



Control Number: 57579



Item Number: 285

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PUBLIC UTILITY COMMISSION  
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# OPEN MEETING COVER SHEET COMMISSIONER MEMORANDUM

**MEETING DATE:** August 21, 2025

**DATE DELIVERED:** August 20, 2025

**AGENDA ITEM NO.:** 24

**CAPTION:** Docket No. 57579; SOAH Docket No. 473-25-11558 – Application of CenterPoint Energy Houston Electric, LLC for Approval of its 2026-2028 Transmission and Distribution System Resiliency Plan

**DESCRIPTION:** Commissioner Courtney Hjaltman

# *Public Utility Commission of Texas*

## **Commissioner Memorandum**

TO: Chairman Thomas J. Gleeson  
Commissioner Kathleen Jackson

FROM: Commissioner Courtney K. Hjaltman *CAH*

DATE: August 20, 2025

RE: August 21, 2025 Open Meeting – Agenda Item No. 24  
Docket No. 57579 – *Application of CenterPoint Energy Houston Electric, LLC for Approval of Its 2026-2028 Transmission and Distribution System Resiliency Plan*

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Before the Commission is a proposed order that would approve the system resiliency plan (SRP) proposed by CenterPoint Energy Houston Electric, LLC (CenterPoint), as modified by the parties' agreement. I appreciate CenterPoint's answers to questions from my memo and that I asked at the last open meeting. However, I am concerned that CenterPoint's responses to requests for project-specific information and estimated costs beyond 2028 raise doubts about several assumptions in their SRP. Therefore, while I am overwhelmingly in support of many of the proposed resiliency measures (RM), I recommend the following changes.

### **Measures Recommended for Removal (RM-17, RM-18, RM-19, and RM-34)**

CenterPoint explained that RM-17, RM-18, and RM-19 involve the replacement or extension of the useful life of legacy cables or degrading structures. While I appreciate that, over time, the industry will adopt more advanced materials and designs that were not originally available or more economical, I generally expect CenterPoint to make reasonable upgrades to benefit their customers as those repairs or replacements come due in the regular course of business. Because I believe there is insufficient information to show the resiliency benefits are more than incidental to these measures, I would support removing them from the SRP.

Similarly, RM-34 requests \$300,000 to support operational expenses for weather stations that are already installed by covering annual calibration and technical support and to account for wear and tear. I appreciate CenterPoint proactively installing and using new technologies to provide better service to its customers. However, I do not believe there is sufficient information to justify inclusion of this measure in the SRP, as opposed to these costs being categorized as day-to-day operational expenses.

If you agree with these changes, one new finding of fact and one new ordering paragraph should be added to the proposed order to remove these measures from the SRP.

FOF. There is insufficient information to support the inclusion of the MUG Reconductor, URD Cable Modernization, Contamination Mitigation, and Weather Station measures in the system resiliency plan.

OP. The Commission modifies the system resiliency plan to remove the MUG Reconductor, URD Cable Modernization, Contamination Mitigation, and Weather Station measures. This Order does not prohibit CenterPoint from pursuing these projects outside a system resiliency plan.

Additionally, to reflect these changes in the proposed order, findings of fact 42, 44 and 45 should be modified, ordering paragraphs 8 and 9 should be modified, and findings of fact 84, 87, 90, and 132 should be deleted:

FOF 42. Each of the resiliency measures in CenterPoint's ~~proposed~~ approved system resiliency plan uses one or more of the methods listed in 16 TAC § 25.62(c)(1)(A)-(J).

FOF 44. For each of the ~~proposed~~ approved resiliency measures, CenterPoint's application and proposed system resiliency plan sufficiently explained the following:

- a. prioritization of each identified resiliency event to be mitigated by the proposed measures;
- b. the evidence of effectiveness of the proposed measure in mitigating the identified risk posed by relevant resiliency events;
- c. the expected benefits of the proposed measure using an appropriate evaluation metric or criteria;
- d. whether the proposed measure is a coordinated effort with federal, state, or local government programs or may benefit from any government funding opportunities;
- e. the selection of the proposed measures over reasonable and readily identifiable alternatives; and
- f. whether each measure may require a transmission system outage to implement.

FOF 45. For the approved measures, CenterPoint's application and proposed system resiliency plan sufficiently distinguished each ~~proposed~~ approved resiliency measure from other existing programs or measures, or programs or measures otherwise required by law, and where appropriate, explained how the related items work in conjunction with one another.

