

Garland - Non-Financial

PUC: 35665 HOM 12/3/2008

VOLUME 4

961	963
<p>1 MR. TOWNSEND: I believe Sharyland 2 showed me a copy of it, and it was filed by Brook 3 Bennett Brown in the docket. So it's -- I don't know 4 what item number it is. 5 COMM. ANDERSON: I just wanted to make 6 sure it's into evidence. 7 MR. NOLAND: We have copies of that for 8 everyone. We were going to actually introduce it as 9 an exhibit. 10 COMM. ANDERSON: Oh. All right. 11 MR. NOLAND: But if you want to -- 12 COMM. ANDERSON: Well, I'm 13 not particularly proud. I just wanted to make sure it 14 got into the -- into the record and that everybody was 15 aware of it. 16 JUDGE MONTELONGO: All right. 17 MR. NOLAND: Well, perhaps you should 18 go ahead and admit it. 19 JUDGE MONTELONGO: Yeah. Let's just -- 20 any objections to Commissioner Exhibit 2, since 21 everyone seems to know what we're talking about here? 22 MR. TOWNSEND: No objection. 23 JUDGE MONTELONGO: Then it's admitted. 24 (Exhibit Commissioner No. 2 admitted) 25 MR. GUY: I would say one thing. The</p>	<p>1 PANEL 5 (Non-Financial) 2 PRESENTATION ON BEHALF OF 3 CITY OF GARLAND, SHARYLAND, ETT, AND TMPA 4 DAVID GRUBBS, MARK CASKEY, DONALD MUNDY, RALPH 5 GOODLET, JR., ROB REID, PAUL HASSINK, WILLIAM 6 BOJORQUEZ, ERIC SCHROEDER, 7 having been first duly sworn, testified as follows: 8 DIRECT EXAMINATION 9 BY MR. TOWNSEND: 10 Q Mr. Grubbs. 11 A (Grubbs) On Page 2 -- on Garland Exhibit 1, 12 Page 2, the second paragraph, the sixth line, it says 13 136 miles. That should be 132 miles. 14 Attachment F of that same document 15 would be in Response A. It said 101 miles. That 16 should be 105 miles. And it says 25 miles, and that 17 should be 27 miles. That would be Page 3 of 18 Attachment F. 19 And in Exhibit -- Garland Exhibit 3, 20 Page 5, Line 10, where it says 136 would be 132. 21 That's all my corrections. 22 JUDGE MONTELONGO: Okay. Anyone else? 23 MR. BUSHEE: Yes, Your Honor 24 JUDGE MONTELONGO: Come on up. 25 THE REPORTER: Could you state your</p>
<p>1 copies we have actually currently say "Sharyland 26," 2 so I -- we can still distribute them, but to the 3 extent we need to -- 4 COMM. ANDERSON: We have copies being 5 made, and -- 6 MR. GUY: Okay. 7 COMM. ANDERSON: -- that will 8 presumably be stamped. 9 JUDGE MONTELONGO: Okay. I need to 10 swear in this panel. And just for the record, we have 11 Donald Mundy on the phone, as I understand. So, if 12 you could -- those present, please raise your right 13 hand, and I'll go ahead and swear you in. 14 (Panel Sworn) 15 JUDGE MONTELONGO: And I understand 16 that we have a few corrections to some testimonies. 17 Mr. Townsend? 18 MR. TOWNSEND: Yes, Your Honor. David 19 Grubbs, the witness for the City for Garland, has a 20 few corrections to make to Garland Exhibit No. 1 and 21 Garland Exhibit No. 3. 22 23 24 25</p>	<p>1 name, please? 2 MR. BUSHEE: Jim Bushee for Sharyland. 3 Your Honor, we have one correction, and that is to the 4 direct testimony of Rob Reid on behalf of Sharyland. 5 It's Exhibit SU-6. 6 DIRECT EXAMINATION 7 BY MR. BUSHEE: 8 Q Mr. Reid, would you please tell us what the 9 corrections are to your testimony? 10 A (Reid) Yes. On Page 7 of Exhibit SU-6, the 11 answer that starts at Line 7, the notification 12 information there, is actually for notification of a 13 CCN and not public open house, so I need to correct 14 three small corrections. On Line 8, the last two 15 words, "preferred and," needs to be stricken. Line 9, 16 the middle of that line, the words "with habitable 17 structures" needs to be stricken. And on Line 10, the 18 words "preferred and" need to be stricken. And that's 19 it. 20 MR. BUSHEE: We have no further 21 corrections, Your Honor. 22 JUDGE MONTELONGO: All right. Anyone 23 else? 24 (No response) 25 JUDGE MONTELONGO: Okay. Let's go</p>

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PUC: 35665 HOM 12/3/2008
VOLUME 4

965	<p>1 ahead and start cross-examination, then. TNMP?</p> <p>2 MR. SEAMSTER: Scott Seamster for TNMP.</p> <p>3 No questions.</p> <p>4 JUDGE MONTELONGO: TIEC?</p> <p>5 MS. COOPER: TIEC has no questions for</p> <p>6 these witnesses.</p> <p>7 CHAIRMAN SMITHERMAN: WETT?</p> <p>8 MR. MALISH: No questions from WETT</p> <p>9 either, Your Honor.</p> <p>10 JUDGE MONTELONGO: Cities?</p> <p>11 MR. BREWSTER: Chris Brewster for</p> <p>12 Cities. No questions.</p> <p>13 JUDGE MONTELONGO: Luminant?</p> <p>14 MR. KEVER: Andrew Kever for Luminant.</p> <p>15 No questions.</p> <p>16 JUDGE MONTELONGO: Iberdrola?</p> <p>17 MR. BROWN: Jared Brown for Iberdrola.</p> <p>18 No questions.</p> <p>19 JUDGE MONTELONGO: Oncor?</p> <p>20 MR. NYE: Allen Nye for Oncor. No</p> <p>21 questions.</p> <p>22 JUDGE MONTELONGO: ERCOT?</p> <p>23 MS. COBOS: Lori Cobos for ERCOT. No</p> <p>24 questions.</p> <p>25 CHAIRMAN SMITHERMAN: AES Wind?</p>	967	<p>1 Q And did they support specific lines or the</p> <p>2 general concept or mileage? Amounts of dollars?</p> <p>3 A (Grubbs) We told them that we expected the</p> <p>4 number would be somewhere between 100 and 200 million,</p> <p>5 most likely something slightly less than 150 million.</p> <p>6 Q And did you talk to them about location of</p> <p>7 the lines?</p> <p>8 A (Grubbs) Yes, ma'am.</p> <p>9 Q And where was the location that y'all got</p> <p>10 approval for?</p> <p>11 A (Grubbs) We discussed that we had filed in</p> <p>12 our CTP plan for two different groups of projects, up</p> <p>13 in the Northern Panhandle area, most likely around</p> <p>14 Amarillo, and that we had filed for a different group</p> <p>15 of lines in the lower section of the CREZ, kind of in</p> <p>16 the southwest quadrant of the CREZ projects.</p> <p>17 Q In the City of Garland, the city council,</p> <p>18 that is your governing body. Is that correct?</p> <p>19 A (Grubbs) That is correct.</p> <p>20 Q And the City of Garland council would be the</p> <p>21 ones who would be making any decisions on whether or</p> <p>22 not you would be able to build any other facilities</p> <p>23 that the Commission may recommend for you to build?</p> <p>24 A (Grubbs) That would be correct.</p> <p>25 Q Okay. Thank you. Mr. Schroeder, does that</p>
966	<p>1 MS. McCLENDON: Yes, Your Honor. Thank</p> <p>2 you. For the record, my name is Shannon K. McClendon.</p> <p>3 I'm here on behalf of AES Wind. I just have a little,</p> <p>4 few lines here of cross for the City of Garland and</p> <p>5 for TMPA.</p> <p>6 CROSS-EXAMINATION</p> <p>7 BY MS. McCLENDON:</p> <p>8 Q Where is Mr. Grubbs?</p> <p>9 A (Grubbs) Right here.</p> <p>10 Q Oh. That's great. Real close. I don't know</p> <p>11 if you want to be that close, but -- you are here</p> <p>12 representing the City of Garland. Is that correct?</p> <p>13 A (Grubbs) That is correct.</p> <p>14 Q And can you tell me whether or not the City</p> <p>15 of Garland has asked its citizens whether or not</p> <p>16 they're in favor of the plan that y'all have put out?</p> <p>17 A (Grubbs) We have asked the city council but</p> <p>18 not the citizens.</p> <p>19 Q Okay. And the city council has supported</p> <p>20 this?</p> <p>21 A (Grubbs) Unanimously, yes.</p> <p>22 Q Okay. And when did they do that?</p> <p>23 A (Grubbs) I believe it was in September.</p> <p>24 Q September of this year?</p> <p>25 A (Grubbs) Yes, ma'am.</p>	968	<p>1 mean you're at the very end?</p> <p>2 A (Schroeder) I'm over here. Yes, ma'am.</p> <p>3 Q Great. Can you tell me whether or not --</p> <p>4 well, first of all, tell me, who is TMPA?</p> <p>5 A (Schroeder) TMPA is a political subdivision</p> <p>6 in the state of Texas. We're a municipal agency with</p> <p>7 a generating plant and transmission facilities that</p> <p>8 serve four member cities. Those are Greenville,</p> <p>9 Garland, Denton, and Bryan, Texas.</p> <p>10 Q Okay. And can you tell me whether or not --</p> <p>11 what authority did TMPA have to -- for you to be here</p> <p>12 today?</p> <p>13 A (Schroeder) At our September 11th board</p> <p>14 meeting, our board approved the filing of our CTP</p> <p>15 proposal. So I'm here today in support of that in the</p> <p>16 process.</p> <p>17 Q And it was -- I'll ask you the same kind of</p> <p>18 lines of questions that I did with Mr. Grubbs. You're</p> <p>19 saying the board of directors with TMPA approved the</p> <p>20 filing of the CTP that you filed?</p> <p>21 A (Schroeder) That's correct.</p> <p>22 Q And did they approve any other lines?</p> <p>23 A (Schroeder) The -- at the time of the</p> <p>24 meeting on September 11th the lines that were proposed</p> <p>25 during that meeting are the same lines that are now in</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">969</p> <p>1 our CTP proposal.</p> <p>2 Q If the Commission were to assign you lines</p> <p>3 other than that, would you need to get the permission</p> <p>4 from TMPA?</p> <p>5 A (Schroeder) That's correct. The TMPA board</p> <p>6 has the ultimate final authority.</p> <p>7 Q Mr. Grubbs, how does the City of Garland</p> <p>8 anticipate operating lines so far away from its</p> <p>9 territory?</p> <p>10 A (Grubbs) The -- from an operations</p> <p>11 standpoint, from a dispatching and so forth</p> <p>12 standpoint, we dispatch lines all over the state of</p> <p>13 Texas now, all of TMPA's lines plus all of ours.</p> <p>14 Those are brought in over communications lines, so</p> <p>15 there is no difference for those than there are</p> <p>16 locally -- than there are local lines.</p> <p>17 As far as the maintenance of the lines,</p> <p>18 if that's what you're referring to --</p> <p>19 Q Yes.</p> <p>20 A (Grubbs) -- we have proposed both in our CTP</p> <p>21 as well as in other discussions with other</p> <p>22 participants here that our preference is that we have</p> <p>23 a joint maintenance agency between the parties or that</p> <p>24 we develop joint maintenance agreements, even if</p> <p>25 there's not a separate agency, to derive economies of</p>	<p style="text-align: right;">971</p> <p>1 A (Goodlet) There we go.</p> <p>2 Q Would you tell us, please, what the currently</p> <p>3 authorized return on equity is for Sharyland?</p> <p>4 A (Goodlet) It's 12.75.</p> <p>5 Q Had Sharyland made a commitment in this</p> <p>6 proceeding for any other return on equity if it's</p> <p>7 awarded facilities than the currently effective return</p> <p>8 on equity?</p> <p>9 A (Goodlet) Define "currently effective."</p> <p>10 Q The 12.75.</p> <p>11 A (Goodlet) The 12.75? No. We've said we</p> <p>12 recognize that the rates have come down in our</p> <p>13 testimony, and we're -- in our CTP proposal and our</p> <p>14 financial plan.</p> <p>15 Q You're going to have to still get closer.</p> <p>16 You're looking at me and not into the -- yeah, just</p> <p>17 move it over. There you go. I'm sorry. Would you</p> <p>18 give me the answer again, please, sir?</p> <p>19 A (Goodlet) Yes. We recognize that the</p> <p>20 current rate is 9.96, and we will take the current as</p> <p>21 defined by the Commission.</p> <p>22 Q So you have committed to that?</p> <p>23 A (Goodlet) Yes.</p> <p>24 Q Okay.</p> <p>25 A (Goodlet) We are committed.</p>
<p style="text-align: right;">970</p> <p>1 scale. That's why we have proposed facilities</p> <p>2 colocated with the TMPA facilities, for instance,</p> <p>3 because we already have those joint maintenance</p> <p>4 agreements in place with TMPA linemen as well as our</p> <p>5 linemen.</p> <p>6 Q And so does the City of Garland city council,</p> <p>7 then, get to decide for these license that are far</p> <p>8 outside its jurisdiction? Do they make decisions,</p> <p>9 say, for -- if you were to build lines up in the</p> <p>10 Panhandle, would they -- the city council of the City</p> <p>11 of Garland would actually make the decisions for the</p> <p>12 City of Garland's electric company for those lines</p> <p>13 away from the city -- that city council?</p> <p>14 A (Grubbs) I believe that would be correct.</p> <p>15 MS. McCLENDON: Okay. That's all I</p> <p>16 have.</p> <p>17 JUDGE MONTELONGO: Tejas?</p> <p>18 CROSS-EXAMINATION</p> <p>19 BY MR. RIMA:</p> <p>20 Q Good afternoon, panel. I'm Bob Rima. I</p> <p>21 represent Tejas Transmission. Mr. Goodlet, good</p> <p>22 afternoon.</p> <p>23 A (Goodlet) Good afternoon, Mr. Rima.</p> <p>24 Q I have a -- oh, yeah. Get a microphone so we</p> <p>25 can hear you.</p>	<p style="text-align: right;">972</p> <p>1 Q And has Sharyland offered any performance</p> <p>2 guarantees in connection with its proposal?</p> <p>3 A (Goodlet) No, we have not, but we have heard</p> <p>4 the Commissioners, and we think the CCN and the</p> <p>5 regulatory process is enough. But if they want</p> <p>6 parties to sit down with staff and work out</p> <p>7 performance guarantees, we are more than willing to do</p> <p>8 that with staff.</p> <p>9 Q Okay. And Sharyland -- and I apologize.</p> <p>10 I -- for some reason, I have multiple numbers in my</p> <p>11 head, and I can't ever remember which one is right.</p> <p>12 Let me just ask you, how many miles of transmission</p> <p>13 line does Sharyland currently have?</p> <p>14 A (Goodlet) That's not a Mr. Goodlet</p> <p>15 testimony. That's Mr. Caskey.</p> <p>16 Q But do you know?</p> <p>17 A (Goodlet) I don't know specific.</p> <p>18 Q You don't know how many miles of transmission</p> <p>19 Sharyland has?</p> <p>20 A (Goodlet) I'm not the engineer, and I don't</p> <p>21 remember off the top of my head the RFI response.</p> <p>22 Q Okay. What is your position?</p> <p>23 A (Goodlet) I'm vice president of regulatory</p> <p>24 affairs.</p> <p>25 Q Okay. And how many employees does Sharyland</p>

