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

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PUBLIC UTILITY COMMISSION
OF TEXAS

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COMMISSION STAFF'S POST-HEARING BRIEF

COMES NOW, the Staff of the Public Utility commission of Texas (Staff), representing the public interest, and files its post-hearing brief in the above-referenced proceeding.

Respectfully Submitted,

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P.U.C. DOCKET NO. 35665

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 19th day of December, 2008 in accordance with P.U.C. Procedural Rule 22.74.



Andres Medrano

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I. INTRODUCTION

On May 13, 2008, Staff (Staff) of the Public Utility Commission of Texas (PUC or Commission) filed its Petition for the Selection of Entities Responsible for Transmission Improvements Necessary to Deliver Renewable Energy from Competitive Renewable Energy Zones (Staff's Petition) to initiate a proceeding to select transmission service providers (TSPs) for the Competitive Renewable Energy Zones (CREZ) transmission facilities designated in the final order of Docket No. 33672.¹ Staff's Petition was filed in accordance with P.U.C. SUBST. R. 25.174(c)(1) which directs that after the issuance of the final order in Docket No. 33672, entities interested in constructing the transmission improvements shall submit expressions of interest to the Commission. Sixteen entities filed CREZ Transmission Plan (CTP) Proposals, though one proposal was subsequently withdrawn.²

Staff filed Direct Testimony on October 28, 2008, describing its criteria for the evaluation of the remaining fifteen CTP Proposals and making initial recommendations for the assignment of the CREZ facilities. On November 14, 2008, Staff filed Rebuttal Testimony making adjustments to its recommendations on the basis of information received subsequent to its Direct Testimony and in the interest of continuing settlement negotiations amongst the parties. On December 1, 2008, Staff filed notice of a Settlement Agreement reached by it and five Interested TSPs that proposed specific assignments of certain CREZ facilities amongst those TSPs. Staff filed Supplemental Testimony on December 1st and 4th, 2008, incorporating the terms of the Settlement Agreement into its recommendation and stating its position that one of the entities that had filed a CTP Proposal, Tejas Transmission, LLC, (Tejas) was no longer financially qualified to be selected to build CREZ transmission facilities. A hearing on the merits was held from December 1-5, 2008. Though the Commission rejected the Settlement Agreement as a non-unanimous stipulation, the parties to the agreement continued to support its terms and Staff continues to incorporate the CREZ facility assignments described in the agreement within its overall recommendations. Staff files its Post-

¹ *Commission Staff's Petition for Designation of Competitive Renewable Energy Zones*, Docket No. 33672, Order (August 15, 2008).

² The proposal of Trans-Elect Texas, LLC was withdrawn.

Hearing Brief to describe its final recommendations on the assignment of all CREZ facilities designated in Docket No. 33672 among the Interested TSPs that it deems qualified and able to build them in an economical and expeditious manner, and to describe the methodology that led to the development of these recommendations.

II. STAFF'S RECOMMENDATION

Staff recommends that the CTP Facilities be designated to Interested TSPs as shown in Attachment A to this brief. This recommendation fully incorporates the terms of the Settlement Agreement entered by Staff and five Interested TSPs³ on December 1, 2008, without modification. Additionally, Staff recommends, as it has throughout this proceeding, that South Texas Electric Cooperative (STEC) be designated to the CTP Facilities requested in its CTP Proposal.

For the remaining \$1.493 billion in CTP Facilities, Staff recommends, consistent with the methodology employed in the Public Interest Plan, described fully in Section IV below, that the facilities be designated to Cross Texas Transmission, LLC (Cross Texas), Electric Transmission Texas (ETT), and Wind Energy Transmission Texas (WETT). Alternatively, if CPS Energy (CPS) or City of Garland (Garland) is able to demonstrate that it has reached agreement with another entity that would provide a means for the Commission to conduct certificate of convenience and necessity (CCN) proceedings for CTP projects assigned to the partnership, some of these CTP facilities should be assigned to CPS or Garland, consistent with the level of CTP Facilities it has requested. Cross Texas, ETT, and WETT remain qualified, in Staff's estimation, to finance, construct, and operate the CTP Facilities and each has the same estimated costs of capital. Because each of the investor-owned TSPs is equally qualified, for the reasons explained in Sections IV and VI of this brief below, Staff cannot recommend that any one receive more CTP Facility designations than the others. Though ETT has one parent, AEP, that is an incumbent transmission provider, ETT's witnesses testified that it would operate independently of that entity's Texas companies with CCNs and that it would rely on its

³ Oncor Electric Delivery Company, LLC (Oncor), Lower Colorado River Authority Transmission Services Company (LCRA TSC), Sharyland Utilities, LP (Sharyland), Texas New Mexico Power Company (TNMP), and Lone Star Transmission, LLC (Lone Star).

own financing exclusively.⁴ Though ETT has previously been granted a CCN by the Commission, the CCN was recent, for a relatively small transmission project, and is currently contested in district court where it has been ruled to be invalid. For these reasons, it is Staff's opinion that ETT is situated more like a new entrant than an incumbent and therefore does not have any of the advantages of incumbency described in Section V of this brief below.

ETT and Cross Texas entered into an agreement on December 4, 2008, during the hearing on the merits, in which ETT agreed that Cross Texas would be designated a number of CTP Facilities that it had requested in its CTP Proposal as a member of the Joint Parties. Staff supports the efforts of parties to settle and supports the designation of Cross Texas to CTP Facilities at the level of investment described in that agreement.

III. STAFF'S INITIAL EVALUATION OF INTERESTED TSPS AND RECOMMENDATIONS FOR DESIGNATION OF CTP FACILITIES

Staff evaluated the CTP Proposals submitted by the Interested TSPs in accordance with P.U.C. SUBST. R. 25.216(d) and (e). Specifically, in accordance with Rule 25.216(d)(2), upgrades or modifications to existing CTP Facilities (also referred to as Default Projects⁵) were to be assigned to the owner of the facility except in cases of agreement or good cause. The Default Projects were severed from this docket and assigned to specific TSPs in Docket No. 36146.⁶ Staff then evaluated each remaining CTP Proposal by the criteria described in Rule 25.216(e), including:

- the capability of each Interested TSP to finance, license, construct, operate, and maintain the CTP Facilities in the most beneficial and cost-effective manner;
- the expertise of the Interested TSP's staff;
- the Interested TSP's projected capital costs;

⁴ Cross Rebuttal Testimony of Stephan T. Haynes for Electric Transmission Texas, LLC at p. 11 li. 20 – p. 12 li. 2. “The ratings outlook for these four companies, including AEP Texas Central Company and AEP Texas North Company, should not have a substantial impact on ETT. *These companies are not members of ETT and will not be participating in ETT's financing of the CREZ facilities.*” (Emphasis added.)

⁵ See Direct Testimony of T. Brian Almon at p. 10, li. 10-12.

⁶ See Issues Related to Default Projects Severed from Docket No. 35665 (Commission Staff's Petition for Selection of Entities Responsible for Transmission Improvements Necessary to Deliver Renewable Energy from Competitive Renewable Energy Zones), Docket No. 36146, Order (Nov. 6, 2008).

- the Interested TSP's projected operating and maintenance costs for each CTP Facility;
- the Interested TSP's proposed schedule for development and completion of each CTP Facility;
- the Interested TSP's financial resources;
- the Interested TSP's previous transmission experience; and
- the Interested TSP's historical operating and maintenance costs for its existing transmission facilities.

Rule 25.216(e)(2) specifies that Interested TSPs that hold a CCN issued by the Commission for electric transmission facilities or to provide retail electric service and operate electric transmission facilities are deemed to have adequate financial resources to be selected as Designated TSPs. Interested TSPs without a CCN must establish adequate financial resources as described by Rule 25.216(e)(2)(B)-(G).

After conducting a review of the CTP Proposals, Staff arrived at the following initial conclusions and recommendations:⁷

1. All Interested TSPs had sufficient time to evaluate their interest in the CTP Facilities before filing their CTP Proposals.
2. Incumbent TSPs in ERCOT will be able to plan, certify, and construct the priority facilities⁸ faster than any new company to Texas that has submitted a CTP Proposal; therefore incumbent TSPs should be the Designated TSPs for the priority facilities.⁹
3. Uncontested CTP Facilities should be assigned to the sole TSP to request them.¹⁰

⁷ See Direct Testimony of T. Brian Almon at p. 6 li. 9- p. 8 li. 10.

