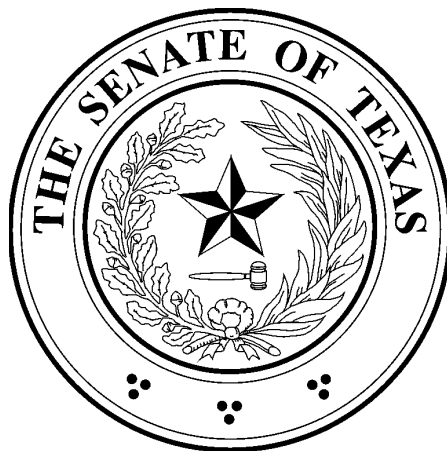

**SENATE SPECIAL COMMITTEE ON
HURRICANE AND TROPICAL STORM
PREPAREDNESS, RECOVERY, AND
ELECTRICITY**

**Interim Report to the
89th Legislature**





December 20, 2024

The Honorable Dan Patrick
Lieutenant Governor of Texas
P.O. Box 12068
Austin, Texas 78711

Dear Governor Patrick:

In response to your creation of the Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity, this report contains recommendations of the Committee. We appreciate your leadership in prioritizing this critical discussion and the opportunity to contribute meaningful policy solutions to strengthen Texas' preparedness and resilience for future weather events.

Respectfully,

Handwritten signature of Senator Charles Schwertner in black ink.

Senator Charles Schwertner, Chair

Handwritten signature of Senator Phil King in black ink.

Senator Phil King, Vice-Chair

Handwritten signature of Senator Carol Alvarado in black ink.

Senator Carol Alvarado

Handwritten signature of Senator Paul Bettencourt in black ink.

Senator Paul Bettencourt

Handwritten signature of Senator Brandon Creighton in black ink.

Senator Brandon Creighton

Handwritten signature of Senator Juan "Chuy" Hinojosa in black ink.

Senator Juan "Chuy" Hinojosa



Senator Joan Huffman



Senator Lois Kolkhorst



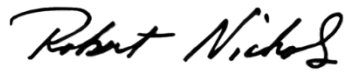
Senator Morgan LaMantia



Senator Mayes Middleton



Senator Borris L. Miles



Senator Robert Nichols



Dean Judith Zaffirini



Dan Patrick

Lieutenant Governor of Texas
President of the Senate

FOR IMMEDIATE RELEASE:
Wednesday, July 17, 2024

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512-463-0715

Lt. Gov. Dan Patrick Announces the Creation of the Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity

AUSTIN – Today, Lt. Gov. Dan Patrick announced the creation of the Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity. Sen. Charles Schwertner, R-Georgetown, will serve as Chairman, and Sen. Phil King, R-Weatherford, will serve as Vice Chair. Upon forming the committee, Lt. Gov. Patrick issued this statement:

“Texans are rightfully upset with the overwhelming failure of electric utility companies to restore power in a timely fashion following Hurricane Beryl. The electric utility companies’ failure cannot be tolerated, especially when it was so obvious a storm was headed toward Texas. I am appointing this committee to review what happened and establish why certain electric utility companies appear to have been woefully unprepared for Hurricane Beryl. The Texas Senate will work to ensure electric utility companies respond more effectively to future storms.”

Upon being named chair, Sen. Schwertner issued the following statement:

“As Chairman of the Special Committee, I will focus on why electric utility companies failed to provide timely power restoration to millions of Texans and the decisive actions these companies will take to ensure this type of catastrophic failure never happens again.”

The Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity includes:

Sen. Charles Schwertner, R-Georgetown, Chairman
Sen. Phil King, R-Weatherford, Vice Chair
Sen. Carol Alvarado, D-Houston
Sen. Paul Bettencourt, R-Houston
Sen. Brandon Creighton, R-Conroe
Sen. Juan “Chuy” Hinojosa, D-McAllen
Sen. Joan Huffman, R-Houston

Sen. Lois Kolkhorst, R-Brenham
Sen. Morgan LaMantia, D-Palm Valley Sen.
Mayes Middleton, R-Galveston Sen. Borris
Miles, D-Houston
Sen. Robert Nichols, R-Jacksonville Sen.
Judith Zaffirini, D-Laredo

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**SENATE SPECIAL COMMITTEE ON HURRICANE AND TROPICAL STORM
PREPAREDNESS, RECOVERY, AND ELECTRICITY DISCUSSIONS
AND RECOMMENDATIONS**

HEARING

July 29, 2024, *EI.012*

The Committee took invited and public testimony.