~~FOF 84. The major underground reconductor resiliency measure set forth in CenterPoint's system resiliency plan, as modified by the agreement, is expected to provide significant enhancements to system resiliency, is reasonable in terms of expected time and cost for implementation, is in the public interest, and should be approved.~~

~~FOF 87. The underground residential distribution cable modernization resiliency measure set forth in CenterPoint's system resiliency plan, as modified by the agreement, is expected to provide significant enhancements to system resiliency, is reasonable in terms of expected time and cost for implementation, is in the public interest, and should be approved.~~

~~FOF 90. The contamination mitigation resiliency measure set forth in CenterPoint's system resiliency plan, as modified by the agreement, is expected to provide significant enhancements to system resiliency, is reasonable in terms of expected time and cost for implementation, is in the public interest, and should be approved.~~

~~FOF 132. The weather stations resiliency measure set forth in CenterPoint's system resiliency plan, as modified by the agreement, is expected to provide significant enhancements to system resiliency, is reasonable in terms of expected time and cost for implementation, is in the public interest, and should be approved.~~

OP 8. The following resiliency measures and pilot program are removed from CenterPoint's system resiliency plan and are not approved by the Commission:

- a. transmission system hardening (RM-6);
- b. 69-kV conversion projects (RM-7);
- c. S90 tower replacements (RM-8);
- d. coastal resiliency projects (RM-9);
- e. substation flood control (RM-10);
- f. major underground control and monitoring system (RM-12);
- g. mobile substation (RM-13);
- h. MUG reconductor (RM-17);
- i. URD cable modernization (RM-18);
- j. contamination mitigation (RM-19);
- k. wildfire strategic undergrounding (RM-23); and
- l. weather stations (RM-34); and
- m. microgrid pilot program (PP-1).

OP 9. CenterPoint must defer \$242 ~~\$217~~ million in cost recovery for the resiliency measures listed below. CenterPoint may not include these amounts in any interim transmission cost of service or distribution cost recovery factor filings before July 1, 2029. CenterPoint may construct and place in service capital

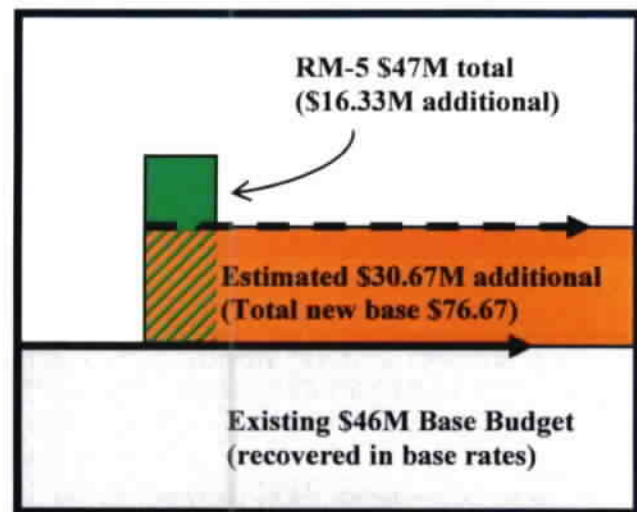
investments as well as conduct operations and maintenance attributable to the \$242 \$217 million before July 1, 2029.

<b>Resiliency Measure</b>	<b>Cost Recovery Deferral</b>
Distribution Circuit Resiliency (RM-1)	\$50 million
Strategic Undergrounding (RM-2)	\$17 million
Distribution Pole Replacement and Bracing Program (RM-4)	\$40 million
Vegetation Management (RM-5)	\$25 million
Distribution Capacity Enhancements and Substations (RM-16)	\$85 million
<del>Major Underground Reconductor (RM-17)</del>	<del>\$25 million</del>

### **Cost Recovery for Vegetation Management Expenses**

All vegetation management efforts have a resiliency impact, which is why I have held the position that resiliency plans, insofar as they relate to vegetation management, should reflect work *above and beyond* our existing expectations for utilities. It is not a substitute for establishing new base rates or meeting performance standards, it is a supplement. Unfortunately, CenterPoint's responses to my questions indicate that RM-5 is essentially an augment to that base vegetation management budget. I am also concerned that CenterPoint was unable or unwilling to provide a clearer cost of individual projects for RM-5 in response to my questions, unlike other utilities that have presented similar vegetation management measures. The lack of verifiable details for the individual programs leaves us unable to sufficiently distinguish the resiliency investment from activities that CenterPoint would have conducted anyway on their current schedule or what might be attributable to more cost-efficient work. As a result, I am not confident that this measure appropriately reflects the cost to transition to the three-year cycle rather than an increase to its base budget.

