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 §

ORDER

I. Introduction

This Order addresses Commission Staff’s petition for the Commission to select the entities responsible for constructing, operating, and maintaining the transmission capacity necessary to deliver renewable energy from competitive renewable-energy zones (CREZs). In this Order the Commission, pursuant to PURA\(^1\) §§ 39.904 and 39.203(e), P.U.C. SUBST. R. 25.174, and P.U.C. SUBST. R. 25.216, selects the entities responsible for constructing, operating, and maintaining the CREZ Transmission Plan’s (CTP) facilities and improvements; establishes a general schedule by which applications for certificates of convenience and necessity (CCNs) shall be filed; establishes a general schedule by which the facilities and improvements shall be completed; initiates several Commission dockets by which the Commission shall oversee the implementation of the CTP; and specifies reporting requirements and other measures deemed appropriate by the Commission to ensure that selected entities complete the facilities and improvements in a manner that is most cost-effective and beneficial to customers.

Pursuant to P.U.C. SUBST. R. 25.216(e), in selecting entities to construct, operate, and maintain the CTP facilities, the Commission evaluated each interested transmission service provider’s (TSP) proposal by considering several factors, including: the interested TSP’s current and expected capabilities to finance, license, construct, operate, and maintain the CTP facilities in the most beneficial and cost-effective manner; the expertise of the TSP’s staff; the TSP’s

projected capital costs and operating and maintenance costs for each CTP facility, proposed schedule for development and completion of each CTP facility, financial resources, expected use of historically underutilized businesses (unless the TSP is an electric cooperative or municipally owned utility), and understanding of the specific requirements to implement the CTP facilities; and if applicable, the TSP's previous transmission experience and historical operating and maintenance costs for existing transmission facilities.

The Commission anticipates that the selected entities will move diligently toward the development and submission of applications for CCNs as instructed in this Order. The Commission intends to address the applications as expeditiously as possible and expects the selected entities to promptly begin and complete construction of their transmission projects following approval of their respective applications for CCNs. The projects identified as having priority continue to take precedence in the CTP implementation process in the instant docket, including the necessary planning, certification, construction, and placement into service of these lines and associated facilities.

Based on the evidence and testimony presented, the Commission assigns responsibility to AEP Texas Central Company (AEP TCC), AEP Texas North Company (AEP TNC), Bandera Electric Cooperative, Brazos Power Electric Cooperative, CenterPoint Energy Houston Electric, Texas Municipal Power Agency (TMPA), LCRA Transmission Services, Oncor Electric Delivery Company, Cross Texas Transmission, Electric Transmission Texas (ETT), Lone Star Transmission, Sharyland Utilities, South Texas Electric Cooperative (STEC), and Wind Energy Transmission Texas (WETT) for specific projects identified in the CTP. AEP TCC, AEP TNC, Bandera, Brazos, CenterPoint, TMPA, LCRA, and Oncor were previously assigned responsibility for the default projects in Docket No. 36146.2 LCRA and Oncor are each assigned responsibility in this Order for certain priority projects, and LCRA, Oncor, Cross Texas, ETT, Lone Star, Sharyland, STEC, and WETT are each assigned responsibility in this Order for the remaining specific projects in the CTP. The Commission also concludes that the number and scale of the CTP projects, the assignment of several TSPs, and the resulting necessity for multiple CCNs confirm the need to establish a CCN filing schedule. The Commission further

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determines that it is appropriate to create two dockets to effectively sequence the CCN applications necessary for the various projects contained in the CTP. This CCN sequencing process forms the basis of the Commission’s anticipated general schedule for completion of the CTP projects by year-end 2013. In addition to the reporting requirements identified in Commission rules, the Commission specifies further reporting requirements and other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner. The Commission determines that the issues regarding the financial commitment requirements for wind developers are best addressed in the dispatch priority project as recommended by Commission Staff. Also, the Commission requires each new entrant TSP that is designated as responsible for CTP projects to file a request for a compliance docket and submit a proposed organizational structure and code of conduct as required by PURA § 39.157 and Commission rules. Finally, the Commission determines that a degree of flexibility for ERCOT is necessary for the most efficient implementation of the CTP.

II. Procedural History

In 2005, the 79th Legislature of the State of Texas passed Senate Bill 20, which addressed the Legislature’s goals for renewable energy in the State. Among other actions, Senate Bill 20 added what are now subsections (g) through (n) to PURA § 39.904. Since the passage of Senate Bill 20, the Commission has conducted rulemakings with significant public participation and adopted two new substantive rules, P.U.C. SUBST. R. 25.174 and P.U.C. SUBST. R. 25.216. The Commission has also conducted three evidentiary hearings regarding the CREZ process. The first two hearings culminated in the final order designating the CREZs and developing the CTP in Docket No. 33672, and the third hearing was in this docket.

In Docket No. 33672, the Commission designated five geographic areas as CREZs; and developed the CTP to provide, at an estimated cost of $4.9 billion, transmission capacity

4 Commission Staff’s Petition for Designation of Competitive Renewable-Energy Zones, Docket No. 33672, Order on Rehearing (Oct. 6, 2008).
5 The CREZ Transmission Plan developed by the Commission in Docket No. 33672 is based on the ERCOT CREZ Transmission Optimization Study, scenario 2.
necessary to deliver, in a manner that is most beneficial and cost-effective to customers, renewable energy from the CREZs. Also in that docket, the Commission updated its estimate of the maximum generating capacity of renewable resources in the CREZs that the Commission expects the transmission to accommodate to 18,456 MW. Further, the Commission found that certain line segments have utmost priority, as they are critical to relieve current congestion that is hampering the delivery of existing wind-powered energy to the ERCOT grid.\(^6\)

While multiple transmission plans were being considered in Docket No. 33672, processes were ongoing regarding the selection of transmission service providers for the CREZ facilities. In addition to the rulemaking process in Project No. 34560,\(^7\) the Commission created Project No. 35424\(^8\) as a parallel process for parties to participate in settlement discussions regarding the selection of TSPs for the CREZ projects. Pursuant to a conference on March 27, 2008 in Project No. 35424, the majority of the parties agreed that a selection docket should be initiated.

As a result of that agreement, on May 13, 2008, Commission Staff filed a petition to commence this proceeding, Docket No. 35665, pursuant to P.U.C. SUBST. R. 25.174(a)(1). Nearly fifty entities were granted intervention in this proceeding. In accordance with a procedural schedule established in Order No. 19, twenty-one parties filed in late July initial statements of interest and intent to file a CTP proposal.

On August 29, 2008, a number of parties jointly filed a stipulation and motion to sever issues related to existing transmission facilities that were ordered in Docket No. 33672 to be upgraded or modified (default projects). On September 12, 2008, the Commission opened Docket No. 36146 and severed the selection of TSPs to be responsible for the default projects into that docket. P.U.C. SUBST. R. 25.216(d)(2) provides that if a facility requires upgrade or modification, the Commission will select the owner of that facility to be responsible for that CTP project, unless the owner requests an alternate TSP or there is good cause to select a different

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\(^6\) Docket No. 33672 Order on Rehearing at 12.

\(^7\) *Rulemaking Proceeding to Amend PUC Substantive Rule Relating to Selection of Transmission Service Providers Related to Competitive Renewable-Energy Zones and Other Special Projects*, Project No. 34560 (July 25, 2007).

\(^8\) *Settlement Conference Concerning Selection of Transmission Service Providers for the Competitive Renewable-Energy Zones*, Project No. 35424.
TSP. Therefore, on November 6, 2008, the Commission ordered that the default projects severed into Docket No. 36146 be assigned to the owner of the facility to be upgraded or modified. Subsequently, several parties filed motions to sever and assign the projects that were identified as priority lines and sever projects that the movants contended were "uncontested" facilities. These motions were denied in Order Nos. 32, 33, and 41.

On the morning of the hearing on the merits, Commission Staff, LCRA, Lone Star, Oncor, Sharyland, and TNMP filed a notice of a settlement agreement reached by the movants and requested a continuance and revision of the procedural schedule. The Commission denied the motions and advised the parties that the non-unanimous settlement would not be considered at the hearing.

The Commission conducted the hearing on December 1-5, 2008. During the hearing on the merits, the Commission requested and the parties provided additional filings regarding the interested TSPs financial capabilities. The parties subsequently filed post-hearing briefs on December 19, 2008. The Commission considered the matter at the January 14, January 29, February 10, February 26, and March 11, 2009 open meetings.

III. Discussion

After the issuance of the final order in Docket No. 33672, entities interested in constructing CTP projects filed expressions of interest as required in P.U.C. SUBST. R. 25.174(c)(1). That provision further required the Commission to select the entities to be responsible for constructing the transmission improvements, establish a schedule by which the improvements shall be completed, and specify any additional reporting requirements or other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner.

In making the selections, the Commission was to evaluate each proposal by considering at least the following: the interested TSP’s current and expected capabilities to finance, license, construct, operate, and maintain the CTP facilities in the most beneficial and cost-effective manner; the expertise of the TSP’s staff; the TSP’s projected capital costs and operating and
maintenance costs for each CTP facility, proposed schedule for development and completion of each CTP facility, financial resources, expected use of historically underutilized businesses (unless the TSP is an electric cooperative or municipally owned utility), understanding of the specific requirements to implement the CTP facilities; and if applicable, the TSP’s previous transmission experience and historical operating and maintenance costs for existing transmission facilities.

Each proposal was required to include information listed in P.U.C. Subst. R. 25.216(e)(1) to assist the Commission in consideration of the proposals, and P.U.C. Subst. R. 25.216(e)(2) further required each TSP to establish that it has adequate financial resources described in that subsection. The Commission utilized this information, in addition to the other testimony, evidence, and arguments of the parties in making the required determinations detailed below.

A. TSP Selection Criteria

Each interested TSP’s proposal was required to contain the following information detailed in P.U.C. Subst. R. 25.216(e)(1): a description of the interested TSP’s CCN process; a general description of the proposed structure, conductor types, and right-of-way; the projected in-service date; the type of resources contemplated for licensing, design, engineering, material and equipment procurement, right-of-way and land acquisition, construction, and project management; the type of resources contemplated for operating and maintaining each CTP facility; the capability and experience of the TSP to comply with all on-going scheduling, operating, and maintenance activities required; resumes for key management personnel; a demonstration that the TSP’s business practices are consistent with good utility practices for proper licensing, designing, right-of-way acquisition, constructing, operating, and maintaining CTP facilities; a summary of law violations found or current investigations; the estimated direct costs to construct representative structures; a detailed estimate of the anticipated average annual operating and maintenance cost; the actual average direct operating and maintenance cost if the TSP is an incumbent utility; the overhead rate for managing third-parties and the willingness to maintain the overhead rate; the TSP’s preexisting procedures and historical practices, or a detailed description of the plans for acquiring right-of-way and land and managing right-of-way
and land acquisition for transmission facilities; the TSP’s preexisting procedures and historical practices, or a detailed description of its plan for mitigating the impact of transmission facilities on affected landowners and for addressing public concerns regarding transmission facilities; a proposed financial plan that confirms the TSP has adequate capital resources and no significant negative impact on the creditworthiness or financial condition will occur as a result of the construction, operation, and maintenance of the CTP facilities; an affidavit by an officer stating that the information in the application is true and that the TSP will comply with the rules and PURA; other evidence the TSP provides supporting its selection; and, unless the TSP is an electric cooperative or municipally owned utility, a description of the use of historically underutilized businesses.

