



Jason P. Wells
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August 28, 2024

The Honorable Charles Schwertner
Chair, Special Committee on Hurricane and Tropical Storm Preparedness,
Recovery and Electricity
P.O. Box 12068
Austin, Texas 78711

The Honorable Todd Hunter
Chair, Committee on State Affairs
P.O. Box 2910
Austin, Texas 78768

RE: CenterPoint's \$5 Billion Investment Commitment for the Greater Houston
Resiliency Initiative

Dear Chairman Schwertner and Chairman Hunter:

Our response to Hurricane Beryl, and the many frustrations we heard from our customers and elected officials, has inspired a company-wide call to action. I, and my entire leadership team, are committed to dramatically improving our customers' experience. As a company that has the privilege of serving the energy capital of the world and one of the most rapidly growing cities in our nation, we have committed ourselves to an unprecedented level of action to be the most admired utility in the country by investing in modernizing and making our grid more resilient for the future.

Our defining goal, going forward, is this: to build the most resilient coastal grid in the country that can withstand the extreme weather of the future. As we have said, words alone will not be enough. To achieve this ambition, we will undertake a historic level of resiliency actions and investment, because this is what the people of the Greater Houston area expect and deserve.

Historic Investment in Texas and Commitment to Continued Affordability

The actions described below represent an approximately \$5 billion investment toward the resiliency of the grid in the Greater Houston area, doubling our planned investment from 2026 to 2028 as a result of an even greater emphasis on accelerating the hardening of our distribution grid. Undertaking such a level of resiliency investment will achieve what we have heard is most critical: strengthening the energy system against more powerful future storms and extreme weather.

As part of our ongoing commitment to affordability, which has kept customer rates relatively flat over the past ten years, our priority is to ensure that the benefits of these resiliency investments and projects below will exceed the costs. We will also have an independent expert confirm this outcome before we undertake them. Given the fact that the economic impact to the Greater Houston area of not having power exceeds \$1.4 billion per day, it is evident that now is the time to make these critical resiliency investments across the region.

Greater Houston Resiliency Initiative: Multiple Phases of Action

CenterPoint will achieve our ambitious goal by undertaking a series of immediate, short- and long-term actions, some of which were part of the first phase of the Greater Houston Resiliency Initiative (GHRI), which was launched last month and is complete as of August 27. Each of these phases includes a series of resiliency actions that will transform the resiliency of the electric grid, our public and customer communications, and our coordination with emergency management partners. Moreover, these actions represent an ongoing and determined effort to improve the experience of our customers during major storms and hurricanes. The phases of action include:

- **Immediate Actions (July – August 2024):** The first phase of the GHRI included 42 commitments, of which we have achieved 39 (including all those with an August deadline), as well as a series of accelerated resiliency actions that were undertaken to strengthen the grid for this hurricane season. This included trimming or removing 2,000 miles of vegetation around powerlines, installing over 300 automation devices, and installing over 1,000 stronger composite poles, all of which have been achieved before the prescribed August 31 deadline due to the mobilization of over 2,500 CenterPoint frontline workers and contractors.
- **Near-Term Actions (September 2024 – June 1, 2025):** The next phase of our resiliency actions will focus on further strengthening and enhancing key areas of our operations in preparation for winter and before the 2025 hurricane season. The actions we will take include system hardening, advanced automation, predictive modeling and further actions to improve our preparedness and communications. We will also augment our actions based on the feedback from a wide range of customers, stakeholders and an independent third-party after-action review.
- **Longer-Term Strategy (2026 – 2028):** The third phase of our resiliency actions will be longer-term efforts to build the most resilient coastal grid in the country by investing in a smarter grid of the future that can better withstand a full spectrum of risks. The entire scope of these actions will be outlined and detailed in our resiliency plan that is expected to be filed with the Public Utility Commission of Texas on or before January 31, 2025. This new plan will represent the largest investment in Greater Houston infrastructure in our company's nearly 160-year history.

These phases are further described in Appendix A. We plan on sharing a detailed near-term workplan, inclusive of feedback from customers, stakeholders and third-party experts with specific dates and goals of the actions planned, by no later than September 30, 2024.

