



## **Filing Receipt**

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Chairman Thomas J. Gleeson  
Commission Kathleen Jackson  
Commissioner Courtney K. Hjaltman  
Public Utility Commission of Texas  
1701 North Congress Ave., 7th Floor  
Austin, Texas 78701

RE: Docket No. 57579, *Application of CenterPoint Energy Houston Electric, LLC for Approval of its 2026-2028 Transmission and Distribution System Resiliency Plan*

Dear Chairman and Commissioners:

In anticipation of your deliberation of this matter today, the Company is filing this letter to address two issues raised by Commissioner Hjaltman in her memorandum filed yesterday.

#### **Vegetation Management**

Through the SOAH mediation process, the Company and other signatory parties reached a settlement in which they agreed that the Company's proposed Vegetation Management (RM-5) resiliency measure should be approved, with the following modifications to the Company's proposal: cost reduction of \$5.1 million and cost recovery deferral until Year 4 of \$25 million. As demonstrated in the record evidence:

- The Company's current base rates, found just and reasonable in Docket No. 56211, include approximately \$46 million in annual vegetation management expense. Settlement Testimony of Nathan Brownell at page 15, line 12. That amount is, by definition, the amount found to be the reasonable "baseline cost of meeting [the Company's] obligation to customers to perform vegetation management," as that phrase is used in Commissioner Hjaltman's memorandum on page 4 of 8.
- The \$46 million per year (\$138 million over the three-year period 2026-2028) will allow CenterPoint to proactively trim approximately 12,210 miles of distribution circuits, which is consistent with a 5-year trim cycle. Settlement Testimony of Nathan Brownell at page 15, lines 10-13.
- CenterPoint's SRP calls for transitioning from a 5-year cycle to a 3-year cycle for vegetation management. Settlement Testimony of Nathan Brownell at page 14, lines 4-7.
- Transitioning to a 3-year cycle will require trimming *an additional* 11,190 miles of distribution circuits over the three-year period 2026-2028, at an *incremental* cost of approximately \$146 million over the three years. Settlement Testimony of Nathan Brownell at page 15, lines 13-15.
- Of the 11,190 additional miles, 4,898 miles are 35 kV circuits, and 606 miles are 12 kV circuits in narrow easements, which cost more to trim. Settlement Testimony of Nathan Brownell at page 15, line 23 through page 16, line 2 and page 18, lines 3-5.

- CenterPoint developed its incremental vegetation management cost estimates on a unit price basis allowing for 3% annual inflation. Settlement Testimony of Nathan Brownell at page 16, lines 5-16.
- As part of settlement, the Company agreed to reduce the incremental vegetation management cost for the three-year SRP period 2026-2028 from \$146.1 million to \$141 million. Settlement Testimony of Nathan Brownell at page 18, lines 13-14.
- The agreed Vegetation Management (RM-5) resiliency measure has a BCA of 3.7 and avoids approximately 132.3 million customer minutes of interruption.
- The Commission has approved similar vegetation management SRP settlements for both Oncor and TNMP. Settlement Testimony of Nathan Brownell at page 19, lines 9-11.<sup>1</sup>
- Because this resiliency measure increases the expense that would be charged to our customers, the Company agreed in the settlement to defer recovery of \$25 million of these incremental costs by another year, even though the work will be completed in the three-year SRP period. Settlement Testimony of Nathan Brownell at page 13, lines 1-2.

If CenterPoint is not allowed to include the full \$141 million in incremental vegetation management expense in a regulatory asset as part of its SRP, then the Company will be unable to recover those costs for the period covered by the SRP. Increasing the regulatory asset threshold as suggested would leave the Company unable to collect \$30.67 million per year in incremental vegetation management expenses required to transition to a 3-year cycle during the SRP period. The SRP framework established in PURA provides a mechanism to avoid this outcome by allowing the Company to transition to a 3-year cycle now and establish a new baseline that can be reviewed in the Company's next base rate proceeding.

As part of the SOAH-mediated settlement process, the Company agreed to remove other resiliency measures from the SRP in exchange for the parties agreeing to this new level of vegetation management. The Company continues to believe that transitioning from a 5-year trim cycle to a 3-year trim cycle will benefit the customers and communities it has the privilege to serve and respectfully requests that the Commission approve this measure as modified by the settlement agreement.

