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The Honorable Charles Schwertner
Members of the Senate Committee on Business and Commerce
Texas Senate
P.O. Box 12068
Austin, Texas 78711

Dear Chairman Schwertner and Members of the Committee,

The City of Houston (Houston or City) appreciates the opportunity to testify on Senate Bill 1075 (S.B. 1075), which relates to facilities and construction machinery used to respond to power outages

S.B. 1075 makes several changes that expand the ability of transmission and distribution utilities (TDUs) to operate “temporary emergency electric energy,” also known as temporary emergency electric energy facilities (TEEEF). This authority was first enabled by legislation passed in the 87th legislative session. While Houston agrees with the importance of quickly and safely restoring power to customers during outages and emergencies, we believe S.B. 1075 would place unnecessary expenses on ratepayers, while offering too limited oversight over potentially large utility expenditures.

S.B. 1075 expands the definition of “significant power outage” to include *any* type of power outage event. This change would allow TDUs to deploy mobile generation with far fewer restrictions, with each deployment increasing costs for ratepayers who may not even directly benefit from the energy produced by TEEEF.

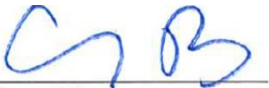
As we have discovered through recent Distribution Cost Recovery Factor (“DCRF”) proceedings, TDUs have expended hundreds of millions of dollars on distribution repairs and upgrades that will help immensely in restoring power to millions of customers experiencing outages resulting from hurricanes and other natural disasters causing damage to distribution facilities. In most of these instances, addressing the outages through shifts in distribution facilities or upgrades to the distribution system has proven to be much more efficient, from both a time and cost perspective. If utilities are allowed to use TEEEF resources at their discretion, without any review as to whether such use is the better response, ratepayers will bear the burden of these inefficient and more costly decisions.

S.B. 1075 also creates the *presumption* that any costs incurred by TDUs in leasing or owning mobile generation facilities are prudent, reasonable, and necessary if the generating capacity is less than an arbitrary cap of three percent of the utility’s historical peak load. Incorporating this presumption into the law would eliminate oversight from all regulatory authorities – including both cities and the PUC – and the regulator’s ability to review mobile generation investments for reasonableness and prudence – an important safeguard that protects ratepayers from excessive and unnecessary utility spending.

Houston is also concerned that allowing TDUs to operate mobile generation with no real limits or guardrails, and almost unfettered discretion, blurs the lines between TDUs and power generation companies. The distinction between transmission and distribution companies, power generation companies, and retail electric providers is a defining feature of Texas's deregulated electricity market.

Houston appreciates the time and effort that Senator King and this Committee have put into S.B. 1075 and we respectfully urge this Committee to *either* vote down this bill or *amend* the proposed bill to eliminate any language that creates the presumption that costs incurred by TDUs in leasing or owning mobile generation are prudent, reasonable, and necessary. We look forward to continuing to work with you this legislative session to both improve electric reliability across the state, while ensuring the balancing of interests between the TDUs and the ratepayers of Texas.

Respectfully submitted,



Tina Paez, Director
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Administration & Regulatory Affairs Department