

Garland - Financial Panel

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276	<p>1 say, as people come up and answer questions, I do have 2 concerns about the due process. 3 MR. MEDRANO: And I would also have to 4 add, as to TMPA specifically, Staff has agreed with a 5 witness of Sharyland's that there are some possible 6 other legal boundaries on TMPA participating in this 7 process that do not exist also for Garland and CPS. 8 COMM. ANDERSON: I'm sorry. Did you say 9 there are some unique legal questions dealing with -- 10 MR. MEDRANO: Whether TMPA can 11 participate in these other projects. 12 COMM. ANDERSON: But you have no -- 13 there are no questions in your mind regarding -- you 14 said City of San Antonio or City of Garland? 15 MR. MEDRANO: That is Staff's 16 conclusion, yes. 17 COMM. ANDERSON: Okay. And your only 18 concern, getting back to the land issue, is the 19 ultimate due process problem about there's not a 20 neutral third party that makes a decision if there is 21 a dispute, as opposed to the Commission having power, 22 because -- 23 MR. MEDRANO: Correct. 24 COMM. ANDERSON: -- that doesn't 25 particularly concern we one way or the other.</p>
277	<p>1 MR. MEDRANO: Well, the Commission can't 2 monitor the due process concerns at any level of the 3 proceedings. 4 COMM. ANDERSON: There is -- other than 5 the amount of money that results in a condemnation 6 lawsuit itself that we would probably see of a court 7 making that decision, there is no neutral third 8 party -- 9 MR. MEDRANO: Correct. 10 COMM. ANDERSON: -- to provide that sort 11 of due process? 12 MR. MEDRANO: Under the government code, 13 it is our understanding that the hearing to determine 14 the route of the line would be held before the city 15 council and the municipality, which in these cases is 16 hundreds of miles away -- 17 COMM. ANDERSON: Hundreds of miles away. 18 MR. MEDRANO: -- and that the landowners 19 could complain about how much they're getting paid for 20 the land but not whether the route should go there or 21 what kind of towers or any of those other interests. 22 CHAIRMAN SMITHERMAN: Thanks. 23 Why don't we take a five-minute break 24 and then we'll start with the first panel. 25 (Exhibit Cross Texas Nos. 7 and 8</p>
278	<p>1 marked) 2 (Exhibit Staff Nos. 8 and 9 marked) 3 (Exhibit WETT Nos. 2a and 5a marked) 4 (Recess: 3:21 p.m. to 3:38 p.m.) 5 JUDGE KANG: Back on the record, and 6 we'll swear in witnesses, too. We have all our 7 witnesses here for the first panel? 8 MR. NOLAND: I do have a request on the 9 documents. I don't know if you want to take that up 10 now -- 11 JUDGE KANG: We'll go ahead and swear 12 everybody and take it up after we swear everybody in. 13 Would everyone raise their right hand? 14 (Witnesses sworn) 15 JUDGE KANG: Now, are there -- I also 16 believe there have been some changes to -- 17 Mr. Checkley? 18 MR. CHECKLEY: Thank you, Your Honor. 19 Jim Checkley for Cross Texas. 20 21 22 23 24 25</p>
279	<p>1 PANEL 1 (Financial) 2 PRESENTATION ON BEHALF OF CITY OF GARLAND 3 CROSS TEXAS, ETT, JOINT PARTIES', WETT 4 SHARYLAND AND TMPA 5 DAVID ANDRUS, DANIEL LANNING, LAWRENCE WILLOCK, 6 JOSEPH ESTEVES, STEPHAN HAYNES, JOHN REED, 7 CHRIS PARKER, FREDRICK BUCKMAN, 8 ELLEN BLUMENTHAL, W. KIRK BAKER 9 ERIC SCHROEDER AND LARRY GRAVES, 10 having been duly sworn, testified as follows: 11 DIRECT EXAMINATION 12 BY MR. CHECKLEY: 13 Q Mr. Willock, are there any changes to your 14 testimony -- to your cross-rebuttal testimony that you 15 would like to make? 16 A (Willock) Yes, I have seven small changes in 17 the testimony, mostly typos. On Page 4, Lines 11 18 through 20 is a duplicate paragraph that should be 19 struck, and we have a replacement page. 20 On Page 10, Lines 2 through 3 need to be 21 struck because it's no longer the case and should be 22 replaced with -- my understanding is that ETT and the 23 PUC have filed motions to modify the judgment or for a 24 new trial in that case and there is also a substitute 25 page available for that.</p>

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<p style="text-align: right;">280</p> <p>1 On Page 20, Line 4, the first sentence 2 should read: "Mr. Dyer takes my statement out of 3 context." 4 On Page 24, Line 7, the first word 5 should be "but" and the word "have" is a duplicate. 6 On Page 27, Line 5, the word "as" 7 between "being" and "legal" should be struck. 8 And on Page 28, Line 19, the word 9 "appear" should be "appears." 10 Q Are those all your corrections, sir? 11 A (Willick) Yes. 12 MR. CHECKLEY: I would just state that 13 for the parties' benefit, I have all of these 14 corrections if you want a copy of them. 15 JUDGE KANG: I assume there are no 16 objections to any of the corrections. 17 MR. TOWNSEND: Your Honor, I have one 18 correction to the testimony of Dan Lanning. 19 JUDGE KANG: Yes, Mr. Lambeth -- 20 Townsend, go ahead. 21 MR. TOWNSEND: Lambeth Townsend. 22 DIRECT EXAMINATION 23 BY MR. TOWNSEND: 24 Q Mr. Lanning, do you have a correction to your 25 testimony?</p>	<p style="text-align: right;">282</p> <p>1 Mr. Townsend advised me a few minutes ago that certain 2 testimony that we submitted initially as highly 3 sensitive he's agreeable to declassifying. And that 4 is actually both portions of the responsive and 5 cross-rebuttal testimony of Ms. Blumenthal, and it's 6 Exhibit SU-11 and Exhibit SU-18. Both of those will 7 be declassified and are now publicly available. 8 MR. TOWNSEND: Also that includes in her 9 testimony -- in her responsive exhibit -- anything in 10 her exhibit that is highly -- classified as highly 11 sensitive dealing with Garland is declassified. I 12 think that's Section 3 of her testimony and her 13 responsive and the exhibit that's attached, and I've 14 forgotten the number of it. 15 MR. NOLAND: Yes. And the exhibits that 16 I've identified constitutes all of that. In addition, 17 another portion of her testimony, which was originally 18 highly sensitive, which was the Cross Texas proposal 19 has been previously declassified as well. So now all 20 of her testimony is public. 21 MR. TOWNSEND: Correct, including the 22 rebuttal. 23 JUDGE KANG: All right. 24 MR. HOLMAN: I have one last one, Your 25 Honor. Alan Holman for Cross Texas.</p>
<p style="text-align: right;">281</p> <p>1 A (Lanning) Yes, to my supplemental direct 2 testimony, Page 2, Line 9, in parentheses it indicates 3 50 years and I need to change that to 40 years. 4 Q Okay. And that's your supplemental direct? 5 A (Lanning) Yes. 6 Q Okay. 7 A (Lanning) Page 2, Line 9, in parentheses 50 8 years should be 40 years. 9 MR. TOWNSEND: Okay. Thank you, Your 10 Honor. 11 MR. NOLAND: Your Honor? 12 JUDGE KANG: Go ahead. 13 MR. NOLAND: I have a correction and 14 then also a declassification issue. 15 DIRECT EXAMINATION 16 BY MR. NOLAND: 17 Q Ms. Blumenthal, do you have a correction to 18 make to your testimony? 19 A (Blumenthal) Yes, I have one in my cross 20 rebuttal testimony at Page 4, Line 13. The 14.832 21 percent should be changed to 12.54 percent. 22 Q Okay. Is that all your corrections? 23 A (Blumenthal) Yes. 24 MR. NOLAND: Judge Kang, as I mentioned 25 to you, we also have a declassification request.</p>	<p style="text-align: right;">283</p> <p>1 DIRECT EXAMINATION 2 BY MR. HOLMAN: 3 Q Mr. Esteves, do you have corrections to make 4 to your direct testimony? 5 A (Esteves) I do. 6 Q And what are those three corrections, 7 Mr. Esteves? 8 A (Esteves) On Page 3, Line 1, "Section 8" 9 should be "Section 7." 10 And on Page 3, Line 1, the Attachment 12 11 should really be Attachment 11. 12 And finally on Page 15, Line 11, the 13 word "increase" should be changed to "decrease." 14 Q When you say references to Section 8 and 15 Section 7 and 12 to 11, you're referring to the 16 reference in the text as opposed to the actual name? 17 A (Esteves) That's correct. 18 MR. HOLMAN: Thank you. 19 JUDGE KANG: Any other corrections or 20 changes to testimony? 21 DIRECT EXAMINATION 22 BY MR. MALISH: 23 Q Mr. Buckman, since you're closest to me, I 24 understand you have some changes that you would like 25 to make as well, correct?</p>

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<p style="text-align: right;">284</p> <p>1 A (Buckman) That's correct. In my rebuttal 2 testimony I'd like to replace Exhibit 2 with Exhibit 3 2-A, which is intended to update the estimates of the 4 20-mile cost to construct to include the latest 5 submittals from all parties.</p> <p>6 Q Okay. So we'll move for inclusion of that. 7 And similarly, Mr. Parker, you have 8 adjustments to your TCOS analysis that is attached as 9 Exhibit 5 to your testimony, correct?</p> <p>10 A (Parker) Yeah, there is an additional TCOS 11 analysis that principally reflects two things, one a 12 reflection of the 20-mile analyses and estimates that 13 were provided by all the parties. And then, secondly, 14 to reflect the other small changes outside of the 15 construction costs that were suggested in the new RFIs 16 that were provided post the original TCOS and also the 17 rebuttal testimony.</p> <p>18 MR. MALISH: And we've made copies of 19 these available up front and there's some additional 20 ones on the table outside.</p> <p>21 JUDGE KANG: Mr. Malish, we'll get 22 copies of the changes that you -- could we get copies 23 of the changes you just went through?</p> <p>24 MR. MALISH: I do. 25 JUDGE KANG: That would be great.</p>	<p style="text-align: right;">286</p> <p>1 CHAIRMAN SMITHERMAN: Okay. So, 2 Judge Kang, procedurally does that work for you?</p> <p>3 JUDGE KANG: That's fine. So as far as 4 the pending exhibits that were offered this morning 5 relating to the revised testimony and response to NUS, 6 we will not be admitting those.</p> <p>7 MS. CAMPBELL: I'm sorry, did I 8 understand you will not be admitting --</p> <p>9 JUDGE KANG: We will not be admitting 10 the revised testimony in response to the NUS.</p> <p>11 MS. CAMPBELL: I guess I'm worried a 12 little bit about the statute that requires a hearing 13 on any NUS. So I would be worried that maybe you 14 would be creating a due process problem that somebody 15 could take to court if in fact you don't allow any 16 rebuttal testimony if you're going to consider that 17 NUS.</p> <p>18 JUDGE KANG: No, I think what the 19 Commission had said was that they're not going to 20 consider the NUS --</p> <p>21 MS. CAMPBELL: I understood that. I'm 22 just a little bit worried of whether inadvertently 23 somehow we're creating a problem.</p> <p>24 CHAIRMAN SMITHERMAN: Well, the NUS has 25 been filed. I don't think we have a statutory</p>
<p style="text-align: right;">285</p> <p>1 All right. Commissioners, Panel 1 has 2 been sworn in and they're ready for cross-examination.</p> <p>3 CHAIRMAN SMITHERMAN: Before we get 4 started, let me just ask you guys a question here. 5 Mr. Townsend raised an issue about whether or not 6 we're going to consider the NUS or -- and I assume 7 parties are interested in knowing whether they ought 8 to file additional supplemental testimony or revised 9 testimony.</p> <p>10 Here would be my thought on it -- let me 11 see if you agree with me -- that we would not allow 12 any additional testimony, supplemental or revised, 13 with regard to the NUS that was filed this morning. 14 We stick with what's been prefiled, what we had on our 15 plates as of last week, which we all prepared for.</p> <p>16 If at the end of this proceeding we 17 decide that we would like to see more documentation 18 regarding the NUS that was filed this morning, then we 19 could ask for supplemental testimony and rebuttal to 20 be filed at that point. But I would suggest we 21 continue on through the week with what's in front of 22 us now and, basically, just put that NUS to the side 23 and not talk about it. Do y'all agree?</p> <p>24 COMM. ANDERSON: I concur. 25 COMM. NELSON: That's fine.</p>	<p style="text-align: right;">287</p> <p>1 obligation to consider it.</p> <p>2 MS. CAMPBELL: No, I don't think you do 3 either. I'm just wondering that if you decide to go 4 with it, though, if in fact then you have created a 5 problem of not giving everybody else who didn't agree 6 with that NUS a hearing on it.</p> <p>7 CHAIRMAN SMITHERMAN: Jo, what I had 8 suggested was at the end of the week we're going to 9 have a conversation about whether we're interested in 10 supporting testimony with regard to the NUS. And if 11 the three of us decide that we are, then at that point 12 we would call for additional testimony and rebuttal 13 testimony and the full complement. Does that sound 14 okay?</p> <p>15 MS. CAMPBELL: Yeah. I was just afraid 16 that, you know, that requirement of a hearing wouldn't 17 be taken into account.</p> <p>18 CHAIRMAN SMITHERMAN: Listen, we're 19 sensitive to this NUS issue.</p> <p>20 MS. CAMPBELL: I know you are. 21 (Laughter)</p> <p>22 JUDGE KANG: All right. TNMP. 23 MR. SEAMSTER: Your Honor, Scott 24 Seamster for TNMP. We reserve our questions for 25 subsequent panels. So you can go to the next one.</p>

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<p>1 JUDGE KANG: All right. Thank you. 2 TIEC? 3 MR. BREWSTER: Your Honor, counsel for 4 TIEC has authorized me to represent to you that she 5 has no questions of this panel. 6 JUDGE KANG: WETT? 7 MR. MALISH: Your Honor, likewise we 8 will reserve our time. 9 JUDGE KANG: Cities? 10 MR. BREWSTER: No questions of this 11 panel, Your Honor. 12 JUDGE KANG: Luminant? 13 MR. KEVER: No questions, Your Honor. 14 JUDGE KANG: All right. Oncor? 15 MR. ROBISON: Brian Robison representing 16 Oncor. I have some questions for Mr. Parker appearing 17 on behalf of Wind Energy Texas. 18 CROSS-EXAMINATION 19 BY MR. ROBISON: 20 Q Mr. Parker, good afternoon. Am I correct 21 that Wind Energy Texas does not have an investment 22 grade credit rating? 23 A (Parker) Its parent has an investment grade 24 credit rating. 25 Q Wind Energy Texas does not have an investment</p>	<p>1 A (Parker) Yes. 2 Q And Isolux has not signed a binding 3 commitment to invest equity capital into Wind Energy 4 Texas, correct? 5 JUDGE KANG: Excuse me, Mr. Parker, 6 could you be sure to speak into the speaker? I don't 7 think everybody can hear. 8 CHAIRMAN SMITHERMAN: The mic. 9 JUDGE KANG: I'm sorry, the mic. 10 CHAIRMAN SMITHERMAN: Just pull it 11 closer to you, sir. 12 A (Parker) Both Isolux and Brookfield have 13 agreed to pursue this opportunity on a 50-50 basis -- 14 Q Right. 15 A (Parker) -- fund costs. And if we are 16 fortunate enough to be awarded a project, to then 17 pursue that project in its full development and then 18 execution. 19 Q My question was a little different though. 20 My question was whether Isolux today has signed a 21 binding legal commitment to invest equity capital into 22 this Wind Energy -- 23 A (Parker) At this point in time, one is not 24 needed, so it has not been signed. 25 Q What about Brookfield? Same answer, correct?</p>
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<p>1 grade credit rating, correct? 2 A (Parker) That is correct. 3 Q And Wind Energy Texas does not currently have 4 any assets. Is that correct? 5 A (Parker) It has the full support of its 6 parent. 7 Q But it has no assets, correct? 8 A (Parker) I'm not sure I can technically say 9 if that's true. 10 Q Do you know of any hard assets, for example, 11 online transmission lines, for example? 12 A (Parker) We have entered into an arrangement 13 with our partner where we're going to fund costs on a 14 50-50 basis. We have been funding those costs. I 15 consider those costs to be an asset because it's 16 allowed us to progress to this point in time. 17 Q What about transmission line assets? Does 18 Wind Energy Texas -- 19 A (Parker) No, it does not, but its parents 20 do. 21 Q And Wind Energy Texas will be relying on its 22 parents for equity capital. Is that correct? 23 A (Parker) Yes. 24 Q And those two parents are Isolux and 25 Brookfield, correct?</p>	<p>1 A (Parker) Same answer. 2 Q So sitting here today, you cannot tell the 3 Commission what the terms or dollar amounts of any 4 Brookfield for Isolux equity infusion into Wind Energy 5 would be, correct? 6 A (Parker) We haven't been awarded any 7 projects yet, so, therefore, we cannot make that 8 statement. 9 Q So the answer is "yes, you cannot tell them 10 what the terms and dollar amount of equity infusion 11 would be, right? 12 A (Parker) I can quickly calculate it if 13 someone were to tell me what the award is. 14 Q But you don't know what it would be today, 15 dollar amount, right? 16 A (Parker) I know it will be roughly 17 40 percent of any award. 18 Q And you don't know what the dollar amount 19 would be, correct? 20 A (Parker) No, I don't have the advanced 21 knowledge of what the Commission will finally decide. 22 Q And you don't know what the terms of those 23 equity infusions would be, correct? 24 A (Parker) I do have a good understanding of 25 the terms. The terms will be on a pro rata basis,</p>