Each interested TSP also was required to establish that it has adequate financial resources as described in P.U.C. SUBST. R. 25.216(e)(2). Subparagraphs (A) through (C) of this provision address the requirements regarding holding a CCN and having the equivalent of an investment-grade credit rating. Subparagraph (D) provides that notwithstanding subparagraph (A) through (C), the Commission may determine that a TSP is eligible to be selected if satisfactory evidence is provided that it has the capability to finance the proposed facilities. Subparagraph (E) provides how investment-grade credit is established and defined in this rule, and subparagraph (F) addresses the requirement that TSPs that are electric utilities, as defined in PURA § 31.002(6), must comply with the provisions relating to codes of conduct for electric utilities and their affiliates. Finally, subparagraph (G) requires each TSP to provide a summary of any history of bankruptcy, dissolution, merger, or acquisition of the TSP or any predecessors in interest.

The Commission evaluated these proposals by considering all of the evidence submitted by the parties. Based on the record evidence and the factors to be considered under PURA and Commission rules, the Commission formulated the following general principles to apply in selecting TSPs that are capable of building, operating, and maintaining the CTP projects in the manner most cost-effective and beneficial to customers. In addition to the principle that responsibility for facilities should be assigned to entities that have established the ability to secure appropriate financing, these principles also address the urgency of the priority projects, the importance of balance in selecting multiple TSPs for the projects, the issues regarding
municipally owned utilities, the proximity of facilities to each other, the size of the project assignment relative to the size of the TSP, and the facilities requested by TSPs in their proposals.

1. **Financial considerations**

   In light of the current economic climate, the Commission is particularly mindful in its evaluation of financial factors when selecting the TSPs responsible for the facilities in this docket. Financial factors considered by the Commission include, but are not limited to: the current and expected capabilities of each interested TSP to finance, license, construct, operate, and maintain CTP facilities in the most beneficial and cost-effective manner; each interested TSP’s projected costs for financing, construction, and operation and maintenance; an interested TSP’s average direct operating and maintenance costs-per-mile of same-voltage transmission lines during the last five calendar years (when applicable); an interested TSP’s estimated overhead rate for managing third parties (when applicable); and each interested TSP’s current and projected financial resources.

   Regarding each TSP’s current and projected financial resources, of particular concern are each TSP’s demonstration of available, adequate resources to finance requested CTP facilities; a TSP’s current credit rating by a nationally recognized credit agency (when applicable); and whether each TSP’s creditworthiness or financial condition would suffer a significant negative impact as a result of its being assigned varying sizes of CTP facilities.

   On December 3, 2008, during the hearing on the merits, in order to supplement the evidence regarding costs of financing provided by the interested TSPs, the Commissioners requested that each interested TSP file additional information.\(^9\) Specifically, each municipally owned utility was instructed to submit information (and supporting documentation) reflecting the borrowing rates on $100 million for one-year, three-year, five-year, ten-year, and 30-year maturities, for an entity with the credit rating of the submitting municipally owned utility.\(^10\) The privately held TSPs were instructed to submit: (1) the borrowing costs on $500 million for one year, three years, and five years for an entity with the credit rating of the submitting party; and

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\(^9\) Tr. at 953-956 (Dec. 3, 2008).

\(^10\) Tr. at 953-956 (Dec. 3, 2008).
(2) the submitting party's proposed return on equity if it was selected to be responsible for CTP facilities on December 4, 2008.11

2. Priority projects

In the order on rehearing in Docket No. 33672, the Commission found that certain lines are critical to relieve current congestion that is hampering the delivery of existing wind-powered energy to the grid. Given the importance of relieving current congestion, the Commission concludes that these priority projects should take precedence in the CTP implementation process, including planning, certification, and construction. To ensure these priority projects are not unduly delayed, the Commission finds that responsibility for these projects should be assigned only to incumbent TSPs that currently hold a CCN. In comparison with entities that do not currently hold a CCN in the state, these incumbent TSPs have greater familiarity with the process of obtaining and amending CCNs in Texas, as well as the areas in which the priority projects are located. Furthermore, the incumbent TSPs' CCN applications for the priority projects will be applications to amend the existing CCN that the incumbent TSP already maintains, and not hinge on the outcome of an initial CCN docket. Finally, the Commission finds it appropriate to select incumbent TSPs that own and operate existing facilities geographically proximate to the priority projects in order to further facilitate efficient completion of the priority projects.

3. Balance in selecting multiple entities as TSPs

The Commission recognizes the importance of striking the proper balance between selecting a large pool of TSPs to participate in the CTP in order to spread financial risk, introduce novel technologies, and diversify sources of skills and materials against selecting a small number of TSPs in order to avoid unnecessary complexity and coordination difficulties. The Commission is persuaded that, given the current economic climate and the strong qualifications of many of the interested entities in this docket, the proper balance will be struck through the selection of several incumbent TSPs as well as the strongest new entrants.

4. Selection of municipally owned utilities

The evidentiary record in this docket includes numerous discussions of the inherent difficulties when selecting municipally owned utilities as designated CREZ TSPs. Municipally

11 Tr. at 954, 956 (Dec. 3, 2008).
owned utilities are not subject to the Commission’s jurisdiction over the routing of transmission lines. This lack of Commission jurisdiction raises serious due process concerns, particularly regarding CREZ facilities outside of municipally owned utilities’ traditional boundaries. Furthermore, the Commission is not persuaded that it would be able to fully execute the duty, set forth in PURA § 39.904(g)(2), to develop a plan to construct CREZ transmission in a manner that is most beneficial and cost-effective to customers, if the Commission were to designate municipally owned utilities not bound to Commission oversight as CREZ TSPs. The Commission also notes that the projects requested by CPS Energy consisted of only priority lines, which the Commission determined should not be subject to any risk of additional complications. Finally, the Commission was not persuaded that Garland’s and TMPA’s stated goal of protecting their ratepayers from a negative change to their matrix ratio is relevant to the overarching consideration in this docket: developing a plan to construct the CREZ transmission in the manner most beneficial and cost-effective to customers.

5. Proximity of facilities

While determining the proper TSP for each project in this docket, the Commission was mindful of the advantages of assigning geographically proximate projects to the same TSP when possible. Ensuring that each selected TSP’s projects are close together (or in the case of incumbent TSPs, are at least close to their pre-existing service areas) provides several advantages. Economies of scale can be better employed. For example, multiple facilities can be addressed by a single service center. Additionally, the difficulties of coordinating with multiple TSPs during the planning, certification, construction, and operation and maintenance stages will be reduced. Furthermore, the TSPs will not be required to familiarize themselves with multiple regions of the state.

6. Size of TSPs relative to assignment

The Commission considers each interested TSP’s current and future capabilities to handle varying total amounts of projects to be important; therefore, the Commission looks to the relative size of the TSP as compared to the size and volume of the various projects to be assigned. The Commission’s allocations of CTP facilities should reflect each TSP’s demonstration of significant experience with large-scale energy projects, the capacity to finance a large CREZ assignment without a significant negative impact on creditworthiness or financial condition, the
importance of experience working with landowners and other members of the public to reach mutually beneficial arrangements, and the capability to expand their operations to include CTP facilities promptly and effectively. While the size of an interested TSP’s current service area was considered when applicable, this was not the sole determining factor used by the Commission when determining the appropriate total amount of each TSP’s assignment.

7. Consideration of facilities requested by TSPs

The Commission considers the facilities actually requested by each TSP to be important indications of that TSP’s interest in the various CTP projects. Therefore, an additional general principle is to assign projects to entities that requested those projects, with some exceptions. While the Commission’s decision-making authority is not limited by the interested TSPs’ CTP proposals, the Commission is persuaded that, to the extent that interest was expressed in specific projects, the TSPs’ indications of interest should be recognized. Furthermore, while much of the evidence in the record speaks to each TSP’s general abilities to certificate, construct, operate, and maintain CTP facilities, some of the evidence addresses specific service areas or facilities.

B. TSP Selection and Project Assignments

Based upon consideration of the evidence and the evaluation of each proposal as provided in P.U.C. SUBST. R. 25.216(e), including the application of the general principles discussed above, the Commission assigns responsibility for the balance of the CTP projects that have not already been assigned in Docket No. 36416 to Cross Texas, ETT, LCRA, Lone Star, Oncor, Sharyland, STEC, and WETT. The Commission is persuaded that the current and projected financial resources demonstrated by each of these entities establishes that each is capable of financing, licensing, constructing, operating, and maintaining the CTP facilities assigned to them in a beneficial and cost-effective manner. The evaluation described above encompasses both the identification of the TSPs that meet the Commission’s qualifications for assignment of responsibility as well as the determination of which TSPs should be responsible for which CTP projects.

While the Commission concludes that Cross Texas, Lone Star, and WETT are the new entrants best qualified to participate in the CTP, the Commission also finds that Tejas failed to demonstrate that it has, and will continue to have, adequate financial resources to be selected as a
CTP service provider. In its analysis, the Commission also reaches the determination that the disadvantages of municipally owned utility participation in the CTP build-out outweigh the potential benefits. Finally, the Commission determines that the participation of TNMP, as requested as part of the joint parties’ proposal, is too small a portion of a CTP project to be cost-effective or beneficial from an overall perspective.

A map that generally depicts the project assignments (including default projects) is attached to this Order as Attachment A. Also included is Attachment B, a project-by-project designation of responsible CREZ TSPs according to the project cost list (including default projects) provided in the CTO study, scenario 2. The spreadsheet further reflects in the designation column each project that the Commission has designated as default, priority, or priority dependent. For purposes of this Order, a project is designated as priority dependent if that project involves work on a line designated as priority or on a station connected to a priority line. If any apparent conflicts exist between the map and the detailed project list, the project list controls.

In addition to assigning responsibility for every CTP project, the Commission designates the TSPs responsible for the wind power collection points identified in the spreadsheet and on the map. These wind power collection points are not CREZ transmission facilities, and their costs were not reflected in the CTO study. As such, the costs for the collection facilities are not recoverable through the traditional transmission cost recovery mechanism. However, at the February 26, 2009 open meeting, ERCOT expressed that, in the interest of expediency, the Commission should select the TSPs that shall be responsible for these collection points. The Commission is able to assign these points in a logical manner based upon the record evidence in this docket. Nine wind power collection points have associated projects identified in the CTO study, scenario 2 and these associated projects are assigned to the designated TSPs, as shown in Attachment B. It is logical that these nine wind collection points should become the responsibility of the designated TSPs as follows:

- Panhandle B B (Cross Texas)
- Panhandle A B (Sharyland)
- Panhandle A C (Sharyland)
- Panhandle A D (WETT)
- Central C (Lone Star)
- Central B (Oncor)
- Central A (Oncor)
Ten wind power collection points do not have any associated CREZ projects. The Commission assigns responsibility for these collection points based upon the assignment of proximate CREZ projects and parties’ stated interest in these collection points as follows:

- McCamey D (LCRA for high voltage functions; ETT for gathering functions)
- McCamey A (LCRA)
- McCamey C (LCRA for high voltage functions; ETT for gathering functions)
- West A (WETT)
- West C (WETT)
- Central D (WETT)
- Central E (WETT)
- Panhandle A A (Sharyland)
- Panhandle B A (Sharyland)
- McCamey A (LCRA)\(^{12}\)
- West B (Oncor)

C. Schedule and Sequencing of CCN Applications

The TSPs selected to provide transmission service in and to the CREZs are required, pursuant to P.U.C. SUBST. R. 25.174(c)(4), to file CCN applications no later than one year after the order designating the CREZs. As directed in P.U.C. SUBST. R. 25.174(c)(5), these CCN applications are exempt from addressing the “need” criteria in PURA §37.056(c)(1) and (2). Further, as detailed in P.U.C. SUBST. R. 25.174(c)(7), in addition to the Commission considering the level of financial commitment by generators, the TSP may propose modifications to the transmission improvements if the cost of the transmission would be reduced or the amount of generating capacity would be increased. The Commission may direct ERCOT to review the proposed modifications.