⁸ Priority facilities are those designated as critical to relieve current congestion that is hampering the delivery of existing wind-powered energy to the grid. See Docket No. 33672, Order at 12 (Aug 15, 2008) and Docket No. 33672, Order on Rehearing, Finding of Fact No. 136 (Oct. 7, 2008).

⁹ See Direct Testimony of T. Brian Almon Section VI at p. 11 li. 3 – p. 14 li. 21.

¹⁰ See *id.* Section VII at p. 14 li. 22 – p. 15 li. 24.

4. CREZ interconnection facilities are not CTP Facilities; these facilities should be considered generation interconnection facilities and be processed through normal ERCOT procedures.¹¹
5. It is reasonable to conclude that all of the Interested TSPs possess, in some cases with the support of their respective affiliates, the technical and operational capabilities and experience to construct, operate, and maintain specific CTP Facilities.
6. Cross Texas, ETT, Wind Energy Transmission Texas (WETT)¹², Sharyland Utilities, L.P. (Sharyland), and Tejas have the financial resources to construct operate and maintain CTP Facilities.¹³
7. The municipal and state agencies, municipalities, and electric cooperatives that submitted CTP Proposals provided reasonable assurance that they possess the technical and operational capabilities and experience along with financial resources to own, construct, operate, and maintain specific CTP Facilities.
8. The Commission's order in this docket should direct that a compliance docket be opened for each non-incumbent applicant that is awarded CTP Facilities to review the applicant's proposed organizational structure and code of conduct.¹⁴
9. The Commission's order in this docket should direct that a compliance docket be opened and that all Designated TSPs be directed to file within 180 days a definitive plan for both operations and maintenance (O&M) and control of assigned CTP Facilities.¹⁵

¹¹ See *id.* Section VIII at p. 16 li. 8 – p. 17 li. 3.

¹² In some pleadings and testimonies filed in this proceeding WETT is referred to as Isolux, one of its two parent companies.

¹³ The conclusion that Tejas is financially qualified to be a Designated TSP has subsequently been reversed.

¹⁴ See *id.* at Section X p. 19 li. 19 – p. 20 li.18.

¹⁵ See *id.*

On the basis of its analysis, Staff recommended that each of the CTP Facilities be assigned to Designated TSPs as described in Attachment B to this brief.¹⁶ This recommendation incorporated the assignment of priority projects to incumbent TSPs and the assignment of non-priority projects to Designated TSPs applying the criteria of P.U.C. SUBST. R. 25.216(e). Optimally, Staff would have preferred to employ a checklist or spreadsheet to compare each of the resources and qualifications presented by the Interested TSPs in order to conduct an evaluation of their relative strengths and weaknesses. Unfortunately, this proved impossible as the proposals presented data that, while compliant with Rule 25.216(e)(1) and (2), was not directly comparable due to variations in the assumptions made by the companies.¹⁷ Staff therefore evaluated each Interested TSP's CTP proposal individually to determine the sufficiency of each entity's financial and non-financial resources. Staff concluded that each Interested TSP was reasonably certain to possess the ability to construct and operate the CTP facilities for which it applied.¹⁸ This conclusion encompassed the evaluation of a number of Rule 25.216(e) criteria, including:

- the capability of each Interested TSP to finance, license, construct, operate, and maintain the CTP Facilities in the most beneficial and cost-effective manner;
- the expertise of the Interested TSP's staff;
- the Interested TSP's projected operating and maintenance costs for each CTP Facility;
- the Interested TSP's proposed schedule for development and completion of each CTP Facility;
- the Interested TSP's previous transmission experience; and
- the Interested TSP's historical operating and maintenance costs for its existing transmission facilities.

Because the evaluation of these criteria resulted in Staff's determination that each Interested TSP was qualified to become a Designated TSP but did not allow any of the TSPs to be distinguished as more or less qualified because of the limitations of the CTP

¹⁶ Attachment B is substantially identical to Exhibit BA-5 to the Direct Testimony of T. Brian Almon. This is *not* Staff's current recommendation.

¹⁷ See Direct Testimony of T. Brian Almon Section IX at p. 17 li. 4 – p. 19 li. 17.

¹⁸ See *id.* at 18 li. 5-7.

data as described above, the recommendation of which TSPs to assign CTP Facilities had to be made on the basis of financial qualifications, where the data provided allowed the Interested TSPs to be analyzed and compared in a relatively empirical manner. Specifically, Staff evaluated each Interested TSP's financial resources and projected cost of capital. While the financial resources described in the CTP Proposals also proved problematic for purposes of direct comparison because of differing underlying assumptions and assertions made without verifiable support,¹⁹ the projected costs of capital provided comparable and distinguishable values and were thus used to "rank" Interested TSPs in relation to one another.²⁰

The Comparison of Interested TSP's Rates of Return or Equivalent, attached to this brief as Attachment C,²¹ was used to determine the order in which TSPs were designated to build CTP Facilities. In its initial recommendation Staff only designated TSPs to facilities they had requested in their initial CTP proposals. This resulted in TSPs that had requested large amounts of facilities being assigned significant amounts of CTP Facilities while those with the same capital costs but more narrow facility requests were displaced in some instances by TSPs with lower capital costs and thus given no assignments.²² Additionally, Lone Star had not yet provided sufficient financial data for Staff to analyze at the time the Comparison of Interested TSP's Rates of Return or Equivalent was created, thus resulting in its omission. Cross Texas was assigned an erroneously high cost of equity, also resulting in omission.

Staff's initial recommendation for the assignment of CTP Facilities was based on a methodological process utilizing what data was available at the time from the Interested TSPs' CTP Proposals and responses to requests for information (RFIs). For the reasons described above, however, the recommendation had limitations and incorporated at least

¹⁹ For example, numerous CTP proposals included "letters of interest" that promised financial support but made no binding commitments to provide such support on any certain terms.

²⁰ See *id.* at 18 li. 7-10.

²¹ Attachment C is substantively identical to Slade Cutter Direct Testimony Attachment SC-3.

²² Attachment C shows WETT and Sharyland as having equal Pre-Tax ROR, for example, and Attachment B shows Staff's initial recommendation that WETT be awarded \$1,210.54 million in facilities while Sharyland was awarded \$0. This was due to the fact that WETT's CTP proposal requested virtually every CTP Facility whereas Sharyland's proposal was limited to facilities in the Texas panhandle which were also requested by TMPA and Garland, TSPs with lower Pre-Tax ROR.

one data error.²³ Consequently, as more information became available and Staff was able to refine its analysis, a revised and corrected recommendation became necessary.

IV. THE PUBLIC INTEREST PLAN: STAFF'S REVISED RECOMMENDATION

Staff filed Rebuttal Testimony from each of its witnesses on November 14, 2008, incorporating information acquired subsequent to its Direct Testimony. Specifically, Staff's Rebuttal Testimony considered the following:

- Responses to Staff's 2nd RFI to the Interested TSPs requesting construction cost estimates for a hypothetical transmission line;
- Responsive Testimony filed by the Interested TSPs on October 28, 2008, the same day that Staff's Direct Testimony was filed; and
- Information acquired at the deposition of Staff Witness Slade Cutter on November 4, 2008.

A. Responses to Staff's 2nd RFI to the Interested TSPs

Staff issued its 2nd RFI to the Interested TSPs in an attempt to gather comparable construction cost data for use in making an "apples to apples" evaluation of which, if any, of the Interested TSPs could provide an economic benefit to the public by constructing CTP Facilities at lower cost.²⁴ Unfortunately, even within the specifications of the RFI the data provided by the TSPs proved to be based on a variety of underlying assumptions that made the estimates difficult to compare, with the lowest cost projections less than half the amount of the highest ones.²⁵ Further, many of the TSPs made one or more revisions to the response, in each instance reducing their projected costs.²⁶ Eventually, the construction cost estimates became "grouped" together at a narrow range of between \$11 and \$14 million with two notably lower outliers.²⁷ While unable to apply this data to

²³ The incorrect cost of equity assigned to Cross Texas.

²⁴ See Rebuttal Testimony of Michael J. Lee at p. 6, li. 19 – p. 7, li. 6.

²⁵ See *id.* at Exhibit ML-R-Y, bates stamp p. 142.