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<p style="text-align: right;">292</p> <p>1 equal governance, pure equity. So I'm not going to 2 say that.</p> <p>3 Q But you don't have, for example, a term sheet 4 or some signed commitment agreement to show the 5 Commission, as far as what the terms of those equity 6 infusions would be, right?</p> <p>7 A (Parker) We have a term sheet with a partner 8 or a letter of understanding where we discussed what 9 our arrangement will be in the event that we are 10 awarded a project. And it does spell out quite a bit 11 of governance.</p> <p>12 Q But those terms are contingent upon a future 13 event such as a Commission ruling, correct?</p> <p>14 A (Parker) It's contingent upon -- first of 15 all we have to be awarded a project. If we're not 16 awarded a project, it falls away.</p> <p>17 Q Right. Let's talk about the debt side of 18 things, for example -- or next. Am I correct that 19 Wind Energy Texas does not have committed debt 20 financing in place right now --</p> <p>21 A (Parker) Wind Energy Transmission --</p> <p>22 Q Wind Energy --</p> <p>23 A (Parker) -- out to the market to canvas the 24 opinions of what may be available. Three 25 international banks came back and expressed strong</p>	<p style="text-align: right;">294</p> <p>1 parents.</p> <p>2 Q So it does not have its own credit facility, 3 correct?</p> <p>4 A (Parker) It does not need one.</p> <p>5 Q Okay. Does it have one?</p> <p>6 A (Parker) No, it does not have one.</p> <p>7 Q Is it an authorized legal borrower on its 8 parent's credit facility?</p> <p>9 A (Parker) No, because those facilities will 10 be put in as equity.</p> <p>11 Q You said a second ago that Wind Energy had 12 canvassed the market and talked to three banks who had 13 expressed some interest in the CREZ project, right?</p> <p>14 A (Parker) Yes.</p> <p>15 Q And you submitted as attachments to your 16 responsive testimony letters from three banks dated in 17 October, correct?</p> <p>18 A (Parker) Yes.</p> <p>19 Q And I gave those to you before your 20 testimony. You have those with you?</p> <p>21 A (Parker) Yes.</p> <p>22 Q And you would not call these three letters 23 binding commitments to provide financing, would you?</p> <p>24 A (Parker) No, they are indications of 25 interest that expressed the views of the three banks</p>
<p style="text-align: right;">293</p> <p>1 support to finance the project on an investment grade 2 basis upwards of 70 percent.</p> <p>3 Q My question was a little different, though. 4 We'll get to the bank letters, to their not binding in 5 a minute. My question was: Does Wind Energy Texas 6 today have binding debt financing in place? Yes or 7 no?</p> <p>8 A (Parker) It does not need binding financing 9 because the development dollars, which will take us in 10 excess of 12 months out, will be fully funded by 11 equity. So, therefore, there is not a need for 12 binding debt commitments at this point in time.</p> <p>13 Q So you don't have them in place, correct?</p> <p>14 A (Parker) That is correct.</p> <p>15 Q And Wind Energy Texas does not have a 16 revolving credit facility in place today against which 17 it can borrow funds, correct?</p> <p>18 A (Parker) It has access to its parent's 19 revolving credit facility and available liquidity.</p> <p>20 Q Okay. My question again was a little 21 different. Does Wind Energy Texas have its own credit 22 facility, yes or no?</p> <p>23 A (Parker) It doesn't need a credit facility 24 at this point in time given that projects haven't been 25 awarded and it has full support from credit worthy</p>	<p style="text-align: right;">295</p> <p>1 that this project is financeable under a variety of 2 conditions on an investment grade basis upwards of 70 3 percent, including the conditions that we're in 4 currently, right now, which is unprecedented since the 5 Great Depression.</p> <p>6 Q My question, I guess, was a little different. 7 I think you agreed these are not binding commitments 8 to provide financing, right?</p> <p>9 A (Parker) Correct.</p> <p>10 Q Okay.</p> <p>11 A (Parker) Nor did they say they were.</p> <p>12 Q Exactly. So let's look at the first one. 13 This is the BNP Bank letter that was Exhibit 4A to 14 your responsive testimony.</p> <p>15 CHAIRMAN SMITHERMAN: Could you give us 16 just a second to get to that exhibit?</p> <p>17 MR. ROBISON: Sure. And I have extra 18 copies if --</p> <p>19 CHAIRMAN SMITHERMAN: Yeah, that would 20 be great.</p> <p>21 Q (BY MR. ROBISON) Exhibit 4A is a letter from 22 BNP dated October 16, 2008. In going through this 23 letter, I didn't see any mention of financing 24 70 percent of the CREZ project. Is that right?</p> <p>25 A (Parker) There is mention of 700 million and</p>

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<p style="text-align: right;">296</p> <p>1 the scenario that we gave them to respond back to was 2 a billion, so that's 70 percent.</p> <p>3 Q Okay. And what it says here is that it would 4 be a candidate for seeking an investment grade credit 5 rating, correct?</p> <p>6 A (Parker) Yes.</p> <p>7 Q Not that it would automatically be entitled 8 to one, correct?</p> <p>9 A (Parker) No one is automatically entitled to 10 an investment grade credit rating. You have to earn 11 it.</p> <p>12 Q Sure. The next sentence says, "As we 13 progress in our due diligence and structuring efforts, 14 BNP will be better able to provide a more definitive 15 summary of terms and conditions for a potential 16 financing." Do you see that?</p> <p>17 A (Parker) Yes.</p> <p>18 Q That's another indication that this is not 19 any sort of binding commitment to fund 70 percent of 20 the project, right?</p> <p>21 A (Parker) Yes. It said that originally.</p> <p>22 Q And then again we see the next paragraph 23 statement that it's not a binding commitment, correct? 24 Do you see that?</p> <p>25 A (Parker) Yes, I mentioned that before.</p>	<p style="text-align: right;">298</p> <p>1 eight different conditions, definitive legal 2 documentation, et cetera, and again another paragraph 3 talking about this not being a binding legal 4 commitment, and again you didn't mention any of that 5 in your direct or your responsive testimony, correct?</p> <p>6 A (Parker) I think we said it was nonbinding 7 and we said it was an expression of interest. So I 8 don't think there's any misleading indications. Also 9 the letters were provided, so they could have been 10 read directly.</p> <p>11 Q A third letter attached to your responsive 12 testimony was from RBS dated October 22, and this was 13 Exhibit 4C to your responsive testimony. And on Page 14 2 -- it's numbered 52 on this copy -- in the largest 15 paragraph, the second-to-last paragraph on the page, 16 we see a preliminary conclusion that a range of 50 to 17 70 percent of the total project could be financed. Do 18 you see that?</p> <p>19 A (Parker) Yes.</p> <p>20 Q And in your testimony and then again today 21 you didn't mention anything about a range of 50 to 70. 22 You again focused just on the 70. Is that correct?</p> <p>23 A (Parker) I disagree with that. I said 24 upwards of 70 percent.</p> <p>25 Q Upwards of 70 percent. What about your</p>
<p style="text-align: right;">297</p> <p>1 Q And then we see on Page 2 this one is not 2 signed. Do you see that?</p> <p>3 A (Parker) Yes.</p> <p>4 Q Exhibit 4B to your responsive testimony was a 5 second letter. This one's from RBC. Do you see that?</p> <p>6 A (Parker) Yes.</p> <p>7 Q Dated October 23, 2008. In the second and 8 third paragraph we do see a comment that in RBC's view 9 70 percent of this project could be debt financed. 10 But then in the fourth paragraph we see the statement 11 that, "Our opinion is subject to RBC and its 12 representatives having completed and being satisfied 13 with the results of various due diligence projects." 14 Do you see that?</p> <p>15 A (Parker) That's nonbinding like the letter 16 says.</p> <p>17 Q In your direct -- in your responsive 18 testimony, though, you didn't ever mention any of 19 these conditions to their opinion or anything like 20 that. You just mentioned the 70 percent, right?</p> <p>21 A (Parker) I mentioned it was an expression of 22 interest, which I think to anyone in the room would 23 say nonbinding.</p> <p>24 Q Okay. Then we see in the next paragraph they 25 say their view on 70 percent financing is subject to</p>	<p style="text-align: right;">299</p> <p>1 responsive testimony? Do you think you told us about 2 a 50 to 70 percent range?</p> <p>3 A (Parker) I said upwards of 50 -- 70 percent.</p> <p>4 Q Okay. If we continue in that sentence, it 5 says, "could potentially be debt financed subject to 6 achieving an investment grade credit rating." Do you 7 see that?</p> <p>8 A (Parker) Yes.</p> <p>9 Q So this opinion about financing 50 to 10 70 percent was expressly subject to an investment 11 grade credit rating that Wind Energy Texas doesn't 12 have, correct?</p> <p>13 A (Parker) Correct.</p> <p>14 Q When Wind Energy -- or if Wind Energy goes to 15 the debt markets to get debt financing, is it correct 16 that Wind Energy will be seeking limited recourse or 17 no recourse project financing?</p> <p>18 A (Parker) Yes, that's correct.</p> <p>19 Q And take the no-recourse project financing 20 example, in that situation the parent company would be 21 allowed to abandon a project without repercussions 22 under the debt instrument, correct?</p> <p>23 A (Parker) If under a billion-dollar award we 24 would want to walk away from 400 million, yes, we can 25 do that.</p>

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<p style="text-align: right;">300</p> <p>1 Q My question --</p> <p>2 A (Parker) I do not see a situation where that</p> <p>3 could realistically happen. Under the ratemaking</p> <p>4 framework here in Texas it's a cost recovery framework</p> <p>5 where you're allowed prudently recovered costs and to</p> <p>6 earn a return on your rate base, so I do not see a</p> <p>7 scenario where you would write off 40 percent of the</p> <p>8 original project cost and then decide to walk away.</p> <p>9 Q My question was a little different, though.</p> <p>10 My question was speaking about no-recourse project</p> <p>11 finance deals, in those situations, the parent company</p> <p>12 could abandon a project without reprisal under the</p> <p>13 loan instrument, correct?</p> <p>14 A (Parker) I can't say without reprisal</p> <p>15 because there's a reputation on the line. And I can</p> <p>16 also say the lenders would then in turn step in and it</p> <p>17 would be the shareholders.</p> <p>18 Q Okay. The lenders --</p> <p>19 A (Parker) And the Commission, the ratepayers,</p> <p>20 Texans in general, would still have the asset in place</p> <p>21 and they would have recourse to the new shareholders</p> <p>22 to make sure that all commitments were being made.</p> <p>23 Q But there would be no recourse to the parent,</p> <p>24 correct?</p> <p>25 A (Parker) Correct. Brookfield in that</p>	<p style="text-align: right;">302</p> <p>1 on a balance sheet or on a recourse basis. It chooses</p> <p>2 not to do so because it believes that that is the</p> <p>3 ultimate (sic) financing structure to put in place and</p> <p>4 provides the most benefits to the shareholders and</p> <p>5 then, ultimately, in a regulated construct -- context</p> <p>6 to the ratepayers.</p> <p>7 Q Okay. Again, I don't have any idea what that</p> <p>8 had to do with my question. My question was very</p> <p>9 narrow and asked you whether lenders often charge a</p> <p>10 premium to guard against the risk of a construction</p> <p>11 delay in a no-recourse project finance deal?</p> <p>12 A (Parker) I'm not sure if I would agree with</p> <p>13 that, because as long as the costs are prudently</p> <p>14 incurred and as long as we structure our EPC contract</p> <p>15 correctly and provide the right safeguards, I'm not</p> <p>16 sure if there would be.</p> <p>17 Q Let's turn quickly to the exhibit that was</p> <p>18 just given to us by your counsel. This is WETT-CP</p> <p>19 Exhibit 5A. Do you have that in front of you?</p> <p>20 A (Parker) Yes.</p> <p>21 Q The new TCOS analysis?</p> <p>22 A (Parker) Yes.</p> <p>23 Q Just a couple of questions for you. On Page</p> <p>24 2 of this new exhibit there's a note here that the</p> <p>25 average depreciation life for Oncor was 34 years. Do</p>
<p style="text-align: right;">301</p> <p>1 situation would not be there but I'm sure it would be</p> <p>2 in capable hands.</p> <p>3 Q Now in the situation of project finance, is</p> <p>4 it your experience that lenders often include a</p> <p>5 premium to guard against the risk of construction</p> <p>6 delays and that sort of thing?</p> <p>7 A (Parker) No, I don't think that's the case.</p> <p>8 I actually believe that project finance has its</p> <p>9 advantages over our traditional corporate financing or</p> <p>10 else it can't exist in the market place. If you are</p> <p>11 not competitive with alternative means of financing,</p> <p>12 then you don't have the right to exist in a</p> <p>13 competitive market.</p> <p>14 There are billions of dollars of project</p> <p>15 financing that are done every year. I would say</p> <p>16 250 billion a year.</p> <p>17 In fact, last quarter, in our depressed</p> <p>18 market conditions, 75 billion was completed. But I do</p> <p>19 not believe fundamentally on the long-term basis that</p> <p>20 a project financing is more expensive or not as</p> <p>21 advantageous. You've got to realize, someone like</p> <p>22 Brookfield, which has a balance sheet and investment</p> <p>23 grade credit rating -- a strong investment grade</p> <p>24 credit rating -- and is a large company in itself has</p> <p>25 the opportunity to put its assets on a financing basis</p>	<p style="text-align: right;">303</p> <p>1 you see that?</p> <p>2 A (Parker) Yes.</p> <p>3 Q Did you ever run this model with a</p> <p>4 depreciation life of 60 years?</p> <p>5 A (Parker) Yes, we did -- not exactly 60</p> <p>6 years, but what we did as a sensitivity -- because</p> <p>7 this depreciation issue did come up in the responsive</p> <p>8 testimony -- is we put everyone on the same basis with</p> <p>9 an identical depreciation life. And in fact, we</p> <p>10 picked the 65-year life or 1.55 percent depreciation</p> <p>11 rate. That was the scenario that ETT was granted.</p> <p>12 And so we ran everyone on that basis to have an</p> <p>13 apples-to-apples comparison so people can review those</p> <p>14 figures.</p> <p>15 One thing we have to be careful about in</p> <p>16 playing with depreciation rates is that while you may</p> <p>17 lower your initial TCOS, you extend the payment period</p> <p>18 for the ratepayers. And you actually create an amount</p> <p>19 of money that in sum total could be greater.</p> <p>20 Now, say, from an economic viewpoint</p> <p>21 it's identical. You're charging a rate of return for</p> <p>22 your money. You get paid that rate of return for your</p> <p>23 money, and they're equivalent economics. But we've</p> <p>24 got to be careful not to get into -- to play the game</p> <p>25 of changing depreciation lives to lower that initial</p>

