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**COMMISSION STAFF'S PETITION § PUBLIC UTILITY COMMISSION
FOR THE SELECTION OF ENTITIES §
RESPONSIBLE FOR TRANSMISSION § OF TEXAS
IMPROVEMENTS NECESSARY TO §
DELIVER RENEWABLE ENERGY §
FROM COMPETITIVE RENEWABLE §
ENERGY ZONES §**

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CROSS REBUTTAL TESTIMONY

OF

PAT WOOD, III

FOR

THE JOINT PARTIES

**(AEP TEXAS CENTRAL COMPANY; AEP TEXAS NORTH COMPANY;
ELECTRIC TRANSMISSION TEXAS, LLC; LCRA TRANSMISSION SERVICES
CORPORATION; ONCOR ELECTRIC DELIVERY COMPANY LLC;
SHARYLAND UTILITIES, L.P.; SOUTH TEXAS ELECTRIC COOPERATIVE;
AND TEXAS-NEW MEXICO POWER COMPANY)**

NOVEMBER 14, 2008

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CROSS REBUTTAL TESTIMONY OF PAT WOOD, III

I. INTRODUCTION

1 Q. PLEASE STATE YOUR NAME AND ADDRESS.

2 A. My name is Pat Wood, III. My business address is 5847 San Felipe, Houston,
3 Texas 77057.

4 Q. ARE YOU THE SAME PAT WOOD WHO SUBMITTED TESTIMONY
5 ON BEHALF OF THE JOINT PARTIES IN THIS PROCEEDING ON
6 SEPTEMBER 12, 2008 AND OCTOBER 28, 2008?

7 A. Yes, I am.

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?

9 A. The purpose of my testimony today is to respond to the testimony filed by other
10 parties on October 28, 2008. I testified to a number of related issues in my
11 October 28, 2008 Responsive Testimony, but here I will primarily focus on
12 Staff's recommendations and briefly address other testimony filed in the
13 proceeding.

II. SUMMARY OF TESTIMONY

14 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

15 A. Most of my testimony will be devoted to addressing Staff's revised proposal for
16 assignment of CTP facilities, which was circulated to the parties on November 7,
17 2008. I have carefully reviewed Staff's proposal. Because I believe Staff's
18 approach will result in a delay of the implementation of the Commission's CREZ

1 decision – which is the point of this proceeding – I disagree with it in several
2 respects.

3 First, Staff has found all of the TSPs that submitted CTP proposals to be
4 financially and technically qualified to construct, operate and maintain CTP
5 facilities. It has not attempted to distinguish among any of the TSP applicants,
6 including the new entrants. Based on my review of the filings and the responsive
7 testimony, I believe it is more accurate to say that there is a range of qualifications
8 among the new entrants and that the Commission should take differences in
9 qualifications into account in its decision. I will identify specific concerns I have
10 about the qualifications of some of the new entrants below.

11 Second, Staff's recommendation to assign approximately \$2.1 billion of
12 the total of nearly \$5 billion in new transmission investment to four new TSPs
13 (Cross Texas, Lone Star, Isolux, and Tejas) raises significant concerns. As I
14 understand Staff's proposal, it would require major changes in the way the
15 ERCOT grid is currently operated by introducing a number of new utilities into
16 the mix, overlaying the existing transmission facilities of TSPs that have operated
17 in certain areas for years. At a time when international grid regulation policy is
18 driving consolidation, efficiency, streamlining and cost-reduction, the result
19 would be a patchwork of ownership in a regulated business. I would not
20 recommend such a radical deviation without a clear showing that customers are
21 better off under a more balkanized system that we have today.

22 Third, while I have not yet had a chance to review Staff's rebuttal
23 testimony, Staff's proposal appears to be designed primarily to allocate

1 approximately equal amounts of CTP facilities to all TSPs that submitted
2 applications, with a couple of exceptions. I do not agree that simply providing all
3 applicants a more or less equal share of the proposed build out comports with the
4 statute, brings benefits to customers, or results in the most expeditious and cost-
5 effective transmission solution. Instead, as I have previously stated, I believe
6 approving the formation and operation of new entities to operate as TSPs in
7 ERCOT requires a showing that such a course of action will add value and will
8 expedite completion of the CTP facilities in order to fully implement the
9 Commission's landmark decision in the CREZ proceeding, Docket No. 33672. I
10 cannot agree that Staff's proposal achieves that goal.