PUC: 35665 HOM 12/3/2008

VOLUME 4

<p style="text-align: right;">973</p> <p>1 have?</p> <p>2 A (Goodlet) I am not their general manager or</p> <p>3 vice president. I do not keep up with their</p> <p>4 employees.</p> <p>5 Q You don't know how many employees they have</p> <p>6 either?</p> <p>7 A (Goodlet) No, I do not.</p> <p>8 Q Okay. So I understand, Mr. Caskey --</p> <p>9 A (Caskey) Yes. Yes.</p> <p>10 Q Mr. Goodlet suggested that you might know how</p> <p>11 many miles of transmission line Sharyland has.</p> <p>12 A (Caskey) We have approximately 15 miles</p> <p>13 of --</p> <p>14 Q Again, you're going to have to talk right</p> <p>15 into the mic.</p> <p>16 A (Caskey) We have approximately 15 miles of</p> <p>17 transmission line.</p> <p>18 Q Approximately 15?</p> <p>19 A (Caskey) Yes.</p> <p>20 Q So that -- something more than 14 and less</p> <p>21 than 15, or more than ten? What do we mean here?</p> <p>22 A (Caskey) Well, it's like 15.4.</p> <p>23 Q Oh, okay.</p> <p>24 A (Caskey) Something along that line, yeah.</p> <p>25 Q Okay. And Sharyland came into existence in</p>	<p style="text-align: right;">975</p> <p>1 physical maintenance. We do have people that schedule</p> <p>2 it and plan the maintenance for those facilities, yes.</p> <p>3 Q Do you happen to know how many employees</p> <p>4 there are of Sharyland?</p> <p>5 A (Caskey) There are ten employees of</p> <p>6 Sharyland Utilities.</p> <p>7 Q Okay. And with regard to your transmission</p> <p>8 facilities, then, have I covered the entire area, that</p> <p>9 what -- what Sharyland does is it manages third-party</p> <p>10 contractors to perform these various services?</p> <p>11 A (Caskey) We manage quite a few third-party</p> <p>12 contractors, yes.</p> <p>13 MR. RIMA: Okay. I have no further</p> <p>14 questions. Thank you.</p> <p>15 JUDGE MONTELONGO: ETT?</p> <p>16 MR. McGRATH: Kerry McGrath. No</p> <p>17 questions.</p> <p>18 JUDGE MONTELONGO: Cross Texas</p> <p>19 Transmission?</p> <p>20 MR. ARNOLD: Yes, Your Honor. I have</p> <p>21 these for you. For the record, my name is John</p> <p>22 Arnold, and I represent Cross Texas Transmission, and</p> <p>23 my questions are for Mr. Mundy.</p> <p>24</p> <p>25</p>
<p style="text-align: right;">974</p> <p>1 1999. Is that correct?</p> <p>2 A (Caskey) Yes.</p> <p>3 Q And have those 15 miles of transmission line</p> <p>4 been constructed since that time?</p> <p>5 A (Caskey) Yes.</p> <p>6 Q All right. And is it correct, sir, that</p> <p>7 Sharyland contracted out the design of those</p> <p>8 facilities?</p> <p>9 A (Caskey) Yes, we did.</p> <p>10 Q Is it correct that Sharyland contracted out</p> <p>11 the construction of those facilities?</p> <p>12 A (Caskey) We contracted out the construction,</p> <p>13 but we're managed by Sharyland Utilities.</p> <p>14 Q Okay. And with regard to operation and</p> <p>15 maintenance, is it correct that you have a contract</p> <p>16 with -- I believe it's AES? AEP. I'm sorry.</p> <p>17 A (Caskey) We have a contract to do</p> <p>18 maintenance for our transmission facilities with AEP</p> <p>19 TCC. That is managed by Sharyland. We schedule the</p> <p>20 maintenance and set up all the timing; we provide the</p> <p>21 material, and they do the labor for us.</p> <p>22 Q Okay. Would it be correct from your last</p> <p>23 answer, then, that Sharyland has no maintenance</p> <p>24 personnel of its own?</p> <p>25 A (Caskey) We have no one that does the</p>	<p style="text-align: right;">976</p> <p>1 CROSS-EXAMINATION</p> <p>2 BY MR. ARNOLD:</p> <p>3 Q Mr. Mundy, can you hear me okay?</p> <p>4 A (Mundy) I can.</p> <p>5 Q Are you following this proceeding on the</p> <p>6 Internet, or are you just listening in live?</p> <p>7 A (Mundy) I have followed portions of it on</p> <p>8 the Internet, but currently I'm listening because of</p> <p>9 the synchronizing issues.</p> <p>10 Q Okay. I believe your counsel should have</p> <p>11 provided to you some documents that I would like to</p> <p>12 review with you. Do you have those documents</p> <p>13 available?</p> <p>14 A (Mundy) I do.</p> <p>15 Q And do you also have --</p> <p>16 MR. BUSHEE: Before we start the</p> <p>17 questioning, I want to make sure that I have a copy.</p> <p>18 MR. ARNOLD: I gave one to Mr. Guy. If</p> <p>19 you don't have one, here, let me bring you an extra</p> <p>20 one.</p> <p>21 MR. BUSHEE: Thank you.</p> <p>22 JUDGE MONTELONGO: Mr. Arnold, are</p> <p>23 these exhibits already in the record?</p> <p>24 MR. ARNOLD: No, they're not.</p> <p>25 JUDGE MONTELONGO: Okay.</p>

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PUC: 35665 HOM 12/3/2008

VOLUME 4

<p style="text-align: right;">977</p> <p>1 MR. ARNOLD: This may be just for 2 demonstrative purposes.</p> <p>3 JUDGE MONTELONGO: Okay.</p> <p>4 Q (By Mr. Arnold) Mr. Mundy, let me first 5 direct you in your cross-rebuttal testimony to Page 5. 6 I'll give you a minute to get there?</p> <p>7 A (Mundy) Just a moment, please. All right. 8 I'm there.</p> <p>9 Q And you'll see a question and answer towards 10 the top of the page that says, "Does the joint 11 development plan address priority lines?"</p> <p>12 And your response is, "Yes. One of the 13 explicit principles underlying the plan was promoting 14 early completion of the priority facilities identified 15 in the Commission's CREZ order."</p> <p>16 Is that correct?</p> <p>17 A (Mundy) That is correct.</p> <p>18 Q I'd like you to look at the document that 19 your counsel e-mailed to you, and there's two pages. 20 Is that correct?</p> <p>21 A (Mundy) Actually, I was provided two 22 documents, but I must tell you that this is the first 23 time I've seen these documents.</p> <p>24 Q Okay. I'm okay with that. If you'd like to 25 take a minute to look at them, that's just fine.</p>	<p style="text-align: right;">979</p> <p>1 A (Mundy) I guess I assume that this is 2 accurate, having not reviewed that specific document.</p> <p>3 Q Subject to check, I will represent that to 4 you, that it is Attachment B to the joint development 5 plan of the joint parties.</p> <p>6 A (Mundy) Very well.</p> <p>7 Q So, in looking at it, you see two pages, and 8 essentially those two pages are identical but for 9 center annotations that appear on first of those two 10 pages. Is that correct?</p> <p>11 A (Mundy) Once again, I have two documents, 12 one that has three pages and one that has one page.</p> <p>13 Q Okay. I explained the distinction to your 14 counsel. Let me do this this way. And this is a 15 little bit difficult over the phone, so bear with me.</p> <p>16 You have two documents. What I'd like 17 you to look at, on the document that has three pages, 18 look at the third of three pages, which is what I have 19 provided here by hard copy for the Commissioners and 20 for your counsel.</p> <p>21 A (Mundy) All right. It has an annotation in 22 the bottom right corner as reading Page 6.</p> <p>23 Q Well, what I'm talking about in terms of the 24 annotation is with regard to -- you see the CREZ 25 transmission lines that are drawn on the map, do you</p>
<p style="text-align: right;">978</p> <p>1 A (Mundy) No. That's -- I have looked at 2 them, but I did not participate in their development, 3 and this is the first time I've seen them, so --</p> <p>4 Q Okay. That's fine.</p> <p>5 MR. BUSHBEE: Your Honor, if I could ask 6 one question before we start down this line. It 7 appears this exhibit was excerpted from a larger 8 document, and I think it would be helpful to provide 9 that document to help explain what we have there.</p> <p>10 MR. ARNOLD: Certainly. I plan to get 11 there.</p> <p>12 Q (By Mr. Arnold) The document -- as you 13 review that document, Mr. Mundy, you'll see in the 14 lower right-hand corner it says "Attachment B." Is 15 that correct?</p> <p>16 A (Mundy) It does.</p> <p>17 Q If I represent to you that this is 18 Attachment B to the joint development plan of the 19 joint parties, would you accept that representation 20 subject to --</p> <p>21 A (Mundy) I'm assuming that --</p> <p>22 Q - check by you or by your counsel?</p> <p>23 A (Mundy) -- that's accurate.</p> <p>24 Q I'm sorry. I didn't mean to speak over you, 25 Mr. Mundy.</p>	<p style="text-align: right;">980</p> <p>1 not?</p> <p>2 A (Mundy) I do.</p> <p>3 Q Okay. If you were to compare the single 4 document that you received with Page 3 of the other 5 document that you received, the only distinction you 6 would see would be the annotations that relate to the 7 transmission lines. Is that correct?</p> <p>8 A (Mundy) On the surface, that appears 9 correct. I have not done a detailed check, but --</p> <p>10 Q So let's look, then, at this map. And I'd 11 like to point out or at least get you to look at a 12 couple of the features of the annotations. First of 13 all, you'll note that the annotations reflect the 14 status of the lines on that map as either priority or 15 default. Would you just take a look at the map and 16 tell me whether you believe that's correct?</p> <p>17 A (Mundy) I -- that is the way it reads, yes, 18 sir.</p> <p>19 Q In addition, you'll see on that map a 20 timeline in the upper left-hand corner, and that 21 appears --</p> <p>22 A (Mundy) I do.</p> <p>23 Q Would you agree with me that that is a 24 timeline for the development of the facilities that 25 are reflected on this map?</p>

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PUC: 35665 HOM 12/3/2008
VOLUME 4