Addressing Temporary Emergency Generation Concerns

Building off the overall resiliency plans, we will also be evaluating the future role of large-scale temporary emergency generation. While large-scale temporary emergency generation continues to be necessary, given the need to address the ongoing risk of generation shortfall, we, as a company, should have communicated more clearly to our elected officials about the cost and the limitations of such large-scale units as they worked tirelessly and urgently to evaluate policy solutions for the state and protect Texans from the devastating impacts of extreme winter weather in the months following Winter Storm Uri. For that, **we not only sincerely apologize to all our elected officials but will also undertake a series of actions to responsibly address this issue** (as outlined in additional detail in Appendix B).

In sum, I, and my entire leadership team, are determined to re-earn the trust of our customers, our community and elected leaders by taking a suite of actions that are unprecedented in our company's history. In addition, **we are also proposing to forego approximately \$110 million in profit, which is equivalent to more than half of the profits anticipated from our lease of temporary emergency generation assets.**

Taken together, these combined actions reflect our commitment to better serve our customers. For example, our increased commitment to long-term resiliency represents a doubling of our prior proposal to approximately \$5 billion. In total, when considering all of the planned investment in the gas and electric systems, CenterPoint will now be investing more than \$21 billion in Texas between 2025 through 2030, one of the largest capital infusions of infrastructure investments in the local Houston economy, and the company's largest investment in the region's energy infrastructure.

Lastly, I want to stress again that we have heard the collective calls for urgent action. We, as a company, are heeding this call. As the leader of the thousands of incredible energy workers who are dedicated to serving this great community, I see it as my personal mission and responsibility to demand more of ourselves as a company and leadership team so that we can achieve a model of grid resiliency that is worthy of the Greater Houston area and the great state we are proud to call home.

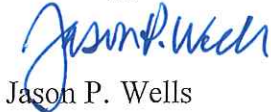
Please know that my team and I are happy to answer any questions you may have, including providing briefings for you and/or your staff. I am also copying your committees and the other Senate and House members who represent our Houston-area customers.

The Honorable Charles Schwertner
The Honorable Todd Hunter

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Thank you again for all that you do for Texas and the community we are all privileged to serve.

Sincerely,



Jason P. Wells

Enclosures: Appendix A: Expanding the Greater Houston Resiliency Initiative
Appendix B. Addressing Temporary Emergency Generation Concerns

cc: Senator Phil King
Senator Carol Alvarado
Senator Paul Bettencourt
Senator Juan Hinojosa
Senator Joan Huffman
Senator Lois Kolkhorst
Senator Morgan LaMantia
Senator Mayes Middleton
Senator Borris Miles
Senator Robert Nichols
Senator Judith Zaffirini
Senator Molly Cook
Representative Ana Hernandez
Representative Rafael Anchia
Representative Jay Dean
Representative Charlie Geren
Representative Ryan Guillen
Representative Will Metcalf
Representative Richard Pena Raymond
Representative Shelby Slawson
Representative John Smithee
Representative David Spiller
Representative Senfronia Thompson
Representative Chris Turner
Representative Alma Allen
Representative Ernest Bailes
Representative Cecil Bell
Representative Greg Bonnen
Representative Briscoe Cain
Representative Charles Cunningham
Representative Mano DeAyala
Representative Harold Dutton
Representative Gary Gates

Representative Sam Harless
Representative Lacy Hull
Representative Jacey Jetton
Representative Ann Johnson
Representative Jarvis Johnson
Representative Jolanda Jones
Representative Stan Kitzman
Representative Suleman Lalani
Representative Terry Leo-Wilson
Representative Penny Morales Shaw
Representative Christina Morales
Representative Geanie Morrison
Representative Tom Oliverson
Representative Dennis Paul
Representative Mary Ann Perez
Representative Ron Reynolds
Representative Jon Rosenthal
Representative Mike Schofield
Representative Valoree Swanson
Representative Shawn Thierry
Representative Ed Thompson
Representative Steve Toth
Representative Cody Vasut
Representative Hubert Vo
Representative Armando Walle
Representative Gene Wu