11 Finally, I will also respond briefly to responsive testimony submitted by
12 Isolux/WETT and Tejas Transmission Company.

III. RESPONSE TO STAFF TESTIMONY

13 **Q. PLEASE DESCRIBE THE STAFF RECOMMENDATION IN THIS**
14 **PROCEEDING THAT YOU WILL BE ADDRESSING.**

15 A. In its original responsive testimony, filed on October 28, 2008, Staff first found
16 that all of the applicants to construct CTP facilities, including each of the four
17 new entrants, were capable of financing the facilities they proposed to build and
18 to construct, operate, and maintain them. Staff then set forth its proposed
19 allocation of facilities among all of the TSPs that had submitted CTP proposals.
20 After first allocating default, priority, and uncontested facilities based primarily
21 on incumbency, Staff allocated the remaining CTP facilities (referred to as
22 "designated CTP facilities") based on Staff's evaluation and interpretation of the

1 TSPs' cost of capital, set forth in Exhibit SC-3 attached to Staff witness Slade
2 Cutter's testimony. The specific designated CTP facilities were then allocated on
3 a segment by segment basis by Staff witness Brian Almon, using Mr. Cutter's
4 cost of capital rankings set forth in Exhibit SC-3.

5 Subsequently, on November 7, 2008, Staff circulated a revised proposal
6 (the "Public Interest Plan") to all parties to the proceeding. This proposal
7 significantly modified the October 28, 2008 recommendation. Staff stated that it
8 intended to submit this revised proposal in its rebuttal testimony on November 14,
9 2008. On November 10, Staff provided a summary of Staff's rationale for its
10 revised proposal in order to clarify its methodology. Staff also confirmed that the
11 revised proposal, not the original proposal contained in Staff's October 28
12 testimony, represents Staff's final position in this proceeding.

13 **Q. PLEASE DESCRIBE STAFF'S REVISED PROPOSAL.**

14 A. Based on the material circulated by Staff on November 7 and 10, it appears that
15 the principal purpose of the revised proposal is to allocate approximately the same
16 amount of CTP facilities to most of the TSPs that it proposed be designated to
17 construct facilities, with some exceptions. It is possible that I am mistaken in this
18 assumption since we have not yet seen Staff's rebuttal testimony explaining its
19 proposal, but that certainly seems to be the effect of the proposal. The following
20 TSPs (listed alphabetically) were allocated approximately \$450 - \$550 million in
21 CTP facilities each, more or less, under the Staff proposal:

	TSP	Investment (millions)
1		
2	Cross Texas	\$534
3	ETT	592
4	Isolux	502
5	LCRA TSC	446
6	Lone Star	564
7	Oncor	566
8	Sharyland	496
9	Tejas	505
10		

11 Since each TSP's recommended CTP facilities included facilities that fall
12 in different categories (default, priority, uncontested, and designated), it appears
13 that Staff attempted to adjust the facilities in each category in order to make each
14 TSP come out with approximately the same amount of total investment. For
15 example, Oncor was awarded default, priority, and uncontested facilities that
16 amounted to \$566 million, but was not awarded any designated facilities; Lone
17 Star, on the other hand, was not awarded any default, priority, or uncontested
18 facilities but was awarded \$564 million in designated facilities. Thus, the two
19 TSPs ended up with almost exactly the same amount of total facilities.

20 Three other TSPs were awarded lesser amounts of facilities (CPS Energy,
21 Garland, and STEC) that corresponded to the amounts they proposed to construct
22 in their original CTP filings. Two TSPs (TMPA and TNMP) were awarded no
23 facilities, except for a \$1 million default facility assigned to TMPA under the TSP
24 Selection Rule.