The Commission issued its order on rehearing designating CREZs on October 7, 2008.\(^{13}\) Therefore, the CCN application due date is October 7, 2009. The rules, however, also allow the Commission to establish a filing schedule if numerous CCN applications are required. Given the

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\(^{12}\) At the February 26, 2009 open meeting, counsel for LCRA represented that the McCamey A wind collection point “is essentially the same place and the same facility” as LCRA’s North McCamey station. Open Meeting Tr. at 117-18 (Feb. 26, 2009).

\(^{13}\) Commission Staff’s Petition for Designation of Competitive Renewable-Energy Zones, Docket No. 33672, Order on Rehearing (Oct. 7, 2008).
scale of the facilities involved and the assignment of several TSPs to accomplish the multiple projects, the Commission determines that good cause exists to establish a filing schedule pursuant to P.U.C. SUBST. R. 25.174(c)(4) and 25.216(g)(1). The Commission further determines that, in order to establish a general schedule by which applications for CCNs shall be filed, it is appropriate to create two dockets to effectively sequence the CCN applications necessary for the various projects contained in the CTP. Phasing the CCN application process in this way facilitates meeting the “cost-effective” directive of PURA § 39.904(g)(2).

The Commission has determined that two dockets should be initiated for the purposes of facilitating and sequencing the CCN application process. The first docket is for the priority projects. The second CCN sequencing docket will address all remaining projects that are not already identified as priority or default projects. Those CTP projects, which are referred to as subsequent projects in this Order, must be sequenced in logical progression, as it would not be cost effective to certificate and construct projects that are of no use in the transmission of wind energy until another project, potentially closer to load centers, is operational. The TSPs assigned projects identified for each of the sequencing dockets will participate with Commission Staff and ERCOT to determine which projects require CCN applications, and then to determine the appropriate timing and sequencing of the required applications.

The deadline for CCN applications in the priority-projects docket is no later than October 7, 2009. The deadlines for CCN applications in the subsequent-projects docket will be established within that sequencing docket. The Commission finds that it is reasonable to require the TSPs, Commission Staff, and ERCOT to jointly propose the schedule for filing CCN applications in the priority-projects docket, and the schedule and deadlines for filing CCN applications in the subsequent-projects docket because the Commission anticipates that certain projects within each category may be more urgent and some applications can be ready much sooner, while others may take longer. The Commission expects the necessary applications will be filed according to a staggered schedule established in each sequencing docket, with all having been filed by the deadlines established in this Order and in the sequencing orders.

Additionally, the Commission clarifies that the default projects that were ordered in Docket No. 36146 are not included in the CCN application sequencing dockets. Many of the default projects do not require a CCN amendment, and the Commission is persuaded that it is
appropriate to allow the default projects to proceed outside the sequencing process that is established for the priority and subsequent projects. Nevertheless, TSPs that are assigned responsibility for any default project or other project identified in the CTP that is interdependent with or mutually supporting a project within either the priority category or the subsequent category of projects (e.g., station, compensation, rebuild/upgrade of line, open/close a line, terminal equipment upgrade, auto, or MVAR cap bank) must determine whether a CCN is necessary for that project and file any required CCN applications in a timely manner. For purposes of this Order, a CTP project is interdependent or mutually supporting if it must be available for the primary project to be placed in service. The purpose of this requirement is to assure that there will be no delay in placing a project in service resulting from an incomplete interdependent or mutually supporting project.

The process established in this Order for the sequencing and scheduling of CCN applications forms the basis of the Commission’s general schedule by which the facilities and improvements shall be completed. The construction of any interdependent or mutually supporting project must be appropriately sequenced in relation to its primary project, whether or not the supporting project requires a CCN. By implementing this schedule and allowing the details of sequencing the projects to be worked out cooperatively by the various TSPs, Commission Staff, and ERCOT through the sequencing dockets, the Commission anticipates that the projects will be completed by year-end 2013.

1. The Priority-Projects Docket

TSPs that are assigned projects that were categorized as priority lines in Docket No. 33672 (and projects identified in Attachment B as priority dependent if those projects are interdependent or mutually supporting) will participate with Commission Staff and ERCOT in this docket to determine what CREZ transmission projects require CCN applications, and then determine the appropriate timing and sequencing of the applications. The deadline for filing the CCN applications on these projects is no later than October 7, 2009, as provided in P.U.C. SUBST. R. 25.174(c)(4). The Commission finds that it is reasonable to apply this deadline for filing CCN applications that are necessary for the following priority transmission line projects:

- Central B to Central A double-circuit 345-kV line (Oncor)
- Central A to Tonkawas double-circuit 345-kV line (Oncor)
- Sweetwater to Central Bluff double-circuit 345-kV line (Oncor)
2. The Subsequent-Projects Docket

TSPs assigned responsibility for the remaining projects that are not already identified as priority or default will participate with Commission Staff and ERCOT in the subsequent-projects docket. Like the priority-projects docket, the purpose of this docket will be to determine what CTP projects assigned to this category require CCN applications, and to then determine the appropriate timing and sequencing of the applications. As contemplated by P.U.C. SUBST. R. 25.174(c)(4) and 25.216(g)(1), the deadline for the CCN applications on these projects is to be determined in the sequencing docket and are not required to be filed by the October 7, 2009 deadline. The Commission directs the designated TSPs, Commission Staff, and ERCOT to proceed with the sequencing of CCNs and projects with the two overarching principles in mind: 1) the projects must be prioritized to address first the current system limitations that impede existing wind from reaching load; and 2) the sequencing of CCNs and project completion must facilitate the timely completion of all CREZ projects by the target completion date of year-end 2013.

In addition, because the Commission has determined that it will not dictate firm deadlines for CCN applications for the subsequent projects, the following direction is provided to ensure that the sequencing process is efficient. First, ERCOT shall file its analysis and sequencing recommendations no later than 60 days from the date of this Order. The Commission further directs a Commission administrative law judge to initiate a pre-hearing conference in the subsequent-projects docket to facilitate the development of the joint proposal for the sequencing order. Designated TSPs, Commission Staff, and ERCOT are directed to file a joint proposal that includes CCN application deadlines no later than 30 days after the filing of ERCOT’s project-sequencing analysis. If no joint proposal is filed by the deadline, the Commission will conduct
an expedited hearing and order the sequencing of CCN application deadlines. The parties are
directed to include “no earlier than and no later than” windows for filing CCN applications to
manage the workload associated with processing the CCN applications. The opening date for the
CCN-application window should be no earlier than October 7, 2009, and the closing date for the
final CCN-application window should be mid-2010 to ensure that the year-end 2013 target for
the completion of construction can be met. CCN applications for projects that will take less than
the anticipated 30-36 months (from application to completion) can be sequenced for a later date,
if necessary.

The subsequent projects are:

- McCamey A to Odessa single-circuit, double-circuit-capable 345-kV line (LCRA)
- Mason to Pittsburgh 138-kV line (LCRA)
- McCamey C to McCamey A single-circuit, double-circuit-capable 345-kV line (LCRA)
- Central A to Central C double-circuit 345-kV line (Lone Star)
- Central C to Navarro/Sam Switch double-circuit 345-kV line (Lone Star)
- West B to Moss single-circuit 138-kV line (Oncor)
- Willow Creek to Hicks double-circuit 345-kV line (Oncor)
- West Krum to Anna double-circuit 345-kV line (Oncor)
- Oklaunion to West Krum double-circuit 345-kV line (Oncor)
- Central B to Willow Creek double-circuit 345-kV line (Oncor & ETT)
- McCamey C to McCamey D single-circuit, double-circuit-capable 345-kV line (STEC)
- Central A to West A double-circuit 345-kV line (WETT)
- Central D to Divide single-circuit, double-circuit-capable 345-kV line (WETT)
- Central E to Central D single-circuit, double-circuit-capable 345-kV line (WETT)
- West A to West C single-circuit, double-circuit-capable 345-kV line (WETT)
- Central West A to Central D single-circuit, double-circuit-capable 345-kV line (WETT)
- West C to Odessa single-circuit, double-circuit-capable 345-kV line (WETT)
- Panhandle B B to Panhandle B A double-circuit 345-kV line (Cross Texas)
- Panhandle B B to Oklaunion double-circuit 345-kV line (one circuit looping into Tesla 345-kV bus) (BB to Tesla portion – Cross Texas, Tesla to Oklaunion portion – ETT)
- Panhandle A C to PanOakMid double-circuit 345-kV line (one circuit looping into Tesla 345-kV bus) (AC to Tesla portion – Cross Texas, Tesla to PanOakMid portion – ETT)
- Oklaunion to PanOakMid double-circuit 345-kV line (ETT)
- PanOakMid to Central C double-circuit 345-kV line (ETT)
- Panhandle A D to PanOakMid double-circuit 345-kV line (ETT)
- Panhandle A A to Panhandle A C single-circuit, double-circuit-capable 345-kV line (Sharyland)
- Panhandle A A to Panhandle A B single-circuit, double-circuit-capable 345-kV line (Sharyland)
- Panhandle A B to Panhandle B A single-circuit, double-circuit-capable 345-kV line (Sharyland)
- Panhandle A C to Panhandle A D double-circuit 345-kV line (Sharyland)
- Panhandle B A to Panhandle A C double-circuit 345-kV line (Sharyland)
- Panhandle A D to Central B double-circuit 345-kV line (WETT)

3. Other Scheduling and Sequencing Matters

Additionally, the Commission notes that the 181-day deadline for processing and adjudicating CCN applications required by PURA § 39.203(e) is applicable to all CCN applications that are required for projects ordered by the Commission whether those projects are identified as default, priority, or subsequent projects. Finally, it is anticipated that both the priority and subsequent project sequencing dockets shall culminate in an order that outlines the responsible parties’ obligations for filing CCN applications. If a concern arises regarding any TSP’s ability to file an application within the required timeframe, the matter should be brought to the Commission’s attention immediately. If the Commission determines that a designated TSP has failed to submit a CCN application in compliance with this Order designating it responsible for a CTP facility, the Commission may revoke the designation assigned to it, and select another entity for the CTP facility.14

D. Wind Developer Financial Commitment

P.U.C. SUBST. R. 25.174(c)(6) requires, within 45 days of an application for a CCN for transmission improvements filed pursuant to the order designating the zone as a CREZ, each developer for that CREZ to post a letter of credit or other collateral in an amount equal to 10 percent of the developer’s pro rata share of the estimated capital cost of the transmission improvements covered by the CREZ order, including the TSP’s cost of preparing its CCN application. If any developer fails to deposit the required funds, the Commission may take appropriate action, as provided by the rule.15

The determination of each developers’ pro rata share of the estimated capital cost of the transmission improvements covered by the CREZ order that must be posted pursuant to

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15 P.U.C. SUBST. R. 25.174(c)(6).
P.U.C. SUBST. R. 25.174(c)(6) will be addressed in *Proceeding to Establish Policy Relating to Excess Development in Competitive Renewable-Energy Zones, Project No. 34577.*\(^\text{16}\)

Additionally, because numerous CCN applications are required and the Commission has decided to create dockets to schedule and sequence the CCN applications, and the resulting construction will potentially proceed through year-end 2013, the Commission determines that P.U.C. SUBST. R. 25.174(c)(6) does not contemplate that all of the wind developers should be required to post their pro rata share within 45 days of the filing of the first CCN application for a project in the CREZ transmission plan. Therefore, the Commission directs that the determination of which of the CCN applications will trigger the posting of the pro rata share for each developer will also be addressed in Project No. 34577.\(^\text{17}\) As a result, the 45-day deadline in P.U.C. SUBST. R. 25.174(c)(6) will not commence until the calculations of the pro rata shares and the determination of which CCN applications will serve as triggers are made in that project.