Appendix A: Expanding the Greater Houston Resiliency Initiative (GHRI)

A. Immediate Actions to Increase Resiliency During this Hurricane Season (July – August 2024)

Learning from Hurricane Beryl and recognizing that we needed to take immediate action this hurricane season to ease the anxiety and frustration that our customers experienced in the aftermath of the storm, we launched the first phase of GHRI on August 5, 2024. We announced 42 initial actions to strengthen resiliency, improve our customer and public communications and strengthen our local and emergency partnerships. We broadly communicated these actions to our customers, elected officials and other stakeholders and made them available online to track our progress at our Taking Action website (www.CenterPointEnergy.com/TakingAction).

We identified specific resiliency actions to reduce customer outages, and with clear direction from Governor Abbott, we accelerated our work to complete many of these actions before August 31. Our resilience work has included: (1) trimming or removing hazardous vegetation from 2,000 miles of powerlines; (2) installing over 300 automation devices to help reduce the impact of outages during storms, and (3) installing over 1,000 stronger poles that could withstand stronger winds. To complete this critical work quickly, we mobilized over 2,500 frontline workers and contractors throughout the month of August across our Greater Houston service territory. We have now successfully completed all three core resiliency actions described above, and 39 of the 42 actions of the first phase of GHRI (including all actions with an August deadline), as outlined at our Taking Action website. We are on track to successfully complete all remaining items by the dates committed.

B. Near-Term Actions to Advance Resilient Systems and Communities (September 2024 – June 1, 2025)

While our work this past month was critical to address our customers' concerns for this hurricane season, we recognize that there is more to be done to reinforce resilience and preparedness through the remainder of this hurricane season and beyond, particularly as we look ahead to proactively prepare for winter and for the 2025 hurricane season. Hearing firsthand the hardships experienced by our customers during our small group listening sessions and open houses has only fortified our commitment to make even greater strides to advancing the resilience of our system and to do our part to support the resilience of our communities.

As such, the second phase of GHRI will extend from September 1, 2024, to June 1, 2025, and will build on the more than \$7 billion in infrastructure and other investments that we have already made from 2021 through 2023 in Houston's electric system. In this phase, we will focus on another set of resiliency and reliability actions equating to a total investment of \$2 billion dollars in the electric and gas systems in Texas, as well as further improvements to communications and emergency response coordination.

An important element of the first phase of our work was hearing the feedback from our stakeholders, including our customers, our communities, emergency management leaders, elected officials and regulators. We also sought the advice of national experts in grid resilience and emergency preparedness, including by initiating an independent third-party review. While we won't stop listening to our customers and stakeholders and learning, we know that incorporating this feedback into the next phase of our work is critical to the success and sustainability of our efforts.

We will provide a detailed workplan, inclusive of feedback from key stakeholders and third-party experts with specific dates and goals of the actions planned by no later than September 30. However, in an effort to continue to communicate openly and transparently, we wanted to outline below the core elements we will focus on, and some key actions we will undertake to further strengthen resiliency, continue improvements to our public and customer communications, and further strengthen our local partnerships vital in any future storm response.

STRENGTHENING RESILIENCY

Our resiliency actions will focus on further hardening of the grid against storms, while further integrating automation, technology and modeling into our operations to increase operational productivity, reduce outages and make the grid stronger and more secure.

The actions we will undertake include:

- **Rebuilding and Hardening the Grid:** We will continue enhancing our resiliency through focused investments in our grid for the benefit of our customers. All new construction will be built to current extreme wind standards, and we will continue to connect most new customers to our underground assets if that application works for their circumstances. We will replace existing infrastructure by targeting rebuilds and upgrades of our systems in areas that have seen reliability concerns. We will also bury facilities in areas of higher risk, like freeway crossings, raise substations that are vulnerable to flooding, and replace existing infrastructure with new materials that meet or exceed the standards for extreme wind.
- **Risk-based Vegetation Management Informed by Predictive Analytics Model:** We understand that advancing resilience on an ongoing basis to prevent outages requires adopting a data-informed risk-based approach. We will continue to refine and utilize our predictive vegetation management modeling to assess vegetation risk drivers, including soil condition, rainfall, vegetation density, fall-in risk, encroachment and vegetation health, to identify the higher risk line miles on our electric system to better inform our annual vegetation management program. We will prioritize and complete vegetation management for these higher risk line miles by the start of hurricane season each year.