1 **Q. WHAT IS YOUR UNDERSTANDING OF THE METHODOLOGY USED**
2 **BY STAFF TO DEVELOP ITS REVISED PROPOSAL?**

3 A. Based on the additional information provided by Staff on November 10, the
4 principal elements of Staff's methodology appear to be the following. First, Staff
5 utilized the same criteria for assigning default, uncontested projects, and priority
6 projects as it used in developing its October 28 proposal, except that priority
7 projects were reallocated to reflect Staff's proposed joint ventures between LCRA
8 TSC and the municipal utilities (CPS Energy and City of Garland) and to make
9 certain corrections with respect to ETT and Oncor facilities. Second, Staff
10 reevaluated the financing resources for Cross Texas, Lone Star, and Sharyland
11 and included those companies in its new proposal. Third, Staff concluded that
12 construction cost estimates were inconclusive for purposes of evaluating the
13 merits of the TSP proposals and therefore presumably gave that factor no weight.
14 Fourth, Staff proposed joint venture projects between LCRA TSC and the cities to
15 address concerns about the plans of the municipal entities to avoid the
16 Commission's CCN process. Fifth, remaining projects were allocated among
17 TSPs in approximately equal values. And finally, project assignments attempted
18 to group specific assignments in the same geographical areas to ensure that the
19 total value assigned to a TSP would not exceed the value requested.

20 **Q. WHAT IS YOUR REACTION TO THE REVISED PROPOSAL?**

21 A. Subject to a better understanding of the rationale for the Staff proposal leading me
22 to a different conclusion, I do not agree that this is a logical way to assign TSPs to
23 construct CTP facilities. I also do not agree that the proposal meets the statutory

1 standard that requires a transmission plan that is cost-effective and beneficial to
2 customers. The proposal might appear to have the virtue of apparent even-
3 handedness in that every TSP that submitted a proposal (with the exception of
4 TNMP and TMPA) was designated to construct about the same dollar amount of
5 facilities or, in the case of CPS, Garland, and STEC, the amounts they requested.
6 However, it is difficult to understand how simply allocating roughly equal shares
7 of the total investment to each existing TSP and new entrants provides the basis
8 for a reasoned statutorily-based judgment by the Commission that the assignment
9 provides the best value for the customers. And, I question whether parties that
10 have not been full participants in the entire two year process should be given
11 equal consideration to those transmission companies that have been involved from
12 the beginning and are better prepared to move quickly.

13 **Q. DO YOU HAVE SPECIFIC CONCERNS ABOUT THE STAFF**
14 **PROPOSAL?**

15 A. Yes. As shown by the map circulated by Staff on November 7 which I assume
16 will be submitted in Staff's cross rebuttal testimony, there is somewhat of a
17 patchwork aspect to the proposal. Although there appears to be an effort to group
18 TSP assignments by geographic area, there are a number of instances where there
19 are multiple TSPs that would own and operate facilities adjacent to one another.
20 The proposal would inject four new utilities (Cross Texas, Isolux, Lone Star, and
21 Tejas) into the portions of the ERCOT grid located in West Texas and the
22 Panhandle and South Plains regions. Several of the new utilities (Cross Texas,
23 Isolux, and Tejas) would be operating adjacent to one another in the Panhandle

1 and South Plains area; another, Lone Star, would operate facilities in the
2 traditional footprints of Oncor and LCRA TSC. This represents a significant
3 change in the way the grid has operated in the past and raises potential concerns
4 regarding the effect on reliability, efficiency, and related issues. At a minimum,
5 additional study should be required before the Commission decided that such a
6 major departure has merit and will benefit the customers. ETT and Sharyland are
7 presenting two witnesses with considerable experience in ERCOT transmission
8 planning – Bill Bojorquez and Paul Hassink – to address these issues in joint
9 testimony.

10 **Q. DO YOU HAVE OTHER CONCERNS ABOUT STAFF’S PROPOSAL?**

11 A. Yes. I also have concerns with Staff’s conclusion that all of the TSPs are equally
12 qualified, financially and operationally, to finance, construct and operate the CTP
13 facilities. Staff did not attempt to distinguish among the various TSPs in terms of
14 relative qualifications. My own review of the CTP proposals and testimony filed
15 by the TSPs raises questions as to whether all TSPs should be considered equally
16 qualified to construct the facilities.