²⁶ See *id.*

²⁷ See *id.*

empirically distinguish between the cost benefits offered by the TSPs, Staff's 2nd RFI did allow it to conclude that the costs of construction would be substantially similar among different TSPs and thus Staff concluded that these costs could not be relied upon as determinative factors in revising its recommendation of CTP Facility designations.²⁸

B. Concerns Raised in Responsive Testimony

Among the issues addressed in the Responsive Testimony of Interested TSPs and considered by Staff was that of the CTP Proposals of the municipal utilities which called for them to construct transmission facilities without being granted a CCN by the Commission and consequently without the due process protections and public participation opportunities of that process. Further, as all of the CTP Facilities requested by the municipalities were distant from their municipal boundaries, concerns were raised that landowners might resist condemnation of their property by distant municipalities using their statutory right of eminent domain and that such resistance could lead to litigation which might significantly slow the construction of needed CTP Facilities. Staff agreed with these concerns and with the need to avoid delay. Staff continued to believe that the tax-free financing available to the municipal utilities would provide a benefit if they were designated facilities and thus sought to find a means by which the municipal utilities could become Designated TSPs and also be required to seek a CCN to ensure landowners affected by their construction of CTP Facilities the protections of that process. Though Staff determined that the municipal utilities could not voluntarily submit to the CCN process for jurisdictional reasons,²⁹ the possibility arose that they could build facilities with another entity in a partnership in which the partners owned undivided interests in CTP facilities, which would allow them to bring their financial advantages to the CREZ process while relying on their partner entity to apply for a CCN at the Commission. As LCRA TSC also qualifies for tax-exempt financing, its partnership with a municipal utility for the purposes of CTP Facility designation seemed most logical, as the accounting measures necessary to manage the partnership would be less complex than if a tax-exempt entity partnered with an investor owned utility.

²⁸ See *id.* at p. 5, li. 20 – p. 6, li. 1.

²⁹ See *Kavanaugh v. Underwriters Life Ins. Co.*, 231 S.W.2d 753, 755 (Tex.Civ.App. 1950) (“Where the court has no jurisdiction under the doctrine it may not acquire it by consent of the parties.”)

Staff recommended that the municipal utilities of CPS Energy (CPS) and City of Garland (Garland) explore the possibility of a partnership with LCRA TSC in order to be designated CTP Facilities for which the Commission would need to grant CCNs.³⁰ This recommendation was made with full understanding that neither LCRA TSC nor the municipal utilities could be required to enter such arrangements. Staff's recommendation was simply that if such arrangements could be agreed upon, it would be supportive of them in the interest of completing the CTP Facilities at the lowest possible capital cost.

Staff was made aware by the Responsive Testimony of Interested TSPs of distinct concerns about the legal ability of Texas Municipal Power Agency (TMPA) to participate in the CREZ process.³¹ Although TMPA's capital costs had made them an attractive entity to make a Designated TSP, these concerns, along with others expressed about TMPA's litigious relationship with some of its member cities,³² caused Staff to withdraw its recommendation that it be assigned any CTP Facilities.

C. Financial Issues Raised at Deposition of Staff Witness Cutter

At the deposition of Slade Cutter on November 4, 2008, Staff was made aware of an error in its Comparison of Interested TSP's Rates of Return or Equivalent (Comparison). Specifically, the Comparison had stated the cost of equity of Cross Texas to be 10.25% based on information cited in a footnote of the testimony of one of the entity's witnesses.³³ In fact, this reference was only offered as a hypothetical example, and was not Cross Texas' actual proposed Cost of Equity of 9.96%. This caused the Comparison to be revised showing the Pre-Tax Rate of Return for Cross Texas as 10.04%, the same as a number of other TSPs. Also at the deposition, Lone Star provided sufficient information to Mr. Cutter to allow him to determine that its Pre-Tax Rate of Return was correctly estimated as 10.04%. The lack of this information had been the sole reason for that TSP's exclusion from Staff's initial recommendation. Thus after the deposition, the Comparison was revised to show six Interested TSPs as having the same

³⁰ See Rebuttal Testimony of T. Brian Almon at p. 8 li. 14 – p. 9 at li. 15.

³¹ See *id.* at p. 5, li. 3-6 citing Responsive Testimony of Ralph G. Goodlet, Jr. at p. 10, li. 21 – p. 12, li. 14.

³² These concerns were shown to be warranted during the course of the hearing on the merits. See Commissioner's Exhibit 2 and Transcript of Hearing on the Merits at 997 li. 1 through 1001 li. 17.

³³ See *Cross Texas CTP Proposal*, Joseph Esteves Direct Testimony p. 14 fn1.

Pre-Tax Rate of Return, thus making them effectively equal in Staff's "rankings" of the TSPs when making CTP Facility designation recommendations.

D. Staff's Revised Recommendation

These considerations led Staff to revise its recommendation of which Interested TSPs to designate CTP Facilities. Additionally, Staff determined that the limitation of assigning only those facilities requested by a TSP in its CTP Proposal unduly limited its ability to recommend assignment of facilities to Interested TSPs with equal qualifications. Therefore Staff's revised recommendation for the assignment of CTP Facilities, though attempting to keep assignments to particular TSPs within general geographic regions, was not constrained by what facilities had been requested in any Interested TSP's CTP Proposal. Along with the recommendation regarding the municipal utilities described above, Staff's revised recommendation assigned facilities to TSPs on the basis of their costs of capital, with those TSPs with equal costs receiving assignments with approximately equal total costs as Staff had no reliable criteria on which to distinguish between them and thus justify significantly divergent designations. As the objective of Staff's recommendation was to employ the competitive process to assign facilities with the goal of achieving the lowest overall cost to the public, it was designated the Public Interest Plan.

The Public Interest Plan, attached to this brief as Attachment D, does not, as some Interested TSPs have opined,³⁴ attempt to assign "equal parts of the pie" to as many TSPs as possible in pursuit of harmony and fairness. Rather, the plan employed the same methodology as Staff's initial recommendation, not disturbing the assignment of Default Projects, assigning Priority Projects to incumbent TSPs, and designating the remaining CTP Facilities among those TSPs with the most attractive costs of capital. Though the specific requests of the CTP Proposals were not considered, assignments were generally limited to the total dollar amount of projects requested, appreciating that the Interested TSPs had understood the limitations of what they could reasonably finance and construct when making their proposals. Because six of the Interested TSPs had equal costs of

³⁴ See, for example, Cross-Rebuttal Testimony of J. Calvin Crowder for Electric Transmission Texas, LLC at p. 10, li. 25 - p. 11, li. 21.

capital, each was assigned a roughly equal share of CTP Facilities in Staff's recommendation.

A stated goal of the Public Interest Plan is indeed to encourage settlement among the Interested TSPs, and the limited time available for settlement discussions between the filing of Rebuttal Testimony and the start of the hearing on the merits in fact led Staff to make its recommendation public before it filed Rebuttal Testimony. The intent to further settlement discussions did not affect the methodology used to formulate the Public Interest Plan, with perhaps the exceptions of the proposed joint ventures between Garland, CPS, and LCRA TSC. Any settlement among a significant number of parties would have to be inclusive of both incumbent TSPs and Interested TSPs that did not yet have a CCN in the ERCOT market (new entrants). The Public Interest Plan facilitated this reality by demonstrating that the new entrants were deemed by Staff to be equally qualified to construct and operate CTP Facilities as the incumbents, while recognizing some advantages possessed by the incumbents as demonstrated by the exclusive assignment of Priority Projects to them, projects which in sum with the Default Projects totaled more than a quarter of the total CTP Facilities.

V. STAFF'S REEVALUATION OF FINANCIAL QUALIFICATION OF TEJAS TRANSMISSION

On December 1, 2008 Staff filed the Supplemental Testimony of Slade Cutter, withdrawing Staff's recommendation that Tejas Transmission be found financially qualified to become a Designated TSP in this docket. The cause of Staff's withdrawn recommendation related to the financial health of Tejas' parent company, Babcock and Brown (BNB). Since Staff's Rebuttal Testimony had been filed, the stock price of BNB had fallen precipitously to \$A0.25.³⁵ On November 24, 2008, BNB requested that the Australian Securities Exchange halt trading of its stock.³⁶ Further, Standard and Poor's (S&P) lowered its rating of BNB's 96%-owned affiliate, Babcock and Brown

³⁵ See Supplemental Testimony of Slade Cutter at p. 4, li. 3-5.

³⁶ See *id.* at li. 5-7.

International, to its lowest rating for a company that is not in default on its debt.³⁷ S&P further advised that the outlook for this debt is negative.³⁸ Though Staff is not certain that BNB will be forced into bankruptcy or even that it will not be able to provide financial support to Tejas as indicated in its CTP proposal, the substantial risk that a Designated TSP could become unable to complete its assigned CTP projects at an early stage of the CREZ planning process is not tolerable given the delays and uncertainties that almost certainly would result from such an event.