981	<p>1 A (Mundy) It would appear to be that. But</p> <p>2 once again. I was not party to the development, so I'm</p> <p>3 making that assumption.</p> <p>4 Q Okay. Well --</p> <p>5 MS. McCLENDON: Your Honor, if I could</p> <p>6 interrupt, I was wondering if there might be any way</p> <p>7 that there's additional copies of what y'all are</p> <p>8 talking about so we can follow along.</p> <p>9 MR. ARNOLD: There's a few additional</p> <p>10 copies, but based on limitations in printing and</p> <p>11 copying, et cetera, I don't have enough for everybody,</p> <p>12 so --</p> <p>13 MS. McCLENDON: Can I have one?</p> <p>14 MR. ARNOLD: If you'd like one.</p> <p>15 (Laughter)</p> <p>16 MS. McCLENDON: When you start talking</p> <p>17 priority lines, I become very interested. Thank you.</p> <p>18 Thank you, Your Honor.</p> <p>19 Q (By Mr. Arnold) Okay, Mr. Mundy. Let's go</p> <p>20 back to the timeline -- or what we can reasonably</p> <p>21 agree looks like a timeline in the upper left corner</p> <p>22 of that map. And would you agree with me that it</p> <p>23 begins in the third quarter of 2008, and it extends to</p> <p>24 the first quarter of 2012?</p> <p>25 A (Mundy) I agree.</p>	983	<p>1 reflects that in the first quarter of 2012, that there</p> <p>2 are at least two priority lines that are in the</p> <p>3 engineering and right-of-way phase only?</p> <p>4 MR. BUSHEE: Your Honor, I'm going to</p> <p>5 object to the question. The witness has testified</p> <p>6 that he hasn't seen this map before. He has not</p> <p>7 spoken to whether these designations are accurate.</p> <p>8 It's something that's been added by Counsel. There's</p> <p>9 simply no basis for him to answer that question.</p> <p>10 JUDGE MONTELONGO: Mr. Arnold?</p> <p>11 MR. ARNOLD: I've offered the map</p> <p>12 subject to check, have identified that we made the</p> <p>13 changes and the annotations on this map. I'm not</p> <p>14 asking him to adopt them as his own. And all I'm</p> <p>15 asking to do is read the map.</p> <p>16 JUDGE MONTELONGO: Okay. Mr. Mundy,</p> <p>17 are you understanding what Mr. Arnold is attempting to</p> <p>18 do here?</p> <p>19 A (Mundy) Well, so long as my answer is as to</p> <p>20 does this map read the word "priority" or some other</p> <p>21 word, I can answer that. As to the implications of</p> <p>22 the colors and those words, having not understood the</p> <p>23 context of the document preparation, I cannot address</p> <p>24 that.</p> <p>25 JUDGE MONTELONGO: Okay.</p>
982	<p>1 Q Okay. Below that timeline, you see a legend</p> <p>2 that has four different colors that reflect different</p> <p>3 statuses for the development of the lines. Is that</p> <p>4 correct?</p> <p>5 A (Mundy) It does.</p> <p>6 Q Yellow for siting and CCN process; green for</p> <p>7 engineering and right-of-way, red for construction,</p> <p>8 and blue for in-service. Is that correct?</p> <p>9 A (Mundy) Yes.</p> <p>10 Q If you look at the southernmost section of</p> <p>11 this map -- let's just call it the bottom of the CREZ</p> <p>12 transmission build-out -- you'll see two lines there</p> <p>13 in green indicated with the word "priority" next to</p> <p>14 those lines. Is that correct?</p> <p>15 A (Mundy) I do see those, yes.</p> <p>16 Q You'll also see a red line that extends</p> <p>17 essentially from northwest to southeast also indicated</p> <p>18 as priority. Is that correct?</p> <p>19 A (Mundy) That is correct.</p> <p>20 Q And then above the shortest of the green</p> <p>21 lines, extending essentially from the south to the</p> <p>22 northeast, there's also a line that's red that says</p> <p>23 "priority." Is that correct?</p> <p>24 A (Mundy) That is correct.</p> <p>25 Q So would you agree with me that this map</p>	984	<p>1 MR. ARNOLD: I am not asking the</p> <p>2 witness to identify the assumptions behind the</p> <p>3 completion, simply to review with me those.</p> <p>4 JUDGE MONTELONGO: Okay.</p> <p>5 MR. ARNOLD: Because we will be vetting</p> <p>6 this against statements in the witness' cross-rebuttal</p> <p>7 that are directly applicable.</p> <p>8 MR. BUSHEE: The problem is, Your</p> <p>9 Honor, that there is no basis for the things that have</p> <p>10 been added. If the map says "priority" or "default,"</p> <p>11 at best he can ask does the word "priority" appear.</p> <p>12 JUDGE MONTELONGO: Right. Mr. Arnold,</p> <p>13 you stated that this is an attachment to an exhibit.</p> <p>14 Right? The document you're --</p> <p>15 MR. ARNOLD: It is, and I have</p> <p>16 provided, as Page 2, the actual exhibit that's in the</p> <p>17 record already.</p> <p>18 JUDGE MONTELONGO: I guess I'm not</p> <p>19 understanding --</p> <p>20 MR. ARNOLD: The annotations that have</p> <p>21 been made are plainly visible, are made by me, as</p> <p>22 counsel, and my client, and I have represented nothing</p> <p>23 else --</p> <p>24 JUDGE MONTELONGO: Okay.</p> <p>25 MR. ARNOLD: -- and I'm not asking the</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

985	<p>1 witness to adopt those representations. I offered 2 them subject to check for purposes of demonstration. 3 JUDGE MONTELONGO: Okay. I'll let you 4 go on. 5 MR. ARNOLD: Thank you. 6 Q (By Mr. Arnold) Okay, Mr. Mundy. Let's -- 7 again, understanding that I'm not asking you to verify 8 why these things are why they are. I am simply asking 9 you to convey what the map reads as adjusted by Cross 10 Texas. Is that fair? 11 A (Mundy) That's fair. 12 Q Okay. So, again, in looking at the map, as 13 we looked at the southern portion of the CREZ 14 transmission build-out, we identified a number of 15 lines -- at least four -- that were either in 16 engineering and right-of-way phase or in the 17 construction phase that are identified as priority, 18 subject to check. Correct? 19 A (Mundy) That's the way the map reads, yes. 20 Q If you also look at various parts of the 21 map -- and let's look up -- if you look up towards the 22 top of the map, you see what's often been referred to 23 as the horse's head in red on your map. 24 A (Mundy) I see that. 25 Q And if you look down at what would be</p>	987	<p>1 it is most needed." 2 Is that correct? 3 A (Mundy) That's what I said, yes. 4 Q Okay. And can you tell me, then, if there 5 are lines in 2012 that are either under engineering 6 and right-of-way or under construction -- if that is 7 consistent with your statement in this rebuttal? 8 I'm not asking you analyze the map. 9 Tell me if we're assuming that there are facilities 10 that are in engineering and right-of-way or in 11 construction -- if that's consistent with the 12 statement that a logical order reached completing the 13 facilities that were first -- that were needed first. 14 A (Mundy) I don't believe we've established, 15 at least today in my testimony thus far, what lines 16 are required in which order. You have annotated lines 17 that indicate priority. I have not verified that that 18 indeed are priority lines. And you have not annotated 19 lines that were constructed, and I don't understand 20 what your question may relate to as to the use of 21 those lines having been constructed. 22 Q Well, I represented to you that the 23 annotations that have been added to these lines 24 reflect what the Commission has designated for these 25 lines, reflecting the priority for the lines. That's</p>
986	<p>1 essentially the chest or the beginning of the haunches 2 on the horse towards the back, you'll see some blue 3 lines that are in service. Is that correct? 4 A (Mundy) That is correct. 5 Q And are those lines designated as priority or 6 default? 7 A (Mundy) Well, some of the blue lines are not 8 illustrated at all -- or annotated at all. 9 Q Right. 10 A (Mundy) Some are annotated as priority, and 11 some are annotated as default in the northern half of 12 the project. 13 Q Let me take you to -- back to your rebuttal 14 testimony. Again, you agreed with me your rebuttal 15 testimony states that the principle underlying the 16 joint development plan was promoting early completion 17 of the priority facilities. 18 On Page 6, towards the top -- and I'll 19 let you get there. 20 A (Mundy) All right. Just a moment. All 21 right. I'm on Page 6. 22 Q On Page 6, you'll see that you described the 23 joint development plan as "carefully sequenced such 24 that each facility is completed in a logical order 25 such that transmission will be completed first where</p>	988	<p>1 not my determination. That's the Commission's 2 determination, and you said that the joint development 3 plan operates such that it completes the lines where 4 they are most needed. 5 Pursuant to this plan, the priority 6 lines are either in engineering and right-of-way or 7 under construction in 2012. That does not appear to 8 square with your statement, and that's what I'm asking 9 you. 10 A (Mundy) It was my understanding that the 11 development plan derived by the joint parties achieved 12 the needs of integrating wind generation in an orderly 13 fashion; first to integrate it in a connected fashion 14 and, secondly, to integrate it in a more or greater 15 either capacity or reliability fashion. And I 16 would -- it would appear here, although I would need 17 further study, to understand the redundancy effect or 18 the reliability effect or the capacity enhancement 19 effect of the lines that you are indicating in the 20 engineering and right-of-way stage at this particular 21 point in 2012. 22 But, on the surface, it would appear 23 that the constructed facilities are touching the areas 24 of wind generation, and it appears that there is at 25 least connectivity. As to its adequacy and security,</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

989	<p>1 we will not discuss. But connectivity to move that 2 wind generation into the central portions of Texas. 3 Q Does that move -- is a priority facility 4 constructed to move power through the Hill County and 5 towards the I-35 corridor; San Antonio, for example? 6 A (Mundy) Again, without further studies of 7 the ERCOT network and the order and sequence of their 8 reliability build-out, I cannot tell you for certain 9 if that achieves that goal. 10 Q Let me -- let's stay on that same page, 11 Mr. Mundy. And I have just one more area I would like 12 to briefly discuss with you. 13 A (Mundy) Okay. 14 Q You responded to Mr. Willick of Cross Texas' 15 testimony when he argued that there may be supply 16 constraints relative to a massive effort on the part 17 of the joint development parties to simultaneously 18 construct the facilities, and your response is, "The 19 joint parties will pursue" -- and you emphasize the 20 word "pursue" -- "all of the projects simultaneously." 21 Do you see where I'm referencing? 22 A (Mundy) Can you give me a line number. 23 Q Yeah. It's Line 7 and Line 8 and 9. You 24 said, "The joint development plan contemplates that 25 the joint parties will pursue all of the projects</p>	991	<p>1 A (Schroeder) Good afternoon. 2 Q Mr. Schroeder, you're employed by TMPA. 3 Correct? 4 A (Schroeder) That's correct. 5 Q What is your title? 6 A (Schroeder) I'm the transmission manager. 7 Q Okay. Have you been involved in the 8 preparation of TMPA's CTP proposal from its inception? 9 A (Schroeder) I have. 10 Q Okay. And, in fact, you're sponsoring all of 11 the CTP proposal with the exception of the financial 12 plan. Is that correct? 13 A (Schroeder) That's correct. 14 Q Okay. Did the City of Garland and TMPA file 15 a joint expression of interest to construct CTP 16 facilities in July of this -- in this proceeding? 17 A (Schroeder) I believe that's correct, yes. 18 Q Did you participate in that? 19 A (Schroeder) Yes, I did. 20 Q And that was a joint filing. Correct? 21 A (Schroeder) That's correct. 22 Q Okay. In that filing, do you recall the 23 amount of the -- the total investment of the 24 facilities you proposed to build? 25 A (Schroeder) No. I'm sorry. I don't recall</p>
990	<p>1 simultaneously. That is quite different from 2 constructing all the facilities simultaneously." 3 A (Mundy) I did say that. 4 Q Okay. You agree that says that. If you'll 5 look back at the map for me, please. 6 A (Mundy) All right. 7 Q You'll see just below the timeline that's in 8 the upper left-hand corner -- 9 A (Mundy) Yes. 10 Q Would you read the line that's just below 11 2012? 12 A (Mundy) It reads, "Construction on virtually 13 all facilities. Many projects are completed." 14 MR. ANDERSON: No further questions. 15 Thank you, Mr. Mundy. 16 JUDGE MONTELONGO: CPS Energy? 17 MS. ESCOBEDO: Pat Escobedo with CPS 18 Energy. No questions. 19 JUDGE MONTELONGO: Sharyland Utilities? 20 MR. NOLAND: Yes. 21 CROSS-EXAMINATION 22 BY MR. NOLAND: 23 Q Rich Noland for Sharyland Utilities. I have 24 a few questions for Mr. Schroeder from TMPA. Good 25 afternoon, Mr. Schroeder.</p>	992	<p>1 the exact number. 2 Q Would you accept, subject to check, that it 3 was in excess of \$2 billion? 4 A (Schroeder) Yes. I believe, actually, the 5 filing was a list that was prioritized, and those 6 projects were prioritized at that time. But 7 specifically projects were not identified as being 8 requested except that they were prioritized by numbers 9 that were in a chart. So, if those numbers of those 10 projects add up to that 2 billion number, subject to 11 check, I guess I would agree with that. 12 Q Now, after that filing was made in late 13 July -- does that sound like the right timing for the 14 filing of that statement of interest? 15 A (Schroeder) Yes. 16 Q -- did representatives from one or more of 17 the member cities of TMPA express concern to TMPA 18 staff concerning the magnitude of the proposal and 19 whether it was appropriate for TMPA to make such a 20 proposal? 21 A (Schroeder) Between the time of the 22 statement -- the statement of interest was filed and 23 the CTP proposal, we were -- we were discussing the 24 plausibility of filing a CTP proposal, and I don't 25 recall whether anyone said directly to me that that --</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">993</p> <p>1 that they had concerns over the CTP proposal itself, 2 no.</p> <p>3 Q Okay. Were you aware, in your position as 4 transmission manager for TMPA, of any concerns either 5 from the members of the TMPA board of directors or the 6 general managers of the member utilities with respect 7 to the TMPA CTP proposal?</p> <p>8 A (Schroeder) Well, I -- I do believe that -- 9 that not all of the utility directors were necessarily 10 in favor of the CTP proposal.</p> <p>11 Q Okay. What is the planning and operations 12 committee of TMPA?</p> <p>13 A (Schroeder) The planning and operations 14 committee is -- acts as agents of TMPA in some 15 respect. They are the utility directors of each 16 member city.</p> <p>17 Q Okay. And would you provide the names of 18 those individuals?</p> <p>19 A (Schroeder) It's Dan Wilkerson, Bryan, 20 Texas; Phil Williams, and that's in Denton, Texas; 21 David McCalla, in Greenville; and Ray --</p> <p>22 Q Schwertner?</p> <p>23 A (Schroeder) -- Schwertner -- sorry -- in 24 Garland.</p> <p>25 Q Okay. Is the City of Garland the largest</p>	<p style="text-align: right;">995</p> <p>1 Mr. Wilkerson from Bryan. His -- if I recall 2 correctly, his concerns were that involving the CCN 3 process associated with the CREZ projects and how he 4 felt that TMPA might be involving itself in a 5 political situation. And then, secondly, he did 6 express some concern over the taxation issue and -- 7 with regard to how TMPA would handle that, whether it 8 would be through PILOT payments or no taxes at all.</p> <p>9 Q Okay. When you refer to the CCN issue, are 10 you referring to the fact that TMPA proposes to 11 construct the transmission lines, if they're awarded, 12 without seeking a CCN from the Public Utility 13 Commission?</p> <p>14 A (Schroeder) That's correct.</p> <p>15 Q And what was the nature of his concern with 16 that aspect of the proposal?</p> <p>17 A (Schroeder) Well, I -- I don't want to speak 18 exactly for Mr. Wilkerson, but I -- what I think his 19 concern was was just the fact that since TMPA was not 20 required to do so, that some people may not view that 21 as being adequate for the CREZ process.</p> <p>22 Q Okay. Was Mr. Wilkerson also concerned about 23 the fact that the -- if TMPA was awarded CTP 24 facilities, that it would not pay ad valorem taxes to 25 the county, school districts, and other taxing</p>
<p style="text-align: right;">994</p> <p>1 member city of TMPA?</p> <p>2 A (Schroeder) That's correct.</p> <p>3 Q Okay. Now, is it a fact that the planning 4 and operations committee of TMPA regularly meets 5 before a scheduled board meeting of TMPA?</p> <p>6 A (Schroeder) Yes, they do.</p> <p>7 Q Okay. And did the planning and operations 8 committee of TMPA meet prior to the TMPA board meeting 9 on September 11th?</p> <p>10 A (Schroeder) I believe that they did. I 11 believe that the meeting just prior to the September 12 11th board meeting was actually a teleconference.</p> <p>13 Q Okay. And do you participate in the meetings 14 of the planning and operations committee?</p> <p>15 A (Schroeder) I do.</p> <p>16 Q Okay. And did you participate in that 17 meeting?</p> <p>18 A (Schroeder) I did.</p> <p>19 Q Was concern expressed by one or more of the 20 utility managers on the planning and operations 21 committee with regard to the CTP proposal?</p> <p>22 A (Schroeder) Yes, there was.</p> <p>23 Q Who was that, and what was the nature of his 24 concern?</p> <p>25 A (Schroeder) That would have been</p>	<p style="text-align: right;">996</p> <p>1 districts in that county that it would go through?</p> <p>2 A (Schroeder) He raised that issue, and we 3 discussed it. However, we were fully prepared to ask 4 or request that, you know, if the Commission so 5 approved, then -- the recovery of those taxes -- or 6 those payments, rather, the PILOT payments, that we 7 would certainly consider that for CREZ projects.</p> <p>8 Q Okay. Now, the CTP proposal that was filed 9 by TMPA on September 12th was actually considered and 10 discussed at the September 11th TMPA board meeting. 11 Is that correct?</p> <p>12 A (Schroeder) That's correct.</p> <p>13 Q Was a vote taken at that meeting?</p> <p>14 A (Schroeder) There was a vote taken on the -- 15 whether TMPA should continue with the filing of the 16 CREZ proposal.</p> <p>17 Q And was that a unanimous vote?</p> <p>18 A (Schroeder) I don't believe there were any 19 dissenting votes on that by the TMPA board members.</p> <p>20 Q Did you consider that decision to be an 21 approval by the TMPA board of the September 12th CTP 22 proposal that was filed by TMPA?</p> <p>23 A (Schroeder) Yes. That was the direction, 24 that we were to continue with the filing and submit 25 the proposal.</p>