OVERVIEW

On July 8, 2024, Hurricane Beryl made landfall as a Category 1 on the Texas coast. In advance of Hurricane Beryl’s arrival, the Texas Department of Emergency Management (TDEM), along with Texas Emergency Management Council (EMC) agencies, executed readiness plans and strategically placed state emergency response resources around the storm pathway.¹ TDEM pre-staged resources in 121 counties.

High winds and heavy rainfall caused widespread destruction along the Texas Gulf Coast and beyond, leaving millions without power. As electric utilities, electric cooperatives, and local governments worked alongside state emergency operation teams to respond to the storm and restore electricity, it quickly became clear that the damage from Hurricane Beryl was most acutely felt in the Greater Houston region, and specifically, by 2.2 million CenterPoint customers.

On July 17, 2024, Texas Lieutenant Governor Dan Patrick announced the creation of the Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity (“Committee”) to review “why certain electric utility companies appear to have been woefully unprepared for Hurricane Beryl” and ensure more effective storm response in the future.² The 13-member committee held a public hearing on July 29, 2024.

The Committee first heard testimony about how the State of Texas, led by TDEM, acted swiftly in preparation for and in response to Hurricane Beryl. TDEM testified to the agency’s early and proactive coordination as the storm developed off the coast, allowing TDEM to activate and mobilize resources quickly and ensure essential resources were pre-staged appropriately. TDEM marshalled more than 2,500 personnel from state and local agencies to support hurricane response efforts.³

¹ The Texas Emergency Management Council (EMC) is a group of state agencies and organizations that advises and assists the Governor in emergency preparedness, disaster response, and recovery.

² Press Release, Lieutenant Governor Dan Patrick. Lt. Gov. Dan Patrick announces the creation of the Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity (July 17, 2024).

³ Hearing Before the S. Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity, 2023 Leg., 88th Interim (July 29, 2024) (Testimony of Chief W. Nim Kidd, Texas Division of Emergency Management).

In contrast, the Committee also heard testimony that raised concerns over the ability of certain investor-owned utilities to respond to major disasters in a manner that prioritized the needs of Texans. The Committee discussed a number of key issues: unusable mobile power generation, vulnerable transmission infrastructure, inefficient outage tracking, communication challenges, insufficient vegetation management, and extended delays across various restoration efforts. Notably, the Committee questioned whether regulatory loopholes permit a utility to increase rates without delivering sufficient and reliable service, and, citing CenterPoint’s procurement of mobile generation units, whether a utility should face penalties for inappropriate expenditures.

Following Hurricane Beryl, the Public Utility Commission of Texas (PUC) initiated an investigation to assess the emergency preparedness and response abilities of Greater Houston area utilities, and to propose “clear and actionable solutions” for mitigating future prolonged outages affecting millions of customers.⁴ The PUC published its report and recommendations on November 21, 2024.

KEY ISSUES AND RECOMMENDATIONS

Mobile Generation

In response to statewide power outages caused by Winter Storm Uri, the 87th Texas Legislature passed House Bill 2483 to allow transmission and distribution utilities (TDU) limited authority to lease mobile generation units for emergency events. Statute requires utilities to file plans detailing their use of mobile generation units and seek PUC approval to recover associated costs through a Temporary Emergency Electric Energy Facilities (TEEEF) rider.⁵ Utilities can earn a rate of return on capital expenditures, which provides a financial incentive to prioritize capital investments over operational expenditures.

Hurricane Beryl presented an opportunity for utilities to demonstrate the value of their mobile generation investments in restoring power to customers. At the time of the storm, CenterPoint’s portfolio consisted of 505 MWs of mobile generation – 15 large (32 MW) and 5 smaller (5 MW) units – and cost approximately \$800 million.⁶ Testimony at the hearing indicated CenterPoint’s large units were intended for load shed events and were not effective for addressing impacts on distribution lines. Further, testimony revealed that the size and design of CenterPoint’s large units made them incapable of being rapidly deployed, as they require a 24-hour notification to be activated and moved.⁷ In contrast, Oncor’s TEEEF program included 11 MWs of smaller units that were described as well-suited for emergency response, and cost significantly less at approximately \$5.5 million. Through mutual assistance, CenterPoint borrowed 12 units from neighboring utilities Oncor and AEP to aid customers during Hurricane Beryl.⁸

⁴ PUC Project No. 56822.