Because Staff believes that Tejas is no longer financially qualified to become a Designated TSP, the reassignment of the projects Staff recommended that Tejas be assigned in the Public Interest Plan became immediately necessary. It was this consideration, along with the continued objective of Staff to achieve a settlement among as many Interested TSPs as possible in the interests of avoiding the uncertainties of litigation and the possibility of appeal by TSPs not assigned CTP Facilities, that led Staff to enter into a settlement agreement that revised its recommendations nearly contemporaneously with the start of the hearing on the merits on December 1, 2008.

VI. THE AGREEMENT OF INTERESTED TSPS TO THE ASSIGNMENT OF CTP FACILITIES: THE NEW PUBLIC INTEREST PLAN

On December 1, 2008, Staff provided notice that it had entered into a Settlement Agreement by and among Oncor, LCRA TSC, Sharyland, TNMP, and Lone Star, (Settlement Agreement). The agreement involves an agreed division of designations for CTP Facilities among four incumbent TSPs that had filed CTP proposals as members of the Joint Parties and a new entrant Interested TSP. The Settlement Agreement does not encompass all of the CTP Facilities, leaving approximately \$1.6 billion of projects outside of its terms, though the members of the Joint Parties continue to recommend that they be assigned to ETT and STEC as established in their Joint Party Agreement.

Staff recommends that CTP Facilities be designated by the Commission according to the terms of the Settlement Agreement. Staff signed the Settlement Agreement on

³⁷ *Id.* at li. 7-9.

³⁸ *Id.* at li. 9.

behalf of the public interest, based on the conclusion that the public would substantively benefit from the likelihood that the settling parties will support one another in the planning and construction of their designated CTP Facilities in an efficient, economical, and expedient manner. Though Staff would have preferred a settlement encompassing more of the Interested TSPs that it continues to recommend are qualified to become Designated TSPs, the Settlement Agreement includes a significant number of Interested TSPs including incumbents and a new entrant while leaving open a large number of CTP Facilities to be designated to other qualified entities. Staff was hopeful that the Settlement Agreement would provide the impetus to the remaining parties to reach a settlement that, if not unanimous, at least included the large majority of Interested TSPs.

The Commission rejected the Settlement Agreement as a non-unanimous stipulation (NUS), denying the Joint Motion for Continuance filed by the parties to the agreement. Staff recognizes and respects the Commission's decision in this regard and is also cognizant that the presentation of a settlement on the morning that trial was scheduled to begin was far from ideal. Staff continues to support the proposed CTP Facility designations described in the Settlement Agreement, as do the other parties to the agreement, and urges the Commission to render a decision in accord with its proposals. The result set out in the Settlement Agreement is supported by the evidence in this case.

Staff supports the designation proposals within the Settlement Agreement for the same reasons that it has consistently supported a settled resolution of CTP Facility designations and the inclusion of new entrants within any such resolution throughout this proceeding. These reasons include:

- Incumbent TSPs are familiar with the ERCOT regulatory environment, have constructed significant transmission facilities in Texas previously, and are best suited to quickly construct the Priority Projects that are urgently required;
- Incumbent TSPs have existing transmission operations that can be expanded to serve the O&M requirements of the CTP facilities efficiently as well as to avoid some start-up expenses that will be inevitable for new entrants;
- New entrant TSPs bring diversity and competition to the provision of electric transmission service to electric consumers in ERCOT, with experiences in other

parts of the United States and around the world that may prove innovative and beneficial if adapted to and employed in Texas;

- New entrant TSPs in some instances have access to cheaper costs of capital than incumbent TSPs and are able to bring new investment and expertise to Texas, with the potential to alleviate the shortages of engineering talent and contract labor that may occur given the large scale of the planned CTP Facilities;
- No TSP should be “overloaded” with CTP Facility designations as undue financial or operational burdens from having to complete too many facilities in a relatively short period of time could result in inefficiency and delay;
- TSPs that reach agreement with one another regarding the assignment of CTP Facilities are likely to continue to cooperate in the construction and operation of their projects in future, allowing them to create efficiencies through coordination and avoid the inefficiencies that could result from redundancy.

Staff’s support of the Settlement Agreement is consistent with its position throughout this proceeding that a settlement is in the public interest for the reasons stated above and that such a settlement should include both incumbent and new entrant TSPs. The specific CTP Facility designations proposed in the Settlement Agreement are significantly different than those Staff has proposed previously in its testimony. This is due to the fact that Staff’s methodology, employed in both its previous recommendations, whereby Interested TSPs were awarded non-priority designations largely on their relative costs of capital, was not employed by the parties to the settlement. No settlement proved forthcoming on the basis of Staff’s previous recommendations employing that methodology and it was thus inevitable that any settlement reached between Interested TSPs would have significant differences from Staff’s recommendations in the Public Interest Plan. However, as summarized below, the Settlement Agreement is in the public interest, and is therefore appropriate to characterize as the New Public Interest Plan.

Each of the TSPs that is a party to the Settlement Agreement has been evaluated by Staff and found to be qualified to finance, construct, and operate the CTP facilities that are assigned to it in the proposal. Each TSP within the Settlement Agreement has proposed designations that are proportionate to its size and construction capabilities.

Though Oncor and TNMP, having previously filed rate cases that limit the cost of equity they could propose in their CTP proposals, have higher costs of capital than those proposed by other Interested TSPs, Staff is confident in recommending that they be designated the CTP Facilities proposed in the Settlement Agreement on the basis of their strengths as incumbent transmission providers. TNMP and Oncor have the advantage of operating existing facilities in the areas of the CTP Facilities designated to them in the Settlement Agreement proposal, with attendant O&M and reliability benefits. Additionally, Oncor's size will likely allow it to achieve some economies of scale such that it can achieve highly competitive construction and O&M costs. These factors in Staff's recommendation are properly considered in a settlement context, whereas in the narrow methodology Staff was forced to rely on in its previous recommendations they could not be accounted for.

Attachment A

**Value of CREZ Transmission Facilities
Staff Recommendation**

Interested TSP	\$ million				
	TOTAL	Default	Priority	Uncontested	Designated
AEP TCC	44.00	44.00			
AEP TNC	89.00	89.00			
Bandera	20.00	20.00			
Brazos	5.00	5.00			
CPT	1.00	1.00			
LCRA	697.00	119.84	463.96	18.00	95.20
Lone Star	491.41				491.41
Oncor	1,541.39	176.70	412.80	6.00	945.89
Sharyland	419.26				419.26
STEC	105.00				105.00
Tejas	0.00				
TMPA	1.00	1.00			
TNMP	24.44				24.44
UNASSIGNED	1,492.82		237.96		1,254.86
TOTAL	4,931.32	456.54	1,114.72	24.00	3,336.06

Interested TSPs Deemed Qualified by Staff for Assignment of CTP Facilities Unassigned Above

Cross Texas

ETT

WETT

CPS (In Partnership)

Garland (In Partnership)

Staff Detail

Description	Miles	\$M	Default	Priority	Incontested	Designated
PanOakMid 345kV station		15.00				
West Krum 345kV station		20.00				ONCOR
Hicks 345kV station		25.00				ONCOR
Tesla 345kV station		20.00				
Bowman to Oklaunion double circuit 345kV line	37	62.16				
Oklaunion to PanOakMid double circuit 345kV line	62	104.16				
Oklaunion to West Krum double circuit 345kV line	106	199.28				ONCOR (174.84)/ TNMP (24.44)
Parker to Everman E 345kV line on existing structures	110	30.80	ONCOR			
PanhandleA A to PanhandleA C single circuit, double circuit capable 345kV line	56	78.40				SHARYLAND
PanhandleA A to PanhandleA B single circuit, double circuit capable 345kV line	25	35.00				SHARYLAND
PanhandleA B to PanhandleB A single circuit, double circuit capable 345kV line	60	84.00				SHARYLAND
PanhandleA C to PanhandleA D double circuit 345kV line	56	94.08				SHARYLAND
PanhandleA D to Central B double circuit 345kV line	68	114.24				SHARYLAND (57.12)/ ONCOR(57.12)
PanhandleA D to PanOakMid double circuit 345kV line	37	62.16				
PanhandleB A to PanhandleA C double circuit 345kV line	56	94.08				
PanhandleB B to Oklaunion double circuit 345kV line (One circuit looping into Tesla 345kV bus)	150	252.00				