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<p style="text-align: right;">304</p> <p>1 TCOS amount, but then to create a bill that will be 2 due over a longer period of time for ratepayers and to 3 fall into that trap of making decisions on that basis. 4 Q All right. 5 A (Parker) That's why I provided the 6 sensitivity so everyone can look at everything on a 7 comparable basis. 8 MR. ROBISON: No further questions for 9 Mr. Parker. 10 MS. BIGGS: My name is Jo Ann Biggs. 11 I'm also counsel for Oncor. I have some questions for 12 Mr. Buckman. 13 JUDGE KANG: Mr. Buckman? All right. 14 MS. BIGGS: Just so we're clear, 15 Mr. Buckman is also appearing on a later panel, so 16 I'll only ask my questions now related to financial 17 issues. Is that consistent -- 18 JUDGE KANG: Correct. 19 MS. BIGGS: Thank you, Your Honor. 20 CROSS-EXAMINATION 21 BY MS. BIGGS: 22 Q I want to start with -- and good afternoon, 23 Mr. Buckman. 24 A (Buckman) Good afternoon. 25 Q I want to start with a general question for</p>	<p style="text-align: right;">306</p> <p>1 Q And have you reviewed the Commission's order 2 on rehearing in Docket 34077, which is the joint 3 report and application of Oncor Electric Delivery 4 Company and Texas Energy Future Holdings, Limited 5 Partnership, pursuant to PURA Section 14.101? 6 A (Buckman) Is this the order that you handed 7 to me earlier? 8 Q Yes, sir, it is. 9 A (Buckman) I looked through it very briefly 10 after you handed it to me. Other than that, I have 11 not reviewed it. 12 Q Okay. You did not review it before you wrote 13 your testimony, correct? 14 A (Buckman) I did not. 15 MS. BIGGS: Your Honor, it's already in 16 evidence as Oncor-15, but if you'd like to have a 17 separate copy of it, I have copies here. 18 CHAIRMAN SMITHERMAN: Yes. 19 MS. BIGGS: And for everybody else, I 20 have some extras here as well. 21 Q (BY MS. BIGGS) I'd like to turn your 22 attention to Oncor-15, and I'd like to turn your 23 attention to Page 9, Finding of Fact No. 54. 24 A (Buckman) Okay. 25 Q No, actually, I'm sorry. I want to start on</p>
<p style="text-align: right;">305</p> <p>1 you before I get to your testimony. If a company 2 makes a hundred dollar -- let's just use an easy 3 number for me -- makes a hundred dollars in profit in 4 a year, and it gives \$80 to its owners but keeping 5 \$20, does that have the same effect as if the owners 6 had given the company another \$20? 7 A (Buckman) I think you left something out 8 there -- 9 Q No, I asked you a question, and you don't get 10 to modify my question. I'm sorry, with all due 11 respect. 12 A (Buckman) Okay. 13 Q Can you answer the question? If you can't 14 answer it -- 15 A (Buckman) No, I can't. It's not a question 16 that's quite that simple. 17 Q Okay. Let's look at Page 19 of your 18 testimony -- your rebuttal testimony, I'm sorry. You 19 say on Page 19 of your rebuttal testimony that it is 20 unlikely that EPF would make further equity 21 investments in Oncor, correct? 22 A (Buckman) Yes. 23 Q Are you aware that Oncor is a ring-fenced 24 entity from its parent company? 25 A (Buckman) Yes.</p>	<p style="text-align: right;">307</p> <p>1 Page 6 at the bottom just so we'll be sure we're 2 talking about the same thing. 3 Look at Footnote 3 at the bottom of 4 Page 6. It says: "As a result of the closing of the 5 transaction, TXU Corp. is now named Energy Future 6 Holdings, Corp. Any current references to TXU Corp. 7 in this order are to EPF Corp. Do you see that? 8 A (Buckman) Yes. 9 Q So now if you will turn with me to Page 9, I 10 want you to look at Finding of Fact 54. That's titled 11 "Independent Board Commitment," correct? 12 A (Buckman) Yes. 13 Q And if you'll look through that it requires 14 that a majority of Oncor's board members must qualify 15 as independent in all material respects in accordance 16 with the rules and regulations of the New York Stock 17 Exchange from TXU Corp., its subsidiaries TPG and KKR 18 correct. 19 A (Buckman) Yes. 20 Q Look on Page 10, Finding of Fact No. 58. Are 21 you there? 22 A (Buckman) Yes. 23 Q And that is titled Oncor's -- "Oncor Board's 24 Right to Determine Dividend Commitment." Is that 25 correct?</p>

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<p style="text-align: right;">308</p> <p>1 A (Buckman) Yes.</p> <p>2 Q And that finding of fact provides that the</p> <p>3 Oncor board comprised of a majority of independent</p> <p>4 directors will have the sole right to determine</p> <p>5 dividends, correct?</p> <p>6 A (Buckman) Yes.</p> <p>7 Q Then I'd ask you to turn to Page 14, Finding</p> <p>8 of Fact No. 76. Are you there?</p> <p>9 A (Buckman) Yes.</p> <p>10 Q And that's titled "Independence of Board</p> <p>11 Commitment," correct?</p> <p>12 A (Buckman) Yes.</p> <p>13 Q And that provides that -- the first sentence</p> <p>14 provides that Oncor's board cannot be overruled by the</p> <p>15 Board of TXU, Corp. or any of its subsidiaries on</p> <p>16 dividend policy, debt issuance, capital expenditures,</p> <p>17 management and service fees, and appointment or</p> <p>18 removal of board members, correct?</p> <p>19 A (Buckman) Yes.</p> <p>20 Q I just have a couple more questions. And I'm</p> <p>21 finished with that order. Thank you. I'm changing</p> <p>22 topics on you completely.</p> <p>23 A (Buckman) Okay.</p> <p>24 Q Are you aware of regulations that were</p> <p>25 recently adopted by the Committee on Foreign</p>	<p style="text-align: right;">310</p> <p>1 Tejas Transmission. And I would like you to look at</p> <p>2 your responsive testimony at Pages 9 and 10. Are you</p> <p>3 there?</p> <p>4 A (Blumenthal) Yes.</p> <p>5 Q On those pages you provide an example that</p> <p>6 you believe indicates that ratepayers would pay more</p> <p>7 under Tejas' depreciation proposal. Is that correct?</p> <p>8 A (Blumenthal) I don't believe I ever referred</p> <p>9 to what ratepayers would pay.</p> <p>10 Q Look at Page 10, Line 10. Can you read that</p> <p>11 full sentence on that page?</p> <p>12 A (Blumenthal) If in fact -- in fact,</p> <p>13 ratepayers would pay more under the Tejas proposal.</p> <p>14 In fact --</p> <p>15 Q No, that's fine. Thank you. I just asked</p> <p>16 you to read that.</p> <p>17 A (Blumenthal) Okay.</p> <p>18 Q If you look at the calculations that you did,</p> <p>19 is my understanding correct that those calculations</p> <p>20 show an annual cost?</p> <p>21 A (Blumenthal) Yes.</p> <p>22 Q All right. And it would be correct, would it</p> <p>23 not, that the total cost over the depreciation</p> <p>24 period -- the total depreciation period -- the Tejas</p> <p>25 proposal would be less. Is that not true?</p>
<p style="text-align: right;">309</p> <p>1 Investment in the United States?</p> <p>2 A (Buckman) That's a pretty vague question. I</p> <p>3 don't know what you're speaking to.</p> <p>4 Q Well, have you --</p> <p>5 A (Buckman) No.</p> <p>6 Q You haven't read any regulations posted by</p> <p>7 that committee?</p> <p>8 A (Buckman) No.</p> <p>9 Q So has Isolux -- I'm sorry -- or WETT -- I'm</p> <p>10 sorry, WETT, that's right -- performed any analysis to</p> <p>11 determine whether they will be subject to a review of</p> <p>12 that committee?</p> <p>13 A (Buckman) I don't know.</p> <p>14 MS. BIGGS: Okay. Oncor has no more</p> <p>15 questions for this panel.</p> <p>16 JUDGE KANG: And Horizon has no</p> <p>17 questions.</p> <p>18 ERCOT?</p> <p>19 MS. COBOS: No questions, Your Honors.</p> <p>20 JUDGE KANG: AES Wind Generation?</p> <p>21 MR. DURHAM: No questions.</p> <p>22 JUDGE KANG: Tejas?</p> <p>23 CROSS-EXAMINATION</p> <p>24 BY MR. RIMA:</p> <p>25 Q Ms. Blumenthal, I'm Bob Rima and I represent</p>	<p style="text-align: right;">311</p> <p>1 A (Blumenthal) The total depreciation will be</p> <p>2 the same over the life of the asset.</p> <p>3 Q Total cost to the ratepayer will be less?</p> <p>4 A (Blumenthal) The total TCOS if you are</p> <p>5 including the return on rate base?</p> <p>6 Q Yes.</p> <p>7 A (Blumenthal) To some extent, yes.</p> <p>8 Q Well, not to some extent --</p> <p>9 A (Blumenthal) -- time cost of money --</p> <p>10 Q I'm sorry, we can't both talk here.</p> <p>11 A (Blumenthal) Yes, the time cost of money</p> <p>12 will have an impact.</p> <p>13 Q In fact, the total cost to the ratepayer will</p> <p>14 be much higher?</p> <p>15 A (Blumenthal) It will be higher.</p> <p>16 MR. RIMA: Thank you. I have no further</p> <p>17 questions.</p> <p>18 JUDGE KANG: Invenergy?</p> <p>19 (No audible response)</p> <p>20 JUDGE KANG: John Deere Wind.</p> <p>21 MR. ANSON: Tom Anson for John Deere</p> <p>22 Wind Energy. No, Your Honor, and in fact we won't</p> <p>23 have any cross-examination questions --</p> <p>24 JUDGE KANG: All right.</p> <p>25 MR. ANSON: -- so you don't have to call</p>

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<p style="text-align: right;">312</p> <p>1 us out.</p> <p>2 JUDGE KANG: Thank you.</p> <p>3 MR. ANSON: Thank you though.</p> <p>4 JUDGE KANG: E.ON?</p> <p>5 MR. BARON: No questions.</p> <p>6 JUDGE KANG: ETT?</p> <p>7 CROSS-EXAMINATION</p> <p>8 BY MR. McGRATH:</p> <p>9 Q Mr. Esteves, good afternoon. I'm Kerry</p> <p>10 McGrath for ETT. I have just a couple of questions</p> <p>11 for you.</p> <p>12 Is it true that neither LS Power nor</p> <p>13 Cross Texas currently have a credit rating?</p> <p>14 A (Esteves) That's correct.</p> <p>15 MS. CAMPBELL: Your Honor, it's really</p> <p>16 difficult for us -- at least for me -- to hear back</p> <p>17 here, if they could speak a little louder.</p> <p>18 CHAIRMAN SMITHERMAN: You might want to</p> <p>19 pull up a microphone.</p> <p>20 JUDGE KANG: And please be sure to speak</p> <p>21 directly into the mic.</p> <p>22 WITNESS WILLICK: The problem is there</p> <p>23 is no mic over there on that side.</p> <p>24 JUDGE KANG: All right.</p> <p>25 A (Esteves) Okay. Sorry.</p>	<p style="text-align: right;">314</p> <p>1 Q All right. On the Sandy Creek project, do</p> <p>2 you recall was the financing at LIBOR plus 250 basis</p> <p>3 points?</p> <p>4 A (Esteves) It's in 200 to 250 range.</p> <p>5 Q All right.</p> <p>6 A (Esteves) There is a break in the period</p> <p>7 that starts at 200 over.</p> <p>8 Q So was it 250 for the construction and down</p> <p>9 to 200 after that?</p> <p>10 A (Esteves) I think it's -- yeah, I think</p> <p>11 that's correct.</p> <p>12 Q All right.</p> <p>13 A (Esteves) Subject to check, but it's in that</p> <p>14 area.</p> <p>15 Q All right. Can you explain what LIBOR is?</p> <p>16 (Laughter)</p> <p>17 A (Esteves) I've heard it defined as the</p> <p>18 London Interbank Offered Rate.</p> <p>19 Q And is it essentially a standard for pricing</p> <p>20 of many commercial loans, the LIBOR plus some amount</p> <p>21 of basis points?</p> <p>22 A (Esteves) Yes.</p> <p>23 Q And a LIBOR plus 250 basis points for the</p> <p>24 Sandy Creek project, was that significantly above what</p> <p>25 an investment grade company would have received for</p>
<p style="text-align: right;">313</p> <p>1 Q (BY MR. McGRATH) That's all right. And</p> <p>2 isn't it correct that Cross Texas would receive a</p> <p>3 credit rating when it closes financing on the CREZ</p> <p>4 facilities?</p> <p>5 A (Esteves) No, that's not been determined</p> <p>6 yet.</p> <p>7 Q It might receive --</p> <p>8 A (Esteves) It may.</p> <p>9 Q Now, there are several LS Power projects that</p> <p>10 have had credit ratings below investment grade. Isn't</p> <p>11 that correct.</p> <p>12 A (Esteves) There are a couple I can think of.</p> <p>13 Q Is one of those the Plumb Point project in</p> <p>14 Arkansas?</p> <p>15 A (Esteves) The initial financing for Plumb</p> <p>16 Point, yes.</p> <p>17 Q Okay. And another one, the Kendall plant</p> <p>18 project in Illinois.</p> <p>19 A (Esteves) That's correct.</p> <p>20 Q And the third one here in Texas, the Sandy</p> <p>21 Creek project. Was that below investment grade?</p> <p>22 A (Esteves) Yes.</p> <p>23 Q And I assume as CFO for LS Power you were</p> <p>24 involved in those financings?</p> <p>25 A (Esteves) Yes, very actively.</p>	<p style="text-align: right;">315</p> <p>1 financing?</p> <p>2 A (Esteves) It's above, yes. I will -- sure.</p> <p>3 Q All right. My next series of questions --</p> <p>4 A (Esteves) By the way, it's also</p> <p>5 significantly above a Aaa rating or the U.S.</p> <p>6 Treasury -- not to be facetious, but ...</p> <p>7 Q All right. My next series of questions go to</p> <p>8 ETT Exhibits 24 through, oh, about 29. I have copies</p> <p>9 of those for everybody here.</p> <p>10 And the first one, ETT Exhibit 24, has</p> <p>11 to do with a proposal by LS Power earlier this year to</p> <p>12 acquire TransAlta. Do you see that?</p> <p>13 A (Esteves) Yes.</p> <p>14 Q Would it be fair to say that that was a --</p> <p>15 not an invited takeover attempt?</p> <p>16 A (Esteves) Depends on who you ask.</p> <p>17 Q Right. Isn't it true that TransAlta</p> <p>18 determined that your offer was not an adequate price</p> <p>19 for their company?</p> <p>20 A (Esteves) Some of those related to</p> <p>21 TransAlta, that's correct. Others would have been</p> <p>22 more inviting, including the shareholders.</p> <p>23 Q Well, the TransAlta board determined your</p> <p>24 offer was not an adequate price for their company.</p> <p>25 A (Esteves) I think they said that they felt</p>