The Commission notes that a developer that deposited funds in accordance with P.U.C. SUBST. R. 25.174(b)(1) or (c)(6) is required to take transmission service in the CREZ no later than one year after the TSP notifies it that the transmission system is capable of accommodating the developer’s renewable energy facility, unless the Commission approves an extension of time. If the developer does not take transmission service as required, the developer shall be considered to have forfeited, for the benefit of the TSP, all collateral, letters of credit, or funds it has deposited.\(^\text{18}\)

Additionally, if the developer completes the generation facilities and begins delivering energy from the CREZ within one year of the completion of the transmission improvements, the TSP and ERCOT shall refund to the developer all collateral, letters of credit, or funds it has deposited.\(^\text{19}\)

\(^{16}\) Open Meeting Tr. at 91-93 (Jan. 29, 2009).

\(^{17}\) *Id.*

\(^{18}\) P.U.C. SUBST. R. 25.174(d)(1).

\(^{19}\) P.U.C. SUBST. R. 25.174(d)(2).
E. Project Monitoring and Reporting Requirements

1. CREZ Project Oversight

The Commission finds it appropriate to delegate authority to the Executive Director to select, engage, and oversee persons\(^{20}\) with responsibility for oversight of the planning, financing, and constructing of all CREZ facilities to ensure that the facilities are completed in a timely manner. The Executive Director's authority will include the establishment of the scope of work to be performed by the project oversight monitor. The scope of work will include monitoring the reports that the TSPs are required to file, providing regular status updates to the Commission, and immediately reporting to the Commission any significant changes in the estimates reported by the TSPs, particularly regarding any schedules, financing methods or costs, or cost estimates.

The Commission also finds it reasonable to require the TSPs that are responsible for the CTP projects, which are identified as default, priority, and all subsequent projects in this Order, to pay the cost associated with retaining the project oversight monitor and to allow the TSPs to seek recovery of the amounts paid as part of the overall project costs. The apportionment of costs among the TSPs responsible for the CTP projects and the payment mechanisms will be established by the Executive Director.

In addition, each of the new entrants that are assigned responsibility for CTP projects in this Order, Cross Texas, WETT, and Lone Star, must submit its plans for operation, maintenance, and ongoing control of its assigned CREZ facilities, as required by the Executive Director or project oversight monitor.

Finally, it is appropriate to delegate authority to the Executive Director to modify the project oversight monitor's scope of work as necessary and to request any additional information he deems necessary to the oversight of the CTP implementation process.

2. Reporting Requirements

Pursuant to P.U.C. SUBST. R. 25.174(c)(1), the Commission must specify any additional reporting requirements or other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner.

\(^{20}\) "Person" is defined in PURA §11.003(14) as including "an individual, a partnership of two or more persons having a joint or common interest, a mutual or cooperative association, and a corporation, but does not include an electric cooperative."
Within six months of the date the Commission grants a CCN for a CTP facility, the responsible TSP shall file cost estimates and an implementation schedule as required in P.U.C. SUBST. R. 25.216(f)(2). The estimated total cost information for the facility, based on the latest available information, will encompass each of the following categories: CCN acquisition, right-of-way and land acquisition, engineering and design, procurement of materials and equipment, and construction of facilities.\(^{21}\) The implementation schedule for the facility, including start and completion dates, shall include the following categories: engineering and design, right-of-way and land acquisition, material and equipment procurement, and construction of facilities. The implementation schedule shall also include the estimated in-service date of the facility. In addition to this reporting that is specifically required in the rules, the Commission also finds that it is of the utmost importance, particularly in the current finance and credit climate, that the six-month cost and scheduling reports also include information regarding the TSP’s financing methods, costs, and schedules.

Pursuant to P.U.C. SUBST. R. 25.216(f)(3), if, during implementation of a CREZ transmission facility, any schedule change that is greater than 60 days for any of the estimated dates provided in the six-month report occurs, the TSP must provide a detailed explanation of the reasons for the change to the Commission within 30 days of becoming aware of the change. The Commission also requires that explanation be filed with the Commission in the same manner as the six-month report. The Commission specifically includes in this reporting requirement any change in the methods, costs, or scheduling for financing.

In addition to the above reporting requirements, the Commission finds that it is important to be notified as quickly as possible if any circumstances arise that will affect a TSP’s ability to complete a project, or if cost estimates are in need of adjustment by more than 15 percent. Therefore, the Commission is imposing an additional requirement that any TSP shall report within ten working days of becoming aware of any change in circumstance that will affect the TSP’s ability to complete a project, or that would change any of the most current cost estimates provided to the Commission by more than 15 percent.

One year after CCN approval, each designated TSP shall file an updated total cost for each of its CTP facilities requiring a CCN. This cost report shall be updated annually until the

\(^{21}\) P.U.C. SUBST. R. 25.216(f)(2).
CREZ transmission facility is placed in-service. In addition to updated total cost information for CCN acquisition, right-of-way and land acquisition, engineering and design, procurement of material and equipment, and construction of facilities, the updated total cost information shall include an updated cost of financing.

The Commission has determined that the default projects already ordered to be the responsibility of TSPs designated in Docket No. 36146 are not required to be included in the sequencing dockets. However, pursuant to the authority to establish additional reporting requirements or other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner under P.U.C. SUBST. R. 25.174(c)(1), the TSPs responsible for default projects will be required to comply with any reporting provisions in this Order that are applicable to the default projects and any reporting requirements applicable to default projects that are subsequently established by the Executive Director or the project oversight monitor. Further, TSPs responsible for default projects are required to report project completion to the project oversight monitor whether or not the project required a CCN. If a priority or any subsequent project will be delayed because of incomplete status of a default project, the designated TSP for the priority or subsequent project must report the circumstance to the project oversight monitor within ten working days of becoming aware of the delay. Finally, the CCN orders for default projects that require CCNs will include the same reporting requirements as the CCN orders for all other CTP projects that require CCNs.

As part of the order granting a CCN for a CTP project, a Commission project number will be assigned for the purpose of completing these reporting requirements. Each TSP must file all reports in the project assigned to the TSP for that purpose. Each TSP must also provide the implementation reports to any other TSPs that are responsible for interdependent projects. The Commission appreciates that communication among TSPs with interrelated and interdependent projects is critical to the successful, timely, cost effective, and efficient completion of the CREZ projects. The purpose of this final requirement is to facilitate this communication between TSPs.

If the Commission determines that the TSP has failed to comply with the CCN order for the CTP facility, the Commission may revoke the CCN.

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22 P.U.C. SUBST. R. 25.216(f)(5).
F. Compliance Dockets for New Entrants

In order to perform the functions of a TSP prior to securing a CCN for specific facilities and be in compliance with PURA and the rules, each of the new entrants that are assigned responsibility for CREZ transmission projects pursuant to this Order, Cross Texas, Lone Star, and WETT, must seek Commission approval of a code of conduct. To achieve this objective, each of these entities is required to file a request for a compliance docket for the purpose of submitting its proposed organizational structure and code of conduct as required by PURA § 39.157 and Commission rules.

G. ERCOT Flexibility

The Commission recognizes the need to ensure that adequate flexibility is maintained in the ongoing transmission planning process. Although ERCOT does not seek flexibility to make major modifications such as changing end-points or voltage levels of the lines identified in the CTP, some flexibility is needed depending on the complexity and significance of the proposed modification. P.U.C. SUBST. R. 25.174(c)(7) allows the TSPs to propose modifications to the transmission improvements described in the CREZ order if such improvements would reduce the cost of transmission or increase the amount of generating capacity that transmission improvements for the CREZ can accommodate. The rule also allows the Commission to direct ERCOT to review modifications proposed by the TSP. In addition to the modifications identified in P.U.C. SUBST. R. 25.174(c)(7), the implementation of the CTP should include the review of proposed modifications that will speed up a project’s implementation timeline, achieve other technical efficiencies, or otherwise are cost-effective and consistent with the CTP. In Mr. Woodfin’s testimony, and in further briefing requested by the Commission, ERCOT has suggested a process to address proposed modifications.

Accordingly, the Commission determines that the implementation of the CTP can be most efficiently conducted by providing TSPs and ERCOT guidance on how to address proposed modifications to the CTP. In addition to any modifications proposed by a designated TSP that would reduce the cost of transmission or increase the amount of generating capacity that a CTP

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24 Woodfin Responsive Testimony at 5.
project can accommodate, proposed modifications that will speed up a project's implementation timeline, achieve other technical efficiencies, or otherwise are cost-effective and consistent with the CTP should be submitted to ERCOT. At that point, ERCOT shall review the proposed changes to determine whether they are cost-effective and consistent with the intent of the CTP. ERCOT's review may include stakeholder input, but that input must not result in a delay in the completion of the CTP project. ERCOT shall provide a recommendation to the designated TSP that shall be filed in the CCN proceeding if the modification is to a project or part of a project that has been determined to require a CCN. When the proposed modifications to the CTP impact a project requiring a CCN, the Commission will ultimately decide whether the change should be adopted.25

To the extent that a proposed modification is to a project that does not require a CCN, then ERCOT is authorized to allow the TSP to implement those minor modifications. The types of modifications contemplated are those such as: making changes to line conductors, modifying the specifications of series compensation and other reactive equipment, adding substations, using existing transmission infrastructure for interconnection of generation, and similar minor modifications.26 The Commission determines that ERCOT must have this degree of flexibility to make modifications where necessary to ensure that the CREZ facilities are implemented efficiently and cost-effectively. As such, the Commission finds that ERCOT and the affected TSPs will not be required to seek Commission approval for these types of minor modifications. However, to the extent that such minor changes are necessary to facilitate efficiency and cost-effective implementation, but would result in a change of the TSP responsible for the project or the CTP facility, the Commission directs ERCOT and the affected TSPs to request Commission approval of the proposed reassignment.