17 **Q. PLEASE EXPLAIN YOUR CONCERNS.**

18 A. The Commission can have considerable confidence that all of the existing TSPs in
19 ERCOT, including the three municipal entities, have the requisite qualifications to
20 finance and construct the CTP facilities they propose to build. The Commission
21 is familiar with their operations and their ability to comply with Commission and
22 ERCOT rules. The existing TSPs understand the Commission’s expectations of
23 regulated utilities in Texas. In addition, the Commission has authority to take

1 appropriate action against existing utilities that fail to perform. With respect to
2 the new entrants, the Commission should be much more concerned about ensuring
3 that they have the necessary financial and operational capability to construct and
4 operate the CTP facilities they propose to build in a cost-effective and efficient
5 manner.

6 **Q. DO YOU BELIEVE THAT ALL OF THE NEW ENTRANTS ARE**
7 **EQUALLY QUALIFIED?**

8 A. No. It appears to me that the qualifications of the new entrants vary and that, if
9 the Commission decides to award facilities to one or more of them, it should take
10 these differences into account in determining which assignments will best achieve
11 the goal of a cost-effective and beneficial plan and assure that the CTP facilities
12 are constructed more expeditiously.

13 **Q. PLEASE PROVIDE YOUR EVALUATION OF THE NEW ENTRANTS.**

14 A. I would rank Lone Star at the top, based on the financial and operational backing
15 of its parent, Florida Power and Light Company (FPL). FPL has as much
16 experience as any utility in the country in transmission planning and construction
17 and it is obviously qualified to construct transmission facilities in ERCOT if the
18 Commission should otherwise decide it is in the public interest to designate Lone
19 Star. It is also a financially strong company.

20 The other three TSPs are more problematic, although I recognize that each
21 has potential strengths as well as weaknesses. My principal concern with Tejas
22 stems from the ongoing financial problems that have been experienced by its
23 parent company, Babcock & Brown, over the last several months. These financial

1 issues have been widely reported in the Australian and U.S. press and are
2 addressed in the October 28 testimony filed by John Reed on behalf of the Joint
3 Parties and Bertram Solomon on behalf of Sharyland Utilities. Since Tejas has
4 made it clear in its CTP application that it is relying on the backing of its parent to
5 implement its proposal, I think it is essential for the Commission to consider
6 whether Babcock will be able to deliver if Tejas is selected to construct CTP
7 facilities. It is also important to know who the owners of the CTP facilities will
8 be when they are put into service. Given Babcock's current asset sales program
9 as well as its on-going search for "strategic alternatives," the Commission has to
10 consider the possibility that Babcock or portions thereof will be sold to another
11 company as a result of its current problems or that the infrastructure fund that
12 would own the CTP facilities (BBINFA) after they are completed will be
13 purchased by another entity in the future. Given this uncertainty as to the future
14 of Babcock & Brown and its highly leveraged infrastructure fund model,
15 assigning CTP facilities to Tejas seems to me to carry a great deal of potential
16 risk.

17 There are also unknowns with respect to the other two new entrants that I
18 believe should be taken into account. Cross Texas' parent company LS Power
19 appears to have considerable experience financing and constructing generation
20 facilities in Texas and elsewhere in the U.S. I understand that a subsidiary of the
21 company is currently developing a transmission project in Nevada that it acquired
22 from Idaho Power & Light Company. However, LS Power has never functioned
23 as a regulated utility in the U.S. or completed a transmission project, other than

1 facilities to interconnect its generation. Thus, a decision to award a significant
2 amount of CTP facilities to Cross Texas requires an assumption that LS Power's
3 substantial generation development experience is readily translatable to building
4 and operating regulated transmission. Given the difference between these two
5 functions, I harbor serious doubts.

6 There are even greater unknowns associated with Isolux/WETT. While
7 Isolux appears to have constructed a number of major transmission projects in
8 South America and Mexico, it has never constructed any facilities at all in the
9 United States, let alone operated as a regulated entity.