50 MVAR Cap Bank on PanhandleA D

50 MVAR Reactive Compensation on PanhandleA D

200 MVAR Cap Bank on PanOakMid

200 MVAR Reactive Compensation on PanOakMid

150 MVAR Cap Bank on Tesla

100 MVAR Reactive Compensation on Tesla

50 MVAR Reactive Compensation on PanhandleB B

50 MVAR Reactive Compensation on PanhandleA B

300 MVAR Cap Bank on Oklaunion

Navarro 345kV station

Brown 345kV station

Newton 345kV station

Gillespie 345kV station

Sam Switch 345kV station

Central Bluff to Bluff Creek double circuit 345kV line

			SHARYLAND
2.50			SHARYLAND
2.00			SHARYLAND
9.00			
5.50			
6.00			
3.00			
2.00			SHARYLAND
2.00			SHARYLAND
11.00	AEP TNC		
30.00			ONCOR
15.00		ONCOR	
20.00		ONCOR	
20.00	LCRA		
20.00			ONCOR
11.28			

Bluff Creek to Brown double circuit 345kV line	75	141.00	ONCOR (39.48) UNASSIGNED (101.52)		
Killen to Salado portion of the Brown- Salado 345 kV			ONCOR		
Brown to Newton/Salado double circuit 345kV line (Newton line is 2- 1433 ACSS/TW and Salado line is 2- 1590	50/88	132.80	ONCOR		
Newton to Killeen 345kV line	26	7.28	ONCOR		
Central A to Central C double circuit 345kV line	75	141.00			LONE STAR
Central A to Tonkawas double circuit 345kV line	43	80.84	ONCOR		
Central A to West A double circuit 345kV line	43	72.24			LONE STAR
Central B to Central A double circuit 345kV line	12	22.56	ONCOR		
Central B to Willow Creek double circuit 345kV line	168	315.84			ONCOR (107.07)/ LONE STAR (75.17)/ UNASSIGNED
Central C to Navarro/Sam Switch double circuit 345kV line	168/148	308.24			ONCOR
Central D to Divide single circuit, double circuit capable 345kV line	6	8.40			LCRA
Central E to Central D single circuit, double circuit capable 345kV line	27	37.80			LONE STAR
Add second circuit to existing towers on Divide to Twin Butte	25	7.00	LCRA		
Replace 345kV auto at Kendall		8.00	LCRA		
Rebuild Verde Creek to Bandera	16	16.00	Bandera		

Mason to Pittsburg 138kV line	18	18.00		LCRA	
McCamey C to McCamey D single circuit, double circuit capable 345kV line	75	105.00			STEC
McCamey A to Odessa single circuit, double circuit capable 345kV line	50	70.00			LCRA
McCamey B to North McCamey 138kV line on existing structures	15	3.75	LCRA		
McCamey C to McCamey A single circuit, double circuit capable 345kV line	12	16.80			LCRA
McCamey D to Kendall double circuit 345kV line	137	257.56		LCRA	
McCamey D to Twin Butte single circuit, double circuit capable 345kV line	31	46.50		LCRA	
Add 2 345kV autos at North McCamey		16.00	LCRA		
Close the bus ties at North McCamey bus		0.00	LCRA		
Sweetwater to Central Bluff double circuit 345kV line	25	47.00		ONCOR	
Tonkawas to Sweetwater double circuit 345kV line	18	33.84		ONCOR	
Twin Butte to Brown 345kV line on existing structures	106	31.80	ONCOR (6.3)/ LCRA (25.5)		
West A to Central D single circuit, double circuit capable 345kV line	50	70.00			LONE STAR
West A to West C single circuit, double circuit capable 345kV line	25	35.00			LONE STAR
West B to Moss single circuit 138kV line	6	6.00		ONCOR	

West C to Odessa single circuit,
double circuit capable 345kV line

43

60.20

LONE STAR

50% compensation on Central C to
Navarro/Sam Switch

60.00

ONCOR

50% compensation on McCamey D
to Kendall

60.00

Kendall to Gillespie single circuit,
double circuit capable 345kV line

18

23.40

LCRA

Open the Saps to Yellowjacket
138kV line

0.00

AEP TNC

Gillespie to Newton single circuit,
double circuit capable 345kV line

105

136.50

LCRA

Add a 345kV auto at Gillespie

8.00

LCRA

Add 138kV auto at Bandera

4.00

Bandera

Rebuild Kendct to Kendal 138kV line

0.09

0.09

LCRA

Rebuild Raymond Barker to Verde
Creek 138kV line

2

2.00

LCRA

Add a 345kV auto at Whitney

5.00

Brazos

Rebuild the Goldthwaite to Evant
138kV line

25.00

LCRA

Open the Rock Springs to Friess
Ranch 69kV line

0.00

AEP TNC
&TCC

Open the Fort Stockton to Barilla
69kV line

0.00

AEP TNC

Open the Bradshaw to Winters 69kV
line

0.00

AEP TNC

			LONE STAR
			ONCOR
	LCRA		
AEP TNC			
	LCRA		
LCRA			
Bandera			
LCRA			
LCRA			
Brazos			
LCRA			
AEP TNC &TCC			
AEP TNC			
AEP TNC			

100 MVAR Reactive Compensation
on Gillespie

150 MVAR Reactive Compensation
on Central C

150 MVAR Reactive Compensation
on Central B

150 MVAR Reactive Compensation
on Brown

100 MVAR Reactive Compensation
on Central A

100 MVAR Reactive Compensation
on McCamey D

Upgrade terminal equipment on
Morgan Creek to Twin Butte 345kV
line

Upgrade terminal equipment on
Roanoke to Alliance 345kV line

Upgrade terminal equipment on both
Singleton to Gibbons Creek 345kV
lines

Upgrade terminal equipment on
Bowman to Fisher Road 345kV line

Upgrade terminal equipment on
Bowman to Graham 345kV line

Reconductor Bowman to Jacksboro
345kV line

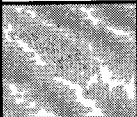
Upgrade Abliene South to Leon 138kV

Upgrade terminal equipment on
Abliene to Mulberry 138kV line

Eagle Mountain-Hicks-Alliance-
Roanoke 345-kV line terminal
equipment

37

66

3.00	LCRA			
4.50				ONCOR
4.50		ONCOR		
4.50		ONCOR		
3.00		ONCOR		
3.00				
3.00	ONCOR/ LCRA			
1.00	ONCOR			
2.00	TMPA/ CPT			
1.00	ONCOR			
1.00	ONCOR			
9.62	ONCOR			
66.00	ONCOR/ AEPTNC			
1.00	AEP TNC			
2.00	ONCOR			

Rebuild Sonora to Hamilton 138kV
line

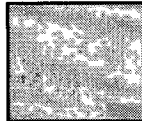
88

88.00

AEP TCC & AEP TNC			
Total Existing System Upgrades	4,931.32		

- Pan_A_A collection station
- Pan_A_B collection station
- Pan_B_A collection station
- Pan_A_C collection station
- Pan_B_B collection station
- Pan_A_D collection station
- West_A collection station
- West_B collection station
- West_C collection station
- Cen_A collection station
- Cen_B collection station
- Cen_C collection station
- Cen_D collection station
- Cen_E collection station
- Central Bluff collection station
- McCamey A collection station
- McCamey B collection station
- McCamey C collection station
- McCamey D collection station

			SHARYLAND
			SHARYLAND
			SHARYLAND
			SHARYLAND
			SHARYLAND
			LONE STAR
		ONCOR	
			LONE STAR
	ONCOR		
	ONCOR		
			ONCOR
			ONCOR
			ONCOR
			LCRA
		LCRA	



CTP Facility Not Sepcifically
Assigned by Staff
Recommendation

Attachment B

**Value of CREZ Transmission Facilities
Staff Direct Testimony Recommendation**

Interested TSP	\$ million				
	TOTAL	Default	Priority	Uncontested	Designated
AEP TCC	44.00	44.00			
AEP TNC	89.00	89.00			
Bandera	20.00	20.00			
Brazos	5.00	5.00			
CPS	0.00				
CPT	1.00	1.00			
Cross Texas	0.00				
ETT	1,210.54		214.44		996.10
Garland	113.40				113.40
Isolux	1,188.48				1,188.48
LCRA	747.40	110.24	523.96	18.00	95.20
Lone Star	0.00				
Oncor	561.12	188.30	366.82	6.00	
Sharyland	0.00				
STEC	105.00				105.00
Tejas	540.98				540.98
TMPA	305.40	1.00			304.40
TNMP	0.00				
TOTAL	4,931.32	458.54	1,105.22	24.00	3,343.56