The Commission also recognizes that it may be necessary to modify the CTP projects to account for changes in the transmission system that have occurred since the development of the CTP and for additional information that may become available during the transmission planning process.

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25 Id. at 8-9.
26 Id. at 7.
IV. Findings of Fact

Procedural History

1. On December 15, 2006, in Project No. 31852, the Commission adopted P.U.C. SUBST. R. 25.174 to effectuate the requirements of PURA § 39.904(g).

2. On March 18, 2008, in response to a memo by Commission Staff and a joint motion to initiate a settlement conference regarding the selection of transmission service providers, the Commission created Project No. 35424 to establish a parallel process, separate from the rulemaking in Project No. 34560, for interested parties to participate in a settlement conference regarding the selection of TSPs for the CREZ transmission facilities.

3. On May 13, 2008, Commission Staff filed a petition to commence this proceeding. Commission Staff stated in its petition that a copy of the petition would be served on each party to Docket No. 33672 and to each entity that filed in Project No. 34108. In addition, Commission Staff requested publication of notice in the Texas Register. On May 21, 2008, Order No. 1 was issued, approving notice as proposed by Commission Staff, setting an intervention deadline, and scheduling a prehearing conference.

4. On May 21, 2008, notice of the petition was filed.

5. Notice of this proceeding was served on each party to Docket No. 33672, to each entity that filed in Project No. 34108, and was published in the Texas Register.

6. On May 22, 2008, in Project No. 34560, the Commission adopted amendments to P.U.C. SUBST. R. 25.216 to establish a process for entities interested in constructing and operating certain transmission improvements to submit expressions of interest to the Commission and for the Commission to select the entity or entities responsible for constructing the transmission improvements, and address any requirements deemed appropriate by the Commission to ensure that such entities complete the ordered improvements in a timely and cost-effective manner.

7. On July 17, 2008, the Commission selected scenario 2 of the ERCOT CTO study as the CREZ transmission plan to be constructed. This selection was included in the order on rehearing issued on October 7, 2008 in Docket No. 33672.
8. On July 22, 2008, Order No. 19 was issued establishing the procedural schedule, which set July 24, 2008 as the deadline for initial statements of interest and intent to file CTP proposals, and September 12, 2008 as the deadline for filing CTP proposals and direct testimony.

9. On July 23, 2008, Bandera Electric Cooperative filed an initial statement of interest and request for selection as the designated TSP for upgrades and modifications to facilities included in the CREZ transmission plan that are owned by Bandera.

10. On July 24, 2008, South Texas Electric Cooperative (STEC) filed a statement of interest in building competitive renewable energy transmission projects, specifically the lines between McCamey D and McCamey C, McCamey C and McCamey A, and McCamey A and Odessa.

11. On July 24, 2008, Texas New Mexico Power Company (TNMP) filed an initial statement of interest and intent to file CTP proposals to build CREZ transmission within TNMP’s service area, approximately 30 miles for the Oklaunion to West Krum line and 50-75 miles for the Central C to Navarro/Sam Switch line.

12. On July 24, 2008, Tejas Transmission, LLC filed an initial statement of interest and intent to file CTP proposals to develop, finance, construct, own, operate and maintain CREZ transmission facilities represented in a map attached to the statement of interest and intent.

13. On July 24, 2008, Trans-Elect Texas, LLC filed an initial statement of interest and intent to file CTP proposal.

14. On July 24, 2008, ITC Panhandle Transmission, LLC filed a statement of interest in constructing CREZ transmission lines that will be connected to the Southwest Power Pool transmission system. ITC also filed a motion to clarify that the scope of this proceeding is limited to CREZ projects that will be connected to the ERCOT transmission system. On September 18, 2008, in Order No. 31, the scope of this proceeding was limited to CREZ projects that will be connected to the ERCOT transmission system, thereby granting ITC's motion.
15. On July 24, 2008, the City of Garland and Texas Municipal Power Agency (TMPA) filed a joint initial statement of interest and intent to file CTP proposal to upgrade or modify any facility they currently own and included in the statement of interest a list of north Texas CTP facilities in the order of priority of their interest.

16. On July 24, 2008, AEP Texas Central Company (AEP TCC), AEP Texas North Company (AEP TNC), Electric Transmission Texas, LLC (ETT), LCRA Transmission Services Corporation, Oncor Electric Delivery Company, LLC, and Sharyland Utilities LP filed a joint initial statement of interest and intent to file CTP proposals. Together, the joint parties agreed to the individual statements of interest in constructing, owning, and operating all of the CREZ facilities.

17. On July 24, 2008, CenterPoint Energy Houston Electric LLP filed an initial statement of interest and intent to file a CTP proposal to construct, operate, and maintain terminal equipment (upgrade of existing facilities) on both Singleton to Gibbons Creek 345-kV lines. The Singleton 345-kV substation is a new substation previously proposed by CenterPoint and approved by ERCOT through its regional planning process. CenterPoint's Singleton substation is expected to be completed in 2009. TMPA owns the existing Gibbons Creek 345-kV substation as well as the two 345-kV transmission lines that will interconnect TMPA's substation with CenterPoint's Singleton substation.

18. On July 24, 2008, Brazos Electric Power Cooperative, Inc. filed an initial statement of interest and intent to file CTP proposal to construct the modification or expansion of the existing Whitney switching station with a 345-kV auto transformer. Brazos also expressed interest in the event other upgrades or modifications may be required to facilities owned by Brazos.

19. On July 24, 2008, Lone Star Transmission, LLC filed an initial statement of interest and intent to file CTP proposal regarding specific new scenario 2 transmission facilities identified in the CTO study.

20. On July 24, 2008, CPS Energy filed an initial statement of interest and intent to file CTP proposal for the construction of the Twin Butte to Kendall 345-kV double-circuit line, which is comprised of the McCamey D to Twin Butte double-circuit 345-kV line,
21. On July 24, 2008, Cross Texas Transmission, LLC filed an initial statement of interest and intent to submit a CTP proposal regarding list of facilities identified on an attached list and depicted in an attached map. The facilities were divided into categories, including lines, stations, series compensation, capacitor banks, and reactors.

22. On July 31, 2008, Isolux Corsan Concesiones S.A. filed a motion to intervene and initial statement of interest and request for selection as designated TSP to develop, finance, construct, own, and maintain any or all of the facilities identified in ERCOT’s CTO study, scenario 2.

23. On August 1, 2008, Order No. 22 was issued, which provided that any motions to intervene shall be filed no later than August 8, 2008.

24. On August 25, 2008, an updated statement of interest and intent to file CTP proposals was filed by AEP TCC, AEP TNC, ETT, LCRA, Oncor, and Sharyland to include STEC in the joint parties’ collective expression of their willingness to assume responsibility for permitting, construction, and operation and maintenance of all CREZ transmission facilities as reflected in the map attached to the pleading.

25. The following parties were granted intervention in this proceeding: AEP TCC and AEP TNC; AES Wind Generation, Inc.; City of Austin d/b/a Austin Energy; Bandera Electric Cooperative, Inc.; Babcock & Brown Renewable Holdings, Inc. (BBRHI); Brazos Electric Power Cooperative, Inc.; BP Wind Energy North America, Inc. (BPWENA); Cap Rock Energy Corporation; Centerpoint; Cielo Wind Power, LLC; Steering Committee of Cities Served by Oncor (Cities); CPV Rattlesnake Den Renewable Energy Company, LLC (CPV Rattlesnake Den) and CPV Renewable Energy Company, LLC (CPV Renewable Energy); CPS Energy; Cross Texas; Duke Energy Generation Services, Inc.; Edison Mission Energy; E.ON Climate & Renewables North America, Inc.; ERCOT; ETT; Eurus Energy America Corporation; FPL Energy, LLC (FPLE); City of Garland; Horizon Wind Energy, LLC; Iberdrola Renewables, Inc.; Isolux Corsan Concesiones S.A. (on behalf of its venture with Brookfield Asset Management, Inc. for this project, Wind Energy Transmission Texas, LLC (WETT)); ITC; Invenergy Wind
North America, LLC; John Deere Wind Energy; LCRA; Lone Star; Longfellow Ranch Partners; Luminant Generation Company, LLC and Luminant Energy Company, LLC (collectively, Luminant); Mesa Power Pampa, LLC; Mesa Transmission, LLC; Oncor; PSEG Texas, LP; RES America Developments, Inc.; Sharyland; STEC; Tejas; Texas Industrial Energy Consumers (TIEC); TMPA; TNMP; Trans-Elect; and Worldwide Energy, Inc.

26. On August 29, 2008, LCRA filed a stipulation and motion to sever the issues related to CTP facilities that consist of the upgrading or modification of existing transmission facilities, which were identified as “default projects.” The following parties were not signatories, but were unopposed to the stipulation: Cities; ERCOT; ITC; TIEC; FPLE; Horizon; Invenergy; RES; Eurus; and Lone Star.

27. On September 8, 2008, Commission Staff filed support for and recommended approval of the stipulation and motion to sever the issues related to default projects. No other responses regarding the motion were filed.

28. On September 12, 2008, Order No. 30 was issued, which granted the motion to sever default projects and issues regarding default projects into a separate docket: "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.

29. On September 12, 2008, the following parties timely filed CTP proposals and supporting direct testimony: AEP TCC, AEP TNC, ETT, Oncor, LCRA, Sharyland, STEC, and TNMP (collectively, the joint parties), CPS Energy, Lone Star, Cross Texas, Isolux Corsan Concesiones S.A. (on behalf of WETT), Tejas, Trans-Elect, TMPA, and the City of Garland.

30. AEP TCC, AEP TNC, ETT, LCRA, Oncor, Sharyland, STEC, and TNMP (collectively referred to as the Movants) filed a joint motion to assign and sever priority facilities on September 19, 2008, and on September 25, 2008, filed a joint motion to sever issues related to uncontested projects.
31. On October 7, 2008, the Commission issued the order on rehearing in *Commission Staff's Petition for Designation of Competitive Renewable-Energy Zones*, Docket No. 33672, in which the Commission developed, pursuant to P.U.C. SUBST. R. 25.174(c)(2), a plan to construct transmission capacity necessary to deliver to electric customers the electric output from renewable energy technologies in the designated CREZs.

32. On October 15, 2008, Order No. 32 denied the motion to sever and assign priority facilities and the motion to sever issues related to uncontested projects. This Order was clarified by Order No. 33 on October 16, 2008 to partially deny the motion to sever and assign priority facilities and deny the motion to sever issues related to uncontested projects. The portion of the motion to assign and sever priority facilities remained pending regarding the issue of assignment of the priority facilities.

33. On October 20, 2008, Order No. 34 acknowledged that on October 8, 2008 Trans-Elect filed a withdrawal of its CTP Proposal and intervention in this docket, and on October 17, 2008, FPLE filed a notice of withdrawal of its intervention in this docket. Both parties were removed from the service list of this docket.


