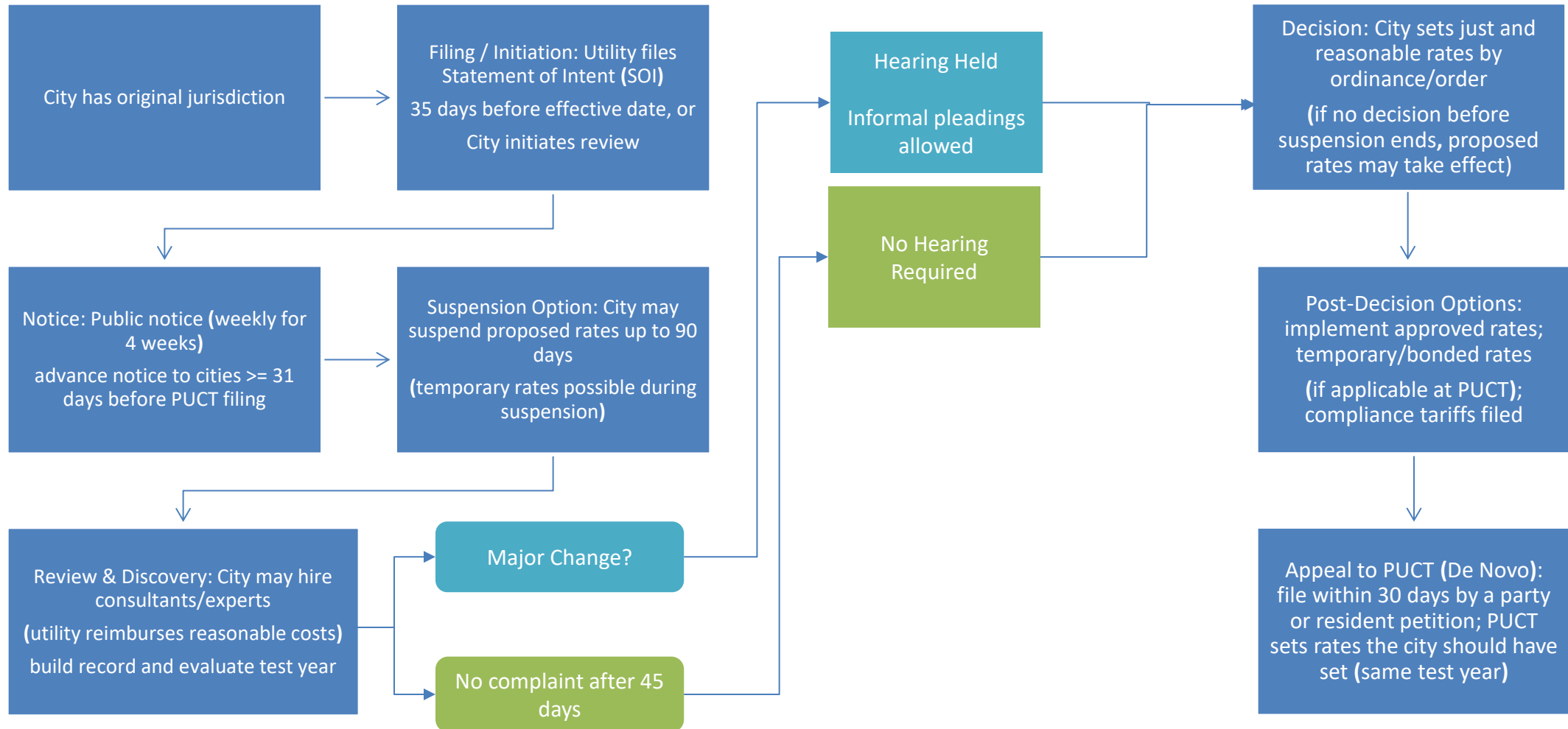
Other areas exempted by the legislature.

Municipal Authority - Electric

- Municipalities have original jurisdiction over distribution rates and services.
- Municipalities do **not** have jurisdiction over transmission, generation, retail electric providers or other areas designated by the legislature (e.g. EECRF, DCRFs, TCOS, Storm Costs, System Resiliency Plans, Automated Meters).
- All municipal actions may be appealed to the PUC and are de novo review.