⁵ Tex. Utilities Code § 39.918.

⁶ Hearing Before the S. Senate Special Committee on Hurricane and Tropical Storm Preparedness, Recovery, and Electricity, 2023 Leg., 88th Interim (July 29, 2024) (Testimony of Jason Wells, Chief Executive Officer, CenterPoint Energy).

⁷ Id.

⁸ Id.

Witnesses testified before the Committee about systemic issues with CenterPoint's mobile generation procurement, including overpricing in the bidding process, overinvestment in assets that cannot support hurricane recovery scenarios or address immediate grid needs, and a rate of return formula that may incentivize imprudent spending. Members discussed regulatory reforms needed to prevent utilities from increasing costs to consumers or diverting resources from critical areas, such as vegetation management. CenterPoint's expensive mismanagement highlighted an immediate need for greater PUC oversight. Typically, TEEEF riders, like all interim rate adjustment riders, would then be subject to a prudence review during a future rate case. However, in the case of CenterPoint's TEEEF rider, the PUC waived the need for a future prudence review.

Recommendations:

- The PUC should revise its approval process for mobile generation leases by implementing safeguards to protect ratepayers from imprudent investments, ensuring each unit is fully qualified and properly configured for deployment in the emergency event it is intended to address, and defining performance obligations to confirm each unit fulfills its commitment. The PUC should require additional documentation regarding the use cases for these units as part of a utility's Emergency Operations Plan.
- Ensure the PUC has the authority to require a utility to refund any charges that are later deemed unjustified and not in the public interest where a unit fails to perform as represented to the PUC and ratepayers. This should include any necessary statutory changes to prevent the PUC from waiving its ability to subject interim rate adjustment riders to a prudence review in future rate cases.

Pole Resiliency

Hurricane Beryl also revealed structural vulnerabilities across the coastal transmission and distribution system, which sustained damage from 90+ mph winds. Committee members conveyed urgency in improving the structural integrity of poles in Texas and suggested replacing older poles with more durable materials, where appropriate. Witnesses drew comparisons to Florida, which initiated a comprehensive strategy in 2006 to require utility companies to implement specific storm hardening programs. Witnesses testified that pole standards are not currently mandated in Texas, and discussed the opportunity to develop a "Texas approach" that considers the state's diverse geography, vast and complex grid, regulatory structure, and other unique factors, while ensuring the approach remains affordable for ratepayers.

Recommendations:

- Direct the PUC to establish standards for hardening poles, particularly in coastal and high-risk areas. These standards should consider preventative measures to extend the lifespan of poles.
- The PUC should also establish schedules for pole inspections, require remediation or replacement of degraded infrastructure, and impose penalties for noncompliance.
- Leverage advanced technologies for faster and more accurate inspections.

Communication and Outage Tracking

Communication between CenterPoint, local government officials, and the public was inadequate throughout the hurricane. Officials lacked timely and accurate updates, leading to confusion and delays in responding to emergency calls. CenterPoint's outage tracking system was not operational before or during

the hurricane, leaving residents and local authorities without access to critical outage information or reliable restoration timelines. With the outage tracker unavailable, CenterPoint's call center quickly became overwhelmed and customers experienced long wait times, or in some cases, were unable to connect at all. This communication breakdown exacerbated the challenges faced by vulnerable Texans during the storm.

In October, a third party consultant assessed CenterPoint's storm preparedness and restoration efforts, and noted: "The root cause for taking the original outage map out of service was cited as 'amount of traffic flooding the site degraded performance to the point that it was not accessible.' A business continuity plan should provide an alternative solution... There was the opportunity and the capability to replace the Outage Map in advance of Beryl..."⁹ Emergency Operations Plans (EOP) currently require all Texas utilities to plan for customer communications. Witnesses discussed a need for EOPs to better address technology gaps that could affect communications, and emphasized that systems must be designed to handle high traffic and provide real-time updates.

Further, many senior care facilities and medically dependent individuals endured prolonged power outages, resulting in dire conditions without access to air conditioning or critical medical devices. Testimony pointed to CenterPoint's outage tracker as a resource people had come to depend on in the past, but found unexpectedly unavailable when they needed it most. Witnesses also discussed opportunities for collaboration between retail electric providers (REP) and TDUs to leverage customer contact information during emergencies and ensure residents receive timely updates and assistance.

