

Comments

The much lower cost alternative to the Gillespie to Newton project (G-N) should be selected

Consistent with the information in ERCOT's August 17, 2010 letter to PUC Chairman Smitherman, the much lower cost alternative to G-N identified by ERCOT should be selected. Selection of the alternative would avoid the problems associated with the extreme difficulty of finding suitable high voltage transmission line routes through the Hill Country as demonstrated in the G-N docket# 37448.

The cost savings for the alternative will likely be significantly greater than the estimate provided by ERCOT

ERCOT's planning- level estimate of the aggregate costs of the 138 kV reconductoring alternative is approximately \$39 million as compared to the cost of the G-N project which was estimated in the CTO Study to be approximately \$136 million. The costs included in the Proposal for Decision in the G-N application for the ALJ's recommended route were \$162 million without proposed adjustments. PUC Staff estimated the costs would increase to \$165 million to \$167 million if monopoles were used in the locations recommended by the ALJ. Costs would have likely increased even more if more property lines were followed. The other routes that were considered had similar or even higher costs.

The impact of other transmission improvements can be considered as needed and developing projects through the non-CREZ process will be more orderly

As noted in the August 19, 2010 PUC Commissioners Open Meeting, the alternatives to G-N can be considered as the need arises. In addition, developing projects outside of the expedited CREZ process would be more orderly and allow more time for interested parties to be involved.

The impact of the possible Ferguson Power Plant replacement on load growth and voltage stability concerns in the Hill Country area west of Austin should be considered

Some of the benefits attributed to the Kendall to Gillespie to Newton CREZ line include meeting voltage stability and load growth needs. LCRA has indicated that the Hill Country area is highly sensitive to the availability of the LCRA 400 MW Ferguson Power Plant (the only large power plant in the Hill Country area), especially for voltage support reasons. LCRA has announced it is studying the feasibility of replacing the aging Ferguson Power Plant with a combined- cycle power plant that would be more efficient, more reliable and have improved environmental controls. Based on initial studies, LCRA expects that Fergusons's existing transmission infrastructure is adequate to support a new, combined-cycle unit at the same site. LCRA indicates the LCRA Board in Spring 2011 will decide whether to proceed with the project. If LCRA proceeds, it expects that a three year construction phase could take place from late 2011 to 2014.

Most of the Hill Country peak load growth that the CREZ lines might help serve is outside of Gillespie, Llano and Lampasas and other western Hill Country counties

Of the 318 MW of peak load growth in the 16 counties west of Austin between 2009 and 2016 projected by ERCOT, 238 MW is attributed to Comal, Burnet, Kendall and Kerr counties. Only 38 MW is attributed to Gillespie, Llano and Lampasas counties, three of those that would be impacted by the G-N line. Mason, Menard and Kimble counties account for 6 MW.

A relatively small amount of Hill Country peak demand will be supplied by wind energy from the West Texas CREZ areas

ERCOT has indicated that capacities of wind units are included at 8.7% in peak supply/demand balances. It is understood that this relatively small amount results from inland winds blowing the least in the summer when peak demand occurs due to air conditioning requirements. As an example, in the selected Scenario 2, the McCamey CREZ area was to supply 1,858 MW of new and 755 MW of "existing" wind energy production. If the 8.7% factor applied, this would result in 227 MW of peak supply as compared to a total peak projected 2016 demand of 1,662 MW for the 16 counties west of Austin and San Antonio.

Consideration of the G-N line should be eliminated from future planning as soon as possible

With the number of alternatives considered by ERCOT in its recent analysis and those that have been considered in the past, consideration of G-N should be eliminated from future planning as soon as possible. Elimination would resolve the uncertainty that has impacted so many landowners. It should also allow impacted business dealings, such as real estate transactions, to proceed with more certainty. Elimination of G-N would be consistent with the community values expressed by public officials and others.

The need for Kendall to Gillespie (K-G) is directly linked to G-N

The ERCOT August 17, 2010 letter references the Kendall to Newton circuits collectively. These circuits are K-G and G-N. They interconnect at the Gillespie substation and form the south to north line circuit connecting the Kendall and Newton substations. The need for K-G is certainly called into question if G-N is eliminated.

Similar to G-N, there are likely lower cost alternatives to K-G

The cost estimates provided by LCRA TSC for K-G range from \$74 million to \$102 million as compared to the ERCOT CTO "Overnight" Cost of \$23 million. Whether the 18 miles in the CTO or LCRA TSC's 28 to 33 miles are used, this segment is quite likely as, or even more, expensive on a per mile basis than G-N.

CREZ 345 kV voltage can be stepped down with existing 345/138 kV autotransformers to feed the 138 kV circuits at the Kendall substation

The 138 kV supply at Kendall can be used to feed the growing Kerrville/Kerr County demand through the existing three 138 kV circuits that connect Kendall to that area. In addition, the 138 kV circuit that connects Kendall to Gillespie can be used to supply that area. The possibility of upgrading those circuits should be considered and is likely much more cost effective/attractive than adding the new 345 kV circuit from Kendall that would dead-end at Gillespie if G-N is eliminated. In addition, upgrading the existing 138 kV line that runs from the Kerrville substation to the Gillespie substation is another possibility that should be considered.

The new 345 kV NextERA private line provides a connection to move West Texas CREZ wind energy to Kendall

The August 17, 2010 ERCOT letter mentioned consideration of incorporation of privately owned and operated transmission investments. It is assumed that the new NextERA private line that runs from the Abilene area to Kendall is the primary possibility. As previously indicated, the 345 kV energy can be stepped down with existing autotransformers to feed the 138 kV circuits from the Kendall substation, including Kendall to Gillespie and the Kerrville/Kerr County area.