10 I want to emphasize that I believe that all of the companies have some
11 experience, but I do not think the record supports the view that all of the new
12 entrants are equally qualified to construct and operate transmission facilities in
13 ERCOT. I also think there are significant unknowns concerning some of the
14 companies' capability to finance, construct, and operate hundreds of millions of
15 dollars of CTP facilities and that the Commission should carefully consider these
16 unknowns in making its decision. If the Commission wants to bring one or more
17 new TSPs into ERCOT, a safer approach would be to begin with smaller asset
18 designations until they have demonstrated that they can operate their systems
19 reliably and that they understand their obligations as regulated entities.

20 **Q. WHAT IS YOUR CONCLUSION FROM THE ABOVE?**

21 A. I continue to believe that the only way to have the CREZ facilities built quickly
22 and in a cost-effective manner is to approve the Joint Development Plan proposed
23 by the Joint Parties. The goal of this entire process (the CREZ Docket and the

1 TSP selection) is to get the infrastructure in place to spur development of wind
2 and other generation resources. The principal basis for selecting TSPs should be
3 whether the overall plan produces the most cost-effective and beneficial result and
4 will lead to the transmission being built as expeditiously as possible. It should not
5 be whether every TSP who submitted a proposal receives a more or less equal
6 portion. To the extent that a TSP, including a new entrant, is able to demonstrate
7 that it adds value or that it can help assure that the build out of CREZ
8 transmission will be timely, cost-effective and beneficial to customers, then of
9 course the Commission should consider that in its evaluation. I would be
10 extremely cautious, however, in approving multiple new utilities in the State to
11 construct billions of dollars in new transmission facilities without a clear showing
12 that each such utility adds value and has the financial and operational
13 qualifications to complete the projects that it is seeking to build.

14 **Q. THE NEW ENTRANTS ALL ARGUE THAT THEY WILL BRING**
15 **VALUE TO ERCOT CUSTOMERS IF THEY ARE SELECTED. HOW DO**
16 **YOU RESPOND?**

17 A. Apart from the possible benefit of obtaining different sources of capital, I am
18 skeptical. Several of the new entrants claim that they can construct transmission
19 at a lower cost than incumbent TSPs. While the engineers will have to evaluate
20 these arguments, the notion that new companies, who have not previously
21 operated in ERCOT, can construct transmission cheaper and more quickly than
22 experienced ERCOT TSPs is inherently improbable. This is especially true in
23 light of the fact that none of the new entrants have existing operations in ERCOT

1 and therefore will have to form new organizations and hire personnel while the
2 existing TSPs already have the necessary infrastructure and personnel in place.

3 **Q. IS IT YOUR UNDERSTANDING THAT STAFF IS RECOMMENDING**
4 **THE USE OF COST OF CAPITAL AS THE CRITERION FOR**
5 **SELECTING TSPS IN THIS PROCEEDING?**

6 A. It is not entirely clear to me whether that is Staff's current position. Certainly that
7 was the basis for Staff's original recommendation in its October 28 responsive
8 testimony. I supported the use of cost of capital as the primary basis for assigning
9 CREZ facilities in the past, but the problem with using that as the basis now is
10 that the Commission expressly rejected that proposal in adopting the TSP
11 Selection Rule. Using the cost of capital as the sole basis for assigning CTP
12 facilities, if that is what Staff is doing, appears to be directly at odds with the
13 Commission's decision adopting the rule. It is also unfair to TSPs who were not
14 on notice that this would be the sole basis for distinguishing among applicants to
15 construct the facilities.

16 Moreover, even if it were acceptable to use the cost of capital as the sole
17 basis for assigning facilities in this proceeding, I believe that the application of
18 that criterion as applied by Staff in its October 28 testimony was not correct. For
19 example, under Staff's approach, most of the investor-owned TSPs, including
20 new entrants, were ranked at about the same level of ROE. However, two
21 incumbent TSPs, Oncor and TNMP, were assigned the highest ROEs (and
22 therefore the least amount of designated CTP facilities) under that proposal,
23 because both companies have pending rate cases before the Commission in which
24 they are requesting higher ROEs. While I appreciate Staff's desire to motivate a

1 rate settlement in those separate dockets, if this is still the basis for Staff's
2 proposal to assign no designated CTP facilities to Oncor and TNMP in this
3 docket, that seems insupportable to me. Obviously, the Commission will decide
4 what ROE Oncor and TNMP are entitled to in their pending rate cases. I believe
5 it is illogical to use their proposed ROEs as a basis for concluding that they
6 should not be awarded any designated facilities.