Recommendations:

- Direct the PUC to consider strengthening TDUs' emergency communication plans to include proactively notifying customers of the critical customer registration processes, enhancing outreach to critical customers during an event, and establishing a storm response call center plan to deliver consistent and accurate information.
- Consider options for improving coordination of customer communication between REPs and TDUs that adheres to federal and state privacy and consumer protection laws.
- Require utilities to develop and maintain scalable outage tracking systems that provide reliable, real-time information during disasters. These systems should be thoroughly detailed in EOPs and tested regularly to ensure readiness.
- Evaluate requirements for critical care facilities to maintain backup generators and enhance direct communication channels between those facilities and first responders.

Vegetation Management

High winds and flying debris, coupled with overgrown trees and inadequate clearing space near power lines, exacerbated power outages and delayed restoration efforts. Witnesses testified that poor maintenance can make a system susceptible to even minor storms. Witnesses suggested that a greater commitment to early, targeted vegetation and debris management could have mitigated outages. They

⁹ PA Consulting Group, Inc. (2024). *Hurricane Beryl After Action Report*. https://www.centerpointenergy.com/en-us/Documents/GHRI%20Tracker/CenterPoint_Beryl_After_Action_Final_Report.pdf.

also suggested that vegetation management strategies could incorporate greater customer engagement and hazard reporting.

The Committee expressed concern where CenterPoint's spending and activities on vegetation management were lower compared to its peer utilities. In addition, concerns were raised that TDUs, including CenterPoint, may delay necessary vegetation management until after a storm because the costs associated with storm recovery are eligible for a higher rate of return. Members described the current incentive structure as potentially encouraging utilities to focus on capital investments, which are more profitable and provide a guaranteed rate of return, while neglecting operational expenses like vegetation management.

Recommendations:

- Require utilities to more regularly report on vegetation management activities and costs, and delineate these costs from similar items included in a company's rate cases and resiliency plans.
- Transmission and distribution companies should consider additional strategies for public engagement to encourage property owners to learn how to identify vegetation hazards and report concerns.
- Ensure the PUC has the authority to limit a utility's return on equity for post-storm infrastructure repairs or replacements if it is determined the utility should have anticipated the risk for damage prior to a storm and delayed action.

Mutual Assistance

The Committee heard hours of testimony on hurricane preparedness plans and execution, which highlighted the enormous effort of coordinating mutual assistance and mobilizing resources during a major weather event. Strategies and timelines for requesting help from mutual assistance partners, pre-staging equipment and personnel, and deploying resources to priority areas varied among the utilities. Witnesses specifically highlighted CenterPoint's struggle to timely mobilize mutual assistance crews, and cited examples of linemen sitting idle in pre-staging areas as they waited for onboarding briefings or work assignments. A lack of clear instructions slowed the pace of preliminary storm assessments and subsequent restoration work. Moreover, work delays occurred due to physical threats made to linemen who were attempting to restore power as quickly as possible. Witnesses said that streamlined instructions would have helped minimize downtime, allowing linemen to quickly and safely complete repairs.

Recommendations:

- Emergency Operations Plans should strictly assess strategic pre-staging of mutual aid, linemen, equipment, and materials. A utility's administration and organizational structure responsible for navigating major events should also be assessed.
- Increase penalties for those who threaten or impede the work of linemen during emergency restoration efforts.

Transparency

With the implementation of House Bill 2555, which passed in the 88th Legislative Session, utilities can file with the PUC a comprehensive, prospective plan for system resiliency. These plans are separate from a utility's rate case, yet the Committee identified areas where the two may overlap. Members questioned

whether expenses justified in a utility's rate case for upgrades and maintenance might also appear as separate items within a resiliency plan, a Texas Energy Fund project, or other funding avenues, which could result in ratepayers overpaying for projects or investments. The Committee reiterated strict accountability and transparency, calling on the PUC to heavily scrutinize all rate increases.

Recommendations:

- Review any gaps in the PUC's regulatory authority and consider legislation to allow the PUC to mandate additional audits, implement performance-based incentives, or act to claw back duplicative costs.
- Review the PUC's current authority to pursue administrative penalties for electric service quality violations under the Public Utility Regulatory Act to determine its effectiveness.