PUC: 35665 HOM 12/3/2008

VOLUME 4

<p style="text-align: right;">997</p> <p>1 Q Do you consider that by that TMPA was 2 committing itself to go forward with the CTP project 3 if it was awarded facilities? 4 A (Schroeder) If TMPA was awarded facilities, 5 then it was my understanding that we would need to 6 draft another resolution for the board to consider 7 financing of those projects. 8 Q Okay. Is another TMPA board meeting 9 scheduled for tomorrow? 10 A (Schroeder) Yes, it is. 11 Q Okay. Is that a specially called meeting? 12 A (Schroeder) Yes, it is. 13 Q And is the purpose of that meeting to approve 14 Resolution 2008-12-1? 15 A (Schroeder) I'm not familiar with the 16 number. I'm sorry. 17 Q Is the purpose of that meeting to approve a 18 resolution to ratify and authorize actions taken by 19 TMPA in this proceeding? 20 A (Schroeder) Yes, I believe it is. 21 Q Okay. If, in fact, the proposal was approved 22 at the September 11th TMPA meeting, why is it 23 necessary to have a specially called meeting tomorrow 24 to confirm and ratify the actions of TMPA in this 25 proceeding?</p>	<p style="text-align: right;">999</p> <p>1 A (Schroeder) No, sir. 2 Q Okay. You're actually copied on that letter. 3 A (Schroeder) I did receive an e-mail that I 4 was copied on that, but I have not reviewed it yet, 5 no, sir. 6 Q Okay. Have you had any discussions with 7 anyone with respect to the nature or content of this 8 letter? 9 A (Schroeder) The only discussion that I had 10 was some follow-up with our general manager last 11 night. 12 Q Okay. 13 A (Schroeder) And he mentioned that a letter 14 was sent, and I told him that I did not have a chance 15 to read it. 16 Q Okay. 17 A (Schroeder) And that was basically it. 18 Q Did he inform you that the letter -- let me 19 ask this question first. 20 Are you aware that the letter is signed 21 by the two members of the -- that are appointed by the 22 City of Bryan to the TMPA board, Mr. Atkinson and 23 Mr. Kornegay? 24 A (Schroeder) He mentioned that it did come 25 from Bryan, so that was my assumption, yes.</p>
<p style="text-align: right;">998</p> <p>1 A (Schroeder) Some have suggested that the 2 board's approval of the filing did not lend 3 substantial credibility to our CTP proposal. And so 4 by affirming this second resolution, this would give 5 the TMPA proposal the necessary credibility that it 6 needs to hopefully be awarded these projects. 7 Q Okay. As I recall, there's eight members of 8 the TMPA board? 9 A (Schroeder) That's correct. 10 Q And that is two members which are appointed 11 by each of the four member cities. Correct? 12 A (Schroeder) That's correct. 13 Q Who are the two members appointed by the City 14 of Bryan? 15 A (Schroeder) Bryan's board members are 16 Mr. Bill Atkinson and Mr. Gene Kornegay. 17 Q Okay. Are those two individuals going to be 18 attending the meeting tomorrow? 19 A (Schroeder) I don't know, sir. 20 Q Okay. Have you had an opportunity to review 21 the document that has been admitted into evidence as 22 Commissioner's Exhibit No. 2 in this proceeding? 23 A (Schroeder) Are you referring to the letter 24 that we discussed? 25 Q Yes?</p>	<p style="text-align: right;">1000</p> <p>1 Q Okay. Did he inform you that the letter 2 objects to the process by which the CTP proposal has 3 been considered, objects to the fact that the meeting 4 has been scheduled for a date when the two Bryan 5 members are not available, and -- 6 MR. TOWNSEND: Objection, Your Honor. 7 The exhibit -- 8 MR. NOLAND: Let me finish the 9 question, please. 10 MR. TOWNSEND: -- will speak for 11 itself. This witness has -- says, "I haven't read 12 it," and it will speak for itself. 13 MR. NOLAND: Your Honor, I was asking 14 him what he was informed in his conversation with the 15 general manager of TMPA last night. 16 MR. TOWNSEND: Okay. That's a 17 different question. He didn't ask him what he was 18 informed. 19 MR. NOLAND: That was the question I 20 was asking. 21 JUDGE MONTELONGO: Okay. Go ahead and 22 answer. 23 A (Schroeder) Not to that level of detail. He 24 did not tell me those specifics that you just 25 detailed.</p>

KENNEDY REPORTING SERVICE, INC.

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PUC: 35665 HOM 12/3/2008

VOLUME 4

<p style="text-align: right;">1001</p> <p>1 Q (By Mr. Noland) Did he indicate that the 2 letter contained a number of detailed objections to 3 the authority of TMPA under the power sales contract 4 between the member cities to undertake the CTP 5 proposal? 6 A (Schroeder) No, sir, he did not tell me 7 that. 8 Q Okay. At the September 11th meeting of the 9 TMPA board, did the TMPA board also adopt a bond 10 resolution? 11 A (Schroeder) I believe that they did, sir, 12 but I don't know the specifics. 13 Q Okay. Do you know whether or not that 14 decision to adopt the bond resolution has been 15 appealed to the Courts? 16 A (Schroeder) No, sir. I don't have enough 17 information to answer that. I don't. 18 MR. NOLAND: Okay. That's all I have. 19 Thank you. 20 JUDGE MONTELONGO: STEC? 21 MS. CAMPBELL: I have no questions. 22 JUDGE MONTELONGO: LCRA? 23 MR. SHINKAWA: Paul Shinkawa for LCRA. 24 I have no questions. 25 JUDGE MONTELONGO: Longfellow Ranch?</p>	<p style="text-align: right;">1003</p> <p>1 environmental evaluations for many of the transmission 2 service providers active at ERCOT? 3 A (Reid) Yes. 4 Q Do you know of any transmission service 5 provider now active in ERCOT that does its own 6 internal environmental evaluation in lieu of hiring 7 some outside expert like yourself? With regard to 8 transmission line certificate proceedings. 9 A (Reid) Off the top of my head, I can't think 10 of any, Mr. Webb. 11 Q So, in other words, it would be the common 12 practice to rely on outside consultants for this type 13 of service when you were seeking a certificate to 14 build a new transmission line? 15 A (Reid) Yes. 16 Q Do you know whether municipalities that do 17 not have to receive CCNs to build new transmission 18 lines typically hire environmental consultants like 19 yourself in conjunction with preparing for that 20 activity, building a new transmission line? 21 A (Reid) I know that some do. I can't speak 22 for all of them. 23 Q Okay. Have you worked for some? 24 A (Reid) Yes. 25 Q Okay. Of the municipalities that have</p>
<p style="text-align: right;">1002</p> <p>1 MR. WEBB: Yes, Your Honor. 2 CROSS-EXAMINATION 3 BY MR. WEBB: 4 Q Mr. Reid, you've been unquestioned. It's my 5 understanding that you devote most of your effort to 6 participating in environmental studies of one sort or 7 another associated with transmission lines, power 8 plants related to facilities. Is that accurate? 9 A (Reid) The activities of PBS&J. 10 Q Well, I was speaking of yourself, but I would 11 include your firm in that. 12 A (Reid) PBS&J does a lot of services for 13 different sorts of industry. My personal endeavors 14 have been centered around the electric utility 15 industry. 16 Q All right. Are environmental studies a part 17 of all major transmission CCN proceedings before this 18 Commission? 19 A (Reid) For electric transmission lines, my 20 knowledge is yes. 21 Q Now, that's been true for a number of years, 22 isn't it, that these major transmission lines have an 23 environmental evaluation associated with them? 24 A (Reid) Yes, I agree. 25 Q And has your company worked on those</p>	<p style="text-align: right;">1004</p> <p>1 applied for a portion of the CREZ facilities, do you 2 know which ones, to your knowledge, have employed 3 environmental evaluations in the past? 4 A (Reid) CPS Energy. 5 Q Okay. Any of the others, to your knowledge? 6 A (Reid) That's the only one that I know of. 7 Q Okay. I want to direct this next question to 8 the Sharyland group, and I'm not sure exactly who -- 9 CHAIRMAN SMITHERMAN: Robert, pull that 10 mic up to your face a little bit. 11 MR. WEBB: Okay. 12 Q (By Mr. Webb) First of all, we've already 13 heard that Sharyland is a relatively new company, has 14 a relatively short transmission line account. Am I 15 correct in my understanding, I guess, Mr. Caskey, 16 you'd be the person in operations? It's my 17 understanding that you've relied on Black & Veatch for 18 most of the planning as to your transmission 19 activities, engineering and that sort of thing? 20 A (Caskey) No, not Black & Veatch. 21 Q Oh, I'm sorry. 22 A (Caskey) We've used others. 23 Q Okay. But you've used outside people as 24 opposed to having an internal staff? 25 A (Caskey) That's correct.</p>