7 **Q. ARE THERE ASPECTS OF THE REVISED STAFF PROPOSAL THAT**
8 **YOU AGREE WITH?**

9 A. Yes. It appears that Staff recognizes the concerns that I and others raised in
10 responsive testimony with respect to the plans of the municipal entities to
11 construct CTP facilities outside of their traditional footprints without seeking
12 CCNs from the Commission. As I stated in my October 28 testimony, I believe
13 such proposals are inconsistent with the special status of municipal entities under
14 PURA and have the potential to raise significant inter-governmental issues.
15 Staff's proposal apparently seeks to avoid this problem by recommending that
16 CPS Energy and Garland participate in joint ownership arrangements with LCRA
17 TSC to own CTP facilities. As I understand it, this kind of arrangement avoids
18 the concerns I raised in my responsive testimony since LCRA TSC would serve
19 as the operator of the facilities and would file for a CCN just as it would if it
20 owned 100% of the facilities. However, I assume that LCRA TSC would have to
21 agree to such an arrangement, and defer to LCRA TSC witnesses for their
22 response to the proposal.

1 I also agree with Staff's recommendation not to assign any CTP facilities
2 to TMPA. There are significant issues with respect to TMPA's legal authority to
3 construct the CTP facilities it is proposing to build, both under TMPA's enabling
4 legislation and under the bond covenants and power sales agreements that it has
5 entered into with the four member cities. I understand that the City of Bryan has
6 already stated its potential opposition to the TMPA proposal. Given the long
7 history of litigation between the City of Bryan and the Northern Cities that make
8 up TMPA, allocating CTP facilities to TMPA would likely be the subject of
9 additional lawsuits. In fact, I note that new litigation is currently underway
10 because of the TMPA Board of Directors' approval of the bond resolution on
11 September 11 that is attached to TMPA's CTP proposal filed on September 12.

12 **Q. WHAT OTHER COMMENTS DO YOU HAVE ON THE REVISED STAFF**
13 **PROPOSAL?**

14 A. The proposal assigns approximately the same amounts of CTP facilities to three
15 of the leading TSPs in Texas --- ETT, LCRA TSC, and Oncor -- that it would
16 assign to each of the new entrants. Many of the facilities assigned to the new
17 entrants are located in areas in which these three TSPs or their affiliates already
18 have significant operations and infrastructure in place. It is difficult for me to
19 understand the basis for this, other than a general goal to assign each of the TSPs
20 the same amount of facilities, regardless of their extent of participation in the
21 CREZ process. However, I believe that those three companies can make a strong
22 case that they will be able to construct the facilities more quickly and at a cheaper

1 overall cost than companies that have no experience in building transmission in
2 Texas and currently have no operations or infrastructure in place.

3 I also note that the Staff proposal assigns about the same amount of CTP
4 facilities to Sharyland as the company requested in its CTP filing but assigns
5 different facilities than the company asked to build. Given the substantial amount
6 of work that Sharyland has already done in the area in connection with developing
7 the Panhandle Loop Project, I believe it is more logical to assign the facilities that
8 Sharyland requested than the facilities that Staff proposes.