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<p style="text-align: right;">316</p> <p>1 it undervalued the company.</p> <p>2 Q All right. Take a look if you would at ETT</p> <p>3 Exhibit 25. Do you see that?</p> <p>4 A (Esteves) Yes.</p> <p>5 Q That says -- the headline is "LS Power</p> <p>6 Withdraws TransAlta Takeover Proposal." Is that</p> <p>7 right?</p> <p>8 A (Esteves) Yes.</p> <p>9 Q And it indicates in the first paragraph that</p> <p>10 you scrapped the takeover because the shares of</p> <p>11 TransAlta had fallen significantly below your bid</p> <p>12 price?</p> <p>13 A (Esteves) I think that's a little bit of</p> <p>14 conjecture on the part of this magazine that I'm not</p> <p>15 familiar with.</p> <p>16 Q All right. And when you withdrew your --</p> <p>17 let's look down at the fourth paragraph. Is it</p> <p>18 correct that you say a regulatory filing -- that you</p> <p>19 reserve the right to make another takeover proposal in</p> <p>20 the future?</p> <p>21 A (Esteves) I believe that's correct.</p> <p>22 Q And then finally in the sixth paragraph,</p> <p>23 second sentence: "Earlier this year LS Power</p> <p>24 affiliate Luminus Management campaigned to get the</p> <p>25 company to load up on debt to fund major stock</p>	<p style="text-align: right;">318</p> <p>1 A (Esteves) I think that's right, yes.</p> <p>2 Q Incidentally, Luminus owns 9 percent of</p> <p>3 TransAlta Company?</p> <p>4 A (Esteves) I haven't checked that in a while.</p> <p>5 I think that sounds about right.</p> <p>6 Q The end of the third paragraph it indicates</p> <p>7 that Luminus had urged TransAlta to issue 2 to 4</p> <p>8 billion dollars of new debt, more than doubling its</p> <p>9 current debt load to fund a share buyback program. Is</p> <p>10 that an accurate statement?</p> <p>11 A (Esteves) Again, I don't have a direct</p> <p>12 recollection. Luminus actually operates pretty</p> <p>13 independently because they are a hedge fund as opposed</p> <p>14 to where I spend most of my time with the development</p> <p>15 company and private equity company. So there really</p> <p>16 is a bit of a difference between those entities.</p> <p>17 Q Okay.</p> <p>18 A (Esteves) So that's why I'm not really that</p> <p>19 intimately familiar.</p> <p>20 Q And then the final sentence of that paragraph</p> <p>21 says that, "At least in TransAlta's view this proposal</p> <p>22 Luminus would result in TransAlta falling to below an</p> <p>23 investment grade credit rating." Do you know -- was</p> <p>24 that their opinion of the proposal?</p> <p>25 A (Esteves) You know, I don't remember all the</p>
<p style="text-align: right;">317</p> <p>1 buybacks." Is that an accurate statement?</p> <p>2 A (Esteves) I don't think we'd ever</p> <p>3 characterize it that way.</p> <p>4 Q Well, is it true -- well, let's take it</p> <p>5 piece-by-piece. First, is Luminus Management an</p> <p>6 affiliate of LS Power?</p> <p>7 A (Esteves) Yes.</p> <p>8 Q Second piece, did Luminus Management</p> <p>9 encourage TransAlta to increase its debt?</p> <p>10 A (Esteves) Among others things, yes.</p> <p>11 Q And third piece, did they also encourage</p> <p>12 TransAlta to fund major stock buybacks?</p> <p>13 A (Esteves) To consider it as all other</p> <p>14 prudent companies in that business ought to do.</p> <p>15 Q Let's skip back a couple more exhibits to ETT</p> <p>16 Exhibit 26. Do you see "TransAlta Comments On 'White</p> <p>17 Paper' Published By Luminus Management"?</p> <p>18 A (Esteves) Yes.</p> <p>19 Q The white paper was Luminus's proposal to</p> <p>20 TransAlta that we just discussed, was it not?</p> <p>21 A (Esteves) Would you repeat that?</p> <p>22 Q The white paper that's referred to in the</p> <p>23 headline, that was the proposal from Luminus to</p> <p>24 TransAlta to increase debt to buy back stock, among</p> <p>25 other things. Is that right?</p>	<p style="text-align: right;">319</p> <p>1 timing, but I do know -- because I was involved in</p> <p>2 putting together the financing commitment that would</p> <p>3 have gone along with this -- and I also -- so I know</p> <p>4 that when we went to the market we were very specific</p> <p>5 that we wanted to maintain investment grade and we</p> <p>6 were actually endorsing this management and --</p> <p>7 Q No, sir, but my questions was --</p> <p>8 A (Esteves) -- wanted it to be a consensual</p> <p>9 deal above all.</p> <p>10 Q Okay. But my question was: Was it</p> <p>11 TransAlta's view as reflected in ETT Exhibit 26 that</p> <p>12 your proposal would result in them falling below</p> <p>13 investment grade financing?</p> <p>14 A (Esteves) It wasn't my proposal, but I think</p> <p>15 --</p> <p>16 Q Luminus's proposal --</p> <p>17 A (Esteves) I haven't even read this before --</p> <p>18 Q Okay.</p> <p>19 A (Esteves) -- so I think that's what it</p> <p>20 purports to say.</p> <p>21 MR. MCGRATH: Thank you, sir. That's</p> <p>22 all the questions I have. Thank you.</p> <p>23 JUDGE KANG: Cross Texas?</p> <p>24 MR. CHECKLEY: Yes, Your Honor.</p> <p>25</p>

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<p style="text-align: right;">320</p> <p>CROSS-EXAMINATION</p> <p>1 BY MR. CHECKLEY:</p> <p>2 Q Jim Checkley for Cross Texas, Ms. Blumenthal,</p> <p>3 I have just a few questions for you. Would you turn</p> <p>4 in your cross rebuttal testimony to your Exhibit</p> <p>5 EB-1CR?</p> <p>6 A (Blumenthal) I have it.</p> <p>7 Q Okay. You use the -- in putting that exhibit</p> <p>8 together, isn't it true that you use the capital costs</p> <p>9 based on the response of the parties to the Staff's</p> <p>10 RFI for the hypothetical 20-mile transmission line?</p> <p>11 A (Blumenthal) Yes, that second request,</p> <p>12 Staff's RFI-2.</p> <p>13 Q Staff's second request --</p> <p>14 A (Blumenthal) Yes.</p> <p>15 Q -- the one with the 20-mile hypothetical</p> <p>16 line?</p> <p>17 A (Blumenthal) Yes.</p> <p>18 Q The data you used came from that, right?</p> <p>19 A (Blumenthal) Yes.</p> <p>20 Q You did not use Sharyland's original response</p> <p>21 to the Staff RFI. Is that correct?</p> <p>22 A (Blumenthal) That's correct.</p> <p>23 Q Rather you used the supplemental response</p> <p>24 that showed a lower cost than the original response.</p> <p>25</p>	<p style="text-align: right;">322</p> <p>1 on Cross Texas's cost estimate would reduce Cross</p> <p>2 Texas's original estimate for its 20-mile line section</p> <p>3 from 12,655,000 to 10,425,000.</p> <p>4 Q Okay. And if you had used this updated RFI</p> <p>5 in compiling your Exhibit EB-1CR, then the values that</p> <p>6 you have in there for Cross Texas would be different,</p> <p>7 would they not?</p> <p>8 A (Blumenthal) Yes, they would be.</p> <p>9 Q Are you aware that Sharyland's supplemental</p> <p>10 response to the Staff's RFI No. 2 removed an allowance</p> <p>11 for sales tax?</p> <p>12 A (Blumenthal) No, actually I don't know what</p> <p>13 the revisions were. I just used the number.</p> <p>14 Q You just used the number?</p> <p>15 A (Blumenthal) Yes.</p> <p>16 Q But you would agree with me that if you</p> <p>17 removed sales tax, it would change the ultimate cost,</p> <p>18 would it not?</p> <p>19 A (Blumenthal) Sure.</p> <p>20 Q Of course. And were you aware that Cross</p> <p>21 Texas's original response, which you used to put</p> <p>22 together your table, included an allowance for sales</p> <p>23 tax?</p> <p>24 A (Blumenthal) Again, I did not, you know,</p> <p>25 study each one of them. I just used what each company</p>
<p style="text-align: right;">321</p> <p>1 Isn't that correct?</p> <p>2 A (Blumenthal) Yes.</p> <p>3 Q Okay. Now, for Cross Texas you used the</p> <p>4 original response to the Staff RFI that we're speaking</p> <p>5 about. Isn't that correct?</p> <p>6 A (Blumenthal) To my knowledge, that was the</p> <p>7 only response at the time this was prepared.</p> <p>8 Q Okay. Are you aware -- then are you aware</p> <p>9 that Cross Texas did file a supplemental response to</p> <p>10 that RFI?</p> <p>11 A (Blumenthal) I haven't checked. I don't</p> <p>12 know.</p> <p>13 Q I'm showing you a copy of the response that</p> <p>14 was filed on the 28th of November, and it's an updated</p> <p>15 response from Cross Texas to the Staff's RFI No. 2.</p> <p>16 You were not aware that had been filed?</p> <p>17 A (Blumenthal) That's correct.</p> <p>18 Q If you would take a moment to look at that</p> <p>19 response, does that response not show that -- if you</p> <p>20 look down at the bottom of the response, does that</p> <p>21 response not show that based on the changes in</p> <p>22 assumptions that were made that the Cross Texas costs</p> <p>23 would vary between \$10,425,413 and \$12,655,369?</p> <p>24 A (Blumenthal) I believe what it says here</p> <p>25 is that the combined impact of these three assumptions</p>	<p style="text-align: right;">323</p> <p>1 provided for their cost.</p> <p>2 Q But if one -- but if one included an</p> <p>3 allowance for sales tax and another did not, you would</p> <p>4 agree with me that that would not -- on that aspect</p> <p>5 alone -- be an apples-to-apples comparison?</p> <p>6 A (Blumenthal) That's correct. This is the</p> <p>7 best information that I had available. And again, you</p> <p>8 know, I do not advocate using this as -- using an</p> <p>9 estimate of a TCOS to determine who should build what</p> <p>10 CREZ facility.</p> <p>11 MR. CHECKLEY: Thank you,</p> <p>12 Ms. Blumenthal. That's all I have.</p> <p>13 JUDGE KANG: CPS Energy --</p> <p>14 MR. CHECKLEY: Your Honor, I'm sorry,</p> <p>15 Mr. Holman has questions of a different witness.</p> <p>16 JUDGE KANG: I'm sorry.</p> <p>17 MR. HOLMAN: A few questions, but a big</p> <p>18 book nonetheless.</p> <p>19 CROSS-EXAMINATION</p> <p>20 BY MR. HOLMAN:</p> <p>21 Q First I have a question of Mr. Haynes. I'm</p> <p>22 Alan Holman for Cross Texas. Mr. Haynes, let me hand</p> <p>23 you what the court reporter has marked as Cross Texas</p> <p>24 Exhibit 8. And can you identify that for the record,</p> <p>25 please?</p>

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324	<p>1 A (Haynes) It's Electric Transmission Texas 2 response to Lone Star Transmission's First Request For 3 Information. 4 Q And you are shown there as being a preparer 5 of that RFI? 6 A (Haynes) Yes. 7 Q Since Mr. Crowder is not on this panel, will 8 you take responsibility for it? 9 A (Haynes) Yes. 10 MR. HOLMAN: I move the admission of 11 Cross Texas Exhibit 8, please. 12 MR. MCGRATH: No objection, Your Honor. 13 (Exhibit Cross Texas No. 8 admitted) 14 Q (BY MR. HOLMAN) Now, Mr. Reed -- I'm sorry, 15 is that you? 16 A (Reed) Yes. 17 Q Okay. In your testimony you criticize the 18 alternative proposals for planning to use limited 19 recourse or nonrecourse project financing using 20 special purpose entities. Do recall that? 21 A (Reed) In general terms, yes. 22 Q And I believe that's on Page 31 of 32 of your 23 responsive testimony. Then you contrast that with the 24 joint proposal -- Is that correct? -- Page 31? 25 A (Reed) You want to give me a reference on</p>	326	<p>1 recourse to Sharyland's assets for nonperformance." 2 Q Now, you filed responsive testimony but not 3 direct testimony. Is that correct? 4 A (Reed) That's correct. 5 Q So you had occasion to read Mr. Oliver's 6 direct testimony on behalf of Sharyland before you 7 prepared that testimony. Is that correct? 8 A (Reed) Was Mr. Oliver's testimony direct 9 you're talking about? 10 Q Yes, his direct before you filed your 11 response. 12 A (Reed) Yes. 13 Q Do you have that with you? 14 A (Reed) No. 15 Q Would your counsel supply that to him, 16 please? 17 MR. HOLMAN: I don't know whether to 18 reference 4 or 4A, Rich. 19 A (Reed) I have that now. 20 Q (BY MR. HOLMAN) And attached to Mr. Oliver's 21 direct testimony there is an Exhibit KO-1. Is that 22 correct? Do you have that? 23 A (Reed) Yes. 24 Q And if you'll turn to Page 1 of 14, I believe 25 you'll find the CitiGroup expression of interest</p>
325	<p>1 Page 31? 2 Q Yeah, starting on line 22. You can read that 3 into the record, if you would like. 4 A (Reed) Okay. "In contrast, the sponsors of 5 each alternative proposal have all indicated that they 6 plan on using nonrecourse or limited recourse project 7 financing, meaning that the debt will be incurred by 8 each alternative proposal at the project level will 9 provide the lender with no recourse to the 10 parent/affiliates of the specific alternative 11 proposal." 12 Q Now, have you read -- well, in discussing 13 Sharyland do you recall -- on Page 15 -- stating that 14 Sharyland will be raising debt financing on its 15 balance sheet? 16 A (Reed) Yes. 17 Q That's in discussing the strengths of 18 Sharyland, I believe. Is that correct? 19 A (Reed) Yes. 20 Q And you say -- could you read that into the 21 record, please, lines 15 through 18? 22 A (Reed) I state: "In addition, it is my 23 understanding that Sharyland will be raising debt 24 financing on its balance sheet that will be recourse 25 to Sharyland, meaning that the lenders will have</p>	327	<p>1 letter? 2 A (Reed) I have that. 3 Q If you would read the third paragraph down 4 please? Would you read the first sentence of that 5 paragraph? 6 A (Reed) Okay. "It is Citi's view, based on 7 our position as the leading arranger of debt for the 8 power sector within the United States and our 9 experience in financing the construction of electric 10 transmission assets that 60 percent debt financing for 11 SU's project without recourse would be favorably 12 received by the relevant debt financing markets if 13 appropriately structured and based on appropriate 14 contractual arrangements." 15 Q That's good. And if you will turn to Page 7 16 of 14? 17 A (Reed) I have that. 18 Q The last paragraph begins on that page. 19 Doesn't it also state that they're discussing 20 nonrecourse debt financing, not recourse financing? 21 A (Reed) That's correct. That doesn't change 22 the intent of Sharyland, however. 23 Q As the CTP proposal, do you recall -- did you 24 read that before you prepared your testimony as well? 25 A (Reed) Yes.</p>

