



CITY OF HOUSTON

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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 1111 (S.B. 1111), which relates to transmission and distribution system resiliency planning by, and cost recovery for, electric utilities.

Texans in every part of the state are vulnerable to power outages driven by increasingly frequent and disruptive weather events. The Houston region has experienced eight federally declared disasters since 2015. Each event is unique, but all pose significant power resiliency challenges that can impact the health and safety of our community and especially those who are most vulnerable.

Senate Bill 1111 is intended to address system resiliency by allowing transmission and distribution utilities (TDUs) to create and submit plans to the Public Utility Commission regarding investments in various resilience measures, including hardening, undergrounding, lightning mitigation, flood mitigation, IT and cyber security measures, vegetation management, and wildfire mitigation and response.

While we agree with the Legislature's intent to "promote the use of resiliency measures to enable electrical transmission and distribution infrastructure to withstand extreme weather conditions," we have concerns with the regulatory framework that would be established if S.B. 1111 were to become law.

The City of Houston exercises original jurisdiction over the rates and services of investor-owned electric utilities operating within its jurisdiction. We are very concerned about the lack of municipal jurisdiction over utility rates and cost recovery in S.B. 1111, as it grants the PUC sole jurisdiction over the approval of the resiliency plan and any surcharge for recovery of the costs of the approved plan. It appears S.B. 1111 is intended to allow TDUs to bypass this jurisdiction by receiving expedited cost recovery for "measures" beyond what the PUC has already approved and is currently being recovered in rates.

Houston's second concern relates to the TDUs ability to recover the costs associated with resiliency outside of the current regulatory framework and solely through presentation of estimates. TDUs **currently** have the ability to invest in each of the resiliency measures outlined in S.B. 1111 and should already be doing so. If a TDU believes it needs to increase its spending for system resiliency, it can already do so under PURA and existing PUC rules

and seek cost recovery through an interim TCOS filing, a DCRF filing or a future rate case. No change in the law is required.

Houston is also concerned that S.B. 1111 would go beyond these existing cost recovery rate adjustment mechanisms by initially allowing for the recovery of “estimated” costs related to the resiliency plan, including operation and maintenance (O&M) expenses, through a surcharge assessed against ratepayers. Regardless of the estimated costs the PUC approves in a resilience plan, the utility may recover whatever they spend on the plan. The estimated costs would only be trued up in a subsequent review by the PUC. If the TDU does not request cost recovery through a surcharge, then the TDU may defer the costs and seek recovery in a future TCOS case, DCRF filing, or rate case.

Houston appreciates the time and effort that Senator Schwertner and this Committee have put into S.B. 1111 and we respectfully urge this Committee not to move this bill forward. We look forward to working with you this legislative session.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'TP', is written above a horizontal line.

Tina Paez, Director
City of Houston
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