Electric Distribution Statutory Process

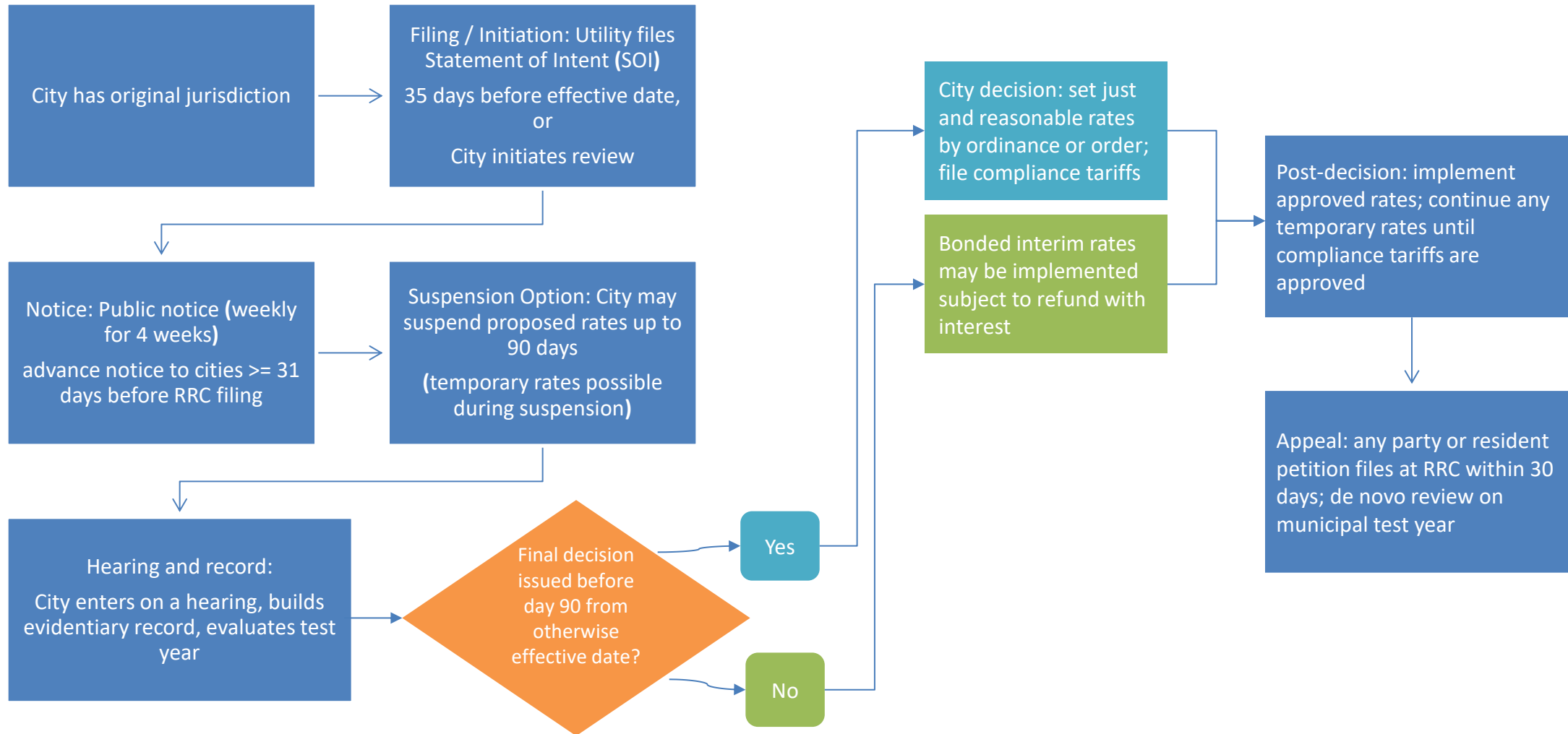




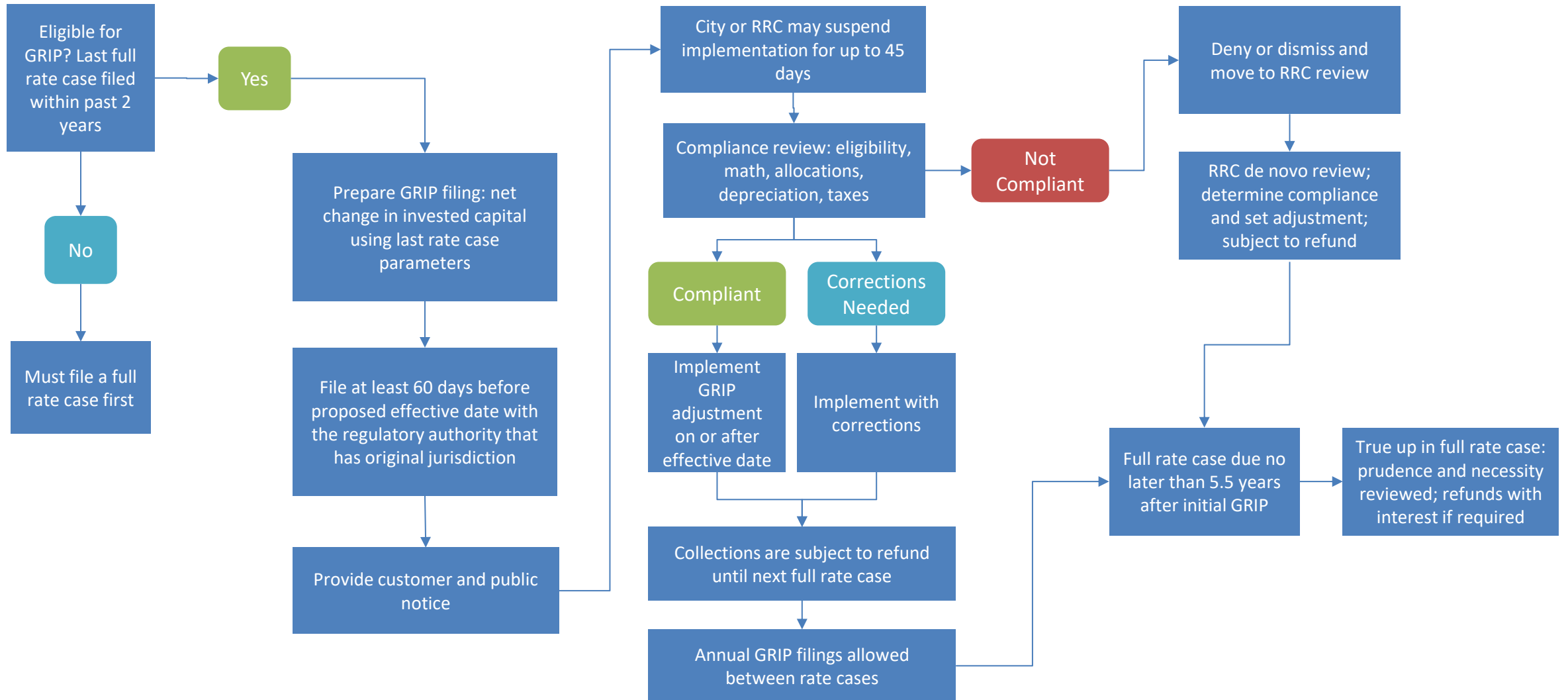
Municipal Authority - Gas

- Municipalities have original jurisdiction over distribution gas rates and services.
- Municipalities do **not** have jurisdiction over GRIP (except to delay effective date by 45 days), gas costs, conservation programs.
- All municipal actions may be appealed to the PUC and are de novo review.

Gas Distribution Statutory Process



Gas Distribution Statutory (GRIP) Process



Lewisville

- TNMP Cities
- OCSC
- ACSC
- TCAP
- TCCFUI
- ERCOT
- CoServ Cities



Our Clients / Our Interest

- Who we advocate for: TNMP Cities / ACSC / OCSC / CoServ
- Who we advise: TCCFUI / TCAP
- What is our interest?
 - Original Jurisdiction / Regulatory Authorities
 - Reliable Service / Reasonable Price
 - All classes
 - Economic / Environmental
- What is our reality / our goals?



Municipal Engagement

- OCSC / ACSC / TNMP Cities participate in electric and utility matters at the PUC, RRC, ERCOT, the courts and the legislature.
- City representatives hold seats at ERCOT on the Technical Advisory Committee and Wholesale Market Subcommittee.



Municipal Engagement

- As local governments, we advocate for policies that support reliable electric service at a reasonable cost.
- We also address city-specific issues relating to utility right-of-way, street lighting and rate issues related to certain kinds of city accounts like water pumping.



Other Municipal Coalitions



- TCAP
- TCCFUI
- ERCOT
- CoServ Cities





Questions?