### **Resiliency Measures Recommended for Removal**

Through the SOAH mediation process, the Company and other signatory parties reached a settlement in which they agreed that the Company's proposed Major Underground (MUG) Reconductoring (RM-17), Underground Residential Distribution (URD) Cable Modernization (RM-18), and Contamination Mitigation (RM-19) resiliency measures, which collectively avoid approximately 25 million customer minutes of interruption, should be approved, with the following modifications to the Company's proposal:

- MUG Reconductoring (RM-17): cost reduction of \$120 million and cost recovery deferral until Year 4 of \$25 million,
- URD Cable Modernization (RM-18): cost reduction of \$53.4 million, and
- Contamination Mitigation (RM-19): cost reduction of \$50 million.

The Legislature enacted Tex. Util. Code § 38.078 to encourage utilities to enhance the resiliency of their transmission and distribution systems through a specified list of measures. Tex. Util. Code §

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<sup>1</sup> The proposed accounting mechanism is structured similar to the vegetation management settlement term that was approved in Oncor's SRP in Docket No. 56545. Oncor is required to spend "amounts approved by the Commission in Docket No. 53601, Oncor's most recent base-rate case, for transmission-related vegetation management and distribution-related vegetation management." Finding of Fact No. 53(b), Order, Docket No. 56545.

38.078(b). One of those legislatively prescribed measures, echoed in the Commission's own resiliency rule, is "modernizing electrical transmission and distribution facilities." Tex. Util. Code § 38.078(b)(2) and 16 Tex. Admin. Code § 25.62(c)(1)(B). The following record evidence shows the resiliency benefits directly attributable to these three resiliency measures:

- The measures in the Company's SRP, including RM-17, RM-18, and RM-19, are not "routine." The investments and expenses associated with those measures are "above and beyond what is currently in the Company's rates." Rebuttal Testimony of Nathan Brownell at page 12, line 12 through page 13, line 2.
- RM-17 (MUG Reconductor) "is a new program that the Company is developing" to boost resiliency, not part of its routine replacement work. CenterPoint SRP at 157.
- RM-17 has a benefit-cost ratio of 1.4. Direct Testimony of E. Shlatz at page 3 of 64.
- RM-18 (URD Cable Modernization) is not routine maintenance or replacement work. It is a "proactive approach" that incorporates new cable assessment technology that allows the Company to assess and extend the life of more than 10 times as many loops annually while reducing costs and improving system reliability and resiliency . . . ." CenterPoint SRP at 158.<sup>2</sup>
- RM-18 has a benefit cost ratio of 2.2. Direct Testimony of E. Shlatz at page 3 of 64.
- RM-19 (Contamination Mitigation) is neither routine maintenance nor typical replacement work. The measure modernizes the Company's system by installing contamination-resistant equipment in coastal areas and adding sensors that can detect contamination on lines and alert the Company to proactively power wash the affected wire prior to the risk of arcing and outages. It also allows the Company to leverage data collected by the sensors to better predict when contamination is likely to occur. CenterPoint SRP at 162.
- RM-19 has a benefit cost ratio of 2.4. Direct Testimony of E. Shlatz at page 3 of 64.

As part of the SOAH-mediated settlement process, the Company agreed to remove other resiliency measures from the SRP in exchange for the parties agreeing to include these resiliency measures. The Company continues to believe that each of these resiliency measures will benefit the customers and communities it has the privilege to serve and respectfully requests that the Commission approve these measures as modified by the settlement agreement.

We will be present at the Open Meeting should you have any questions for us as you deliberate this matter. Our entire Texas-based workforce looks forward to executing on the body of work you approve in our SRP for the benefit of our customers.

Thank you,



Jason Ryan

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<sup>2</sup> The Company notes that the Commission previously approved a similar underground cable modernization program when it approved Oncor's SRP in Docket No. 56545. The Commission approved Oncor's proposed UG Cable Modernization Program under which it would spend approximately \$394 million over a 3-year period and approximately \$115 million in a deferred 4th year to assess the health of underground cable and replace or extend the life of underground cable. Oncor SRP Settlement Agreement at Attachment 1.