36. On November 14, 2008, rebuttal testimony was filed by: Joint Parties, ETT, LCRA, Oncor, Sharyland, STEC, TNMP, Cross Texas, City of Garland, Lone Star, Commission Staff, Tejas, TMPA, and WETT.

37. On November 20, 2008, Order No. 41 denied the motion to assign priority facilities.

38. On December 1-5, 2008, the Commission conducted a hearing on the merits in this docket.

39. Post-hearing briefs were filed by the parties by December 19, 2008.
40. Additional briefing from the parties regarding the CCN sequencing dockets, project monitoring and reporting requirements, and ERCOT flexibility was ordered and provided pursuant to the Commission's request at the February 26, 2009 open meeting.

41. At the January 14, January 29, February 10, February 26, and March 11, 2009 open meetings, the Commission discussed its decision in this docket, as set forth in this Order.

**TSP Selection Criteria**

42. Pursuant to P.U.C. SUBST. R. 25.216(e), in selecting the entities to be responsible for the CTP projects, the Commission is required to evaluate each interested TSP's proposal by considering at a minimum: the current and expected capabilities of the interested TSP to finance, license, construct, operate, and maintain the facilities in the most beneficial and cost-effective manner; the expertise of the interested TSP's staff; the interested TSP's projected capital costs and operating and maintenance costs for each facility; the interested TSP's proposed schedule for development and completion of each facility; the interested TSP's financial resources; the interested TSP's expected use of historically underutilized businesses unless the interested TSP is an electric cooperative or municipally owned utility; the interested TSP's understanding of the specific requirements to implement the facilities in its proposal; the TSP's previous transmission experience (when applicable); and the historical operating and maintenance costs for the TSP's existing transmission facilities (when applicable).

43. Each interested TSP's proposal was required to include the following information:

   a. A description of the process that the interested TSP will use for the preparation of any required application for a CCN.

   b. For each CTP facility transmission line, a general description of the proposed structure types (lattice, monopole, etc.) and composition (wood, steel, concrete, hybrid, etc.), conductor size and type, and right-of-way width.

   c. The projected in-service date of each CTP facility.

   d. A discussion of the type of resources, including relevant capability and experience (in-house labor, contractors, other TSPs, etc.) contemplated for use by the interested TSP for the licensing, design, engineering, material and equipment procurement,
right-of-way and land acquisition, construction, and project management related to the construction of each CTP facility.

e. A discussion of the type of resources contemplated by the interested TSP for operating and maintaining each CTP facility after it is placed in-service.

f. A discussion of the capability and experience of the interested TSP that would enable it to comply with all on-going scheduling, operating, and maintenance activities required for each CTP facility, including those required by policies, rules, guidelines, and procedures established by ERCOT independent system operator or other independent organization, if applicable.

g. Resumes for key management personnel that will be involved in obtaining a transmission CCN and constructing, operating, and maintaining each CTP facility.

h. A discussion of the interested TSP’s business practices that demonstrates that its business practices are consistent with good utility practices for proper licensing, designing, right-of-way acquisition, constructing, operating, and maintaining CTP facilities. The interested TSP shall also provide the following information for the current calendar year and the five calendar years immediately preceding its filing under P.U.C. SUBST. R. 25.216(d)(1).

(i) A summary of law violations by the interested TSP found by federal regulatory agencies, state public utility commissions, other regulatory agencies, or attorneys general.

(ii) A summary of any instances in which the interested TSP is currently under investigation or is a defendant in a proceeding involving an attorney general or any state or federal regulatory agency, for violation of any laws, including regulatory requirements.

i. For each CTP facility transmission line, the estimated direct costs in current dollars to construct (including design, engineering, materials, labor, transportation and other necessary expenses but excluding right-of-way and land acquisition) representative tangent, 30-degree, and 90-degree structures suitable for the type of conductor that would be used. The estimated costs shall be provided for each type of structure that might be used such as lattice, monopole, etc.
j. For each CTP facility transmission line, a detailed explanation and estimate of the interested TSP's anticipated average annual operating and maintenance cost-per-mile in current dollars for the line for the first ten years of operation. Also, the interested TSP shall provide the actual average direct operating and maintenance cost-per-mile incurred by the interested TSP for each of the last five calendar years for all transmission lines owned and operated by the interested TSP that have the same voltage as the CTP facility transmission line.

k. The interested TSP's overhead rate for managing third-parties, if the interested TSP contemplates the use of third-parties to perform any function related to the licensing, construction, operation, or maintenance of the CTP facility and the willingness of the interested TSP to maintain the overhead rate for the managing of the third-party operation and maintenance for a fixed period of time after the CTP facility has been energized.

l. The interested TSP's preexisting procedures and historical practices for acquiring right-of-way and land and managing right-of-way and land acquisition for transmission facilities. If the interested TSP does not have such preexisting procedures, it shall provide a detailed description of its plan for acquiring right-of-way and land and managing right-of-way and land acquisition.

m. The interested TSP's preexisting procedures and historical practices for mitigating the impact of transmission facilities on affected landowners and for addressing public concerns regarding transmission facilities. If the interested TSP does not have such preexisting procedures, it shall provide a detailed description of its plan for mitigating the impacts on affected landowners and addressing public concerns regarding CTP facilities.

n. A proposed financial plan that confirms that:
   (i) adequate capital resources are available to the interested TSP to allow the interested TSP to finance the CTP facilities, and
   (ii) no significant negative impact on the creditworthiness or financial condition of the interested TSP, as demonstrated in P.U.C. SUBST. R. 25.216 (2)(A)-(D), will occur as a result of the interested TSP's construction, operation, and maintenance
of the CTP facilities. In evaluating an interested TSP’s financial plan, the Commission will consider the terms of the proposed financing available to the interested TSP, including variable and fixed cost financing, short-term and long-term maturities, and an interested TSP’s willingness and ability to fix the cost of financing for a fixed period of time.

o. An affidavit by an officer of the interested TSP stating that the information in the application is true and that the interested TSP will comply with the applicable rules in this title and with PURA.

p. Other evidence, at the discretion of the interested TSP, which supports its selection as a designated TSP.

q. Unless the interested TSP is an electric cooperative or municipally owned utility, a description of the interested TSP’s use of historically underutilized businesses for the last five calendar years and expected use of historically underutilized businesses.

44. Subparagraphs a. through n. of the preceding finding do not apply to a CTP proposal that is supported or unopposed by all parties in the proceeding by the deadline to file the CTP proposal.

45. Each interested TSP was also required to establish that it has adequate financial resources as follows:

a. The interested TSP holds a CCN issued by the Commission for electric transmission facilities, or the interested TSP holds a CCN issued by the Commission to provide retail electric service and operates electric transmission facilities in Texas;

b. The interested TSP or its parent company or controlling shareholder or another company providing a bond guaranty or corporate commitment to the interested TSP under P.U.C. SUBST. R. 25.216(e)(2) must demonstrate an investment-grade credit rating as defined in subparagraph (E); or

c. The interested TSP must establish that it has:

i. assets less any goodwill but including regulatory assets in excess of liabilities of at least 40% of the projected total cost of the CTP facility on its most recent audited financial statements; and
ii. the following minimum financial ratios, adjusted to exclude transition bonds of subsidiaries, obtained from the interested TSP’s most recent audited financial statements:

I. funds from operations-to-interest coverage of 1.5x;  

II. funds from operations-to-total debt of 10%; and  

III. total debt-to-total capital no greater than 65%.

However, the Commission may choose not to require compliance with the minimum financial ratios if the interested TSP cannot meet them because of non-recurring events that are projected to be favorable to ratepayers and the interested TSP’s long-term operations and financial condition, such as a large asset addition to its rate base.

46. Notwithstanding the preceding finding of fact, the Commission may determine that an interested TSP is eligible for selection as a designated TSP if the interested TSP provides evidence satisfactory to the Commission that it has the capability to finance the proposed CTP facility it proposes to construct, operate, and maintain.

47. For an interested TSP to establish its investment-grade credit rating, it may rely upon its own investment-grade credit rating or a bond, guaranty, or corporate commitment of an investment-grade rated company. The determination of such investment-grade quality will be based on the credit ratings provided by Standard & Poor’s (S&P), Moody’s Investor Services (Moody’s), or any other nationally recognized rating agency. The minimum investment credit ratings that will satisfy the requirements of this paragraph include "BBB-" for S&P, "Baa3" for Moody’s, or their financial equivalent. If the relied-upon rating agency suspends or withdraws the investment grade credit rating, the interested TSP shall provide alternative financial evidence within ten days of such suspension or withdrawal.

48. To the extent that an interested TSP is an electric utility, as defined in PURA § 31.002(6), and is relying on an affiliated transmission and distribution utility for credit, investment, or other financing arrangements, it must demonstrate that any such arrangement will comply with P.U.C. SUBST. R. 25.272(d)(7), relating to codes of conduct for electric utilities and their affiliates.
49. Each interested TSP must provide a summary of any history of bankruptcy, dissolution, merger, or acquisition of the interested TSP or any predecessors in interest for the current calendar year and the five calendar years immediately preceding filing of the CTP proposal.

50. The Commission's open application process in this docket does not oblige it to select all of the interested applicants who submitted CTP proposals as designated TSPs for CREZ transmission facilities.

51. Based on the record evidence and the factors to be considered under PURA and Commission rules, the Commission formulated principles to apply in selecting TSPs that are capable of building, operating, and maintaining the CTP projects in the manner most cost-effective and beneficial to customers.

52. The principles the Commission formulated address interested TSPs' demonstration of their abilities to secure appropriate financing, the urgency of the priority projects, the importance of balance in selecting multiple TSPs for the projects, the issues regarding municipally owned utilities, the proximity of facilities to each other, the size of the project assignment relative to the size of the TSP, and the facilities requested by TSPs in their proposals.

Appropriate financing

53. Financial factors to be considered by the Commission include, but are not limited to: the current and expected capabilities of each interested TSP to finance, license, construct, operate, and maintain CTP facilities in the most beneficial and cost-effective manner; each interested TSP’s projected costs for financing, construction, and operation and maintenance; an interested TSP’s average direct operating and maintenance costs-per-mile of same-voltage transmission lines during the last five calendar years (when applicable); an interested TSP’s estimated overhead rate for managing third parties (when applicable); and each interested TSP’s current and projected financial resources.

54. The Commission shall also consider each TSP’s current and projected financial resources by evaluating: each TSP’s demonstration of available resources to finance requested CTP facilities; each TSP’s current credit rating by a nationally recognized credit agency (when
applicable); and each TSP's creditworthiness or financial condition, including whether a TSP would suffer a significant negative impact as a result of its being assigned varying sizes of CTP facilities.

55. On December 4, 2008, the Commissioners requested additional financial information from the interested TSPs.

a. Each municipally owned utility was instructed to submit information, and supporting documentation, reflecting the borrowing rates on $100 million for one-year, three-year, five-year, ten-year, and 30-year maturities, for an entity with the credit rating of the submitting municipally owned utility.

b. Each privately held TSP was instructed submit information, and supporting documentation reflecting: (1) the borrowing costs on $500 million for one year, three years, and five years for an entity with the credit rating of the submitting party; and (2) the submitting party's proposed return on equity if it was selected to be responsible for CTP facilities on December 4, 2008.