Assignments for CTP Facilities

Description	Miles	Cost		Uncontested	Designated
		\$M	Default		
PanOakMid 345kV station		15.00			ETT
West Krum 345kV station		20.00			ISOLUX
Hicks 345kV station		25.00			ISOLUX
Tesla 345kV station		20.00			ETT
Bowman to Oklaunion double circuit 345kV line	37	62.16		ETT	
Oklaunion to PanOakMid double circuit 345kV line	62	104.16			ETT
Oklaunion to West Krum double circuit 345kV line	106	199.28			ISOLUX
Parker to Everman E 345kV line on existing structures	110	30.80	ONCOR		
PanhandleA A to PanhandleA C single circuit, double circuit capable 345kV line	56	78.40			GARLAND
PanhandleA A to PanhandleA B single circuit, double circuit capable 345kV line	25	35.00			GARLAND
PanhandleA B to PanhandleB A single circuit, double circuit capable 345kV line	60	84.00			TMPA
PanhandleA C to PanhandleA D double circuit 345kV line	56	94.08			TMPA
PanhandleA D to Central B double circuit 345kV line	68	114.24			TEJAS
PanhandleA D to PanOakMid double circuit 345kV line	37	62.16			TMPA
PanhandleB A to PanhandleA C double circuit 345kV line	56	94.08			ETT
PanhandleB B to Oklaunion double circuit 345kV line (One circuit looping into Tesla 345kV bus)	150	252.00			ETT
PanhandleB B to PanhandleB A double circuit 345kV line	37	62.16			TMPA

PanhandleA C to PanOakMid double circuit 345kV line (One circuit looping into Tesla 345 bus. Line from Tesla to PanOakMid is 2-1433 ACSS)	105	179.40		ETT
PanOakMid to Central C double circuit 345kV line	117	219.96		ETT
Rebuild Jacksboro to Willow Creek 345kV as double circuit	18	33.84	ONCOR	
West Krum to Carrollton NW 345kV line on existing structures	60	16.80	ONCOR	
Willow Creek to Hicks double circuit 345kV line	31	58.28		ISOLUX
Rebuild Willow Creek to Parker 345kV as double circuit	18	33.84	ONCOR	
West Krum to Anna double circuit 345kV line	43	80.84		ISOLUX
Add 345kV auto at Eagle Mountain		8.00	ONCOR	
50% compensation on Central B to Willow Creek		60.00		ISOLUX
Open the Seymour to Bomarton 69kV line		0.00	ONCOR	
50% compensation on PanhandleA C to Tesla		25.00		ETT
50% compensation on PanOakMid to Central C		60.00		ETT
50 MVAR Reactive Compensation on PanhandleA C		2.00		TEJAS
100 MVAR Cap Bank on PanhandleA C		4.00		TEJAS
50 MVAR Cap Bank on PanhandleA D		2.50		TEJAS
50 MVAR Reactive Compensation on PanhandleA D		2.00		TEJAS
200 MVAR Cap Bank on PanOakMid		9.00		ETT
200 MVAR Reactive Compensation on PanOakMid		5.50		ETT
150 MVAR Cap Bank on Tesla		6.00		ETT

100 MVAR Reactive Compensation on Tesla		3.00			ETT
50 MVAR Reactive Compensation on PanhandleB B		2.00			TMPA
50 MVAR Reactive Compensation on PanhandleA B		2.00			ISOLUX
300 MVAR Cap Bank on Oklaunion		11.00	AEP TNC		
Navarro 345kV station		30.00			ISOLUX
Brown 345kV station		15.00		ONCOR	
Newton 345kV station		20.00		ONCOR	
Gillespie 345kV station		20.00	LCRA		
Sam Switch 345kV station		20.00			ISOLUX
Central Bluff to Bluff Creek double circuit 345kV line	6	11.28		ETT	
Bluff Creek to Brown double circuit 345kV line	75	141.00		ETT/LCRA	
Killeen to Salado portion of the Brown-Dalado 345 kV			ONCOR		
Brown to Newton/Salado double circuit 345kV line (Newton line is 2-1433 ACSS/TW and Salado line is 2-1590	50/88	132.80		ONCOR	
Newton to Killeen 345kV line	26	7.28		ONCOR	
Central A to Central C double circuit 345kV line	75	141.00			TEJAS
Central A to Tonkawas double circuit 345kV line	43	80.84		ONCOR	
Central A to West A double circuit 345kV line	43	72.24			TEJAS
Central B to Central A double circuit 345kV line	12	22.56		ONCOR	
Central B to Willow Creek double circuit 345kV line	168	315.84			ISOLUX
Central C to Navarro/Sam Switch double circuit 345kV line	168/148	308.24			ISOLUX

Central D to Divide single circuit, double circuit capable 345kV line	6	8.40			LCRA
Central E to Central D single circuit, double circuit capable 345kV line	27	37.80			TEJAS
Add second circuit to existing towers on Divide to Twin Butte	25	7.00	LCRA		
Replace 345kV auto at Kendall		8.00	LCRA		
Rebuild Verde Creek to Bandera	16	16.00	Bandera		
Mason to Pittsburg 138kV line	18	18.00		LCRA	
McCamey C to McCamey D single circuit, double circuit capable 345kV line	75	105.00			STEC
McCamey A to Odessa single circuit, double circuit capable 345kV line	50	70.00			LCRA
McCamey B to North McCamey 138kV line on existing structures	15	3.75	LCRA		
McCamey C to McCamey A single circuit, double circuit capable 345kV line	12	16.80			LCRA
McCamey D to Kendall double circuit 345kV line	137	257.56		LCRA	
McCamey D to Twin Butte single circuit, double circuit capable 345kV line	31	46.50		LCRA	
Add 2 345kV autos at North McCamey		16.00	LCRA		
Close the bus ties at North McCamey bus		0.00	LCRA		
Sweetwater to Central Bluff double circuit 345kV line	25	47.00		ONCOR	
Tonkawas to Sweetwater double circuit 345kV line	18	33.84		ONCOR	
Twin Butte to Brown 345kV line on existing structures	106	31.80	ONCOR/ LCRA		
West A to Central D single circuit, double circuit capable 345kV line	50	70.00			TEJAS
West A to West C single circuit, double circuit capable 345kV line	25	35.00			TEJAS
West B to Moss single circuit 138kV line	6	6.00		ONCOR	

West C to Odessa single circuit, double circuit capable 345kV line	43	60.20			TEJAS
50% compensation on Central C to Navarro/Sam Switch		60.00			ISOLUX
50% compensation on McCamey D to Kendall		60.00		LCRA	
Kendall to Gillespie single circuit, double circuit capable 345kV line	18	23.40		LCRA	
Open the Saps to Yellowjacket 138kV line		0.00	AEP TNC		
Gillespie to Newton single circuit, double circuit capable 345kV line	105	136.50		LCRA	
Add a 345kV auto at Gillespie		8.00	LCRA		
Add 138kV auto at Bandera		4.00	Bandera		
Rebuild Kendct to Kendal 138kV line	0.09	0.09	LCRA		
Rebuild Raymond Barker to Verde Creek 138kV line	2	2.00	LCRA		
Add a 345kV auto at Whitney		5.00	Brazos		
Rebuild the Goldthwaite to Evant 138kV line		25.00	LCRA		
Open the Rock Springs to Friess Ranch 69kV line		0.00	AEP TNC &TCC		
Open the Fort Stockton to Barilla 69kV line		0.00	AEP TNC		
Open the Bradshaw to Winters 69kV line		0.00	AEP TNC		
100 MVAR Reactive Compensation on Gillespie		3.00	LCRA		
150 MVAR Reactive Compensation on Central C		4.50			ISOLUX
150 MVAR Reactive Compensation on Central B		4.50	ONCOR		
150 MVAR Reactive Compensation on Brown		4.50	ONCOR		
100 MVAR Reactive Compensation on Central A		3.00	ONCOR		