CenterPoint's current base vegetation management budget is \$46 million annually, based on a five-year trimming cycle, represented in gray in the accompanying graphic. Through RM-5, CenterPoint requests \$47 million annually (\$141 million total) to move to a three-year trimming cycle, represented in green. And, in the absence of a response from CenterPoint, I calculated an annual budget on a three-year cycle at their current spending levels would be about \$76.67 million (\$30.67 million additional to the current base budget), represented in orange. This shows roughly \$16.33 million each year (\$46 million base plus \$47 million extra requested, less the \$76.67 million new base) that CenterPoint can clearly attribute to the cost of transitioning to a three-year cycle and not to the baseline cost of meeting its obligation to customers to perform vegetation management.



To be clear, I am supportive of RM-5, but consumers deserve transparency between increased base budgeting and the unique investments made through these resiliency plans. In their stipulation and settlement agreement, CenterPoint included terms that would

authorize the company to recover vegetation management costs above \$46 million in a regulatory asset authorized under PURA § 38.078(k). Based on my concerns and estimates above, I recommend we change that threshold to \$76.67 million, which better distinguishes the ongoing obligation CenterPoint intends to fulfill towards its customers from the cost to transition to a three-year cycle, which I believe is an appropriate investment as part of this plan.

The result of this change would not be to limit the cost estimate that CenterPoint has proposed for RM-5, but to ensure recovery of the costs for the *transition* to the three-year cycle are distinct from the *ongoing costs* to continue that three-year cycle past the implementation of this measure. If there is a need, CenterPoint can use existing mechanisms to recover vegetation management-related expenses for which it can justify the costs of specific projects performed.

If the Commission agrees, then I recommend the following changes to the proposed order that will supersede the conflicting language in the proposed stipulation and settlement agreement, Article I, paragraphs 5 and 22 respectively:

FOF. It is appropriate to limit the amount recoverable for the Vegetation Management measure (RM-5) through a regulatory asset under PURA § 38.078(k) to amounts above \$76.67 million per year.

OP 4. CenterPoint must not re-allocate unspent vegetation management (RM-5) funds to other resiliency measures.

- ~~a. CenterPoint must continue to spend amounts budgeted for vegetation management (i.e., proactive, reactive, hazard tree, storm restoration) during the three-year implementation period of the system resiliency plan.~~
- ~~b. For calendar years 2025, 2026, 2027, and 2028, CenterPoint must spend amounts budgeted for vegetation management (i.e., proactive, reactive, hazard tree, emergency, and post-storm activities) up to \$46 million per year.~~
- ~~c. For calendar years 2025, 2026, 2027, and 2028, CenterPoint will be permitted to defer in a regulatory asset under PURA § 38.078(k) amounts spent on vegetation management above \$46 million per year.~~

FOF 69. The vegetation management resiliency measure set forth in CenterPoint's system resiliency plan, as modified by ~~the agreement~~ this Order, is expected to provide significant enhancements to system resiliency, is reasonable in terms of expected time and cost for implementation, is in the public interest, and should be approved.

OP. The Commission modifies the system resiliency plan to include the following language:

Vegetation Management (RM-5). CenterPoint Houston will not re-allocate unspent funds allocated to Vegetation Management (RM-5) to other Resiliency Measures.

- a. CenterPoint Houston will continue to spend amounts budgeted for vegetation management (i.e., proactive, reactive, hazard tree, storm restoration) during the three-year implementation of the System Resiliency Plan.
- b. For calendar years 2025, 2026, 2027, and 2028, CenterPoint Houston shall spend amounts budgeted for vegetation management (i.e. proactive, reactive, hazard tree, emergency and post-storm activities).
- c. For calendar years 2025, 2026, 2027, and 2028, CenterPoint Houston shall be permitted to defer in a regulatory asset under PURA § 38.078(k) amounts spent on vegetation management above \$76.67 million per year.