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328	<p>1 Q Since that's already in the record, would you 2 take it on faith that it also indicates that 3 short-term financing would be secured by the CTP 4 facilities being constructed? 5 A (Reed) I'm sorry, could I have that again? 6 Q The short-term financing would be secured by 7 the CTP facilities being constructed? 8 A (Reed) That's a statement you are putting to 9 me as -- 10 Q It's Page 35 of the CTP proposal of 11 Sharyland. 12 A (Reed) I can accept that subject to check. 13 Q Mr. Baker -- that's all I have for you, sir. 14 Which one is Mr. Baker? 15 A (Baker) Here. 16 Q I'll hand you what the court reporter has 17 marked as Cross Texas Exhibit 7. Can you identify 18 that, please, sir. 19 A (Baker) Yes. You did hand that to me. 20 Q Yes. And I'll represent to you that that is 21 the entirety of the RFI. Could you identify that, 22 please -- with two exceptions, that is I took 23 Mr. Goodlet's two answers out. 24 A (Baker) Okay. 25 Q Can you identify this for the record, please?</p>	330
329	<p>1 A (Baker) This appears to be my rebuttal 2 testimony -- response testimony and -- 3 Q Did I give you the wrong thing? No, these 4 are the responses to the RFIs. 5 Let me put it this way: Can you 6 identify that these are, in fact, Sharyland's 7 responses to Cross Texas's Second Request for 8 Information? 9 A (Baker) Yes. 10 Q I will represent to you I took out the two 11 questions that were addressed to Mr. Goodlet and the 12 remainder I believe that you were listed as the 13 sponsor of and preparer. Is that correct? 14 A (Baker) That's correct. 15 MR. HOLMAN: Move the admission of Cross 16 Texas Exhibit 7? 17 JUDGE KANG: Any objections to Cross 18 Texas -- 19 MR. NOLAND: No objection, but I would 20 like to reserve optional completeness, if I might? 21 MR. HOLMAN: Certainly. 22 JUDGE KANG: All right. Cross Texas-7 23 is admitted. 24 (Exhibit Cross Texas No. 7 admitted) 25 JUDGE KANG: Mr. Arnold, you have a copy</p>	331
	<p>1 for us -- 2 MR. HOLMAN: -- Arnold is the good 3 looking guy. 4 JUDGE KANG: Sorry. 5 (Laughter) 6 MR. HOLMAN: Pass the witness, pass the 7 panel. 8 JUDGE KANG: All right. CPS Energy? 9 MS. ESCOBEDO: No questions, Your Honor. 10 JUDGE KANG: Sharyland? 11 MR. NOLAND: Yes. 12 CROSS-EXAMINATION 13 BY MR. NOLAND: 14 Q Rich Noland on behalf of Sharyland Utilities. 15 I have a few questions for Mr. Graves of TMPA. 16 Hello, Mr. Graves. 17 A (Graves) Hello. 18 Q Mr. Graves, can you tell me what TMPA's 19 authorized rate of return is? 20 A (Graves) I believe -- I don't know off the 21 top of my head. I did not do that calculation. 22 Q Are you aware that TMPA filed an application 23 for interim update of its wholesale transmission rates 24 on November 13th, 2008. 25 A (Graves) No, sir.</p>	
	<p>1 Q That was Docket 36392. 2 A (Graves) I was not. 3 Q I'd like to show you a copy of that 4 Mr. Graves. 5 Counsel, do you want to see it while I 6 show it to him? 7 MR. TOWNSEND: Well, I don't -- Your 8 Honor, I'm going to object. If he doesn't know 9 anything about it, showing him a copy of it isn't 10 going -- I mean, the witness doesn't have any personal 11 knowledge of it, so I'm going to object to trying to 12 educate a witness he knows nothing about. 13 MR. NOLAND: Well, Your Honor, this is 14 their witness supporting the financial plan. If you 15 can't ask their witness supporting their plan what 16 their rate of return is, who can you ask? 17 JUDGE KANG: That's fine. He's entitled 18 to give an opinion on things he doesn't have personal 19 knowledge of. He's an expert, so he can do that. 20 MR. TOWNSEND: Okay. 21 Q (BY MR. NOLAND) Mr. Graves, are you 22 supporting the financial plan -- 23 A (Graves) Yes. 24 Q I show you a copy of the application of Texas 25 Municipal Power Agency for updated wholesale</p>	

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<p style="text-align: right;">332</p> <p>1 transmission rates filed in Docket 36392 on 2 November 13th, 2008. Do you see that? 3 A (Graves) I do. 4 Q And I show you -- 5 CHAIRMAN SMITHERMAN: Rich, pull that 6 microphone closer if you're going to ask him questions 7 over there. 8 MR. NOLAND: Yes. 9 Q (BY MR. NOLAND) I show you Schedule B to 10 that application, Line 13, which shows rate of return 11 on assets. Would you read off the number that is 12 shown on Schedule B of the application, Line 13, for 13 TMPA's rate of return on assets? 14 A (Graves) 12.5422 percent. 15 Q Thank you. Mr. Graves, does TMPA use the 16 debt service coverage methodology in calculating rate 17 of return? 18 A (Graves) That is correct. 19 Q Would the 12.54 percent rate of return that I 20 just showed you in TMPA's recent application for 21 interim update, would that be based on the DSC -- debt 22 service coverage -- methodology? 23 A (Graves) Unfortunately, I did not prepare 24 that filing that you're looking at, so I can't really 25 answer that question. I don't know the answer to</p>	<p style="text-align: right;">334</p> <p>1 A (Graves) That's correct. 2 Q And that was presented as a sample of the 3 terms and conditions that TMPA would utilize in any 4 bond resolution it adopted to fund the CTP facilities. 5 Is that correct? 6 A (Graves) No. 7 Q Okay. Please explain why not? 8 A (Graves) Sir? 9 Q Can you explain why not? 10 A (Graves) No, it was actually for 11 restructuring and for some existing transmission 12 projects we had in some other generation updates -- 13 Q Okay. 14 A (Graves) -- had going. 15 Q Okay. I understand you didn't attach it as 16 the bond resolution that would authorize the CTP 17 facilities. What I did understand and I am asking you 18 to confirm is that you attached that as an example of 19 the type of terms and conditions that would be 20 contained in a bond resolution that would be issued to 21 fund the CTP facilities. Is that correct? 22 A (Graves) I can agree with that. 23 Q Okay. Now, that bond resolution was adopted 24 on September 11th, was it not? 25 A (Graves) Yes.</p>
<p style="text-align: right;">333</p> <p>1 that. 2 MR. NOLAND: Can I ask if TMPA is 3 presenting a witness that would be able to answer that 4 question? 5 A (Graves) Mr. Townsend may be able to help me 6 out there. I'm not certain that -- 7 MR. TOWNSEND: I don't know if 8 Mr. Schroeder knows that or not. 9 Q (BY MR. NOLAND) Let me ask you this 10 question: Do you know if TMPA plans to use the debt 11 service coverage method for calculating its return if 12 it's awarded the CTP facilities that it's seeking in 13 this proceeding? 14 A Yes, that's my understanding. 15 Q Does TMPA intend to issue long-term revenue 16 bonds to finance the construction of the CPT 17 facilities if those facilities that it's seeking are 18 awarded to them? 19 A (Graves) That's correct. 20 Q For what term? 21 A (Graves) I believe it was 30 years. 22 Q Okay. Now, in your CTP proposal filed on 23 September 12th, you attached a bond resolution that 24 was approved by TMPA's board of directors on September 25 11th, did you not?</p>	<p style="text-align: right;">335</p> <p>1 Q Isn't it a fact that the City of Bryan filed 2 a lawsuit arising out of the adoption of that bond 3 resolution on September 11th on September 12th? 4 A (Graves) I am aware of the lawsuit. I'm 5 don't know any -- much of the details on it, but I am 6 aware of that. 7 Q Has any representative of the City of Bryan 8 communicated to anyone at TMPA that you're aware of 9 that they are opposed to TMPA's CTP proposal? 10 A (Graves) I don't know that. 11 Q No one has communicated that to you? 12 A That's typically -- I'm aware of the lawsuit, 13 obviously, as I just mentioned, but that's typically 14 in the executive sessions that I'm not part of. 15 Q Let me ask this question: If the CTP 16 facilities that you're requesting are awarded to TMPA 17 do you anticipate that TMPA will include a payment in 18 lieu of taxes in any TCOS it files for those 19 facilities? 20 A (Graves) That is an option. I'm not aware 21 of how exactly we're going to handle it, but that is 22 an option. 23 Q Can you explain what a payment in lieu of 24 taxes is? 25 A (Graves) It's -- well, instead of paying</p>

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<p style="text-align: right;">336</p> <p>1 direct taxes like most entities would, you typically 2 would have those appraised and pay with a settlement 3 to the counties that those projects are in. 4 Q So, for example, for a municipal utility, it 5 would be a transfer from the utility's funds to 6 general revenues of the city. And in the case of TMPA 7 it would be a transfer from TMPA's funds to the member 8 cities. Is that correct? 9 A (Graves) I'm not certain I'm following you. 10 Q Well, let me ask you this: And what I'm 11 referring to, a payment in lieu of taxes, is commonly 12 referred to as a pilot. 13 A (Graves) Uh-huh. 14 Q Okay. And to the extent that TMPA does elect 15 to utilize a pilot when it files for the -- its TCOS 16 for the CPT facilities -- that, if approved by the 17 Commission, as part of its TCOS, would be recovered 18 from the transmission ratepayers statewide, would it 19 not? 20 A (Graves) I agree with that. 21 Q I have some questions now for Mr. Lanning. 22 A (Lanning) Yes. 23 Q Mr. Lanning, in Garland's initial filing on 24 September 12th, you filed direct testimony, did you 25 not?</p>	<p style="text-align: right;">338</p> <p>1 Q Okay. Was the purpose of that change in 2 methodology to shift costs from Garland's retail 3 ratepayers to TCOS ratepayers? 4 A (Lanning) In the original testimony the way 5 that it had -- the plan had worked out, there would 6 have been some subsidy by retail ratepayers, yes. And 7 this DSC method was put forward so that it would be 8 a -- all the cost causers would be paying for their 9 costs. 10 Q And the effect of that change was to shift 11 costs from the retail ratepayers of Garland to the 12 wholesale TCOS customers. 13 A (Lanning) It would eliminate the presumed 14 subsidy. 15 Q Do you agree with me if that if the DSC 16 method for calculating rate of return is realized that 17 that will increase Garland's return over the original 18 utility method that you used in your September 12th 19 testimony. 20 A (Lanning) Yes. 21 MR. NOLAND: That's all I have. Thank 22 you. 23 JUDGE KANG: STEC? 24 25</p>
<p style="text-align: right;">337</p> <p>1 A (Lanning) Yes, I did. 2 Q And in that testimony you supported Garland's 3 financial plan, correct? 4 A (Lanning) Yes. 5 Q Okay. For purposes of calculating Garland's 6 return in that testimony, did you utilize the 7 so-called, quote, "utility method" for making your 8 calculations? 9 A (Lanning) In the -- yes, in my direct 10 testimony I did, yes. 11 Q However, two weeks later on September 13th -- 12 30th you filed supplemental testimony changing the 13 methodology. Is that correct? 14 A (Lanning) Yes, it is. 15 Q What methodology did you convert to in your 16 supplemental direct testimony you filed on September 17 30th. 18 A (Lanning) The DSC. 19 Q The debt service coverage ratio? 20 A (Lanning) Correct. 21 Q Which is the same methodology that I was just 22 discussing with Mr -- 23 A (Lanning) Yes -- 24 Q -- is that correct? 25 A (Lanning) I believe so, yes.</p>	<p style="text-align: right;">339</p> <p style="text-align: center;">CROSS-EXAMINATION</p> <p>1 BY MS CAMPBELL: 2 Q I just have a few questions. Most of mine 3 have already been answered. I'm Jo Campbell. I 4 represent STEC. Because we're all having a limited 5 amount of time to ask questions, most of my questions 6 I expect a "yes" or "no." If you want to expand on 7 what you're saying, leave that to your attorney to ask 8 you that. Unless I ask you to explain something, 9 please just give me a "yes" or "no." 10 I'm going to start with Cross Texas, 11 Mr. Willick and Mr. Parker, I'm going to ask a 12 question, and either one of you can answer it. I 13 really can't see your names, so I'm not sure where any 14 of you are sitting. 15 A (Willick) We're right here. 16 Q Thank you. LS Power controls two private 17 equity funds focused on the power industry. And 18 certainly from what I've been reading in the papers 19 recently, equity funds are having -- experiencing some 20 real problems with investors withdrawing their 21 investments in these funds since the Lehman Brothers 22 failure and all. Has this crisis caused any your 23 investors in LS Power's equity funds to withdraw any 24 of their investments? 25</p>

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<p style="text-align: right;">340</p> <p>1 A (Esteves) No, not to my knowledge. This is 2 Joe Esteves. Sorry. 3 Q I'm sorry. And what about you? Do you know 4 of any -- 5 A (Esteves) The two of us have sponsored the 6 financial testimony -- 7 Q Right. 8 A (Esteves) -- but I am the CFO of LS Power, 9 so it's probably more appropriate that I answer it. 10 Q Fine. Thank you. On your Page 20, 11 Mr. Willick, you state that Cross Texas does not 12 believe that the financing cost of each TSP should be 13 the determinative factor in choosing who should build 14 the CREZ facilities, I believe. Am I correct in that? 15 I believe on Page 20 -- 16 A (Willick) -- cross rebuttal testimony or -- 17 Q Responsive I believe. 18 A (Willick) Responsive. Okay. Yes. 19 Q Isn't it in fact true that because none of us 20 know exactly what's going to happen when we need the 21 money, nobody can really know for sure what your cost 22 of capital is going to be at the time when you're 23 going to need to draw it down? 24 A (Willick) That's right. And I guess 25 through -- on my first question we also say that in</p>	<p style="text-align: right;">342</p> <p>1 merits? In other words, I'm not waiving any rights by 2 not cross-examining you on this proposal today because 3 you have said that's something that would be taken 4 care of in a later proceeding? 5 A (Willick) Right. We're proposing to carry 6 it forward to a later proceeding. 7 Q I just don't want to give up any rights 8 because I'm not cross-examining you on it. 9 Okay. I'm going to ask you: 10 Mr. Esteves, on Page 9 of your direct testimony, Lines 11 1 through 11, you talk about how you're going to fund 12 your construction and you talk about the fact that the 13 later construction that you would be performing in 14 part would be funded through the cash flow generated 15 from revenue from your previously constructed and 16 energized facilities. Is that not correct? 17 A (Esteves) It's correct it's one potential 18 component, if it was there. 19 Q Yes. I guess what I would ask on that 20 question then is: When do you anticipate receiving 21 income from your earlier energized facilities? 22 Immediately upon them being energized or -- 23 A (Esteves) My understanding is as soon as 24 they become used and useful, we'd start receiving 25 revenues associated with it.</p>
<p style="text-align: right;">341</p> <p>1 our CTP proposal. 2 Q And would you not also agree that the 3 construction cost is also really not known because 4 we're talking about different costs in commodities and 5 different costs in labor rates and all when those are 6 going to be effective. 7 A (Willick) Yes. 8 Q Thank you. On Page 34 of your testimony, 9 Lines 1 through 4 -- I believe it's the same 10 testimony -- you say it would not make sense to 11 proceed if the Commission were to designate for Cross 12 Texas only one or two or even three or four CTP 13 facilities as that would not be a critical mass for 14 forming a new public utility. Is that not correct? 15 A (Willick) Yes. 16 Q Okay. I want to just ask you about your 17 cross -- your equity return proposal, your incentive 18 base return on equity proposal. And I just want to 19 make sure, you are not asking the Commission to 20 approve this or consider this in this proceeding, the 21 merits of this proposal? 22 A (Willick) We're not asking them to approve 23 this. We're asking them to consider it as part of our 24 proposal that they can base their selection of us on. 25 Q But you're not asking them to determine the</p>	<p style="text-align: right;">343</p> <p>1 Q You would not expect to have to file a rate 2 case and go through a rate proceeding based on 3 historical test year? 4 A (Willick) Yeah, we would have a rate case. 5 But really the -- it depends on the timing of the 6 facilities. If there are facilities coming in every 7 year, there would be updates as those facilities come 8 into service. And if it is constructed over a series 9 of several years then there could be later facilities 10 being funded by earlier. But it's not a requirement 11 of our proposal. 12 Q But you are assuming that you would do a rate 13 case and you would also do it based on historical test 14 year as called for under PURA? 15 A (Willick) We will do a rate case. I'm not a 16 lawyer. I don't understand exactly what the 17 historical test year -- what that implies. 18 Q Okay. On Page 15, Mr. Esteves, of your 19 direct testimony, you state you will ensure that at 20 least 50 percent of your debt capitalization is at a 21 fixed rate for at least 10 years. You don't have that 22 guarantee from anybody at this time, do you? 23 A (Esteves) No, we do not. 24 Q Okay. So you can't really ensure that you're 25 going to be able to get that, can you?</p>