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PUC: 35665 HOM 12/3/2008

VOLUME 4

1005	1007
<p>1 Q And that same would be true as to 2 construction of the lines? You've employed outside 3 contractors? 4 A (Caskey) That's correct. 5 Q Then I guess I should ask this of 6 Mr. Goodlet. In terms of regulatory proceedings 7 related to Sharyland, I take it that you've relied on 8 outside counsel, for example, in presenting the 9 various regulatory proceedings, CCNs, et cetera? 10 A (Goodlet) Yes, we have. 11 Q And whatever other consulting was -- whatever 12 other expertise was needed, by and large, was hired 13 outside? 14 A (Goodlet) Most have, but I do quite -- I do 15 some work. 16 Q Certainly. 17 A (Goodlet) But yes. 18 Q But you, too, were hired? 19 A (Goodlet) I'm one person. I have to have 20 help. 21 Q Well, my question then would be -- Mr. 22 Goodlet, I guess you're as good a person to start as 23 any. Is there any reason to believe if Sharyland can 24 rely almost entirely on outside personnel to perform 25 all the functions associated with getting approval to</p>	<p>1 MR. TOWNSEND: No questions from the 2 City of Garland. 3 JUDGE MONTELONGO: Edison Mission 4 Energy? 5 MR. BICKHAM: David Bickham for Edison 6 Mission. No questions. 7 JUDGE MONTELONGO: Eurus Energy? 8 (No response) 9 JUDGE MONTELONGO: TMPA? 10 MR. TOWNSEND: Yes, there will be some 11 questions from TMPA. 12 JUDGE MONTELONGO: Too many hats. 13 (Laughter) 14 (Exhibit TMPA No. 8 marked) 15 MR. TOWNSEND: I have an exhibit that 16 is marked as TMPA Exhibit 8 that I've given to the 17 court reporter, and here are ten copies. And if you 18 can, please distribute that. There are some extras 19 over here. 20 MR. NOLAND: Can I have one, please? 21 MR. TOWNSEND: Well, yes. It's one of 22 your RFI responses, so I'm sure you're familiar with 23 it. I'm going to put it in the corner over here and 24 just let y'all steal them for yourself. And I guess 25 the one person I need to show that to is Mr. McCaskey</p>
<p>1 build a transmission line and then going ahead and 2 building it and successfully operating it, that other 3 new entrants into the transmission business in Texas 4 could not have a similar success? 5 A (Goodlet) I won't speak to the engineering, 6 because we do have a good project management group in 7 place. I mean, you don't just farm out all your work 8 and take all the risk of that. I mean, you do have to 9 have certain skill-sets and personnel. Can new 10 entrants get my expertise? Absolutely. 11 Q Well, I guess my question was do you know of 12 any reason why they can't be as successful as 13 Sharyland has been in getting whatever expertise they 14 need on the open market in Texas? 15 A (Goodlet) I know of no reason they couldn't. 16 Q Mr. Caskey, as to engineering and 17 construction aspects, what would your opinion be? 18 Would there have been any reason why the new entrants 19 wouldn't be as successful as Sharyland has been in 20 obtaining the necessary expertise to carry out a 21 transmission construction project? 22 A (Caskey) No, I see no reason why they 23 couldn't either. 24 MR. WEBB: Thank you. 25 JUDGE MONTELONGO: City of Garland?</p>	<p>1 before y'all take them all. 2 CROSS-EXAMINATION 3 BY MR. TOWNSEND: 4 Q Good afternoon. I'm Lambeth Townsend 5 representing Texas Municipal Power Agency. 6 First I'd like to ask Mr. McCaskey if 7 what I've handed to him which has been the document 8 marked TMPA Exhibit 8, is that an RFI response that he 9 is sponsoring -- that was directed to Sharyland and he 10 is a sponsor for? 11 A (Caskey) Yes, it is. And I would like to 12 correct you. My name is -- excuse me. My name is 13 Mark Caskey. Mr. McCaskey has been talked about 14 several days, and I'm hoping I'm not paying him. But 15 he's not one of the ten, so -- 16 Q That's good. And I apologize, Mr. Caskey. 17 A (Caskey) That's fine. 18 Q You ought to hear what I'm called. 19 (Laughter) 20 Q (By Mr. Townsend) Other than 21 mispronunciation of my name. But other than that -- 22 it's mostly mispronunciation of my name, so I am 23 sensitive to that. 24 And this RFI response you were asked to 25 identify any and all transmission facilities presently</p>

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PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1009</p> <p>1 owned in whole or in part by Sharyland. Is that 2 correct?</p> <p>3 A (Caskey) That's correct.</p> <p>4 Q And you give an answer and set out what 5 totals up to -- I believe you said essentially it was 6 around 15.4 miles?</p> <p>7 A (Caskey) I think I stated 14.3 or somewhere 8 in that range, yes.</p> <p>9 Q Oh, I'm sorry. Thank you.</p> <p>10 MR. TOWNSEND: I move the admission of 11 TMPA Exhibit 8.</p> <p>12 JUDGE MONTELONGO: Any objection? 13 (No response)</p> <p>14 JUDGE MONTELONGO: TMPA Exhibit 8 is 15 admitted.</p> <p>16 (Exhibit TMPA No. 8 admitted)</p> <p>17 Q (By Mr. Townsend) Mr. Caskey, before working 18 with Sharyland, by whom were you employed?</p> <p>19 A (Caskey) I was employed by Bryan Texas 20 Utilities before I came to Sharyland.</p> <p>21 Q Okay. Have you kept a pretty good line of 22 communication with some your former coworkers in 23 Bryan?</p> <p>24 A (Caskey) With a few of them I do, yes.</p> <p>25 Q Okay. Now I have a few questions for</p>	<p style="text-align: right;">1011</p> <p>1 Q And in none of your comments did you ever 2 comment that this rule should prohibit 3 municipally-owned utilities from being designated as a 4 TSP to build CREZ because they don't have to get CCNs 5 and they don't have to pay ad valorem taxes, did you?</p> <p>6 A (Goodlet) There's no comments to that 7 effect.</p> <p>8 Q Okay. Looking at your responsive 9 testimony -- do you have that?</p> <p>10 A (Goodlet) Yes, I do.</p> <p>11 Q I'd like to refer you to the beginning on 12 Page 12. And I want to refer you to the Q and A 13 beginning on Line 19. And you state -- you were 14 asking if there were other issues, and you said, "I 15 believe that questions may be raised with respect to 16 the authority of TMPA to construct transmission 17 facilities outside its municipal boundaries."</p> <p>18 A (Goodlet) Let me --</p> <p>19 Q Do you see that?</p> <p>20 A (Goodlet) No, I do not.</p> <p>21 Q Lines 21 and 22.</p> <p>22 A (Goodlet) Are you in my responsive 23 testimony, Page 12?</p> <p>24 Q Page 12 of the responsive testimony.</p> <p>25 A (Goodlet) That's not --</p>
<p style="text-align: right;">1010</p> <p>1 Mr. Goodlet. How long have you been the general -- or 2 the VP for regulatory affairs?</p> <p>3 A (Goodlet) I guess a couple of years now.</p> <p>4 Q Did you participate in comments that were 5 filed -- or at least reply comments that were filed 6 back in February of 2008 in Project No. 34560, which 7 is the rulemaking proceeding that led to our 8 Rule 25.216?</p> <p>9 A (Goodlet) Yes.</p> <p>10 Q Okay. Now, do you recall in the comments 11 that you've -- Sharyland filed as reply comments on 12 proposed rule, the statement that given the large 13 needs of transmission infrastructure in the state, 14 both CREZ and non-CREZ, there appear to be plenty of 15 projects for all interested TSPs to build?</p> <p>16 A (Goodlet) I would have to see the document.</p> <p>17 Q Okay.</p> <p>18 A (Goodlet) It sounds familiar, but it has 19 been a while. Where are you at? Oh. Correct.</p> <p>20 Q Okay.</p> <p>21 A (Goodlet) That is correct.</p> <p>22 Q So, in that statement, you say "all 23 interested TSPs," not just TSPs that are not MOUs or 24 anything like that, do you?</p> <p>25 A (Goodlet) I was not being specific.</p>	<p style="text-align: right;">1012</p> <p>1 Q Excuse me. Page 10.</p> <p>2 A (Goodlet) Page 10. Okay.</p> <p>3 Q I apologize. Lines 21 and 22.</p> <p>4 A (Goodlet) Yes.</p> <p>5 Q Okay. Who were you thinking may raise those 6 questions?</p> <p>7 A (Goodlet) At the time, I was thinking of the 8 City of Bryan or other members of the TMPA group.</p> <p>9 Q Okay. So why were you thinking of the City 10 of Bryan? Had you had discussions with some 11 representatives of the City of Bryan by the time you 12 prepared and filed this testimony October 28th?</p> <p>13 A (Goodlet) No, I had not.</p> <p>14 Q Had you talked to someone who had had 15 conversations with somebody from the City of Bryan?</p> <p>16 A (Goodlet) No, I had not. I worked for the 17 City of Bryan as a consultant before coming to work 18 for Hunt. And I just, based on the relationship, 19 thought that that could be a problem.</p> <p>20 Q All right. So you say before you filed this 21 testimony, you did not speak with anybody from the 22 City of Bryan about TMPA's CTP proposal?</p> <p>23 A (Goodlet) I did not.</p> <p>24 Q Did you speak with any of your attorneys who 25 may have spoken with someone from the City of Bryan</p>