Power prices in the South Zone indicate that sufficient CREZ wind energy is being moved by the new NextERA private line and other existing circuits

The attached (Attachment 1) Load Zone Price Data table from the August 17, 2010 ERCOT Market Operations Presentation to the ERCOT Board of Directors shows that the prices in the South Zone have been essentially equal to those in the North and Houston Zones since the NextERA private line was reportedly commissioned before the end of 2009. These market price drivers should continue to help balance the distribution of the CREZ wind energy. Transition to the nodal market should make the market even more efficient in getting the wind energy to the highest value outlets.

Other sources should help supply the South Zone with more reliable wind energy from coastal areas

As Chairman Smitherman indicated, there are ERCOT interconnection studies underway for possible projects in South Texas coastal counties in addition to the two projects that have been commissioned on the Kenedy Ranch properties. The two projects that have been commissioned have a combined capacity of 687 MW. ERCOT's July 2010 Publicly Disclosed Generation Interconnection table indicates that additional phases totaling 1,002 MW are under consideration there. In addition, other South Texas projects representing 3,714 MW have full interconnection studies underway with ERCOT. As a specific example, the August 15, 2010 edition of the Valley Morning Star reported that Duke Energy has finalized a tax abatement agreement with Willacy County for a 250 MW first phase of a project that has the potential to expand to 400 MW in that county. A Duke Energy spokesperson was quoted as saying they believe the wind resources in Willacy and Cameron counties could support a 1,000 MW project.

ERCOT should consider all reasonable alternatives for moving McCamey CREZ wind energy to markets in place of M-K-G

As shown in the attached CREZ Scenario 2 map (Attachment 2), one possibility would be to add a second circuit to the already approved McCamey D to Twin Buttes CREZ 345 kV circuit. The energy could then flow to the east through the double circuit 345 kV line from Twin Buttes to Brown to Newton or further north to the West A substation. A second outlet for the McCamey wind energy is the southern and western parts of the West Texas CREZ loop to West A which could be expanded to double circuit 345 kV lines. West A then connects into another west to east double circuit 345 kV line. The possibility of these outlets supplying adequate capacity to eliminate the need for M-K-G is something that is assumed that ERCOT will consider.

The possibility that there will be available capacity in the other west to east CREZ lines north of the Hill Country should also be considered

The difficulty of getting required financial commitment from the wind farm developers in the Panhandle and the possibility of the CREZ wind energy having an outlet such as the Tres Amigas energy hub in eastern New Mexico could indicate there may be additional capacity in the CREZ system. As an example, it was reported in the 8/3/10 edition of the Amarillo Globe-News that that Scandia Wind Southwest wants to send power to the proposed Tres Amigas power hub.

The possibility that the NextERA private line can continue to move adequate CREZ wind energy to Kendall should be considered

The possibility of the NextERA private line, with or without modifications, eliminating the need for M-K-G should be considered. As noted above, the equilibration of South Zone prices indicates adequate wind energy is being supplied to the South Zone. Zonal/nodal prices should ensure that the NextERA line is efficiently utilized. While the NextERA Gen Tie line connects to the grid only at Kendall, it is likely that the NextERA Horsehollow wind farm is also connected into the grid in the Abilene area and provides an adequate load balancing mechanism. The possibility of adding a substation that would connect McCamey D to the NextERA private line as suggested by Lone Star should also be considered.

The need for K-G and M-K should addressed as a part of Docket 38577, or in another docket, if it cannot be adequately done in Docket 38354

Consistent with the ERCOT August 17, 2010 letter, there are a number of considerations that could impact K-G and M-K as well as G-N. If the need for M-K-G cannot be adequately addressed in docket #38354 that is already underway, it may be appropriate to include the reconsideration of their need in docket# 38577 or elsewhere. The July 30, 2010 Order for Referral in Docket# 38354 states "In Docket No. 33672, the Commission determined that the transmission facilities identified in the final order were necessary to deliver to customers renewable energy generated in the CREZ. The McCamey D to Kendall to Gillespie 345-kV transmission line project, the subject of this application, was specifically identified in

that order as necessary facilities.” As such, there is a question as to whether the need for M-K-G can be adequately addressed in Docket# 38354.

Full re-evaluation of the need for M-K and K-G is consistent with the requests of a number of state and local officials, organizations and individuals as well as Senator Troy Fraser, the author of SB 20

The state officials also include Representatives Doug Miller and Harvey Hilderbran. Local officials include the counties of Kerr, Kimble, Gillespie and Mason and the cities of Kerrville, Mason and Fredericksburg. Organizations include the Texas Wildlife Association. Individuals include those many that have sent emails and letters to the PUC.

Re-evaluation of the need for the three CREZ lines in the Hill Country is consistent with the state legislative mandate

Senate Bill 20 required that the commission “shall develop a plan to construct transmission capacity to deliver to electric customers, in a manner that is most beneficial and cost-effective to the customers, the electric output from renewable energy technologies in the competitive renewable energy zones.” The possibility of having alternates that are potentially more beneficial and cost effective justify the re-evaluation of the need for these lines.

The M-K-G route selection docket # 38354 should be abated immediately to minimize additional consternation, effort and expense until the need for the lines can be re-evaluated

The extremely large number of parties to the case are experiencing increasing levels of effort and expense every day the proceeding continues. Abating the case will permit the necessary time for a complete re-evaluation of the need for the M-K-G lines. The unnecessary expense of conducting a contested case while the need is unresolved and the waste of financial resources and time by directly affected landowners and other intervenors can be avoided.

Any construction related M-K-G work that LCRA TSC has underway should be terminated immediately

This work includes that at the Gillespie substation. Terminating any construction should minimize the amount of unnecessary expenditure that will have to be recovered by LCRA TSC and paid by rate payers.