56. CPS Energy, Cross Texas, ETT, Garland, LCRA, Lone Star, Oncor, Sharyland, STEC, Tejas, TMPA, TNMP, and WETT timely filed the financial information requested by the Commission during the hearing on the merits.

Urgency of priority projects

57. In the order on rehearing in Docket No. 33672, the Commission found that certain lines are of utmost priority, as they are critical to relieve current congestion that is hampering the delivery of existing wind-powered energy to the grid.

58. These priority projects should take precedence in the CTP implementation process, including planning, certification, and construction.

59. To ensure these priority projects are not unduly delayed, the Commission should assign these projects only to non-municipal, incumbent TSPs that currently hold a CCN.

a. In comparison with entities that do not currently hold a CCN in the state, the incumbent TSPs have greater familiarity with the process of obtaining and amending CCNs in Texas.
b. The incumbent TSP’s CCN applications for the priority projects will be applications to amend the existing CCN that the incumbent TSP already maintains, and do not hinge on the outcome of an initial CCN docket.

c. The assignment of incumbent TSPs that own and operate existing facilities that are geographically proximate to the priority projects will further facilitate efficient completion of the priority projects.

d. The selection of a limited number of TSPs for the priority projects will reduce the potential for delays due to coordination among more numerous TSPs.

e. Selection of municipally owned utilities, such as CPS Energy, would introduce unavoidable risk of delay or complication in implementing the priority projects.

**Balance in selecting multiple TSPs**

60. It is important to strike the proper balance between the benefits of selecting a large pool of TSPs to participate in the CTP in order to spread financial risk, introduce novel technologies, and diversify sources of skills and materials against the benefits of selecting a small number of TSPs in order to avoid unnecessary complexity and coordination difficulties.

61. The proper balance of benefits will be struck through the selection of several incumbent TSPs as well as the strongest new entrants.

**Municipally owned utilities**

62. Inherent difficulties arise if municipally owned utilities are designated as CREZ TSPs.

a. A municipally owned utility’s authority to waive its own jurisdiction is limited.

b. The Commission does not have jurisdiction over municipally owned utilities regarding their routing of transmission lines.

c. The Commission does not have jurisdiction over municipally owned utilities regarding the timing of the construction of their transmission lines.

d. The selection of a municipally owned utility as a designated TSP for CTP facilities would deprive affected landowners of an independent, objective, and state-wide
adjudication regarding the routing and timing of construction of CREZ transmission lines.

e. The absence of an independent decision-maker regarding the routing and timing of CREZ transmission lines, if such were assigned to a municipally owned utility, raises valid due process concerns.

f. The provision of procedural due process to affected land owners is particularly questionable regarding CTP facilities that lie well outside of the applicant municipally owned utilities’ traditional boundaries, which municipally owned utilities requested.

g. As the Commission would not have the ability to revoke a CCN for a CTP facility from a municipally owned utility, the Commission's ability to ensure timely, beneficial, and cost-effective construction would be more limited if it selected a municipally owned utility to be responsible for CTP facilities.

h. Municipally owned utilities are not required to pay ad valorem property taxes and whether a municipally owned utility can be held to its commitment to provide a payment in lieu of taxes is questionable.

Proximity of facilities

63. Assigning geographically proximate projects to the same TSP when possible has inherent advantages.

a. Projects that are close together, and in the case of incumbent TSPs, close to their pre-existing service areas, allow TSPs to utilize economies of scale.

b. Projects that are close together, and in the case of incumbent TSPs, close to their pre-existing service areas, decrease the potential complexity of coordination among multiple TSPs during the planning, certification, construction, and operation and maintenance stages.

c. Projects that are close together will reduce the need for TSPs to be familiar with multiple regions of the state.
Relative size of CTP projects and TSPs

64. The current and future capabilities of an interested TSP to handle varying total amounts of projects are important criteria to be considered.

65. The relative size of a TSP compared to the size and volume of the various projects to be assigned is an indicator of the TSP’s current and future capabilities to undertake varying shares of the total projects.

66. The overall sizes and amounts of CTP facilities allocated to each designated TSP in this Order should reflect the TSPs’ relative abilities to demonstrate significant experience with large-scale energy projects, the capacity to finance a large CREZ assignment without a significant negative impact on the entity’s creditworthiness or financial condition, the importance of experience in working with landowners and other members of the public to reach mutually beneficial arrangements, and the capability to expand their operations to include CTP facilities promptly and effectively.

67. The size of an interested TSP’s current service area may be considered by the Commission when applicable, but should not be a sole, determining factor.

Facilities requested by TSPs

68. The facilities actually requested by each TSP is an important indicator of the TSP’s interest in the various CTP projects. Therefore, with limited exceptions, the Commission should assign projects to entities that requested those projects in their initial proposals.

69. Although the Commission should recognize and give weight to the interested TSPs’ CTP proposals, the Commission’s decision-making authority is not limited by those proposals.

70. The proposals presented by the TSPs included some evidence addressing specific areas and facilities.

TSP Selection and Project Assignments

71. The Commission evaluated the interested TSPs’ CTP proposals by considering the evidence submitted by the parties, testimony of witnesses, and other exhibits.
72. The evaluation encompasses both the identification of the TSPs that meet the Commission's qualifications for assignment of responsibility as well as the determination of which TSPs should be responsible for which CTP projects.

**TSP Selection**

73. The record evidence establishes that the following incumbent TSPs: Oncor, LCRA, STEC, Sharyland, and ETT, possess the current and expected capabilities to adequately finance, license, construct, operate, and maintain the facilities in the most beneficial and cost-effective manner.

74. The record evidence reflects that the municipally owned utilities do not possess the current and expected capabilities to adequately license, construct, operate, and maintain the facilities in the most beneficial and cost-effective manner.

a. Due to the limited regulatory oversight over municipally owned utilities described in Finding of Fact No. 62, the Commission is not persuaded that, if portions of the CTP were assigned to municipally owned utilities, the Commission could fulfill its statutory obligations under PURA § 39.904(g)(2).

b. The benefits to be gleaned from participation by municipally owned utilities in the CTP build-out are outweighed by the additional legal and regulatory uncertainties and greater probability of delay that arise from their inclusion.

75. The record evidence reflects that TNMP does not possess the current and expected capabilities to adequately finance, license, construct, operate, and maintain the facilities in the most beneficial and cost-effective manner.

a. TNMP's requested portion of the entire CTP consisted of a 13-mile segment in the middle of the Oklaunion to West Krum double-circuit 345-kV line.

b. Responsibility for the rest of this line would be assigned to a different TSP.

c. The selection of TNMP to be responsible for this small portion of the CTP projects does not provide sufficient benefit to outweigh the inherent complexity of an additional TSP.
76. The record evidence established that the following new-entrant TSPs: Lone Star, Cross Texas, and WETT, possess the current and expected capabilities to adequately finance, license, construct, operate, and maintain the facilities in the most beneficial and cost-effective manner.

77. Cross Texas, Lone Star, and WETT are the new entrants best qualified to participate in the CREZ Transmission Plan.

78. The record evidence reflects that new-entrant TSP Tejas does not possess the current and expected capabilities to adequately finance the construction and operation of CTP facilities in the most beneficial and cost-effective manner.


b. Babcock & Brown Limited is the ultimate parent entity of Tejas and Tejas’ affiliates.

c. According to Tejas’ list of acronyms and selected defined terms, which is provided in the supporting information for its application at bates stamp 0043, the use of the term “Babcock & Brown” by Tejas indicates Babcock & Brown Limited and its subsidiaries.

d. Tejas estimated that $380 – 400 million in equity capital would be required for the proposed projects and that Babcock & Brown or its managed funds expected to contribute the equity required to construct the requested facilities.
e. Tejas estimated that, by the time it received its CCN, Babcock & Brown will have spent $20-25 million in development costs and significant management time and resources to support Tejas.

f. Prior to commercial operation of the facilities (and likely as early as close of construction financing), Babcock & Brown intended to transfer its interest in Tejas to Babcock & Brown Infrastructure Fund North America, one of its managed funds.

g. Due to a number of events in the market, Babcock & Brown acknowledges that it has suffered a significant drop in its share price.

h. Commission Staff analyzed recent events in the capital markets for equity as they affected Tejas and evaluated other events that affected Tejas directly, such as the performance of the stock price of Babcock and Brown and a lowering of the company’s credit rating. These events caused Commission Staff’s witness Slade Cutter to withdraw his recommendation that Tejas is financially qualified to construct portions of the CREZ transmission facilities.

i. Babcock & Brown Limited’s stock price on the Australian Securities Exchange dropped from over A$8.00 to $A0.25 during the approximate time period of September 2008 and November 2008.


k. Both Moody's and S&P have issued credit downgrades for various Babcock & Brown Limited affiliate entities. For example, on November 18, 2008, the rating by S&P for Babcock and Brown International Pty Ltd.’s short term rating was lowered from ‘B’ to ‘C’ and the long-term issuer credit was lowered to ‘CCC+’ from ‘BB-.’ S&P lowered the long-term credit rating again on November 20, 2008 to ‘CC.’ On August 26, 2008, Moody’s lowered the rating for Babcock and Brown Infrastructure Group from ‘Baa3’ to ‘Ba2.’

l. While Babcock & Brown Limited may survive the financial challenges that are presently buffeting it, or be able to structure Tejas' finances through other means, at present the Commission is unwilling to assume the risk that it may not.
79. The record evidence established that staff members of Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas have the necessary expertise for these entities to be designated as responsible for CTP projects.

80. The capital costs and operating and maintenance costs for each facility projected by Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas were reasonable.

81. The schedule for development and completion of each facility proposed by Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas was appropriate as related to the proposal.

82. Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas each provided sufficient evidence of its financial resources.

83. Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas each proposed an appropriate level of expected use of historically underutilized businesses.

84. Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas each expressed adequate understanding of the specific requirements to implement the facilities in its proposal.

85. The evidence established that Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas each have sufficient previous transmission experience, either of its own or through its parent and affiliated entities, to undertake the responsibility of the CTP projects.

86. To the extent that historical operating and maintenance costs for the TSP's existing transmission facilities was available, it was favorable to the selection of Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas for CTP responsibility.

87. Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas are eligible for selection as a designated TSP because each entity provided evidence satisfactory to the Commission that it has the capability to finance the CTP facilities that each would construct, operate, and maintain.
88. Each of the selected TSPs, Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas, established that it had the equivalent of an investment-grade credit rating.

89. Pursuant to P.U.C. SUBST. R. 25.216(d)(2), in the final order in Docket No. 36416, the Commission selected the owner of each existing CTP facility requiring an upgrade or modification to be the designated TSP responsible for those upgrades or modifications.

90. It is reasonable and appropriate for the Commission to assign responsibility for the balance of the CTP projects that have not already been assigned in Docket No. 36416 to Oncor, LCRA, STEC, Sharyland, ETT, Lone Star, WETT, and Cross Texas.

**Project Assignments**

91. Pursuant to P.U.C. SUBST. R. 25.216(d)(3), the Commission selected a designated TSP for each CTP facility.

92. A map that generally depicts the project assignments (including default projects) is attached to this Order as Attachment A.