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<p style="text-align: right;">344</p> <p>1 A (Esteves) I can tell you every financing 2 we've done we normally have a requirement like that, 3 which is why it's easy to say that, and it's also -- 4 Q But have you done that -- 5 A (Esteves) -- how we do it. 6 Q -- with the markets in the situation they are 7 today? 8 A (Esteves) No. Not precisely, no. 9 Q On Page 4, Lines 13 through 22, you discuss 10 an investment committee that must approve Cross Texas 11 for equity by the private equity fund -- for the 12 private equity fund -- and the equity must then also 13 be approved by an independent advisory board. These 14 two entities have not yet formally acted on any Cross 15 Texas proposals, have they? 16 A (Esteves) I'm sorry, I was trying to catch 17 up to you. You've moved on to the cross rebuttal 18 testimony? 19 Q I still show it as direct, but I may be 20 wrong. 21 A (Esteves) Direct Page 4? 22 Q No, Page 7 -- no, I'm sorry, Page 4, Line 13 23 through 22. It may be. I may have just got -- well, 24 isn't it true -- isn't it true that you have to have a 25 approval from an investment committee and then you</p>	<p style="text-align: right;">346</p> <p>1 Q Would an appeal of Cross Texas's designation 2 to build CREZ facilities or an appeal of Cross Texas 3 being granted a CCN have a negative effect on Cross 4 Texas being able to secure low-cost debt funding? 5 A (Esteves) I'm not sure I understand the 6 question. 7 Q Well, as I understand from your testimony, 8 you're planning after the CCN to go forward for debt 9 funding for your portion of your capital for your 10 construction costs. I'm asking if in fact someone 11 appealed this case, or if someone appealed you being 12 granted a CCN, if that would have an adverse effect or 13 a negative effect on you being able to go out and get 14 low-cost debt funding? 15 A (Esteves) I don't think you could just 16 answer that without looking at all the other facts 17 surrounding it. 18 Q Well, just give me a "yes" or "no" answer. 19 A (Esteves) Well, I can't do that. 20 Q In other words, if they don't know whether 21 you're actually going forward with the project because 22 it's on appeal to the court -- 23 A (Esteves) I would say -- 24 Q -- doesn't have a negative effect? 25 A (Esteves) I can probably say this, that it</p>
<p style="text-align: right;">345</p> <p>1 have to, after that, have approval from an independent 2 advisory board. Is that not correct? 3 A (Esteves) To do what? 4 Q To have the funds from LS Power. 5 A (Esteves) For this project? 6 Q Yes. 7 A (Esteves) Restated, in order to get the 8 funds from our fund? 9 Q Right. 10 A (Esteves) To the extent we use that fund, we 11 would formally ask for approval from the advisory 12 board because of the affiliate relationship. 13 Q And is it not correct that you do not have 14 their approval at this time? 15 A (Esteves) Nor did we ask for it, correct, at 16 this time. 17 Q On Page 7 of your cross-rebuttal testimony 18 you state that Cross Texas has an inherent advantage 19 because you do not have to access public markets in 20 order to raise equity needed for your projects. How 21 much equity do you have earmarked for this project 22 today that is guaranteed that Cross Texas will have? 23 A (Esteves) In the \$800 million range. 24 Q And that's in a written guarantee somewhere? 25 A (Esteves) No, it's not.</p>	<p style="text-align: right;">347</p> <p>1 probably does not have a positive effect -- 2 Q All right. Thank you. 3 A (Esteves) As to whether it's negative, it's 4 unclear. 5 Q Okay. I'm going to turn to Isolux or Wind 6 Energy. Mr. Buckman, I'm going to ask you a few 7 questions -- well, wait just a minute. I am going 8 back and ask just a couple of more questions of Cross 9 Texas. 10 You said in response to Joint Parties' 11 RFI 3-41 that Cross Texas does not expect to enter the 12 capital markets until 2010 -- 2010? You don't really 13 mean 2010, do you? 2010, when it is likely that the 14 financial market situation will be different from 15 today. My question -- 16 A (Esteves) Which one -- 17 Q Let's see who sponsors it. 18 A (Esteves) I'm sorry, I thought you had moved 19 on to another witness. 20 Q I said I forgot I had two more questions. 21 (Laughter) 22 A (Esteves) I apologize, I was -- 23 Q That's okay. But you did say that you do not 24 expect to enter the capital markets until 2010 when it 25 would be likely that the financial market situation</p>

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<p style="text-align: right;">348</p> <p>1 would be different from today. Since they are now 2 talking about this recession going much further than 3 2010, is that going to have a negative impact on you 4 being able to go into the market? 5 MR. HOLMAN: Your Honor, could I have 6 counsel maybe share the document? 7 MS. CAMPBELL: Sure. 8 A (Esteves) I don't think we're terribly 9 concerned about financing this and having to wait 10 until 2010. I think, you know, it depends on the 11 schedule. I think people are all over us, frankly, 12 for financing of this type, even in this environment. 13 Q Thank you. You also talk on Page 13 of your 14 testimony that in order to reduce cost from a debt 15 issuance prior to the time when the proceeds are 16 needed, Cross Texas will endeavor to limit the leader 17 to only a small commitment fee during the period when 18 funds have not been utilized. Again, based on the 19 kind of market conditions we have, do you have any 20 kind of commitment as of this time that you can 21 accomplish that in writing? 22 A (Esteves) I've done it every other time 23 before -- 24 Q Yes or no? 25 A (Esteves) No.</p>	<p style="text-align: right;">350</p> <p>1 firms. And then you go on to talk about them -- that 2 the Commission should be concerned because they would 3 have higher return expectations which can translate 4 into unstable ownership profiles. 5 Is this -- are you implying there that 6 those types of parties might find themselves having to 7 sell the assets because they aren't making the return 8 that they need to make and, therefore, they would be 9 unstable? 10 A (Buckman) I'm actually suggesting that that 11 might be part of their plan going in, in order to 12 achieve the rates of return that they expect to 13 achieve, that part of it would be in the form of an 14 ongoing return on cap rate and part of it would be in 15 a capital gain at the end of a relatively short hold 16 period. 17 Q On Page 7, Lines 3 through 6, you talk about 18 the fact of being mindful that many of the private 19 equity managers investing in American utilities would, 20 through leverage, or double leverage, turn the 21 10 percent return on equity into an actual rate of 22 return, nearly double that. Couldn't the Commission 23 remedy this by taking into account the double 24 leveraging and setting the return on equity? And 25 hasn't that been done in some cases in this country?</p>
<p style="text-align: right;">349</p> <p>1 Q Okay. Now I'm going to Mr. Buckman. 2 Mr. Buckman, on Page 6 of your 3 responsive testimony, Lines 8 through 12, you talk 4 about the fact that WETT will be able to obtain an 5 investment grade financing and that this is 6 significant because this grade of financing results in 7 lower capital costs and a lower revenue requirement. 8 Isn't it true that most of the parties desiring to 9 build CREZ facilities can obtain investment grade 10 financing. Yes or no, Mr. Buckman? 11 A (Buckman) I'm trying to count up how many 12 parties there are and how many of them I think are 13 investment grade. 14 Q I think it's just -- there's just the four 15 parties and the incumbents. 16 A (Buckman) Yes. 17 Q Okay. You talk -- 18 A (Buckman) I do think a clarification is 19 appropriate. 20 Q Well, you let your attorney come back on 21 redirect, please, sir. I have a limited amount of 22 time. 23 On Page 6, Lines 17 through 22, you talk 24 about parties that are wanting to build CREZ 25 facilities that are primarily funded by private equity</p>	<p style="text-align: right;">351</p> <p>1 A (Buckman) I'm not -- I'm not certain it's 2 been done in other places in this country. It's 3 certainly been done other places, and the Commission 4 does have some leeway in this regard. It's one of the 5 reasons that I suggest the Commission should be 6 mindful of it, that there are a variety of different 7 funding sources here and not all of them have the same 8 expectations with regard to return. 9 Q Okay. Thank you. Mr. Parker, you state on 10 Page 4 of your direct testimony that Brookfield has 11 2.8 billion of available liquidity comprised of cash 12 and undrawn letters of credit. How much does it have 13 today? 14 A (Parker) 3.5 billion as of the end of last 15 quarter. 16 MS. CAMPBELL: Okay. I think that's all 17 the questions I have. Thank you. 18 JUDGE KANG: LCRA? 19 MR. PRATT: Joe Pratt for LCRA 20 Transmission Services Corporation. I have a couple of 21 questions of Mr. Lanning. 22 CROSS-EXAMINATION 23 BY MR. PRATT: 24 Q Not to be repetitive with what counsel for 25 Sharyland was asking you, but in the change to debt</p>

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<p style="text-align: right;">352</p> <p>1 services, as I understand it now, Garland is an A 2 rated governmental entity. Is that correct? 3 A (Lanning) A+, yes. 4 Q And are you aware that LCRA TSC is also an -- 5 a strong A rated governmental entity? 6 A (Lanning) I'm not aware of that, but I 7 accept it. 8 Q And as I understand it from your testimony, 9 the minimum applicable to the City of Garland revenue 10 bonds minimum coverage requirement is 1.5. Is that 11 correct? 12 A (Lanning) That's correct. Below that 13 they're required to have a debt service reserve on 14 their bond covenant and also at some part of the city 15 ordinances. 16 Q Are you aware that in the Commission's rate 17 filing package for noninvestor-owned utilities under 18 the debt service coverage method, a governmental 19 non-IOU can recover debt service plus .25 over the 20 minimum required coverage? 21 A (Lanning) I'm not aware of that. 22 Q Excuse me just a minute. If you'll just 23 accept that subject to check, we can move on. 24 A (Lanning) Well, that's not the way that -- 25 you're talking about the PUC rules?</p>	<p style="text-align: right;">354</p> <p>1 coverage, basically LCRA TSC will be cheaper than 2 Garland because they're both single A, but the 3 coverage requirement minimum is less for LCRA TSC 4 wouldn't it -- isn't that how that works under this 5 scenario? 6 A (Lanning) Run that by me again. 7 Q If you're looking at a comparison of capital 8 costs or the return components requested in rates, if 9 both entities are applying a debt service coverage, 10 and both are single A utilities -- I mean, municipal 11 governmental entity issuers -- so the debt service is 12 going to be approximately the same. The difference 13 would be in the coverage, and if one is -- requires 14 less coverage than the other, it's cost of capital 15 will be cheaper. Is that correct? 16 A (Lanning) It depends -- I don't think you 17 took into consideration the fact that, as I just said, 18 there's no debt service fund reserve requirement on 19 issuance. So it could be that it would be either 20 equal or more. 21 MR. PRATT: Thank you. 22 JUDGE KANG: City of Garland? 23 CROSS-EXAMINATION 24 BY MR. TOWNSEND: 25 Q Good afternoon. I'm Lambeth Townsend</p>
<p style="text-align: right;">353</p> <p>1 Q I'm talking about the PUC's rate filing 2 package that governs the noninvestor-owned 3 utilities -- 4 A (Lanning) I'm not -- 5 THE REPORTER: I'm sorry, you'll have to 6 speak one at a time. 7 A (Lanning) I'm sorry, go ahead. 8 Q Well, just accept, subject to check, that the 9 Commission allows a presumed reasonable amount over 10 and above the minimum debt service coverage required 11 of a noninvestor-owned entity, will you accept that? 12 A (Lanning) If it's 1.25 is what they say in 13 their rate filing package, which I haven't seen, then 14 I'll accept that. 15 Q No, it's over the minimum required coverage. 16 In other words, if yours is 1.5, under the rate filing 17 package you could file for 1.75. 18 A (Lanning) I'll accept that. 19 Q Okay. And are you aware that LCRA TSC's 20 coverage requirements that it requests in its rate is 21 1.5? 22 A (Lanning) I'm not aware of that, but I'll 23 accept that. 24 Q So if you have those parameters and we're 25 both on debt service and we're both on debt service</p>	<p style="text-align: right;">355</p> <p>1 representing the City of Garland, and I have some 2 questions for Ms. Blumenthal. How are you? 3 A (Blumenthal) Fine, thank you. 4 Q At one of our breaks I have distributed and 5 had marked and distributed some cross-examination 6 exhibits for the City of Garland, and I provided 7 Ms. Blumenthal with a copy of those. Do you have 8 those? 9 A (Blumenthal) I do. 10 Q Okay. 11 CHAIRMAN SMITHERMAN: Lambeth, do you 12 have any additional copies? 13 MR. TOWNSEND: I gave them to the Staff 14 to provide y'all. 15 CHAIRMAN SMITHERMAN: Okay. Thank you. 16 MR. TOWNSEND: I'll give them a minute 17 to distribute them. The Garland -- there should be 18 10, 11, 12 and 13. 19 CHAIRMAN SMITHERMAN: Thank you. 20 Q (BY MR. TOWNSEND) Ms. Blumenthal, I'm going 21 to talk first about your responsive testimony. Do you 22 have a copy of that in front of you? 23 A (Blumenthal) I do -- 24 Q And before you prepared your responsive 25 testimony, did you read City of Garland's CREZ</p>

