

BILL ANALYSIS

H.B. 1695
By: Turner, Sylvester
State Affairs
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In the aftermath of Hurricane Ike, most of the damage resulting in long-term power outages was due to distribution lines downed from falling trees, tree branches, and other debris. The transmission and distribution company serving the Houston and Galveston areas, CenterPoint Energy, reported that most of its 2.2 million customers lacked power after the storm and cited more than 25 percent of its transmission lines as having been knocked out of service by the hurricane. The other major transmission and distribution company in the affected region, Entergy, reported that 1.7 million customers were without electricity following the storm. These power outages crippled the region, hindering recovery efforts, shutting down commerce, and keeping the lights out for the region's residents, schools, hospitals and businesses for an extended period of time.

Entergy estimates that total restoration costs for the repair or replacement of the electrical facilities damaged by Hurricane Ike are estimated to range from \$525 million to \$625 million. CenterPoint estimates their restoration costs range from \$650 million to \$750 million. Most, if not all of these costs are not covered by insurance and will ultimately be recovered by the companies through rate increases on consumers. Rate increases to recover the costs of transmission and distribution repairs following a severe storm are common in the Houston-Galveston region. Having many other financial hardships after a storm, consumers should not have to be concerned with utility rate increases.

Waiting to make repairs in the aftermath of future storms, rather than taking preventive measures, such as hardening the grid, is not an optimal approach for transmission and distribution companies. If preventive steps are not taken to improve the grid, recurring repair costs will continue to lead to rate increases, hurting electric consumers. It is imperative that the state and agencies that oversee utility industries encourage preventive infrastructure maintenance. There must be a concentrated effort focused on coastal regions and East Texas where electric infrastructure is more susceptible to violent storms.

H.B. 1695 authorizes the Public Utility Commission of Texas to require all electric utilities to submit an infrastructure improvement and maintenance plan to minimize the utilities' risk of experiencing extended power outages in the wake of severe weather.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 of this bill.

ANALYSIS

H.B. 1695 amends the Utilities Code to require each electric utility, not later than January 1, 2010, to file with the Public Utility Commission of Texas (PUC) a plan for infrastructure improvement and maintenance that minimizes the utility's risk of experiencing an extended power outage during severe weather. The bill requires the PUC to prescribe the details required

to be included in such a plan, based on the utility's susceptibility to specific types of severe weather likely to occur in the utility's service area, the age of the utility's infrastructure, the utility's history of extended power outages caused by severe weather, and the potential improvements in preparation and response that are available to the utility. The bill requires the commission to require, at a minimum, that each utility's plan include:

- an established vegetation management cycle for the clearing of trees, tree limbs, and other vegetative growth from utility line easements and utility structures;
- a customer outreach program that educates property owners on proper vegetation management near electric utility structures;
- a program for the inspection of transmission structures;
- a system for identifying areas that are susceptible to damage during severe weather and modifying transmission structure in those areas, including identifying and replacing wooden poles in those areas with poles made of more durable materials;
- a system for designating high-load transmission and distribution areas and identifying potential improvements to infrastructure to prevent damage during severe weather;
- a system for determining the cost-effectiveness of placing future electricity lines underground;
- a plan that allows for or requires the expansion or installation of underground utility infrastructure to be coordinated with the repair, expansion, or installation activities of other owners of underground facilities, including municipalities, gas utilities, and pipeline companies;
- a plan for the use of distributed generation technologies and advanced meter technologies that prevent, detect, and report the failure of grid facilities and assist in the repair of those facilities;
- a priority plan for the restoration of critical facilities in areas that are particularly prone to severe weather, including facilities belonging to emergency response providers, hospitals, water and wastewater treatment facilities, and municipal service facilities; and
- a plan to inform state and local officials of an extended power outage, the utility's restoration efforts, and the expected duration and severity of the outage.

The bill requires the utility, for each specific program or project included in the plan, to include sufficient detail to allow the PUC to accept, modify, or reject an individual program or project based on factors such as anticipated cost or benefit.

H.B. 1695 sets forth procedures to be followed by the PUC and electric utilities regarding approval of a plan or updated plan, including notice to interested parties of an opportunity for the request of a hearing. The bill sets associated deadlines and establishes procedures for plan modification or rejection by the PUC and the utility's response to the modification or rejection.

H.B. 1695 authorizes an expenditure made by a utility pursuant to its plan to be recovered by the utility in a ratemaking proceeding. The bill establishes that the PUC's approval of a plan, or its approval of a plan with modifications that are accepted by the utility, does not affect the duty of the utility to prove in such a ratemaking proceeding that expenditures made pursuant to the plan were reasonable, necessary, and prudently incurred.

H.B. 1695 requires a utility that files a plan to file a semiannual report with the PUC detailing the status of the programs and projects detailed in the plan, and to file an updated plan with the PUC every six years for the PUC's approval. The bill establishes that plan approval, or plan approval with accepted modifications, does not preclude the utility from filing a new plan before it is required to update an approved plan.

H.B. 1695 requires the PUC to evaluate the effectiveness of a utility's plan after each occurrence of severe weather affecting the utility's service area.

H.B. 1695 requires the PUC to adopt rules consistent with these provisions not later than October 1, 2009, and requires each electric utility to file with the PUC a proposed infrastructure maintenance and improvement plan not later than January 1, 2010.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.