100 MVAR Reactive Compensation on McCamey D

Upgrade terminal equipment on Morgan Creek to Twin Butte 345kV line

Upgrade terminal equipment on Roanoke to Alliance 345kV line

Upgrade terminal equipment on both Singleton to Gibbons Creek 345kV lines

Upgrade terminal equipment on Bowman to Fisher Road 345kV line

Upgrade terminal equipment on Bowman to Graham 345kV line

Reconductor Bowman to Jacksboro 345kV line

37

9.62

Upgrade Abliene South to Leon 138kV

66

66.00

Upgrade terminal equipment on Abliene to Mulberry 138kV line

1.00

Eagle Mountain-Hicks-Alliance-Roanoke 345-kV line terminal equipment

2.00

Rebuild Sonora to Hamilton 138kV line

88

88.00

Total Existing System Upgrades

4,931.32

Pan_A_A collection station

GARLAND

Pan_A_B collection station

GARLAND

Pan_B_A collection station

TMPA

Pan_A_C collection station

ETT

Pan_B_B collection station

ETT

Pan_A_D collection station

TMPA

West_A collection station

TEJAS

West_B collection station

ONCOR

West_C collection station

TEJAS

Cen_A collection station

ONCOR

Cen_B collection station

ONCOR

Cen_C collection station

ISOLUX

Cen_D collection station

TEJAS

Cen_E collection station

TEJAS

Central Bluff collection station

ETT

McCamey A collection station

LCRA

McCamey B collection station

LCRA

McCamey C collection station

LCRA

McCamey D collection station

LCRA

		LCRA		
3.00				
3.00	ONCOR/ LCRA			
1.00	ONCOR			
2.00	TMPA/ CPT			
1.00	ONCOR			
1.00	ONCOR			
9.62	ONCOR			
66.00	ONCOR/ AEPTNC			
1.00	AEP TNC			
2.00	ONCOR			
88.00	AEP TCC & AEP TNC			
4,931.32				
				GARLAND
				GARLAND
				TMPA
				ETT
				ETT
				TMPA
				TEJAS
		ONCOR		
				TEJAS
		ONCOR		
		ONCOR		
				ISOLUX
				TEJAS
				TEJAS
		ETT		
				LCRA
		LCRA		
				LCRA
				LCRA

Attachment C

Comparison of Interested TSP's Rates of Return or Equivalents

CONFIDENTIAL

	STEC	TMPA	Garland	CPS	LCRA	Texas	ETT	WETT	Sharyland	Cross Texas	Oncor	TNMP
(A) % Debt			50.00%			60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	51.00%
(B) Cost of Debt	6.24%	5.25%	4.90%			6.51%	6.51%	6.51%	6.51%	6.51%	7.08%	7.14%
(C) % Equity			50.00%			40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	49.00%
(D) Cost of Equity			6.00%			9.62%	9.96%	9.96%	9.96%	10.25%	10.75%	11.25%
(E) COD w/Coverage	7.49%	7.88%	5.45%	8.55%	11.94%							
(F) Depreciation	2.75%	2.86%		2.76%	2.68%							
(G) Rate of Return	4.74%	5.02%	5.45%	5.79%	9.26%	7.75%	7.89%	7.89%	7.89%	8.01%	8.55%	9.15%
(H) Fed. Taxes Effect						2.07%	2.15%	2.15%	2.15%	2.21%	2.32%	2.97%
(I)=(G)+(H) Pre-Tax ROR	4.74%	5.02%	5.45%	5.79%	9.26%	9.83%	10.04%	10.04%	10.04%	10.21%	10.86%	12.12%

Data Not derived from the CTP filings:

TMPA
Depreciation Rate: 2.86% - Source: Docket 21711 Application Gary Saleba Direct Testimony Page 28

CPS Energy

Rate of Return: 8.55% - Revenues minus expenses: 36,553,189 - Source: Docket 35466 Application Schedule I divided by Rate Base: 427,339,915--

Source: Docket 35466 Schedule IV-C/F/2

Depreciation Rate: 2.76% - Source: Docket 33197 January 31, 2002 Deloitte & Touche Study Page 2 - (Current Depreciation Rate in study: 2.45%)

LCRA

Rate of Return: 11.94% - Source: Docket 35020 Page 4 of Order (Authorized) & Docket 35925 Application James Travis Direct Testimony - Page 8

and Schedule B (Docket 35925 is a proposed rate of return dated 7/25/2008)

Depreciation Rate: Not Included in TCOS buildup - Source: Docket 35925 Application Schedule A: however 2.68% is the stated depreciation rate for assets

Source: Docket 35925 Application James Travis Direct Testimony - Page 9

ETT

Rate of Return: 7.88% - Source: Docket 33734 Order on Rehearing (12/21/2007) Page 7

WETT

Return on Equity: 9.96% - Based on previous authorized RoEs in Texas

Cost of Debt: 6.51% - Based 10-yr US Treasury rate on October 24,2008 + 2.75%

Sharyland

Rate of Return: 7.86% - Calculated based on capital structure, cost of debt, and allowed return on equity - Source: CTP Proposal Pages 35-38

Cost of Debt: 6.51% - Based 10-yr US Treasury rate on October 24,2008 + 2.75%

Cross Texas

Rate of Return: 8.10% - Based on assumed debt/equity ratio: 60/40 and return on equity and cost of debt below

Return on Equity: 10.5% - Source: CTP Proposal Joseph Esteves Direct Testimony Page 14 Footnote 1

Cost of Debt: 6.5% - Source: CTP Proposal Joseph Esteves Direct Testimony Page 14 Footnote 1

Oncor

Rate of Return: 8.55% - Source: Docket 35717 Application Keith Pruett Direct Testimony Page 9

Return on Equity: 10.75% - Source: Docket 35717 Application Samuel Hadaway Direct Testimony Page 33

Capital Structure: 60% debt - Source: Docket 35717 Application Keith Pruett Direct Testimony Page 18

Cost of Debt: Calculated based on 35% tax rate and stated capital structure, rate of return, and return on equity

TNMP

Rate of Return: 8.79% - Source: Docket 36025 Application - Schedule II-C-2.1

Cost of Debt: 7.14% - Weighted average of short-term and long-term debt - Source: Docket 36025 Application - Schedule II-C-2.1

Attachment D

**Staff'S Proposal for the Assignment of CREZ Transmission Projects on Behalf
of the Public Interest (The Public Interest Plan)**

**Value of CREZ Transmission Facilities
Staff Rebuttal Testimony Recommendation**

Interested TSP	\$ million				
	TOTAL	Default	Priority	Uncontested	Designated
AEP TCC	44.00	44.00			
AEP TNC	89.00	89.00			
Bandera	20.00	20.00			
Brazos	5.00	5.00			
CPS **	336.22		336.22		
CPT	1.00	1.00			
Cross Texas	533.86				533.86
ETT	592.02		143.94		448.08
Garland **	127.40				127.40
Isolux	502.56				502.56
LCRA	444.08	110.24	261.24	18.00	54.60
Lone Star	563.74				563.74
Oncor	565.62	188.30	371.32	6.00	
Sharyland	496.24				496.24
STEC	105.00				105.00
Tejas	504.58				504.58
TMPA	1.00	1.00			0.00
TNMP	0.00				
TOTAL	4,931.32	458.54	1,112.72	24.00	3,336.06

** 70% undivided interest with LCRA

**Staff'S Proposal for the Assignment of CREZ Transmission Projects on Behalf
of the Public Interest (The Public Interest Plan)**

Assignments for CTP Facilities

Description	Miles	Cost		Uncontested	Designated
		\$M	Default		
PanOakMid 345kV station		15.00			ISOLUX
West Krum 345kV station		20.00			ISOLUX
Hicks 345kV station		25.00			ISOLUX
Tesla 345kV station		20.00			CROSS TX
Bowman to Oklaunion double circuit 345kV line	37	62.16		ETT	
Oklaunion to PanOakMid double circuit 345kV line	62	104.16			ISOLUX
Oklaunion to West Krum double circuit 345kV line	106	199.28			ISOLUX
Parker to Everman E 345kV line on existing structures	110	30.80	ONCOR		
PanhandleA A to PanhandleA C single circuit, double circuit capable 345kV line	56	78.40			TEJAS
PanhandleA A to PanhandleA B single circuit, double circuit capable 345kV line	25	35.00			TEJAS
PanhandleA B to PanhandleB A single circuit, double circuit capable 345kV line	60	84.00			SHARYLAND
PanhandleA C to PanhandleA D double circuit 345kV line	56	94.08			TEJAS
PanhandleA D to Central B double circuit 345kV line	68	114.24			TEJAS
PanhandleA D to PanOakMid double circuit 345kV line	37	62.16			TEJAS