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<p style="text-align: right;">356</p> <p>1 transmission plan proposal, which is Exhibit 2 Garland -- 3 A (Blumenthal) I did not read the whole thing. 4 I read parts of it. 5 Q Parts of it? Well did you read the parts 6 having to do with financial plan beginning on Page 20 7 to the end? 8 A (Blumenthal) I don't know. I'd have to see 9 it. 10 Q You'd have to see it? Okay. 11 MR. TOWNSEND: May I approach? 12 JUDGE KANG: Yes. 13 A (Blumenthal) Are you referring to N-1? 14 Q (BY MR. TOWNSEND) Yeah, I'm referring to -- 15 beginning on the financial part of the proposal on 16 Page 20 and I think through the end is pretty much the 17 financial aspect of the proposal. I'm trying to see 18 what of our proposal you read before you started 19 forming opinions? 20 A (Blumenthal) I read through all of this. I 21 read through all of N. 22 Q All of N? And how about the section that 23 says "Financial Resources," did you read that section 24 beginning on Page 27? 25 A (Blumenthal) Yes. It's Item 2.</p>	<p style="text-align: right;">358</p> <p>1 A (Blumenthal) I estimated it based on the 2 information I have. And actually I believe that 3 should be EB-1R -- 4 Q Excuse me. 5 A (Blumenthal) No, I think it's a typo that I 6 just noted. 7 Q All right. It's EB-2R up here at the top. 8 A (Blumenthal) Well, no, it's 1, according to 9 my -- 10 Q Let me see if my copy is the same as your 11 copy. 12 A (Blumenthal) I don't know where you got 13 that. I don't know what I have. This is what I have 14 and it says 1R, whatever was filed. 15 MR. TOWNSEND: Is it Exhibit 1R or 2R? 16 MR. NOLAND: It's 2R. 17 Q (BY MR. TOWNSEND) All right. There we go. 18 We're all on the same page now. And I'll refer you to 19 your Exhibit EB-2R, and you do a calculation based on 20 your information, you give your sources there. You 21 start out with a transmission investment of 113.4 22 million, correct? 23 A (Blumenthal) Yes. 24 Q I'm going to look at the center column that 25 uses 1.5.</p>
<p style="text-align: right;">357</p> <p>1 Q And there's some attachments to that that 2 were confidential, Table N-1, Table N-2 and Table N-3. 3 Did you look at those? 4 A (Blumenthal) Yes, I did. 5 Q Did you look at the Supplemental Table N-1 6 and N-3? 7 A (Blumenthal) Yes, I did. 8 Q All right. How about the testimony of 9 Mr. Dan Lanning, the direct testimony and the 10 supplemental direct? 11 A (Blumenthal) I read it. 12 Q In its entirety? 13 A (Blumenthal) Yes. 14 Q Okay. In your responsive testimony -- and 15 we've just -- 16 MR. TOWNSEND: Your Honors, I don't know 17 if y'all heard the announcement, we declassified 18 everything in her testimony having to do with the City 19 of Garland. So none of this is confidential, her 20 exhibits or any of the testimony and in the figures. 21 Q (BY MR. TOWNSEND) Okay. Beginning in the 22 Section 3 of your responsive testimony on Page 3 is 23 where you address Garland Power and Light, and you end 24 up doing a -- your own calculation as EB-3 of what you 25 think their rate of return is. Is that correct?</p>	<p style="text-align: right;">359</p> <p>1 A (Blumenthal) Okay. 2 Q And then you have an annual debt service of 3 12.6 million, correct? 4 A (Blumenthal) Correct. 5 Q And you say you got that from the 6 supplemental direct testimony of Mr. Lanning, 7 Attachment A. 8 A (Blumenthal) Correct. 9 Q You didn't calculate that yourself? 10 A (Blumenthal) Right. 11 Q Do you know how to calculate debt service 12 payments on -- if you have the amount of the bonds, 13 the length of -- or the term of the bonds and the 14 interest rate? 15 A (Blumenthal) Yes, but I didn't have all of 16 that information. 17 Q Okay. But you know how to do it? 18 A (Blumenthal) Yes. 19 Q Okay. What I'd like to do is -- I guess you 20 don't have a copy of the proposal. I have to approach 21 the witness again, if I may. 22 JUDGE KANG: Go ahead. 23 Q (BY MR. TOWNSEND) And I will have the 24 supplemental testimony. Okay. In the Garland 25 Exhibit 1, the CREZ proposal, and in this confidential</p>

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<p style="text-align: right;">360</p> <p>1 attachment. Table N-1, I want to show that to you.</p> <p>2 A (Blumenthal) This is still confidential?</p> <p>3 Q Yeah, this is confidential in its entirety,</p> <p>4 but the numbers I'm going to talk to you about are not</p> <p>5 because they have to do with transmission. They were</p> <p>6 confidential because there's a lot of mix of</p> <p>7 generation and transmission, and what I'm asking her</p> <p>8 about is strictly about transmission and so the number</p> <p>9 I ask you about is not confidential because I</p> <p>10 declassified your exhibit.</p> <p>11 All right. Now, N-1 the 12.6 million it</p> <p>12 shows for debt service for new transmission, correct?</p> <p>13 A (Blumenthal) Correct.</p> <p>14 Q All right. Let's turn the page. Now, on</p> <p>15 schedule -- of Table N-2 -- it's got assets, new</p> <p>16 transmission line in 2009, and then down lower it has</p> <p>17 new transmission line bonds 2009. Do you see those?</p> <p>18 A (Blumenthal) Yes.</p> <p>19 Q Do you understand the debt service you saw on</p> <p>20 the previous page to be for the bonds that is shown on</p> <p>21 Schedule N-2 under 2009 as shown in the amount of</p> <p>22 157 million -- .7 million -- 57.7?</p> <p>23 A (Blumenthal) Yes.</p> <p>24 Q Okay. So that debt service on the previous</p> <p>25 page of 12.6 is for the 157.7 million, correct?</p>	<p style="text-align: right;">362</p> <p>1 attachment is where you got the 12.6?</p> <p>2 A (Blumenthal) Yes.</p> <p>3 Q And you see that there under 79 under -- I</p> <p>4 mean 2013 under Table N what?</p> <p>5 A (Blumenthal) N-1.</p> <p>6 Q So that's the same 12 million lined up that</p> <p>7 we saw earlier in the CTP proposal?</p> <p>8 A (Blumenthal) Correct.</p> <p>9 Q So if the 12 million -- 12.6 million in debt</p> <p>10 service is that amount on 1.57 point 7 million,</p> <p>11 correct? That's what you saw --</p> <p>12 A (Blumenthal) On the debt.</p> <p>13 Q On the debt?</p> <p>14 A (Blumenthal) Right.</p> <p>15 Q So in your EB-2, the investment would be more</p> <p>16 than this 113.4 million, wouldn't it? And that's</p> <p>17 because you saw that there was first debt at 1 -- like</p> <p>18 145 million -- I mean investment assets --</p> <p>19 A (Blumenthal) In your proposal you say that</p> <p>20 you're going to build 113.4 million.</p> <p>21 Q Okay.</p> <p>22 A (Blumenthal) I assumed that was the original</p> <p>23 cost of your asset.</p> <p>24 Q Now, you said you read the proposal and that</p> <p>25 you read the testimony of Mr. Lanning?</p>
<p style="text-align: right;">361</p> <p>1 A (Blumenthal) I assume so.</p> <p>2 Q All right. And we can calculate that if I</p> <p>3 give you my HP handy-dandy amortization calculating</p> <p>4 calculator?</p> <p>5 A (Blumenthal) If I knew how to work it.</p> <p>6 Q Well, we may have to do it, but generally</p> <p>7 it's the term of the bonds, the interest and the</p> <p>8 amount of the bonds.</p> <p>9 A (Blumenthal) Correct.</p> <p>10 Q Okay. Now, if the 12 million point 6 that</p> <p>11 you see -- and I guess I didn't show you Mr. -- the</p> <p>12 supplemental direct and I think that's where you say</p> <p>13 you got that from? Did I hand that to you?</p> <p>14 A (Blumenthal) What is that?</p> <p>15 Q The supplemental direct of Mr. Lanning.</p> <p>16 A (Blumenthal) No, I don't have that.</p> <p>17 Q But, I mean, your exhibit says you got the</p> <p>18 12.6 from his supplemental direct. Is that correct?</p> <p>19 A (Blumenthal) From his exhibit.</p> <p>20 Q His exhibit to his supplemental direct?</p> <p>21 A (Blumenthal) Yes.</p> <p>22 Q Well, you know, I did have that in my hand</p> <p>23 just a minute ago. Give me just a second to find it.</p> <p>24 I'm going to show you a copy of</p> <p>25 Mr. Lanning's supplemental direct and you say that</p>	<p style="text-align: right;">363</p> <p>1 A (Blumenthal) Yes.</p> <p>2 Q Okay. I'm going to have to show you this</p> <p>3 again. Doesn't the explanation of the pro forma where</p> <p>4 you got the numbers explains that the pro forma made</p> <p>5 certain adjustments on the debt, one being a percent</p> <p>6 of principal is expected for underwriter's debt</p> <p>7 service reserve fund to be established for one year of</p> <p>8 principal, plus there were adjustments made here on</p> <p>9 Page 26 that it increased the cost estimate inflated</p> <p>10 to the year of construction?</p> <p>11 A (Blumenthal) That's what it says. I assumed</p> <p>12 that the original cost is the amount that you had in</p> <p>13 your application.</p> <p>14 Q Well, the original cost -- but it's not</p> <p>15 what's is in the pro forma where you got the</p> <p>16 information, is it?</p> <p>17 A (Blumenthal) Well, if you would show me the</p> <p>18 balance sheet again, I'm not sure exactly what you --</p> <p>19 Q Well, what I'm saying is by the time 2013</p> <p>20 when it goes in, after you escalate for the cost and</p> <p>21 the reserve fund, then that 113 goes up to your asset</p> <p>22 investment for the inflation for the cost -- goes up</p> <p>23 to 145.2 million, doesn't it?</p> <p>24 A (Blumenthal) But in my -- in all of my</p> <p>25 calculations, I assumed the same original cost for</p>

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<p style="text-align: right;">364</p> <p>1 everyone's, which was the amount in the application 2 itself. 3 Q Well, but in the application the pro forma 4 shows what the debt service is going to be based on an 5 amount of actual at that time what the costs would be? 6 A (Blumenthal) Presumably. 7 Q Okay. 8 A (Blumenthal) But you're not suggesting -- I 9 assume you're not suggesting that the 1 percent fee is 10 in the original cost? It's in the debt service. 11 Q True. It's in the debt service. 12 A (Blumenthal) Okay. 13 Q But the original cost would include those 14 inflationary factors on cost over time as to what was 15 actually the cost in 2013? 16 A (Blumenthal) Presumably. 17 Q Okay. So I have -- I would direct your 18 attention to Garland Exhibit 10 and Garland Exhibit 19 11. 20 A (Blumenthal) All right. 21 Q You also in your exhibits assumed a 50-year 22 depreciation, correct? 23 A (Blumenthal) Yes. 24 Q And you heard Mr. Lanning correct the 25 testimony that it ought to be 40 years rather than</p>	<p style="text-align: right;">366</p> <p>1 required return at 8.7 million, you would take that 2 and divide that by 113 million to get up your imputed 3 rate of return. Is that correct? 4 A (Blumenthal) Yes. 5 Q So you've agreed my math is correct with 6 those assumptions? 7 A (Blumenthal) That is correct. 8 MR. TOWNSEND: I move for the admission 9 of Garland Exhibit 10. 10 JUDGE KANG: Any objections to Garland 11 Exhibit 10. 12 MR. NOLAND: No objection. 13 JUDGE KANG: Garland Exhibit 10 is 14 admitted. 15 (Exhibit Garland No. 10 admitted) 16 CLARIFYING EXAMINATION 17 BY THE COMMISSION: 18 Q (Smitherman) I do have a question about it. 19 Line 2, the rate of return for the IOU, 8.30, where 20 did that number come from? 21 A (Blumenthal) I think it's an average. I'd 22 have to look at my workpapers -- oh, here it is. It's 23 60/40 -- 60 percent debt, 40 percent equity, with a 24 10.25 percent return on equity and 7 percent cost of 25 debt.</p>
<p style="text-align: right;">365</p> <p>1 50 -- at least he corrected his testimony as to the 2 depreciation that was assumed? 3 A (Blumenthal) Either way. 4 Q Okay. Forty or 50? 5 A (Blumenthal) Forty or 50. 6 Q All right. Now, Garland Exhibit 10, if you 7 actually calculated the debt service on 113 million -- 8 and I'm going to ask you, you know, if you assume 9 5 percent, 10 -- 30-year bonds and you calculated the 10 debt service on that, is the 7.3 million a reasonable 11 estimation in your view? I can give you my 12 calculator -- 13 A (Blumenthal) I'll accept it subject to 14 check. 15 Q Okay. So if that's the debt service on 16 113 million and you apply your 1.5 times DSC 17 calculation, your debt service coverage requirement 18 would be the 11 million as shown on Exhibit 10. Is 19 that correct? 20 A (Blumenthal) I'll accept that. 21 Q And the depreciation rate is the same 22 there -- shown there -- 50 years is the same as what 23 you used in your exhibit. Is that correct? 24 A (Blumenthal) Yes. 25 Q Okay. And then subtracting there the</p>	<p style="text-align: right;">367</p> <p>1 Q (Smitherman) Where did the 10.25 come in? 2 A (Blumenthal) It's just an assumption. 3 MR. TOWNSEND: Your Honor, that came 4 from her Exhibit EB-2R. 5 CHAIRMAN SMITHERMAN: Okay. 6 MR. TOWNSEND: And her assumptions are 7 shown on her EB-2R. 8 CHAIRMAN SMITHERMAN: Thank you. 9 CROSS-EXAMINATION (Continued) 10 BY MR. TOWNSEND: 11 Q Okay. Let's turn to Garland Exhibit 11. Now 12 in this one we have the transmission investment of 13 1446.7 million, and that's the same number that you 14 saw on the pro forma in Garland's proposal for 2013 15 for the transmission assets. Is that correct? 16 A (Blumenthal) Yes. 17 Q And if you applied once again -- I'm keeping 18 your annual debt service at 12.6 million, even though 19 I'll represent to you that that 12.6 is on the 157 20 down at the bottom. There's a principal, the cost of 21 issuance and the debt service reserve for the ultimate 22 issuance of bond. Do you see that at the bottom of 23 11? 24 A (Blumenthal) Yes. 25 Q And that if you did the calculation for debt</p>

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<p style="text-align: right;">368</p> <p>1 service for 5 percent for 20 years, you would have the 2 annual debt service of 12.6. I can let you calculate 3 it, but if you'll accept -- 4 A (Blumenthal) I'll accept that. 5 Q And if you do the calculation of 1.5 times to 6 get your debt service requirement, subtract the 7 depreciation on the 146.7 million at 50 years -- 8 excuse me, no, that's at 40 years -- gives you a 9 required return of 15.3 million. Would you accept 10 those? 11 A (Blumenthal) Well, I don't understand why 12 the transmission investment of 146.7 million differs 13 from the escalated plant cost of 145 million. That's 14 at the -- in Footnote D as in dog. 15 Q I see. A cost of issuance was built into 16 that as -- just for this purpose it's built into the 17 cost of issuance and is capitalized. Okay? And 18 that's why it's 146.7. 19 A (Blumenthal) Well, I'll accept that, but I'm 20 not sure that is the way we would do it -- 21 Q Okay. 22 A (Blumenthal) -- when we get there. 23 Q All right. And so your depreciation of 40 24 years on the 146.7 is the 3.66 million? 25 A (Blumenthal) I'll accept that.</p>	<p style="text-align: right;">370</p> <p>1 A (Blumenthal) I see that. 2 Q Right. Subject to check you'll accept the 3 9.5 million? 4 A (Blumenthal) Yes. 5 Q To do our calculation here you use 40-year 6 depreciation rather than 50, that would be the amount 7 of depreciation on the 146.7? 8 A (Blumenthal) Yes. I'd also point out that 9 the bond term has been extended to 30 years on this. 10 Q Rather than 20? 11 A (Blumenthal) Right. 12 Q Okay. And so you do the calculation within 13 your imputed rate of return is 7.26. Is that correct? 14 A (Blumenthal) Yes. 15 MR. TOWNSEND: All right. I move the 16 admission of Garland Exhibit 13. 17 JUDGE KANG: Any objections to Garland 18 Exhibit 13? 19 MR. NOLAND: No. 20 JUDGE KANG: Hearing none, Garland 21 Exhibit 13 is admitted. 22 (Exhibit Garland No. 13 admitted) 23 Q (BY MR. TOWNSEND) And quickly looking at 24 your rebuttal testimony -- cross rebuttal -- I'm not 25 sure what that number is, but Sharyland --</p>
<p style="text-align: right;">369</p> <p>1 Q All right. With a required return, so you'd 2 take the required return of 15.3 million and divide it 3 by the 146.7 to come up with your imputed rate of 4 return. Is that correct? 5 A (Blumenthal) Yes, or divide by 145 million 6 in the alternative. 7 Q All right. And that gives you that 8 10.44 percent, correct? 9 A (Blumenthal) Correct. 10 MR. TOWNSEND: All right. Your Honor, I 11 move the admission of Garland Exhibit 11. 12 JUDGE KANG: Any objection to Garland 13 Exhibit 11? 14 Hearing no objection, Garland Exhibit 11 15 is admitted. 16 (Exhibit Garland No. 11 admitted) 17 Q (BY MR. TOWNSEND) I'm going to move to 18 Garland Exhibit 13. I'm not going to take time on 12. 19 I'm passing that one. Just going to 13. Do you have 20 Garland Exhibit 13? 21 A (Blumenthal) Yes. 22 Q Okay. There we still have the same 146.7 23 million and 1.5 DSC, except that that 9.5 is the debt 24 service on 146.7, but do you see down at the bottom 25 there's no reserve fund for that debt?</p>	<p style="text-align: right;">371</p> <p>1 MR. NOLAND: Exhibit SU-17. 2 MR. TOWNSEND: SU-17? Thank you. 3 Q (BY MR. TOWNSEND) In your discussion of rate 4 of return, you're responding to some calculations that 5 Mr. Parker did in his testimony, and on Page 4, you 6 have -- are assuming, based on your earlier exhibit 7 that we've talked about in your responsive testimony, 8 that the rate of return for Garland would be 14.74, is 9 that correct? 10 A (Blumenthal) I'm sorry, where are you? 11 Q Line 4, Page 4. 12 A (Blumenthal) Oh, mine is blacked out. 13 Q Well, I know, but we -- we declassified 14 that -- 15 A (Blumenthal) Would you say what the exhibit 16 number was again? 17 Q I'll show you -- 18 MR. NOLAND: Just for the record, it's 19 the highly sensitive -- formerly highly sensitive -- 20 MR. TOWNSEND: -- formerly highly 21 sensitive -- 22 MR. NOLAND: It would be SU-18. 23 A (Blumenthal) Okay. I'll do that. 24 Q (BY MR. TOWNSEND) And that comes from your 25 EB-2R?</p>