- **Advanced Automation: Permanent, Targeted Solutions Toward a Self-Healing Grid:** While tree trimming and removal solutions are an important element to our resiliency work, the Greater Houston area deserves a more permanent, sustainable solution that can withstand greater extreme weather risks for the long term. As such, we will adopt electric grid technology that can be implemented quickly and start to deliver results for our communities. We will install devices that enable faster power restoration to customers' homes or businesses automatically, reducing the need for human intervention or time spent getting to a specific location or replacing older, standard fuses. Additionally, we will put in place technology that re-routes power, and actively creates smaller sections of the grid to contain outages to lower numbers of customers.

IMPROVING COMMUNICATIONS

We will increase and expand our communications and engagement with our customers with the goal of improving the overall customer experience and providing more awareness, information and resources before, during and after a range of potential emergency events. The key actions will include:

- **Improving Outage Tracker:** To continuously enhance our communications, we will expand and evolve our online outage tracker functionality and capability. These improvements will include incorporating power status at the premise-level, enhancing reporting of weather conditions, providing a Spanish language version and making other enhancements based on customer feedback from our community open houses.
- **Improving Direct Customer Communications:** We will improve our direct customer communications through closer coordination and information sharing with retail electric providers, and we will evaluate new interactive "click and send" digital applications that will enable customers to take a picture of a potential safety issue and send it to us for follow-up.
- **Year-round Community Engagement:** We will launch a year-round community preparedness and customer safety campaign and will continue to engage with our customers and communities virtually and personally on topics including emergency preparedness and response, communications, and customer support programs such as energy efficiency.

STRENGTHENING PARTNERSHIPS

To continue to improve our emergency preparedness and response, we will fundamentally change the tempo and nature of emergency cooperation and readiness efforts to prioritize ongoing preparation, training and effective partnerships. Our key actions will include:

- **Information Sharing:** We will develop a capability for proactively sharing information with emergency response partners, government agencies and key community stakeholders, including sharing data and weather forecasts for wind events, storms, heavy rain, flooding and extreme weather that could cause outages for our customers.
- **Joint Preparedness Exercises:** We will collaborate and conduct emergency preparedness and training activities throughout the year, including full-scale drills and tabletop exercises in close coordination with local emergency management offices and state stakeholders to prepare for a full spectrum of events.
- **Creating All-Hazards Playbook:** We will expand and enhance our emergency response/hurricane playbook to incorporate industry and emergency response best practices to address a range of additional risks to the energy system, including high-heat, winter storm, flooding, wildfires, as well as cyber-attack, pandemic, and different generation capacity events (i.e. load shed).
- **Mutual Aid and Tool Development:** We will increase the efficiency of how we onboard, track, deploy and utilize mutual assistance crews by implementing a storm management tool. In selecting this software, we will benchmark industry best practices.

C. Longer-Term Strategy and Actions to Invest in System Resilience and Modernization (2026 – 2028)

We have heard the call to action and are committed to building the most resilient coastal grid in the country and recognize that our previous system resiliency plan needs to be refiled with the Public Utility Commission of Texas with this ambitious objective in mind. While technology does not exist to completely eliminate outages, we will strive to build and design the grid of the future that can be a model for the industry. The goal of our long-term resiliency plan is to mitigate a broad spectrum of risks that threaten our system by hardening key aspects of the infrastructure, enhancing the security of the grid and by building a smarter grid that can combat extreme weather, wildfire risk, major storms and hurricanes to reduce the impact of outages experienced by our customers.

In developing the long-term resiliency plan, we will incorporate industry best practices for grid design and expect to resubmit our filing to the Commission on or before January 31, 2025. We anticipate that our new capital investment plan will include over \$21 billion in total capital investment in our Texas electric and gas systems from 2025 through 2030, exceeding our current plan, which comprised roughly over \$18 billion in investments in Texas through that same time period.