<p style="text-align: right;">1013</p> <p>1 about it?</p> <p>2 A (Goodlet) No, I did not.</p> <p>3 Q So you're telling me that all of this was of</p> <p>4 your own creation and not part of a discussion with</p> <p>5 any other party?</p> <p>6 A (Goodlet) No party outside of our group, no.</p> <p>7 I was familiar with the documents and the</p> <p>8 relationship.</p> <p>9 Q Well, who within your group had you discussed</p> <p>10 it with?</p> <p>11 A (Goodlet) Rich Noland and I did work on the</p> <p>12 power supply agreement, yes. I did work with my</p> <p>13 counsel once we started discussing this relationship.</p> <p>14 Q And how did you work with Rich Noland about</p> <p>15 it?</p> <p>16 A (Goodlet) He's my counsel in preparing my</p> <p>17 testimony and walking through the issues.</p> <p>18 MR. NOLAND: Your Honor, I wonder if</p> <p>19 we're starting to get into privileged --</p> <p>20 MR. TOWNSEND: I don't think there's</p> <p>21 any privilege with a testifying witness. That's what</p> <p>22 the current case law seems to be, that the testifying</p> <p>23 witness has got to tell all, with whom he spoke and</p> <p>24 what he spoke about.</p> <p>25 MR. NOLAND: Yeah. We'll let it go.</p>	<p style="text-align: right;">1015</p> <p>1 now here is my confusion. Your testimony is ten, but</p> <p>2 the Bates number was 12. All right. So now we'll get</p> <p>3 on the same page number.</p> <p>4 A (Goodlet) I don't have a Bates number here.</p> <p>5 Q All right. Well, I'm still looking at your</p> <p>6 testimony, and I'm looking at your testimony, Page 11</p> <p>7 of the testimony. It's 13 over on the right. We're</p> <p>8 on the same page?</p> <p>9 A (Goodlet) Yeah.</p> <p>10 Q All right. Line 21, "Yes, there has been</p> <p>11 ongoing litigation between the City of Bryan and TMPA</p> <p>12 relating to the transmission cost for several years."</p> <p>13 And what litigation is that?</p> <p>14 A (Goodlet) I was thinking of the continuing</p> <p>15 litigation over the -- basically the power supply</p> <p>16 contract and the allocation of the TCOS payments.</p> <p>17 Q Right. Okay.</p> <p>18 A (Goodlet) Yes. That's what I was speaking</p> <p>19 of.</p> <p>20 Q And you were working with Bryan as a</p> <p>21 consultant for GDS?</p> <p>22 A (Goodlet) Yes.</p> <p>23 Q Okay. The same company Ms. Blumenthal works</p> <p>24 with?</p> <p>25 A (Goodlet) We work together.</p>
<p style="text-align: right;">1014</p> <p>1 And if appropriate, I'll raise an objection</p> <p>2 subsequently.</p> <p>3 JUDGE MONTELONGO: Okay.</p> <p>4 Q (By Mr. Townsend) So I'm trying to get some</p> <p>5 idea of the genesis of these concerns and what made</p> <p>6 you start articulating them.</p> <p>7 A (Goodlet) I've worked with the City of Bryan</p> <p>8 as a consultant all through the TCOS case, and I know</p> <p>9 the contentious relationships that exist within that</p> <p>10 organization at times. That was the genesis.</p> <p>11 Q At times?</p> <p>12 A (Goodlet) At times. Obviously, you guys</p> <p>13 have built power plants and done things together.</p> <p>14 Q And some of these very specific things that</p> <p>15 you mention in here seem to I guess parrot what we</p> <p>16 just heard Mr. Schroeder testify that Mr. Dan</p> <p>17 Wilkerson voiced sometime back in September. Isn't</p> <p>18 that true?</p> <p>19 A (Goodlet) They are true, but I have not</p> <p>20 talked to Mr. Wilkerson in years.</p> <p>21 Q Well, do you know if your counsel spoke with</p> <p>22 Mr. Wilkerson or any other representative of Bryan to</p> <p>23 help you formulate this testimony?</p> <p>24 A (Goodlet) No, I do not.</p> <p>25 Q Okay. One of your -- excuse me. On Page --</p>	<p style="text-align: right;">1016</p> <p>1 Q Okay. On Page 12 of your testimony, the Q</p> <p>2 and A beginning on Line 6, you refer to a TMPA</p> <p>3 response to one of the joint party's RFIs asking about</p> <p>4 directors approving the CTP proposal. Is that</p> <p>5 correct?</p> <p>6 A (Goodlet) Yes, I do.</p> <p>7 Q And you attach a copy of 3-12 as Part 1 of</p> <p>8 your exhibit. Correct?</p> <p>9 A (Goodlet) Yes.</p> <p>10 Q Do you also recall joint party TMPA 3-10, the</p> <p>11 RFI that asked, "Please state whether the decision to</p> <p>12 submit the 9-12 -- or September 12 CTP proposal filed</p> <p>13 by TMPA was approved by the TMPA board," to which the</p> <p>14 response was, "Yes. It was approved by general</p> <p>15 consensus of the board on September 11th, 2008"?</p> <p>16 A (Goodlet) Where are you at?</p> <p>17 Q I'm asking if you recall that response to the</p> <p>18 RFI, to 3-10. You attached 3-12.</p> <p>19 A (Goodlet) I attached 3-12. I don't remember</p> <p>20 3-10.</p> <p>21 Q You don't remember 3-10?</p> <p>22 A (Goodlet) Huh-uh.</p> <p>23 Q Okay. Looking at your November 14th</p> <p>24 cross-rebuttal testimony beginning on Page 10.</p> <p>25 A (Goodlet) There's a Bates stamp on this one.</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1017</p> <p>1 Q Well, yeah. Now, which one do you want me to 2 refer to so we're on the same page? Your testimony 3 page or the Bates?</p> <p>4 A (Goodlet) No. Go ahead. The testimony 5 page.</p> <p>6 Q 10.</p> <p>7 A (Goodlet) Got it.</p> <p>8 Q Beginning the Q&A at Line 11, where you make 9 additional comments concerning TMPA.</p> <p>10 MR. NOLAND: Excuse me. I'm sorry. I 11 didn't follow which page you're on. Could you --</p> <p>12 MR. TOWNSEND: Page 10, cross-rebuttal.</p> <p>13 MR. NOLAND: And that's the Bates?</p> <p>14 MR. TOWNSEND: No. It's the testimony 15 page number.</p> <p>16 MR. NOLAND: Thanks</p> <p>17 MR. TOWNSEND: Okay.</p> <p>18 Q (By Mr. Townsend) There you begin agreeing 19 with the staff who agreed with you, so -- and then you 20 go on to say, "I understand there are questions 21 regarding the authority of TMPA to construct 22 facilities under the power sales contract that govern 23 the relationship between the four member cities." 24 What is the basis for that 25 understanding?</p>	<p style="text-align: right;">1019</p> <p>1 Q Okay. So, as I understand your testimony, 2 all of your basis for understanding is something of 3 your own creation, and it's not based on any 4 discussions with anybody from Bryan directly or 5 indirectly through your counsel or others?</p> <p>6 A (Goodlet) That's correct.</p> <p>7 Q Okay.</p> <p>8 A (Goodlet) That's my testimony.</p> <p>9 Q I believe you testified that you've been 10 working with Sharyland for a couple of years?</p> <p>11 A (Goodlet) I've been working with Sharyland 12 for eight years.</p> <p>13 Q As a consultant first. Correct?</p> <p>14 A (Goodlet) No. For two years as a 15 consultant. I joined them in 2000.</p> <p>16 Q Oh. For eight years?</p> <p>17 A (Goodlet) I just wasn't vice president all 18 that time. I was director for a while.</p> <p>19 Q Director for a while. And I believe in 20 response to Mr. Webb's questions, you weren't sure how 21 many employees Sharyland had?</p> <p>22 A (Goodlet) I actually worked for Hunt 23 Transmission most of that time and just did the 24 consulting on the regulatory affairs. I have 25 nothing -- I do none of the operations.</p>
<p style="text-align: right;">1018</p> <p>1 A (Goodlet) That was litigation ongoing in a 2 lawsuit filed. I think it was in the newspaper.</p> <p>3 Q Okay.</p> <p>4 A That's what I based that on.</p> <p>5 Q You based that on the newspaper report?</p> <p>6 A (Goodlet) Yes, the lawsuit that was filed.</p> <p>7 Q Okay. And are you aware that TMPA did file a 8 bond validation lawsuit in Travis County under the 9 expedited Declaratory Judgement Act to validate the 10 bonds that have been approved by the board?</p> <p>11 A (Goodlet) I'd have to look back at the 12 article. They talked something about it, but not to 13 that detail.</p> <p>14 Q Okay. Because on Page 11, Lines 2 through 5, 15 you do acknowledge pending litigation in Travis 16 County. And then you I think also acknowledge that 17 you're not a lawyer and you're not going to 18 necessarily try to give a legal opinion, but you 19 attach a copy of the power sales agreement and raise 20 various questions. Is that right?</p> <p>21 A (Goodlet) Correct.</p> <p>22 Q And you understand, Mr. Goodlet, that 23 reasonable minds can disagree on the construction of a 24 contract?</p> <p>25 A (Goodlet) Absolutely.</p>	<p style="text-align: right;">1020</p> <p>1 Q Okay. For Sharyland?</p> <p>2 A (Goodlet) Yes.</p> <p>3 Q How many employees are there for Hunt 4 Transmission?</p> <p>5 A (Goodlet) I don't actually handle the O&M 6 for it either. I have one department. I couldn't 7 tell you.</p> <p>8 Q And how many are in that one department?</p> <p>9 A (Goodlet) I don't -- I don't do HR and 10 personnel.</p> <p>11 Q You said you only handle one department.</p> <p>12 A (Goodlet) My department. I'm it.</p> <p>13 Q You're it?</p> <p>14 A I agree with that.</p> <p>15 Q Okay. The number of people in your 16 department is one?</p> <p>17 A (Goodlet) I stated that earlier.</p> <p>18 Q It's you?</p> <p>19 A (Goodlet) Yes.</p> <p>20 Q Okay. All right. And are you located here 21 in Austin or Rio Grande Valley or Amarillo or --</p> <p>22 A (Goodlet) I'm in Dallas.</p> <p>23 Q Dallas. Dallas. All right. Thank you.</p> <p>24 MR. TOWNSEND: Those are all the 25 questions I have.</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1021</p> <p>1 JUDGE MONTELONGO: Lone Star?</p> <p>2 MR. SHEPHERD: Scott Shepherd for Lone</p> <p>3 Star. No questions.</p> <p>4 JUDGE MONTELONGO: Commission staff?</p> <p>5 MR. MEDRANO: Andres Medrano. No</p> <p>6 questions at this time.</p> <p>7 JUDGE MONTELONGO: Okay.</p> <p>8 Commissioners, we're ready for redirect, if you want</p> <p>9 to go with that, or --</p> <p>10 CHAIRMAN SMITHERMAN: Yeah. Let's keep</p> <p>11 going.</p> <p>12 JUDGE MONTELONGO: Okay. City of</p> <p>13 Garland, redirect?</p> <p>14 A (Goodlet) Can we take a quick break?</p> <p>15 CHAIRMAN SMITHERMAN: Let's take a</p> <p>16 five-minute break.</p> <p>17 (Recess from 4:35 p.m. to 4:46 p.m.)</p> <p>18 CHAIRMAN SMITHERMAN: Okay. Let's get</p> <p>19 started. Judge, what Commissioner exhibit number are</p> <p>20 we on? 2?</p> <p>21 JUDGE MONTELONGO: 3 would be next.</p> <p>22 CHAIRMAN SMITHERMAN: 3 would be next?</p> <p>23 Okay. Before we get started, I have two additional</p> <p>24 Commissioner exhibits. I just received a fax from the</p> <p>25 county judge of Gillespie County, so let me mark this</p>	<p style="text-align: right;">1023</p> <p>1 There was also a question of</p> <p>2 clarification about the information that I was looking</p> <p>3 for. Again, I wanted you to -- with regard to the</p> <p>4 debt component, give me that as of tomorrow so that</p> <p>5 your financial people and your financial advisors and</p> <p>6 your investment bankers would have an opportunity to</p> <p>7 assess the market situation tomorrow in choosing</p> <p>8 numbers for debt.</p> <p>9 The ROE -- I mean, you should be able</p> <p>10 to figure that out now. And then we should get that</p> <p>11 material filed before we close the hearing, which will</p> <p>12 be Friday afternoon. Does that help, Jo?</p> <p>13 MS. CAMPBELL: Yes, it helps a lot.</p> <p>14 CHAIRMAN SMITHERMAN: Again, put it</p> <p>15 under super secret, top secret. We'll be the only</p> <p>16 ones to see it.</p> <p>17 MS. CAMPBELL: We don't file things</p> <p>18 with confidentiality. We think everybody should have</p> <p>19 this information.</p> <p>20 MR. HUGHES: Mr. Chairman, when you say</p> <p>21 "the only ones to see it," do you mean the</p> <p>22 Commissioners?</p> <p>23 CHAIRMAN SMITHERMAN: Pardon me?</p> <p>24 MR. HUGHES: When you say the only ones</p> <p>25 to see it, do you mean the Commissioners?</p>
<p style="text-align: right;">1022</p> <p>1 one Commissioner Exhibit No. 3. And attached to that</p> <p>2 was a resolution from Gillespie County with regard to</p> <p>3 CREZ, and I'll mark that as 4. Would you hand those</p> <p>4 to --</p> <p>5 COMM. ANDERSON: I will.</p> <p>6 CHAIRMAN SMITHERMAN: Thank you.</p> <p>7 Hopefully there are no objections.</p> <p>8 (Exhibit Commissioner Nos. 3 and 4</p> <p>9 marked)</p> <p>10 MS. CAMPBELL: Mr. Chairman, are we</p> <p>11 going to get copies of these since we might want to</p> <p>12 use them in our briefs.</p> <p>13 CHAIRMAN SMITHERMAN: Yes, ma'am. I'll</p> <p>14 put them out right now.</p> <p>15 MR. CAMPBELL: Okay.</p> <p>16 CHAIRMAN SMITHERMAN: And we'll file it</p> <p>17 in the docket as well.</p> <p>18 JUDGE MONTELONGO: The letter is dated</p> <p>19 December 1. Are the parties familiar with the</p> <p>20 document?</p> <p>21 (Discussion off the record)</p> <p>22 CHAIRMAN SMITHERMAN: If you picked up</p> <p>23 one of these, maybe you can share it with somebody and</p> <p>24 then ask for it back. Again, we'll file this in the</p> <p>25 docket.</p>	<p style="text-align: right;">1024</p> <p>1 MS. McCLENDON: It should be the ones</p> <p>2 that executed --</p> <p>3 CHAIRMAN SMITHERMAN: Yeah. I guess if</p> <p>4 you've executed the appropriate document getting you</p> <p>5 access to this material, you can look at it.</p> <p>6 MS. BIGGS: Your Honor, end of market</p> <p>7 close tomorrow?</p> <p>8 CHAIRMAN SMITHERMAN: Well, it's</p> <p>9 tomorrow. I'll let you pick the point in time.</p> <p>10 Mr. Casey, if you want to try to time the market</p> <p>11 tomorrow, I'll let you do that.</p> <p>12 MR. CASEY: If you don't set a time,</p> <p>13 you're going to get a bunch of different answers based</p> <p>14 upon who -- if we're going to file it Friday, I would</p> <p>15 just assume it's by the end of the day tomorrow. If</p> <p>16 we do it end of the day today -- I think that's what</p> <p>17 most of us are probably working on.</p> <p>18 CHAIRMAN SMITHERMAN: Well, I think</p> <p>19 some people had a hard time getting ahold of their</p> <p>20 financial people for today is the reason I didn't want</p> <p>21 to do it for today.</p> <p>22 MR. CASEY: That's fine. If we're</p> <p>23 going to file it on Friday, we'll just --</p> <p>24 CHAIRMAN SMITHERMAN: Again, what I've</p> <p>25 asked for is supporting documentation, in other words</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1025</p> <p>1 comparables. So, if you say, "I'm a triple B-plus, 2 and I think I can borrow five-year at 3 percent," then 3 you need to supply us with some examples of triple 4 B-pluses that have accessed the capital marks or, you 5 know, have secured that at that level. Otherwise, 6 it's not going to be credible. Right? 7 MS. BIGGS: Yes, sir. I think we 8 understand that. 9 CHAIRMAN SMITHERMAN: And hopefully 10 there won't be too much volatility from market open 11 tomorrow until the end of the day. Okay. 12 JUDGE MONTELONGO: All right. Now that 13 the parties have had some time to review Commissioner 14 Exhibit 3 and 4 -- just so we're clear, 3 is the 15 letter from the county judge for Gillespie County, and 16 4 is the copy of the resolution that came with the 17 letter. That particular resolution is dated 18 December 10th, I believe -- or November 10th, and the 19 cover letter is dated December 1. Any objections? 20 (No response) 21 JUDGE MONTELONGO: Okay. Commissioner 22 Exhibit 3 and 4 are admitted. 23 (Exhibit Commissioner Nos. 3 and 4 24 admitted) 25 JUDGE MONTELONGO: And we're ready to</p>	<p style="text-align: right;">1027</p> <p>1 years. We are operating 138 kV transmission through 2 third-party contracts on operation. We do construct, 3 manage the facilities with our own staff and with 4 contractors. And we feel like we can -- we can build, 5 and we believe we can finance the projects that we've 6 asked for. 7 Q Mr. Webb asked some questions that compared 8 essentially the other new entrants' capabilities with 9 Sharyland. Do you -- is there any expertise that 10 you'd like to tell us about that Sharyland would have 11 that the other new entrants wouldn't have? 12 A (Caskey) Well, I think there is a 13 distinction. Sharyland is an operating utility. We 14 have been operating and participating in the state 15 with the transmission facilities. We've been 16 operating with our existing facilities. We have built 17 transmission on our own. We've proposed the HVDC tie, 18 built that project where we went out through the 19 process of obtaining a presidential permit and all the 20 activities associated with the international tie we 21 have with CFE. 22 We are participating in the RPG process 23 in ERCOT and have since the inception of the utility. 24 We have participated in all of the different 25 activities that a utility has to do as far as</p>
<p style="text-align: right;">1026</p> <p>1 go with redirect. Mr. Townsend, did you have redirect 2 for Garland? 3 MR. TOWNSEND: No redirect for the City 4 of Garland. 5 JUDGE MONTELONGO: Okay. Sharyland? 6 MR. NOLAND: Yes, Your Honor, we do 7 have redirect. 8 REDIRECT EXAMINATION 9 BY MR. NOLAND: 10 Q Mr. Caskey, just so the record is clear, have 11 you had any conversations with anyone from the City of 12 Bryan concerning the CTP facilities? 13 A (Caskey) No, I have not. 14 Q Mr. Rima asked you some questions concerning 15 Sharyland's practices concerning construction and 16 maintenance. Do you recall those? 17 A (Caskey) Yes, I do. 18 Q And do your answers in any way suggest that 19 Sharyland can't build and maintain the facilities that 20 it's requested in this docket? 21 A (Caskey) No, I don't think my answers 22 reflect that. I think there's no reason to think that 23 Sharyland cannot build the transmission facilities 24 that we've asked for in this project. We've been an 25 operating electric utility in the state now for nine</p>	<p style="text-align: right;">1028</p> <p>1 reporting not only real-time information to 2 the Commission -- or to ERCOT, but also the periodic 3 reports that we have to file with the Commission and 4 with other federal agencies. We are -- as an 5 operating utility, we have that experience in place at 6 this time. 7 Q And do you have any in-house expertise that 8 you'd like to identify that would contrast you with 9 other new entrants? 10 A (Caskey) I guess the only -- you know, some 11 of the expertise that we have as a utility, we -- like 12 I say, we have been operating. In the past, I have 13 operated other utilities where I have worked with and 14 operating 345 kV transmission. We have -- I have done 15 planning on transmission at other facilities. We 16 have also -- as we've said, we have brought in 17 additional contractors such as Black & Veatch that 18 have expertise to work throughout the area that has 19 the capability, design, and construction of these 20 lines. 21 Q Mr. Mundy, are you still on the phone, I 22 hope? 23 A (Mundy) I am. 24 Q And you recall your conversations with 25 counsel for Cross Texas?</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1029</p> <p>1 A (Mundy) Yes.</p> <p>2 Q Did you have any involvement in the</p> <p>3 development of the joint development plan?</p> <p>4 A (Mundy) No, I did not.</p> <p>5 Q Did you ever see the documents that you were</p> <p>6 questioned on before today?</p> <p>7 A (Mundy) No, I did not.</p> <p>8 Q Do you know whether Cross Texas' counsel's</p> <p>9 annotations that were made on the exhibit that he</p> <p>10 provided to you were accurate?</p> <p>11 A (Mundy) I do not.</p> <p>12 Q Have you ever seen the entire document?</p> <p>13 A (Mundy) I have not.</p> <p>14 Q Is that something you would like to see</p> <p>15 before you could provide meaningful answers to the</p> <p>16 sorts of questions you were asked?</p> <p>17 A (Mundy) Yes, I would.</p> <p>18 Q Do any of counsels' questions to you change</p> <p>19 your testimony in any way?</p> <p>20 A (Mundy) They do not.</p> <p>21 MR. NOLAND: I have no further</p> <p>22 questions.</p> <p>23 JUDGE MONTELONGO: ETT?</p> <p>24 MR. McGRATH: No questions. Thank you.</p> <p>25 JUDGE MONTELONGO: TMPA?</p>	<p style="text-align: right;">1031</p> <p>1 Q And was there any opposition voiced that day</p> <p>2 during the board meeting by any of the board members</p> <p>3 of going forward with filing that CTP proposal?</p> <p>4 A (Schroeder) Not that I recall.</p> <p>5 MR. TOWNSEND: Thank you. Those are</p> <p>6 all the questions that I have.</p> <p>7 JUDGE MONTELONGO: All right.</p> <p>8 Commissioners, we're ready for your questions.</p> <p>9 CHAIRMAN SMITHERMAN: Do you have any</p> <p>10 questions for this group?</p> <p>11 COMM. ANDERSON: Yeah, actually, I do.</p> <p>12 CLARIFYING EXAMINATION</p> <p>13 BY THE COMMISSION:</p> <p>14 Q (Anderson) Mr. Schroeder -- excuse me. I</p> <p>15 was directed to you as the appropriate person to ask.</p> <p>16 Tell me a little bit about how TMPA handles their</p> <p>17 routing and their condemnation -- or their land</p> <p>18 acquisition and condemnation.</p> <p>19 A (Schroeder) Sir, we typically follow PUC</p> <p>20 procedural Rule 22.52 as a guide to providing public</p> <p>21 notice, and we hold landowner meetings, meet with</p> <p>22 landowners to discuss concerns about routing and route</p> <p>23 selection. We may use our own internal resources. We</p> <p>24 also have used outsourced land agents to help us with</p> <p>25 that process.</p>
<p style="text-align: right;">1030</p> <p>1 MR. TOWNSEND: I have a brief redirect.</p> <p>2 REDIRECT EXAMINATION</p> <p>3 BY MR. TOWNSEND:</p> <p>4 Q Mr. Schroeder, how many times have you given</p> <p>5 sworn testimony in any kind of court or regulatory</p> <p>6 proceeding?</p> <p>7 A (Schroeder) This is my first time.</p> <p>8 Q All right. Thanks. In response to questions</p> <p>9 I believe by counsel for AES that asked you whether</p> <p>10 the board approved the filing of the CTP proposal on</p> <p>11 September the 11th, what did you mean by answering,</p> <p>12 "Yes, they did approve it"?</p> <p>13 A (Schroeder) The board voted by general</p> <p>14 consensus. It was approved -- the filing was</p> <p>15 approved. So that was -- I interpreted that as my</p> <p>16 direction to go forward with the filing and proceed</p> <p>17 with the CREZ proposal.</p> <p>18 Q All right. You said "voted by general</p> <p>19 consensus." There really wasn't a vote -- I mean, you</p> <p>20 said by the discussion and general consensus, you</p> <p>21 interpreted was a vote of approval?</p> <p>22 A (Schroeder) That's correct.</p> <p>23 Q Okay. So there wasn't actually a roll call</p> <p>24 vote that day?</p> <p>25 A (Schroeder) That's correct.</p>	<p style="text-align: right;">1032</p> <p>1 And then ultimately, you know, we will</p> <p>2 try to determine preferred and alternative routes for</p> <p>3 our lines and present those in a public forum for</p> <p>4 discussion, and then ultimately go to the board for</p> <p>5 approval of the project.</p> <p>6 COMM. ANDERSON: Do landowners who --</p> <p>7 or other affected parties have an opportunity to</p> <p>8 address the board, and historically have they?</p> <p>9 A (Schroeder) They do. We typically have an</p> <p>10 open mic at the beginning of our board meetings. And</p> <p>11 in my brief tenure at TMPA, we had one line project</p> <p>12 this last year, and we did have someone show up who</p> <p>13 had a concern over one of our lines at the time, but</p> <p>14 they did not use that opportunity to speak with us</p> <p>15 directly. And it was a landowner that we had visited</p> <p>16 with, and then we continued discussions with that</p> <p>17 landowner to resolve that issue successfully. But I</p> <p>18 have not seen anybody address the board directly.</p> <p>19 Q (Anderson) Has the board -- to your</p> <p>20 knowledge, has the board ever modified one of your</p> <p>21 routes or made adjustments to the proposal, you know,</p> <p>22 such as using monopoles rather than lattice or moving</p> <p>23 the line across the road or that sort of thing in</p> <p>24 response to a landowner's appeal to the board?</p> <p>25 A (Schroeder) No, sir, they have not. As the</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1033</p> <p>1 transmission manager, my direction has always been to 2 do whatever it takes to work within the rules, to work 3 with landowners to come up with solutions to avoid 4 condemnation at all cost. Because we consider the 5 landowners -- especially within the member cities, but 6 elsewhere in Texas, throughout the ERCOT system, to be 7 our constituents as well, and so we want to work with 8 them to come up with the best possible solution.</p> <p>9 Q (Anderson) Have you ever actually had to -- 10 I'm assuming you've brought condemnation proceedings, 11 though -- that TMPA has brought condemnation 12 proceedings -- or has initiated them, at least?</p> <p>13 A (Schroeder) Yes, I believe they have 14 initiated them.</p> <p>15 Q (Anderson) Have you ever gone all the way to 16 trial and/or any appeal, or have you settled them all? 17 One other party -- one of the, I guess, incumbents has 18 made a point of saying they've settled every -- every 19 contested matter that they've ever filed -- or ever 20 had to go. I guess, to, if I understood the comment 21 correctly.</p> <p>22 A (Schroeder) Right. Since I've been with 23 TMPA for a little over a year and a half, we did 24 initiate condemnation proceedings on the last project 25 I worked on; however, we settled all of those before</p>	<p style="text-align: right;">1035</p> <p>1 Q (Anderson) Okay. This would be for 2 Mr. Grubbs. And the numbers have changed, but how do 3 you propose to actually do -- or manage your 4 operations and maintenance out in West Texas?</p> <p>5 A (Grubbs) As I said before -- this was 6 somewhat during settlement discussions, but we have 7 discussed with a number of the parties here of jointly 8 maintaining the facilities. If we were unsuccessful 9 in getting any kind of agreement like that, then most 10 likely we would create an office in the area where 11 these facilities were with some limited staff and then 12 supplement them as required with our staff from 13 Dallas, recognizing that that is a several hour drive 14 away from there.</p> <p>15 CHAIRMAN SMITHERMAN: Several?</p> <p>16 A (Grubbs) Several.</p> <p>17 COMM. ANDERSON: I was going to say. 18 Times three, maybe.</p> <p>19 A (Grubbs) Times three. But, I mean, I 20 mentioned we had 170-foot bucket trucks and all that. 21 There's probably not a reason to duplicate those in 22 most cases, that the crews could get by with somewhat 23 smaller equipment, and then those would be brought out 24 there the next day or something to assist as needed. 25 It is our real home -- and based on discussions we've</p>
<p style="text-align: right;">1034</p> <p>1 they actually went to trial. As far as the historical 2 record of any of those types of things, I don't know.</p> <p>3 Q (Anderson) And I think I got the question to 4 my answer yesterday, but just to confirm, TMPA does 5 pay PILOTS in lieu of taxes to the counties and other 6 jurisdictions across whom your lines traverse?</p> <p>7 A (Schroeder) TMPA currently does pay PILOT 8 taxes for the assets that are associated with the 9 Gibbons Creek plant to Grimes County and the school 10 district therein.</p> <p>11 Q (Anderson) What about your lines -- your 12 transmission lines and facilities?</p> <p>13 A (Schroeder) The lines and facilities that 14 are outside of Grimes County, presently they do not 15 pay those PILOT payments.</p> <p>16 Q (Anderson) To your knowledge, would that be 17 the approach in the counties in West Texas if -- and 18 other jurisdictions if -- if the Commission awarded 19 you CREZ facilities?</p> <p>20 A (Schroeder) It's my opinion that if TMPA was 21 allowed to recover PILOT payments through its rate 22 cases -- subsequent rate cases, that we would 23 certainly consider that and be willing to make PILOT 24 payments for any lines that we would build as part of 25 CREZ.</p>	<p style="text-align: right;">1036</p> <p>1 had with a number of parties, we think that we can 2 achieve some kind of joint maintenance agreement.</p> <p>3 Q (Anderson) Your -- and I -- the estimate 4 that I've seen for -- I think it's the ten-year 5 average for O&M is significantly higher than many of 6 the other utilities that have filed. Would you expect 7 to recover all those costs in rate cases?</p> <p>8 A (Grubbs) We would expect to recover our O&M 9 expenses, yes, whatever they might be. Those numbers 10 were developed by our consultant based on some 11 nation-wide averages that he had rather than our 12 specific case.</p> <p>13 Q (Anderson) If it's not confidential, what 14 currently are your -- I guess it would be more of a 15 question for TMPA. Does City of Garland have 16 transmission lines?</p> <p>17 A (Grubbs) We have about 132 miles of 18 transmission lines in four counties, but all of our 19 345 is owned by TMPA, and then we primarily built the 20 138 system there off of their 345 lines.</p> <p>21 Q (Anderson) Okay. Do you pay PILOTS on those 22 facilities outside of the City of Garland?</p> <p>23 A (Grubbs) To the best of my knowledge, we pay 24 only PILOT within the city limits of Garland and have 25 not paid it outside of there. But much like</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1037</p> <p>1 Mr. Schroeder said, assuming that the Commission is 2 willing to allow that in our future TCOS cases, we 3 would be more than glad to pay PILOT for these CREZ 4 facilities.</p> <p>5 COMM. ANDERSON: Okay. That's all I 6 have.</p> <p>7 Q (Smitherman) I asked this the other day, and 8 let me just -- Mr. Grubbs, let me go back to you. I 9 mean, I assume all things being equal, if you guys 10 were to be awarded an amount of CREZ lines that were 11 closer to home as opposed to way out in this territory 12 that's several -- your word -- several hours away, 13 you'd be indifferent. Right?</p> <p>14 A (Grubbs) I would certainly prefer to have 15 lines closer in to our facilities. However, almost 16 all of those that are in our area are ones that were 17 essentially considered default projects that either 18 they were adding a second circuit to a second line or 19 reductoring the existing line, or that engineering 20 had already started on the line, so there were not any 21 lines specifically in our area. But, yes, we would be 22 pleased to receive any of the CREZ projects.</p> <p>23 Q (Smitherman) Okay. Well, I'll have to go 24 back and look at the maps again. I'm not sure they're 25 all default projects, but let me --</p>	<p style="text-align: right;">1039</p> <p>1 entities generally pass whatever profits we're going 2 to get back to our consumers, back to the ratepayers 3 of Texas. And, therefore, any profits or whatever 4 that we make from these CREZ facilities are going to 5 be used to reduce the electric rates of the -- the 6 citizens of Texas.</p> <p>7 Q (Smitherman) And I understand how the math 8 works, but your attorney has, on several occasions, 9 referenced our rule regarding selection of 10 transmission service providers.</p> <p>11 A (Grubbs) Yes, sir.</p> <p>12 Q (Smitherman) And I can tell you that nowhere 13 in there are we directed to consider the issue that 14 you're asking us to consider in selecting TSPs.</p> <p>15 A (Grubbs) You are -- the legislation, I 16 believe, directs you to at least consider cost -- the 17 cost effective to the ratepayers of Texas.</p> <p>18 Q (Smitherman) It says consumers?</p> <p>19 A (Grubbs) Okay. But statewide. It's not 20 necessarily Garland's ratepayers, but the ratepayers 21 of the state of Texas. By utilizing low cost 22 providers such as the City of Garland, that does 23 reduce the cost to all of the consumers of Texas. Not 24 just to the ratepayers of Garland, but to all 25 consumers. We are certainly willing to partner with a</p>
<p style="text-align: right;">1038</p> <p>1 A (Grubbs) I won't say they're all default, 2 but certainly if the Commission, in its infinite 3 wisdom, could find some closer to home, we'd certainly 4 be glad for that.</p> <p>5 Q (Smitherman) I don't know if we can or 6 can't, but it seems to me, from my opinion, that's 7 about the only way it makes since. But I'll 8 personally take a look at that.</p> <p>9 A (Grubbs) Well, our -- how do I say that? To 10 me, the -- and I know y'all didn't really take a 11 serious -- or weren't too concerned with STEC's table 12 that they had created on the effect of the TCOS 13 payments -- the TCOS matrix, their variation of it, 14 but, essentially, the City of Garland, depending on 15 some assumptions you make in that table -- even under 16 the most optimistic assumptions, our costs are going 17 to go up about \$6.6 million if we build no facilities 18 whatsoever. Under some more -- what I think are some 19 more reasonable assumptions as far as the rate of 20 returns by various parties, our costs could go up by 21 as much as \$11 million if we construct no facilities.</p> <p>22 Our consumers and our city council were 23 very concerned about those rate increases that our 24 consumers are going to have to absorb. To me, the 25 CREZ facilities need to -- I mean, the public power</p>	<p style="text-align: right;">1040</p> <p>1 regulated utility in order to go through the CCN 2 process. We think that as little as 1 percent 3 interest would trigger that regulatory oversight 4 rather than, you know, requiring 30 percent or some 5 such ownership. And we are certainly willing to 6 accommodate the Commission in that regard so that you 7 can feel comfortable that the CCN procedures are 8 followed completely.</p> <p>9 The -- you know, we've committed to the 10 Commission that we would follow the CCN procedures in 11 any case, from environmental to public notice to 12 police hearings. But if you feel more comfortable 13 with us going to CCN route -- I don't believe there's 14 a legal way we can do the CCN by ourselves without 15 providing another party in there, but we're willing to 16 do that.</p> <p>17 The only thing that we would request is 18 that in your initial order you not specify which party 19 we had to file the CCN co-ownership with. We've had 20 discussions with several different parties that have 21 indicated willingness to allow us to jointly file the 22 ownership with, and that we think that it would help 23 in our negotiations if we were allowed to negotiate 24 with somebody prior to filing that CCN as opposed to 25 dictating a specific utility.</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