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<p style="text-align: right;">372</p> <p>1 A (Blumenthal) Yes.</p> <p>2 Q All right. Even though this says 1R, we know</p> <p>3 it's 2R, correct?</p> <p>4 A (Blumenthal) Correct.</p> <p>5 Q All right. Now, going back to Exhibit 13 --</p> <p>6 wouldn't you agree -- whether it's 145 or 146.7</p> <p>7 million -- that if you were really going to do this</p> <p>8 calculation that you would use the cost of the plant</p> <p>9 at the time it's put in service considering any</p> <p>10 escalation in costs from what we think it is today, if</p> <p>11 we're going to do a TCOS in 2013 you'd use the actual</p> <p>12 cost, wouldn't you?</p> <p>13 A (Blumenthal) Well, you know, again, my</p> <p>14 purpose here is not to try to estimate the TCOS or</p> <p>15 what the rate of return would be. It's just to point</p> <p>16 out that the cost of debt, because Garland can borrow</p> <p>17 for 5 and a quarter percent or whatever it turns out</p> <p>18 to be -- doesn't necessarily mean that their total</p> <p>19 return -- rate of return will be less.</p> <p>20 Q Okay. But it depends on how you calculate,</p> <p>21 because if we looked at Garland Exhibit 10 if you did</p> <p>22 the actual debt service at 5 percent for 30-year bond</p> <p>23 on 113, it's 7.76 percent rather than the</p> <p>24 14.74 percent you came up with. So it all depends on</p> <p>25 what you assume --</p>	<p style="text-align: right;">374</p> <p>1 that correct?</p> <p>2 A (Blumenthal) So I'm not sure whether the</p> <p>3 amount shown on -- in 1, Garland Schedule N-1, the</p> <p>4 12.6 million --</p> <p>5 Q Okay.</p> <p>6 A (Blumenthal) -- is a 30-year bond term or</p> <p>7 20-year or a 40-year bond term. I don't know.</p> <p>8 Q All right.</p> <p>9 A (Blumenthal) So I don't know which of these</p> <p>10 scenarios is comparable.</p> <p>11 Q All right.</p> <p>12 CLARIFYING EXAMINATION</p> <p>13 BY THE COMMISSION:</p> <p>14 Q (Smitherman) Just to be clear, when you guys</p> <p>15 say "bond term" you're talking about the final</p> <p>16 maturity.</p> <p>17 A (Blumenthal) I'm talking about the -- yeah.</p> <p>18 MR. TOWNSEND: You're talking about an</p> <p>19 earlier bond or --</p> <p>20 Q (Smitherman) -- talking about the final</p> <p>21 maturity --</p> <p>22 A (Blumenthal) Yes.</p> <p>23 Q (Smitherman) -- you're going to have some</p> <p>24 maturities in between?</p> <p>25 A (Blumenthal) Right.</p>
<p style="text-align: right;">373</p> <p>1 A (Blumenthal) -- assumptions are, that's</p> <p>2 correct.</p> <p>3 Q -- your costs and your debt service. And you</p> <p>4 would agree with me that you should match your debt</p> <p>5 service to the cost of the issuance?</p> <p>6 A (Blumenthal) Yes, if you have -- well,</p> <p>7 whatever the original cost is at the time.</p> <p>8 Q Right.</p> <p>9 A (Blumenthal) Yes.</p> <p>10 Q Okay.</p> <p>11 A (Blumenthal) But I would also note that</p> <p>12 Exhibit 11 shows, you know, using a bond term of 20</p> <p>13 years has a significant impact.</p> <p>14 Q Okay.</p> <p>15 A (Blumenthal) As well as the cost of the</p> <p>16 assets.</p> <p>17 Q And 11, the only thing we changed there is</p> <p>18 the amount. These assumptions are all yours except</p> <p>19 for the transmission investment?</p> <p>20 A (Blumenthal) The bond term changes.</p> <p>21 Q No, but the 20 -- you used the 20?</p> <p>22 A (Blumenthal) Without knowing it.</p> <p>23 Q Without knowing it. All I'm saying is</p> <p>24 Garland Exhibit 11 has all the same figures as your</p> <p>25 exhibit except for the transmission investment. Isn't</p>	<p style="text-align: right;">375</p> <p>1 Q You're going to have an average life shorter</p> <p>2 than 30 years?</p> <p>3 WITNESS BLUMENTHAL: Correct, but you</p> <p>4 amortize it over the full term.</p> <p>5 Q (Smitherman) But it's not a bullet maturity</p> <p>6 in year 30?</p> <p>7 A (Blumenthal) Correct.</p> <p>8 Q (Smitherman) Can anyone get 5 percent money</p> <p>9 these days, tax exempt? I'm just, you know, asking a</p> <p>10 few questions. I don't think you can, by the way, but</p> <p>11 I know these are just numbers for demonstrative</p> <p>12 purposes. But --</p> <p>13 MR. TOWNSEND: That's correct.</p> <p>14 CROSS-EXAMINATION (Continued)</p> <p>15 Q (BY MR. TOWNSEND) All right. So looking at</p> <p>16 your cross-rebuttal, your 14.74 is based on -- the way</p> <p>17 you calculated it, however correct or incorrect that</p> <p>18 might be -- in your Exhibit EB-2R?</p> <p>19 A (Blumenthal) Correct.</p> <p>20 Q And then you start out your calculation for</p> <p>21 Garland in this exhibit that's attached that has also</p> <p>22 been declassified, EB-1CR, correct?</p> <p>23 A (Blumenthal) Yes, I used the same rate of</p> <p>24 return.</p> <p>25 Q You used that 14.74?</p>

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<p style="text-align: right;">376</p> <p>1 A (Blumenthal) Correct.</p> <p>2 Q All right. I'm going to ask you about PILOT.</p> <p>3 You also assumed a PILOT, and we've had some</p> <p>4 discussions about PILOT?</p> <p>5 A (Blumenthal) Yes.</p> <p>6 Q PILOT stands for payment in lieu of taxes.</p> <p>7 Is that correct?</p> <p>8 A (Blumenthal) That is correct.</p> <p>9 Q And you recognize that that is something that</p> <p>10 typically a municipally-owned utility will pay its</p> <p>11 municipal entity as -- in lieu of franchise taxes or</p> <p>12 ad valorem taxes that the city would collect if, say,</p> <p>13 for instance, an IOU were operating in the city?</p> <p>14 A (Blumenthal) Correct.</p> <p>15 Q And in Garland, there's service area within</p> <p>16 the city that is served by Oncor, and that service</p> <p>17 area that's just served by the IOU (sic) Are you</p> <p>18 aware of that?</p> <p>19 A (Blumenthal) No.</p> <p>20 Q All right. Assume for me for purposes of</p> <p>21 this question that that's the case, that the city</p> <p>22 limits -- within the city limits of Garland, part of</p> <p>23 the city is singly certified to Oncor and part -- the</p> <p>24 rest is singly certified to Garland Power & Light, the</p> <p>25 City of Garland.</p>	<p style="text-align: right;">378</p> <p>1 the city couldn't collect from its own</p> <p>2 municipally-owned utility for a property that is</p> <p>3 located outside the city limits as a PILOT, because</p> <p>4 there's no use of the franchise, there's no use of the</p> <p>5 city rights-of-way and there is no property inside the</p> <p>6 city? I mean, isn't that reasonable?</p> <p>7 A (Blumenthal) In my experience they</p> <p>8 collect -- it would be collected any way as a transfer</p> <p>9 to the general fund. So I don't know the answer to</p> <p>10 that. I cannot agree with that assumption.</p> <p>11 Q You can agree with -- the Commission would</p> <p>12 allow such a thing?</p> <p>13 A (Blumenthal) I don't know. It would have to</p> <p>14 be discussed at the time that a rate case occurred.</p> <p>15 Q Okay. Well, do you have experience with the</p> <p>16 City of Garland particularly?</p> <p>17 A (Blumenthal) Not a great deal.</p> <p>18 Q Do you know whether the City of Garland</p> <p>19 charges a PILOT for any of Garland's property located</p> <p>20 outside of the city that is used by its utility?</p> <p>21 A (Blumenthal) As I recall -- I mean, you</p> <p>22 know, when we set rates, I did not notice that -- in</p> <p>23 the rate case that I looked at that we separated some</p> <p>24 of the assets into, you know, other assets, some of</p> <p>25 the transmission assets. I used a rate that was</p>
<p style="text-align: right;">377</p> <p>1 A (Blumenthal) Okay.</p> <p>2 Q So the City of Garland would collect from</p> <p>3 Oncor typically a franchise fee for the use of the</p> <p>4 rights of way and an ad valorem tax based on the value</p> <p>5 of the property located within the boundaries of the</p> <p>6 city. Is that correct?</p> <p>7 A (Blumenthal) That's correct.</p> <p>8 Q And the PILOT is what a municipally-owned</p> <p>9 utility collects from its utility fund or department</p> <p>10 as a payment in lieu of taxes.</p> <p>11 A (Blumenthal) Correct.</p> <p>12 Q Franchise fees were used in the city's</p> <p>13 right-of way and the equivalent amount for ad valorem</p> <p>14 tax for property within the city, correct?</p> <p>15 A (Blumenthal) Correct?</p> <p>16 Q Now Garland couldn't collect from Oncor an ad</p> <p>17 valorem tax for any property located outside the City</p> <p>18 of Garland. Is that correct?</p> <p>19 A (Blumenthal) I'd assume so.</p> <p>20 Q So it couldn't collect an ad valorem tax on</p> <p>21 these CREZ transmission lines that Oncor would build.</p> <p>22 Is that correct? Just because they have a little</p> <p>23 something in the City of Garland --</p> <p>24 A (Blumenthal) Correct.</p> <p>25 Q And isn't it also reasonable to assume that</p>	<p style="text-align: right;">379</p> <p>1 effective on the entire investment, Garland's entire</p> <p>2 investment.</p> <p>3 Q In this rate case?</p> <p>4 A (Blumenthal) No, from a previous rate case</p> <p>5 of Garland.</p> <p>6 Q Oh, okay. All right.</p> <p>7 A (Blumenthal) So to assume that when we set</p> <p>8 rates for the CREZ when CREZ assets go into service</p> <p>9 that we will only set rates for CREZ assets is</p> <p>10 probably not going to be the case for an incumbent.</p> <p>11 Q But you came up with the PILOT assuming the</p> <p>12 investment in CREZ. That's what you're -- that's what</p> <p>13 your exhibit is showing, isn't it?</p> <p>14 A (Blumenthal) But the rate is based on an</p> <p>15 average rate -- PILOT rate with the denominator being</p> <p>16 the total transmission assets.</p> <p>17 Q All right. So as I understand it, in your</p> <p>18 Exhibit EB-1CR, you took the figure under Garland, the</p> <p>19 rate base, dollars per mile, and applied some PILOT</p> <p>20 figure to that to come up with this annual figure. Is</p> <p>21 that correct?</p> <p>22 A (Blumenthal) Yes, it was around 2 percent as</p> <p>23 I recall.</p> <p>24 Q Okay. And it's just a matter of -- you don't</p> <p>25 know whether the City would or would not try to</p>

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380	<p>1 collect in its TCOS rates a payment in lieu of taxes 2 on behalf of the city for facilities in the CREZ? 3 You're just making the assumption they would. Is that 4 correct? 5 A Well, my assumption is we are not going to 6 set rates for the CREZ as a discrete body of assets. 7 MR. TOWNSEND: Okay. Those are all the 8 questions I have for the City of Garland. 9 MS. ESCOBEDO: Mr. Chairman, you asked 10 earlier whether there was anybody who was getting, I 11 think, less than 5 percent cost of bonds? 12 CHAIRMAN SMITHERMAN: Yes. 13 MS. ESCOBEDO: And I have my SME back in 14 here, who will be -- 15 UNIDENTIFIED SPEAKER: We're not 16 currently getting less than 5 percent. Our weighted 17 average cost is less than 5 percent, probably in the 18 neighborhood of 5 to 5.50 -- 19 CHAIRMAN SMITHERMAN: Okay. It was 20 really a rhetorical question, but -- 21 (Laughter) 22 CHAIRMAN SMITHERMAN: But I'm going to 23 go into that when we have Commissioner questioning. 24 So if you're going to be here tomorrow, maybe we can 25 tease that out a little bit then.</p>	382
381	<p>1 Judge, as we look at the schedule, how 2 many more parties do you have for cross-examination of 3 this panel? 4 JUDGE KANG: There are five listed. I 5 don't know how many of them will actually have cross, 6 but we have five remaining cross on this panel. 7 CHAIRMAN SMITHERMAN: Why don't we see 8 who actually has cross and maybe we can get an 9 assessment of how long you think cross will be and 10 then we can make a determination whether we're going 11 to continue this evening. 12 JUDGE KANG: All right. Edison Mission, 13 any cross? 14 MR. BICKHAM: David Bickham, we have no 15 cross. 16 JUDGE KANG: Eurus Energy? 17 MR. WARREN: Eurus no cross. 18 JUDGE KANG: TMPA? 19 MR. TOWNSEND: TMPA has a little cross. 20 (Laughter) 21 JUDGE KANG: Lone Star? 22 MS. DREWS: A little cross, literally. 23 JUDGE KANG: Commission Staff? 24 MR. MEDRANO: 10 to 15 minutes of cross. 25 JUDGE KANG: Mr. Chairman?</p>	<p>1 CHAIRMAN SMITHERMAN: Lambeth, what does 2 "a little cross" mean? 3 MR. TOWNSEND: Well, I have distributed 4 to you I think just three exhibits. 5 CHAIRMAN SMITHERMAN: Okay. 6 MR. TOWNSEND: And actually only two 7 exhibits. I think the first exhibit that I had 8 distributed is a -- it addresses a matter she has 9 corrected in her testimony, so... 10 CHAIRMAN SMITHERMAN: Let me suggest 11 this: I don't want anybody to have to feel like they 12 need to rush through their cross. So why don't we 13 stop here this evening. That way you'll have an 14 opportunity to be fresh in the morning, come back -- 15 (Laughter) 16 MR. TOWNSEND: -- and fast. 17 CHAIRMAN SMITHERMAN: -- and then we'll 18 finish this up and then we'll continue on through the 19 docket. 20 (Proceedings recessed at 5:56 p.m.) 21 22 23 24 25</p>