~~OP-7. The Commission modifies the system resiliency plan to include the following language:~~

~~CenterPoint may defer the annual incremental distribution-related vegetation management costs relating to the implementation of CenterPoint's system resiliency plan that are above \$46 million per calendar year for calendar years 2025, 2026, 2027, and 2028 as a regulatory asset, including carrying costs at CenterPoint's weighted average cost of capital established in the Commission's final order in CenterPoint's most recent base rate proceeding at the time the cost is booked, and use Commission-authorized cost recovery alternatives under 16 TAC §§ 25.239 and 25.243 or another rate proceeding. The annual baseline amount that will be used to determine the annual incremental distribution-related vegetation management costs is \$46 million. Annual distribution-related vegetation management costs that exceed the annual baseline amount of \$46 million will be considered the annual incremental distribution-related vegetation management costs relating to the implementation of CenterPoint's system resiliency plan and thus eligible to be deferred for future recovery as a regulatory asset.~~

OP. The Commission modifies the system resiliency plan to include the following language:

CenterPoint Houston may defer the annual incremental distribution-related vegetation management costs relating to the implementation of CenterPoint Houston's System Resiliency Plan that are above \$76.67 million per calendar year for calendar years 2025, 2026, 2027, and 2028 as a regulatory asset, including carrying costs at CenterPoint Houston's weighted average cost of capital established in the Commission's final order in CenterPoint Houston's most recent base rate proceeding at the time the cost is booked, and use Commission-authorized cost recovery alternatives under 16 Tex. Admin. Code §§ 25.239 and 25.243 or another rate proceeding. The annual baseline amount that will be used to determine the annual incremental distribution-related vegetation management costs shall be \$76.67 million. Annual distribution-



related vegetation management costs that exceed the annual baseline amount of \$76.67 million shall be considered the annual incremental distribution-related vegetation management costs relating to the implementation of CenterPoint Houston's System Resiliency Plan and thus eligible to be deferred for future recovery as a regulatory asset.

### **Recovery of the Municipal Intervenors' Expenses**

CenterPoint has agreed to defer the expenses incurred by the municipal intervenors in this proceeding for recovery in a future rate case. However, because this proceeding is not a ratemaking proceeding, it is not appropriate to defer the municipal intervenors' expenses for recovery in a future rate case.

If the Commission agrees, then ordering paragraph 19 should be modified, and one new finding of fact and ordering paragraph should be added to the proposed order.

FOF. Because this proceeding is not a ratemaking proceeding, it is not appropriate to defer the municipal intervenors' expenses for recovery in a future rate case.

OP. CenterPoint must not defer the municipal intervenors' expenses for recovery in a future rate case.

OP. CenterPoint must meet the agreement's terms regarding the reimbursement and deferral of certain expenses as set forth above in Finding of Fact 171–175.

### **Evaluation Metrics**

In RM-1, Distribution Circuit Resiliency, and RM-5, Vegetation Management, CenterPoint intends to report the percentage of structures or circuit segments that fail. Similar to adjustments we have made in other system resiliency plans, I recommend we require CenterPoint to report not only the percentage but also the actual number, so we can have a clear understanding of the process and success of the company's work. To modify these metrics in the SRP, two new findings of fact and two new ordering paragraphs should be added to the proposed order.

FOF. It is appropriate for CenterPoint to report the number, as well as the percentages, of structures that are hardened that fail and that are not hardened that fail under the Distribution Circuit Resiliency measure.

FOF. It is appropriate for CenterPoint to report the number, as well as the percentages, of trimmed and untrimmed circuit segments that fail under the Vegetation Management measure.

OP. The Commission modifies the system resiliency plan to also include reporting on the number of structures that are hardened that fail and that are not hardened that fail under the Distribution Circuit Resiliency measure.

OP. The Commission modifies the system resiliency plan to also include reporting on the number of trimmed and untrimmed circuit segments that fail under the Vegetation Management measure.

Finally, the Commission should delegate to the Office of Policy and Docket Management staff the authority to modify the order to conform to the *Citation and Style Guide for the Public Utility Commission of Texas* and to make other non-substantive changes to the order for such matters as capitalization, spelling, grammar, punctuation, style, correction of numbering, and readability

I look forward to discussing this with you at the August 21, 2025, open meeting.