1041	<p>1 Q (Smitherman) And just to clarify, I think 2 yesterday or the day before -- perhaps it was LCRA -- 3 expressed that if we were to try to create that sort 4 of marriage, that the preference would be that one 5 partner would have a designated portion of the line, 6 and the other partner would have, similarly, a 7 designated portion that their experience in a true 8 joint venture or joint ownership of a single line was 9 not a particularly good experience.</p> <p>10 A (Grubbs) I believe that TMPA has a number 11 of -- or has some joint owned lines. I have 12 participated in joint owned substations, joint owned 13 lines in past years, where you come to a point and 14 say, "You maintain this half of it, and you maintain 15 this half of it." I won't say that that hasn't caused 16 some issues. But for the most part, my preference -- 17 and the way I've tried to negotiate those in the 18 past -- is one partner or the other, whichever one it 19 is, would take over maintenance for the entire line, 20 as opposed to doing a piece of it. I think that would 21 be much more effective, and --</p> <p>22 But there again, that's why I would say 23 I would prefer for us to be able to negotiate with 24 whoever the party is. We're not adamant that we would 25 want to be the maintaining agency out there. We've</p>	1043	<p>1 PILOTs to Garland, that county, and not to other 2 areas?</p> <p>3 A (Grubbs) Well, that's actually in Dallas 4 County, but it's PILOT only to the city.</p> <p>5 Essentially it's --</p> <p>6 Q (Nelson) Okay. What's the rationale for the 7 City of Garland paying PILOT to the city?</p> <p>8 A (Grubbs) Essentially that we have 9 transmission lines owned by Brazos going across our 10 city. We have transmission lines owned by Oncor going 11 across our city. We have transmission lines owned by 12 TMPA going across our city. And it is a way to get at 13 least some comparable nature of those transmission 14 lines for compensation to the City.</p> <p>15 Q (Nelson) Okay. Wouldn't -- wouldn't the 16 other areas where you have trick lines, wouldn't those 17 areas be similarly situated?</p> <p>18 A (Grubbs) I'm sure that the other agencies 19 would like to receive PILOT too if you would allow it 20 in the TCOS filing.</p> <p>21 COMM. ANDERSON: Can I interrupt?</p> <p>22 Q (Anderson) So basically the city-owned 23 utility pays itself a PILOT?</p> <p>24 A (Grubbs) That's correct.</p> <p>25 Q (Anderson) They call it a PILOT, but nobody</p>
1042	<p>1 said all along that we would prefer for another larger 2 entity to do the maintenance in these. We're more 3 interested from an ownership standpoint.</p> <p>4 Q (Smitherman) If you were to be partnered up 5 with an IOU, have you-all researched how much tax 6 exempt debt you could sell on a project where you're 7 in a joint venture or a joint ownership arrangement? 8 Is it your percentage of ownership? Is it 100 percent 9 of the project costs? Is it zero?</p> <p>10 A (Grubbs) Per your request earlier this week, 11 we are currently having bond counsel investigate that.</p> <p>12 Q (Smitherman) Okay.</p> <p>13 A (Grubbs) And we expect to have an opinion -- 14 we've requested by Friday, but they're not sure they 15 can make it by Friday. I hate to speculate on what 16 that's going to be, but I'm -- I would be shocked if 17 we could get tax exempt for the entire project. It 18 would have to be our portion of it, but --</p> <p>19 Q (Smitherman) Well, obviously, we wouldn't 20 want to create a relationship that eliminates your 21 attractive cost of capital.</p> <p>22 A (Grubbs) Yes, sir. We appreciate that.</p> <p>23 COMM. NELSON: I lied. I have a 24 question.</p> <p>25 Q (Nelson) What is the rationale for paying</p>	1044	<p>1 else?</p> <p>2 A (Grubbs) That's correct. Right.</p> <p>3 COMM. ANDERSON: That's a sweet deal.</p> <p>4 Are you done?</p> <p>5 COMM. NELSON: I'm done.</p> <p>6 Q (Anderson) This question is for Sharyland. 7 Can you explain to me a little further how you propose 8 to actually operate -- let's assume for discussion 9 purposes that you were granted the facilities that are 10 set out in the joint -- the joint proposal. How would 11 you propose to operate those?</p> <p>12 A (Caskey) This is Mr. Caskey.</p> <p>13 Q (Anderson) Caskey.</p> <p>14 A (Caskey) As we stated in our CTP, we would 15 open up a field office in the -- for the area we've 16 asked for. It would be somewhere in the Amarillo 17 area. We would station, for the facilities we've 18 talked about, up to five people in an office to 19 maintain and manage the transmission facilities and 20 the substation facilities. And that would be fairly 21 centrally located between those lines. We've asked 22 for, I think, approximately 300 miles of line is what 23 we've asked for.</p> <p>24 Q (Anderson) Would you have an operations 25 center in Dallas, or do you have one now, or is it in</p>