D. Conclusion

Taken together, the actions outlined above reflect the most aggressive resiliency actions and investments in the company's history. **Our goal is clear: to build the energy grid of the future to better withstand and respond to extreme weather.** In addition, this multi-phase resiliency plan also reflects a determined effort to take measurable and responsible actions that will, as the work is completed help re-earn the trust of our customers, stakeholders and elected officials.

Lastly, and as also outlined above, this multi-phase plan will continue to evolve based on feedback from our stakeholders, including our customers, community leaders, emergency management experts, elected officials and regulators.

Again, our defining mission remains the same as we stated following the events of Hurricane Beryl: take the necessary actions to become the most resilient coastal grid in the country for the Houstonians and Texans we are privileged to serve.

Appendix B: Addressing Temporary Emergency Generation Concerns

CenterPoint's pursuit of temporary emergency generation assets followed the passage of legislation in 2021 (amended in 2023) that allowed for utilities to lease temporary emergency generation. This legislation was passed in response to Winter Storm Uri and the significant risk the state, including the Greater Houston area, faced from a lack of sufficient generation capacity. The effects of Winter Storm Uri magnified the need to urgently address this risk, and CenterPoint, among other market participants, provided recommendations to our elected officials in the Senate and the House.

As we stated in our cover letter, as a company, we now see that we could have more effectively communicated to our elected officials about the cost and the limitations that large-scale temporary emergency generation has during non-load shed events, or its ability to mitigate outages from major storms and hurricanes. For that, we not only sincerely apologize to all our elected officials, but we will also undertake a series of actions to responsibly address this issue. These actions include the following:

1. **Foregoing ~\$110 Million of Profit:** We will forego roughly \$110 million, which is equivalent to more than half of the equity profit anticipated from our temporary emergency generation assets. As we work with policymakers as detailed in item 4 below, we will explore additional options to reduce the cost of these assets while customers benefit from having them in place to mitigate the risks they were designed to address.

One of the quickest ways customers will see the benefit of this commitment is by CenterPoint absorbing approximately \$70 million in incremental storm-hardening expense we have incurred this year to benefit the grid after Hurricane Beryl and before the next storm hits. We will not seek to recover that storm-hardening spend, even though our customers are already benefitting from it.

Second, beginning in 2028, we will forego the remaining approximately \$40 million of profit by not seeking recovery of prospective equity return for load-shed oriented temporary emergency generation units as new dispatchable generation comes online as a result of the Texas Energy Fund (TEF), which was established by the Texas Legislature through Senate Bill 2627 in 2023.

2. **Eliminating One Large-Scale Temporary Generation Unit:** Based on our internal analysis of load shed risks and current generation capacity, we have calculated that we can reduce the number of large-scale units we currently possess by one unit. We will work with our temporary emergency generation vendor to eliminate one large-scale temporary generation unit and use 100% of the funds from the return of this large-scale unit to increase our fleet of small- and medium-sized temporary generation units. This expanded fleet of small- and medium-sized temporary generation will be used to address outages of prioritized critical care facilities more quickly.

3. **Donations of Small-Scale Generation Units:** As part of our effort to increase small- and medium-sized temporary generation capacity among critical facilities, we will help procure and donate 10 back-up small generation units across Greater Houston to support critical county facilities.
4. **Yearly Disclosure on Risk & Temporary Emergency Generation:** CenterPoint conducts a yearly review of multiple risks faced by our energy system. This analysis helps shape what risks we must prepare for and respond to within any given year, including through our temporary emergency generation assets. Starting in December, the company will share this analysis for public review through filings with the Commission. In addition, the company will support an independent third-party review of its analysis and findings to help address important questions around optimizing the temporary emergency generation fleet to address existing risks.
5. **Support For Future Legislative Action:** Looking ahead, CenterPoint is committed to working with the Commission and the Texas Legislature on potential policy changes that would both allow our customers to continue to benefit from the large-scale units, and also potentially reduce the cost to customers going forward, including by exploring a policy change to grant us authority to sublease temporary emergency generation assets. We look forward to exploring all ideas that achieve constructive outcomes for our customers.