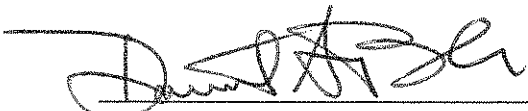


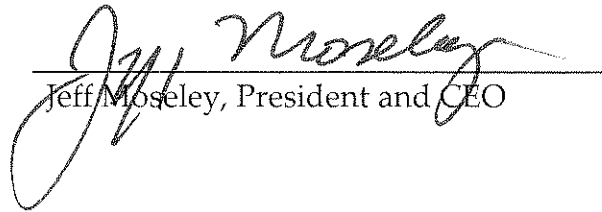
**Resolution of the Board of Directors in Support of Storm Cost
Securitization**

The Greater Houston Partnership supports legislative efforts to authorize utilities to file with the Public Utility Commission for recovery of storm costs through "securitization."

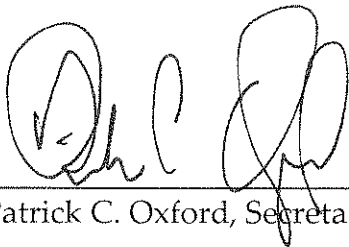
As the primary advocate for the business community, the Greater Houston Partnership supports the creation of a mechanism that would minimize the rate impacts on consumers and help electric utilities recover their storm costs and regain financial strength.



Daniel G. Bellow, Chairman



Jeff Moseley, President and CEO



Patrick C. Oxford, Secretary

MEMORANDUM

DATE: March 24, 2009

TO: Greater Houston Partnership Board of Directors

FROM: Sonia Perez
Chairman, Government Relations Policy Advocacy Committee

SUBJECT: Resolution of the Board of Directors in Support of Storm Cost
Securitization

RECOMMENDATION:

The Greater Houston Partnership supports legislative efforts to authorize utilities to file with the Public Utility Commission for recovery of storm costs through "securitization."

The Greater Houston Partnership recognizes the expense of responding to natural disasters and supports the creation of a mechanism that would minimize the rate impacts on consumers and help electric utilities recover their storm costs and regain financial strength.

BACKGROUND:

Hurricane Dolly hit South Texas in July, and Hurricane Ike hit Galveston in Southeast Texas (with high wind field impacts north and east of Galveston/Houston/Beaumont) in September, displacing tens of thousands of Texans and causing enormous damage to the regions served by American Electric Power Texas, CenterPoint Energy, Entergy Texas and Texas New Mexico Power. These storms devastated Texas' electric grid. Following Hurricane Ike's landfall, over 2.6 million electricity consumers in Texas were without power.

In response to these storms, Texas' utilities mobilized their own crews, mutual assistance crews from other utilities, and contractors from around the country to successfully restore power to all who could take power within reasonable industry standards. During Hurricane Ike, CenterPoint Energy and Entergy mobilized 11,500 and 10,500 outside workers (with some overlap as crews were released from one service area and picked up in another), respectively, and Texas New Mexico Power utilized over 500 outside workers. Together, these storms cost the utilities \$1 - \$1.3 billion.

In addition to hurricanes, the state also experiences ice storms, wildfires and floods, all of which have the potential of significantly damaging electric infrastructure.

The traditional method of recovering storm costs is through a base rate proceeding which is a lengthy and costly process. This traditional and litigious process significantly delays the recovery of storm costs and places additional costs on consumers and a huge financial burden on the affected utilities, including both the cost of the proceeding and high carrying costs.

The Greater Houston Partnership supports the creation of a mechanism that would minimize the rate impact on consumers and help electric utilities recover their storm costs and regain financial strength. Securitization is such a mechanism.

Securitization is a utility financing arrangement that allows for very low interest rates on the bonds that are issued to cover the service restoration costs, resulting in significant savings (compared to the aforementioned traditional process) that are passed on to consumers. Securitization is a proven process utilized in Texas and other states to provide consumers hundreds of millions of dollars in savings. Most recently, Entergy Texas used securitization to recover from the devastation caused by Hurricane Rita in 2005.

IMPLEMENTATION:

To implement this recommendation, the Partnership would communicate its support of this resolution to the Legislature.

FISCAL IMPACT:

Securitization is a win-win for consumers and electric utilities. Consumers see lower prices as a result of lower financing costs, and utility companies are provided a mechanism to allow them to recover the costs of repairing and rebuilding infrastructure after a natural disaster.

RESOURCES REQUIRED:

No resources are required to implement this recommendation.