PUC: 35665 HOM 12/3/2008
VOLUME 4

<p style="text-align: right;">1045</p> <p>1 the Valley? Or do you subcontract it out?</p> <p>2 A (Caskey) We subcontract out our operations</p> <p>3 at this time. Our plan is based on the amount of the</p> <p>4 facilities that we will be awarded, we'll look at the</p> <p>5 prudence to opening up our own facility. If it is not</p> <p>6 prudent to open up our own facility, then we would</p> <p>7 contract out for operation also. And that would be</p> <p>8 for basically the control, mechanism portion of it.</p> <p>9 We would still operate -- take care of all the</p> <p>10 fieldwork ourselves, the maintenance work ourselves,</p> <p>11 and manage those contracts.</p> <p>12 Q (Anderson) Refresh my memory. I think you</p> <p>13 mentioned in your proposal -- have you already</p> <p>14 identified, if you do continue to subcontract it out,</p> <p>15 with whom would you do that with?</p> <p>16 A (Caskey) For the control?</p> <p>17 Q (Anderson) Yeah.</p> <p>18 A (Caskey) We have not identified that at this</p> <p>19 time.</p> <p>20 Q (Anderson) Okay.</p> <p>21 A (Caskey) We are currently using AEP TCC out</p> <p>22 of Corpus Christi for our facilities in the Valley.</p> <p>23 Q (Anderson) For your facilities out there?</p> <p>24 A (Caskey) Yes.</p> <p>25 COMM. ANDERSON: That's all I have.</p>	<p style="text-align: right;">1047</p> <p>1 have lines in Shamrock and Clarendon and down to</p> <p>2 Childress, which was the location cited in the CTP</p> <p>3 filing as a new office.</p> <p>4 Q (Smitherman) Pull that mic a little closer.</p> <p>5 So, generally speaking, does the AEP TNC present</p> <p>6 infrastructure go to about the limits of the ERCOT</p> <p>7 lines to the northwest? Is that accurate? Mr. Reid</p> <p>8 is shaking his head yes.</p> <p>9 A (Hassink) The facilities -- if I understood</p> <p>10 the question correctly, there's a line that goes from</p> <p>11 Oklaunion through Childress and up through the Pampa</p> <p>12 area, and there's another one that heads directly west</p> <p>13 from Childress. And the ones demarcated in the joint</p> <p>14 parties' filing generally overlay AEP facilities.</p> <p>15 Now, the ones in the Panhandle are generally Southwest</p> <p>16 Power Pool facilities.</p> <p>17 Q (Smitherman) Right. Well, I know there's a</p> <p>18 big one that runs from east to west that's a Southwest</p> <p>19 Power Pool line.</p> <p>20 A (Hassink) That particular 345 line belongs</p> <p>21 to SPS. But there is a 138 kV system and a 230 kV.</p> <p>22 CHAIRMAN SMITHERMAN: Well, I'll save</p> <p>23 the details of that for the next panel, then. Any</p> <p>24 more for these guys?</p> <p>25 (No response)</p>
<p style="text-align: right;">1046</p> <p>1 Thank you.</p> <p>2 CHAIRMAN SMITHERMAN: Let me ask this</p> <p>3 to Paul or Bill.</p> <p>4 Q (Smitherman) Bill, nice to see you again.</p> <p>5 A (Bojorquez) Likewise.</p> <p>6 Q (Smitherman) In the joint CREZ transmission</p> <p>7 plan that was filed early in the docket, ETT is</p> <p>8 assumed to construct a fair amount up in the</p> <p>9 Panhandle, sort of east of where the Sharyland piece</p> <p>10 would be. How far north and west do the current</p> <p>11 resources and infrastructure of AEP TNC go? What's</p> <p>12 sort of the boundary line of where those resources are</p> <p>13 now, and would those resources be deployed for ETT, or</p> <p>14 would you -- or would you staff up with a different</p> <p>15 group of people?</p> <p>16 A (Hassink) Yeah. I happen to be on the</p> <p>17 Sharyland panel because of the joint testimony with</p> <p>18 Mr. Bojorquez. The ETT panel is obviously going to be</p> <p>19 much more competent in answering that question, but</p> <p>20 the --</p> <p>21 Q (Smitherman) Well, take a crack at it if you</p> <p>22 can.</p> <p>23 A (Hassink) Yeah. The CTP filing indicates</p> <p>24 that AEP SC would continue to provide those services,</p> <p>25 and they do have personnel that -- in areas where we</p>	<p style="text-align: right;">1048</p> <p>1 CHAIRMAN SMITHERMAN: Gosh. We're</p> <p>2 getting out of here at 5:20. Okay. Thank you very</p> <p>3 much. We'll see you all in the morning. We'll start</p> <p>4 with the next panel.</p> <p>5 (Proceedings recessed at 5:20 p.m.)</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>