IV. RESPONSE TO OTHER PARTIES

9 **Q. DO YOU HAVE ANY COMMENTS ON RESPONSIVE TESTIMONY**
10 **SUBMITTED BY OTHER PARTIES ON OCTOBER 28?**

11 A. I do have some brief comments. I note that David Parquet, witness for Tejas
12 Transmission, suggests in his testimony that “new entrants have been strongly
13 encouraged to submit proposals for CTP Facilities,” citing Senate Bill 20 and the
14 TSP Selection Rule adopted by the Commission. He then asserts that “[i]t would
15 be an extraordinary act of regulatory uncertainty for the Commission to turn its
16 back on the new entrants after witnessing their substantial expenditures to pursue
17 the opportunity presented by the Legislature and the Commission itself.” I do not
18 believe that this is an accurate representation of either SB 20 or the Commission’s
19 actions in adopting the TSP Selection Rule and I strongly disagree with the
20 implication that the Commission is somehow obligated to assign substantial CTP
21 facilities to new entrants simply in order to avoid a perceived breach of faith.
22 Needless to say, as a regulator I heard this argument many times before. The

1 statute directs the Commission to adopt a transmission plan that is “cost-effective
2 and beneficial to the customers,” but says nothing about encouraging new entities
3 such as Tejas Transmission to invest in CREZ facilities in Texas. Similarly,
4 while the TSP Selection Rule clearly requires that TSPs must compete to
5 construct CTP facilities, I am not aware of any provision in the rule that “strongly
6 encouraged” new entrants to submit CTP proposals.

7 Companies like Tejas have perceived business opportunities in
8 constructing transmission in ERCOT and have decided to submit proposals in this
9 proceeding. I have no problem with that. But I think it is a serious misstatement
10 to suggest that the Commission is required to award facilities to new transmission
11 providers in this Docket, especially ones who have not been participants for the
12 full CREZ proceedings, because the Commission has somehow encouraged them
13 to participate. The Commission’s obligation is to review the proposals submitted
14 by all the CTP applicants and select the ones that produce the most cost-effective
15 and beneficial plan consistent with the law.

16 I also do not agree with the responsive testimony of Isolux/WETT witness
17 Frederic Buckman related to the need for competition on the wires side of the
18 electric business in Texas. Mr. Buckman suggests that my support of the Joint
19 Parties’ proposal in this proceeding is contrary to my long standing support for
20 “market discipline to regulated industries.” As I mentioned above and in my
21 responsive testimony in this proceeding, I have always believed that government
22 should not create or maintain monopolies where not required by economics, and I
23 have long supported deregulation of generation and the retail service franchise. I

1 also led the charge on facilities-based competition in the telecommunications
2 industry. However, the regulated power delivery business is very different. It is a
3 natural monopoly and is not readily adaptable to duplication or competition,
4 especially where high voltage transmission is concerned. A well run electric grid
5 is essential to providing the prerequisite to competitive generation and retail
6 service markets, but is not itself, as a rule, suitable for competition at least in
7 today's environment. This is why Senate Bill No. 7, which adopted restructuring
8 for ERCOT, left the delivery of power fully regulated. That does not mean that
9 new entrants should not be approved by the Commission where they add value or
10 benefit the customers, but I strongly disagree with the notion suggested by Mr.
11 Buckman that the entire grid should be opened to competition. The Commission
12 should only involve new entities if Commission regulation of existing regulated
13 entities cannot adequately do the job (which was the case when Mr. Buckman's
14 former firm, Trans Elect, built the Path 15 project in California while I was at the
15 FERC) or if the new entities are able to bring something new that will benefit
16 customers.

V. CONCLUSION

17 **Q. PLEASE STATE YOUR CONCLUSIONS.**

18 A. Staff's proposal is an effort to resolve this complex proceeding by providing a
19 more or less equivalent allocation of CTP facilities to each of the incumbent TSPs
20 and each aspiring new entrant in this docket. While that approach has something
21 for everyone in it, the purpose of this proceeding is not to benefit the TSPs. I do

1 not believe that it has been shown that the Staff proposal will be in the best
2 interest of the customers or that it will assure that the CREZ projects are
3 completed most expeditiously and in a most cost-effective manner, which is the
4 core objective in this proceeding. The Commission will have to review the
5 evidence in this proceeding and come to a conclusion as to which CTP proposals
6 create the best overall transmission solution and the best value for the consumers.
7 I continue to believe that the Joint Development Plan proposed by the Joint
8 Parties will get the job done most quickly and economically.

9 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

10 A. Yes, it does.

11

12