PanhandleB A to PanhandleA C double circuit 345kV line	56	94.08		SHARYLAND
PanhandleB B to Oklaunion double circuit 345kV line (One circuit looping into Tesla 345kV bus)	150	252.00		SHARYLAND
PanhandleB B to PanhandleB A double circuit 345kV line	37	62.16		SHARYLAND
PanhandleA C to PanOakMid double circuit 345kV line (One circuit looping into Tesla 345 bus. Line from Tesla to PanOakMid is 2-1433 ACSS)	105	179.40		CROSS TX
PanOakMid to Central C double circuit 345kV line	117	219.96		CROSS TX
Rebuild Jacksboro to Willow Creek 345kV as double circuit	18	33.84	ONCOR	
West Krum to Carrollton NW 345kV line on existing structures	60	16.80	ONCOR	
Willow Creek to Hicks double circuit 345kV line	31	58.28		ISOLUX
Rebuild Willow Creek to Parker 345kV as double circuit	18	33.84	ONCOR	
West Krum to Anna double circuit 345kV line	43	80.84		ISOLUX
Add 345kV auto at Eagle Mountain		8.00	ONCOR	
50% compensation on Central B to Willow Creek		60.00		ETT
Open the Seymour to Bomarton 69kV line		0.00	ONCOR	
50% compensation on PanhandleA C to Tesla		25.00		CROSS TX
50% compensation on PanOakMid to Central C		60.00		CROSS TX

50 MVAR Reactive
Compensation on PanhandleA
C

100 MVAR Cap Bank on
PanhandleA C

50 MVAR Cap Bank on
PanhandleA D

50 MVAR Reactive
Compensation on PanhandleA
D

200 MVAR Cap Bank on
PanOakMid

200 MVAR Reactive
Compensation on PanOakMid

150 MVAR Cap Bank on Tesla

100 MVAR Reactive
Compensation on Tesla

50 MVAR Reactive
Compensation on PanhandleB
B

50 MVAR Reactive
Compensation on PanhandleA
B

300 MVAR Cap Bank on Oklaunion

Navarro 345kV station

Brown 345kV station

Newton 345kV station

Gillespie 345kV station

2.00			CROSS TX
4.00			CROSS TX
2.50			TEJAS
2.00			TEJAS
9.00			CROSS TX
5.50			CROSS TX
6.00			CROSS TX
3.00			CROSS TX
2.00			SHARYLAND
2.00			SHARYLAND
11.00	AEP TNC		
30.00			LONE STAR
15.00		ONCOR	
20.00		ONCOR	
20.00	LCRA		

Sam Switch 345kV station				LONE STAR
		20.00		
Central Bluff to Bluff Creek double circuit 345kV line	6	11.28	ETT	
Bluff Creek to Brown double circuit 345kV line	75	141.00	ETT/LCRA	
Killeen to Salado portion of the Brown-Salado 345 kV			ONCOR	
Brown to Newton/Salado double circuit 345kV line (Newton line is 2-1433 ACSS/TW and Salado line is 2-1590)	50/88	132.80	ONCOR	
Newton to Killeen 345kV line	26	7.28	ONCOR	
Central A to Central C double circuit 345kV line	75	141.00		LONE STAR
Central A to Tonkawas double circuit 345kV line	43	80.84	ONCOR	
Central A to West A double circuit 345kV line	43	72.24		ETT
Central B to Central A double circuit 345kV line	12	22.56	ONCOR	
Central B to Willow Creek double circuit 345kV line	168	315.84		ETT
Central C to Navarro/Sam Switch double circuit 345kV line	168/148	308.24		LONE STAR
Central D to Divide single circuit, double circuit capable 345kV line	6	8.40		TEJAS
Central E to Central D single circuit, double circuit capable 345kV line	27	37.80		TEJAS
Add second circuit to existing towers on Divide to Twin Butte	25	7.00	LCRA	

Replace 345kV auto at Kendall		8.00	LCRA			
Rebuild Verde Creek to Bander	16	16.00	Bandera			
Mason to Pittsburg 138kV line	18	18.00		LCRA		
McCamey C to McCamey D single circuit, double circuit capable 345kV line	75	105.00				STEC
McCamey A to Odessa single circuit, double circuit capable 345kV line	50	70.00				GARLAND/ LCRA
McCamey B to North McCamey 138kV line on existing structures	15	3.75	LCRA			
McCamey C to McCamey A single circuit, double circuit capable 345kV line	12	16.80				GARLAND/ LCRA
McCamey D to Kendall double circuit 345kV line	137	257.56		CPS/ LCRA		
McCamey D to Twin Butte single circuit, double circuit capable 345kV line	31	46.50		LCRA		
Add 2 345kV autos at North McCamey		16.00	LCRA			
Close the bus ties at North McCamey bus		0.00	LCRA			
Sweetwater to Central Bluff double circuit 345kV line	25	47.00		ONCOR		
Tonkawas to Sweetwater double circuit 345kV line	18	33.84		ONCOR		
Twin Butte to Brown 345kV line on existing structures	106	31.80	ONCOR/ LCRA			
West A to Central D single circuit, double circuit capable 345kV line	50	70.00				TEJAS

West A to West C single circuit, double circuit capable 345kV line	25	35.00				GARLAND/ LCRA
West B to Moss single circuit 138kV line	6	6.00			ONCOR	
West C to Odessa single circuit, double circuit capable 345kV line	43	60.20				GARLAND/ LCRA
50% compensation on Central C to Navarro/Sam Switch		60.00				LONE STAR
50% compensation on McCamey D to Kendall		60.00		CPS/ LCRA		
Kendall to Gillespie single circuit, double circuit capable 345kV line	18	23.40		CPS/ LCRA		
Open the Saps to Yellowjacket 138kV line		0.00	AEP TNC			
Gillespie to Newton single circuit, double circuit capable 345kV line	105	136.50		LCRA/CPS		
Add a 345kV auto at Gillespie		8.00	LCRA			
Add 138kV auto at Bandera		4.00	Bandera			
Rebuild Kendct to Kendal 138kV line	0.09	0.09	LCRA			
Rebuild Raymond Barker to Verde Creek 138kV line	2	2.00	LCRA			
Add a 345kV auto at Whitney		5.00	Brazos			
Rebuild the Goldthwaite to Evant 138kV line		25.00	LCRA			
Open the Rock Springs to Friess Ranch 69kV line		0.00	AEP TNC &TCC			

Open the Fort Stockton to
Barilla 69kV line

Open the Bradshaw to Winters
69kV line

100 MVAR Reactive
Compensation on Gillespie

150 MVAR Reactive
Compensation on Central C

150 MVAR Reactive
Compensation on Central B

150 MVAR Reactive
Compensation on Brown

100 MVAR Reactive
Compensation on Central A

100 MVAR Reactive
Compensation on McCamey D

Upgrade terminal equipment
on Morgan Creek to Twin Butte
345kV line

Upgrade terminal equipment
on Roanoke to Alliance 345kV
line

Upgrade terminal equipment
on both Singleton to Gibbons
Creek 345kV lines

Upgrade terminal equipment
on Bowman to Fisher Road
345kV line

Upgrade terminal equipment
on Bowman to Graham 345kV
line

Reconductor Bowman to
Jacksboro 345kV line

Upgrade Abliene South to Leon

0.00	AEP TNC			
0.00	AEP TNC			
3.00	LCRA			
4.50				LONE STAR
4.50		ONCOR		
4.50		ONCOR		
3.00		ONCOR		
3.00		LCRA/CPS		
3.00	ONCOR/ LCRA			
1.00	ONCOR			
2.00	TMPA/ CPT			
1.00	ONCOR			
1.00	ONCOR			
9.62	ONCOR			
66.00	ONCOR/ AEPTNC			

37

66

Upgrade terminal equipment
on Abliene to Mulberry 138kV
line

1.00

AEP TNC			
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Eagle Mountain-Hicks-Alliance-
Roanoke 345-kV line terminal
equipment

2.00

ONCOR			
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Rebuild Sonora to Hamilton
138kV line

88

88.00

AEP TCC & AEP TNC			
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Total Existing System Upgrades

4,931.32

- Pan_A_A collection station
- Pan_A_B collection station
- Pan_B_A collection station
- Pan_A_C collection station
- Pan_B_B collection station
- Pan_A_D collection station
- West_A collection station
- West_B collection station
- West_C collection station
- Cen_A collection station
- Cen_B collection station
- Cen_C collection station
- Cen_D collection station
- Cen_E collection station
- Central Bluff collection station
- McCamey A collection station
- McCamey B collection station
- McCamey C collection station
- McCamey D collection station

			TEJAS
			SHARYLAND
			SHARYLAND
			TEJAS
			SHARYLAND
			TEJAS
			ETT
		ONCOR	
			GARLAND/ LCRA
	ONCOR		
	ONCOR		
			LONE STAR
			TEJAS
			TEJAS
	ETT		
			GARLAND/ LCRA
		LCRA	
			GARLAND/ LCRA
			CPS/ LCRA