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The Honorable William Metcalf
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768

Dear Representative Metcalf,

The City of Houston has reviewed the H.B. 2555 HBA and we are very concerned about the amendments and the underlying bill. Transmitted herein is a summary of our concerns related to this bill. This information also attempts to clarify any misunderstanding about what impact this proposed legislation will truly have on ratepayers in Texas.

Thank you for your courtesy in receiving and considering our concerns. For the reasons discussed herein, the City of Houston is strongly opposed to House Bill 2555 as filed and with the proposed amendments.

Respectfully submitted,

Tina Paez, Director
City of Houston
Administration & Regulatory Affairs Department

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Concerns Regarding House Bill 2555 & H.B. 2555HPA

(Senate Companion: S.B. 1111)

1. **Proponents of H.B. 2555 argue that this legislation is needed to advance system resiliency by creating a new mechanism to allow Transmission and Distribution Utilities (TDUs) to develop 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. Is this true?**

   No. Mechanisms already exist to allow utilities to do this. Utilities already have an ***expedited*** process to recover costs from hundreds of millions of dollars in distribution investments and resilience upgrades through the existing Distribution Cost Recovery Factor (DCRF) or Periodic Rate Adjustment (PRA) mechanism. For example, our local utility, CenterPoint Energy, has a current application under review which includes $492 million in system improvement investments and $29 million in smart grid upgrades, which are precisely the resilience measures outlined in H.B. 2555.

   TDUs should already be implementing most, if not all, the measures outlined in the bill, including modernizing and hardening distribution facilities and performing vegetation management. Current statutes and administrative rules exist that allow TDUs to seek cost recovery for all these measures through various interim filings. **Significantly, for transmission facilities, the proposed bill would also bypass ERCOT approval of new transmission investment**.

   It is important to note that H.B. 2555 does differ from existing recovery mechanisms in one significant way: **existing** mechanisms allow TDUs to recover ***incurred*** costs for system resiliency and maintaining and updating their transmission and distribution systems. However, H.B. 2555 would allow utilities to recover ***estimated*** costs, including any operations and maintenance (O&M) expenses of the proposed resiliency plan through a surcharge applied to customer bills.

   There is simply no rationale for H.B. 2555. The only outcome of the enactment of this legislation will be to further remove electric utility recovery of hundreds of millions of dollars of investment from public scrutiny, including investments based on estimated rather than actual costs, and investments that may never benefit the customers that were assessed those charges, as described in Question 2, below.

2. **Proponents of the bill claim that there is no requirement to implement plans created by TDUs, specifically if impacted by supply chain. Is this true?**

Yes. H.B. 2555 allows utilities to forgo plan implementation if "business needs, financial conditions, or supply chain or labor conditions dictate otherwise." This language presents a serious flaw in H.B. 2555 as it allows utilities to recover costs (**from customers**) for these plans and various resilience measures, but if there are supply chain issues or other economic reasons, utilities can cancel their resilience plans without ever implementing them. The bill effectively provides additional costs to be added to customer bills with no requirement for any benefit to customers.

3. **Proponents of this bill claim that the purpose of this bill is to proactively address resiliency by allowing TDUs to plan and procure necessary equipment and labor to mitigate threats and avoid higher prices post weather emergencies. Is this true?**

No. As stated in the response to Question 1, H.B. 2555 adds nothing to resilience planning that is not already available to utilities. The existing DCRF/PRA mechanisms are more than sufficient to allow utilities to recover their costs for resilience infrastructure, while providing sufficient scrutiny as to the prudence of those costs. Electric utilities **already** have all the tools in place to make resilience investments in their transmission and distribution systems – and recover the necessary and reasonable costs in doing so.

4. **If H.B. 2555 passes, will Texans' electricity rates be impacted? If so, how?**

Yes. As described in Question 1 above, since H.B. 2555 proposes to allow recovery of estimated costs rather than actual costs, and with no regulatory scrutiny, customer bills can be expected to rise significantly.

5. **The bill states that "the Commission may not approve a plan if the Commission determines that approving the plan is not in the public interest." Is this a meaningful safeguard for ratepayers?**

No. H.B. 2555 is silent as to what the PUC should consider when determining whether the utility's plan is in the "public interest." Proponents of the bill claim that passing H.B. 2555 would result in benefits to ratepayers such as a stronger grid, shorter outages, and fewer outages. However, the bill has no mechanism to hold utilities accountable if their system resilience or outage durations suffer despite their resilience investments, or if actual resilience implementation never materializes.

6. **Does H.B. 2555 supersede existing electric utility planning requirements?**

Yes. If utilities choose to submit plans according to H.B. 2555, they will no longer have to submit plans required by the Electric Service Reliability Measures statute, or the Report on Infrastructure Improvement and Maintenance statute.

7. **How will H.B. 2555 impact the PUC and its ability to review yet another expedited cost recovery mechanism?**

According to the fiscal note for H.B. 2555, the Legislative Budget Board estimates a negative $1,048,274 two-year net impact to the general revenue related funds. This cost is to pay for five additional full-time employees: two engineers to review the resiliency plans, two financial examiners to support rulemaking, manage cost recovery efforts and rate implications, and one attorney to support agency rulemaking and an anticipated increase in proceedings. Thus, taxpayers in Texas will be paying higher electric bills *and* the higher cost of staffing a State office.