93. A project-by-project designation of responsible CREZ TSPs is attached to this Order as Attachment B.

   a. This spreadsheet reflects the entire project cost list (including default projects) provided in the ERCOT CTO study for scenario 2.

   b. The spreadsheet identifies each project that the Commission has designated as default, priority, or priority dependent.

   c. For purposes of this Order, a project is designated as priority dependent if that project involves work on a line designated as priority or on a station connected to a priority line.

94. It is reasonable and appropriate for the Commission to assign responsibility for the wind collection points depicted in the CTO study, scenario 2 map to Oncor, LCRA, Sharyland, ETT, Lone Star, WETT, and Cross Texas.
a. At the February 26, 2009 open meeting, ERCOT expressed that, in the interest of expedience, the Commission should select the TSPs that shall be responsible for these collection points.

b. The Commission is able to logically assign responsibility for the wind collection points based upon the assignments of geographically proximate CTP projects and the designated TSPs’ expressions of interest in the wind collection points.

c. Responsibility for the wind collection points is assigned by the Commission as follows: Panhandle B B (Cross Texas); Panhandle A B (Sharyland); Panhandle A C (Sharyland); Panhandle A D (WETT); Central C (Lone Star); Central B (Oncor); Central A (Oncor); Central Bluff (Oncor); McCamey D (LCRA for high voltage functions; ETT for gathering functions); McCamey B (LCRA); McCamey C (LCRA for high voltage functions; ETT for gathering functions); West A (WETT); West C (WETT); Central D (WETT); Central E (WETT); Panhandle A A (Sharyland); Panhandle B A (Sharyland); McCamey A (LCRA); and West B (Oncor).

95. The wind power collection points are not CREZ transmission facilities and their costs are not recoverable through the traditional transmission cost recovery mechanism.

**Schedule and Sequencing of CCNs**


97. The CCN applications for CTP facilities are required to be filed pursuant to P.U.C. SUBST. R. 25.174(c)(4) no later than one year after the order designating the CREZs in Docket No. 33672, which is October 7, 2009.

98. The Commission is allowed under P.U.C. SUBST. R. 25.174(c)(4) and 25.216(g)(1) to establish a filing schedule if numerous CCN applications are required.

99. Given the scale of the facilities involved and the assignment of several TSPs to accomplish the multiple projects, the Commission determines that good cause exists to establish a filing schedule pursuant to P.U.C. SUBST. R. 25.174(c)(4) and 25.216(g)(1).
100. In order to establish a general schedule by which applications for CCNs shall be filed, it is appropriate to create two dockets to effectively sequence the CCN applications necessary for the various projects contained in the CTP.

101. Phasing the CCN application process facilitates meeting the "cost-effective" directive of PURA § 39.904(g)(2).

102. Two dockets should be initiated for the purposes of facilitating and sequencing the CCN application process. One docket is for priority projects, and the other is for the subsequent projects, which are all remaining projects not already identified as priority or default projects.

103. The project categories reflect the logical progression of the projects, as it would not be cost effective to certificate and construct projects that are of no use in the transmission of wind energy until another project, potentially closer to load centers, is operational.

104. The TSPs assigned projects identified for each of the two dockets will participate with Commission Staff and ERCOT to determine which projects require CCN applications, and then to determine the appropriate timing and sequencing of the required applications.

105. The deadline for CCN applications in the priority-projects docket is no later than October 7, 2009.

106. As contemplated by P.U.C. SUBST. R. 25.174(c)(4) and 25.216(g)(1), the deadlines for CCN applications in the subsequent-projects docket will be established within that sequencing docket and are not required to be filed by the October 7, 2009 deadline.

107. It is reasonable to require the TSPs, Commission Staff, and ERCOT to jointly propose the schedule for filing CCN applications in the priority-projects docket.

108. It is reasonable to require the TSPs, Commission Staff, and ERCOT to jointly propose the schedule and deadlines for filing CCN applications in the subsequent-projects docket.

109. The Commission expects the necessary applications will be filed according to a staggered schedule established in each sequencing docket, with all having been filed by the deadlines established in this Order and in the sequencing orders.
110. The default projects that were ordered in Docket No. 36146 are not included in the CCN application sequencing dockets. Many of the default projects do not require a CCN amendment, and it is appropriate to allow the default projects to proceed outside the sequencing process that is established for the priority and subsequent projects.

111. TSPs that are assigned responsibility for any default project or other project identified in the CTP that is interdependent with or mutually supporting a priority project or subsequent project (e.g., station, compensation, rebuild/upgrade of line, open/close a line, terminal equipment upgrade, auto, or MVAR cap bank) must determine whether a CCN is necessary for that project and file any required CCN applications in a timely manner.

112. For purposes of this Order, a CTP project is interdependent or mutually supporting if it must be available for the primary project to be placed in service.

113. The construction of any interdependent or mutually supporting project must be appropriately sequenced in relation to its primary project, whether or not the supporting project requires a CCN. The purpose of the requirement is to assure that there will be no delay in placing a project in service resulting from an incomplete interdependent or mutually supporting project.

114. By implementing this schedule and allowing the details of sequencing the projects to be worked out through the sequencing dockets, the Commission anticipates that the CTP projects will be completed by year-end 2013.

115. Designated TSPs, Commission Staff, and ERCOT should proceed with the sequencing of CCNs and projects with two overarching principles in mind: 1) the projects must be prioritized to address first the current system limitations that impede existing wind from reaching load; and 2) the sequencing of CCNs and project completion must facilitate the timely completion of all CREZ projects by the target completion date of year-end 2013.

**Priority Projects Docket**

116. Docket No. 36801 has been established for sequencing priority project CCN applications.

117. TSPs that are assigned projects that were categorized as priority lines in Docket No. 33672 will participate with Commission Staff and ERCOT in Docket No. 36801 to
determine what CTP projects require CCN applications and to then determine the appropriate timing and sequencing of the applications.

118. The following are priority-line projects:27

- Central B to Central A double-circuit 345-kV line (Oncor)
- Central A to Tonkawas double-circuit 345-kV line (Oncor)
- Sweetwater to Central Bluff double-circuit 345-kV line (Oncor)
- Tonkawas to Sweetwater double-circuit 345-kV line (Oncor)
- Central Bluff to Bluff Creek double-circuit 345-kV line (Oncor)
- Bluff Creek to Brown double-circuit 345-kV line (Oncor)
- Brown to Newton/Salado double-circuit 345-kV line (Oncor)
- Newton to Killeen double-circuit 345-kV line (Oncor)
- Bowman to Oklaunion double-circuit 345-kV line (Oncor)
- McCamey D to Twin Butte single-circuit, double-circuit-capable 345-kV line (LCRA)
- McCamey D to Kendall double-circuit 345-kV line (LCRA)
- Kendall to Gillespie single-circuit, double-circuit-capable 345-kV line (LCRA)
- Gillespie to Newton single-circuit, double-circuit-capable 345-kV line (LCRA)

Subsequent Projects Docket

119. Docket No. 36802 has been established for sequencing CCN applications for the subsequent projects.

120. TSPs assigned responsibility for the subsequent projects will participate with Commission Staff and ERCOT in Docket No. 36802.

121. The purpose of Docket No. 36802 is to determine what CREZ transmission projects assigned to this category require CCN applications, and to then determine the appropriate timing and sequencing of the CCN applications.

122. It is reasonable to establish a 60-day deadline for ERCOT to file its analysis and sequencing recommendations regarding the subsequent projects.

123. It is appropriate to direct the Commission’s administrative law judge to initiate a pre-hearing conference in the subsequent-projects docket for the purpose of facilitating the filing of a jointly proposed sequencing order for all subsequent projects.

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27 LCRA is also assigned a small project to rebuild the Kendall CTEC to Kendal 138-kV line, which, because it involves work at or near the priority projects is designated as priority dependent in Attachment B.
124. Designated TSPs, Commission Staff, and ERCOT are directed to file a joint proposal that includes CCN application deadlines no later than 30 days after the filing of ERCOT’s project-sequencing analysis.

125. If the parties are unable to file a joint proposal by the deadline, the Commission will conduct an expedited hearing to order the sequencing and set deadlines.

126. It is reasonable to require “no earlier than and no later than” windows in the subsequent-projects docket for filing CCN applications to manage the workload associated with processing the CCN applications. The opening date for the CCN-application window should be no earlier than October 7, 2009, and the closing date for the final CCN-application window should be mid-2010 to ensure that the year-end 2013 target for the completion can be met. CCN applications for projects that will take less than the anticipated 30-36 months (from application to completion) can be sequenced for a later date if necessary.

127. The transmission line projects included in the subsequent projects docket are:

- McCamey A to Odessa single-circuit, double-circuit-capable 345-kV line (LCRA)
- Mason to Pittsburgh 138-kV line (LCRA)
- McCamey C to McCamey A single-circuit, double-circuit-capable 345-kV line (LCRA)
- Central A to Central C double-circuit 345-kV line (Lone Star)
- Central C to Navarro/Sam Switch double-circuit 345-kV line (Lone Star)
- West B to Moss single-circuit 138-kV line (Oncor)
- Willow Creek to Hicks double-circuit 345-kV line (Oncor)
- West Krum to Anna double-circuit 345-kV line (Oncor)
- Oklaunion to West Krum double-circuit 345-kV line (Oncor)
- Central B to Willow Creek double-circuit 345-kV line (Oncor & ETT)
- McCamey C to McCamey D single-circuit, double-circuit-capable 345-kV line (STEC)
- Central A to West A double-circuit 345-kV line (WETT)
- Central D to Divide single-circuit, double-circuit-capable 345-kV line (WETT)
- Central E to Central D single-circuit, double-circuit-capable 345-kV line (WETT)
- West A to West C single-circuit, double-circuit-capable 345-kV line (WETT)
- West A to Central D single-circuit, double-circuit-capable 345-kV line (WETT)
- West C to Odessa single-circuit, double-circuit-capable 345-kV line (WETT)
- Panhandle B B to Panhandle B A double-circuit 345-kV line (Cross Texas)
- Panhandle B B to Oklaunion double-circuit 345-kV line (one circuit looping into Tesla 345-kV bus) (BB to Tesla portion – Cross Texas, Tesla to Oklaunion portion – ETT)
- Panhandle A C to PanOakMid double-circuit 345-kV line (one circuit looping into Tesla 345-kV bus) (AC to Tesla portion – Cross Texas, Tesla to PanOakMid portion – ETT)
- Oklaunion to PanOakMid double-circuit 345-kV line (ETT)
- PanOakMid to Central C double-circuit 345-kV line (ETT)
- Panhandle A D to PanOakMid double-circuit 345-kV line (ETT)
- Panhandle A A to Panhandle A C single-circuit, double-circuit-capable 345-kV line (Sharyland)
- Panhandle A A to Panhandle A B single-circuit, double-circuit-capable 345-kV line (Sharyland)
- Panhandle A B to Panhandle B A single-circuit, double-circuit-capable 345-kV line (Sharyland)
- Panhandle A C to Panhandle A D double-circuit 345-kV line (Sharyland)
- Panhandle B A to Panhandle A C double-circuit 345-kV line (Sharyland)
- Panhandle A D to Central B double-circuit 345-kV line (WETT)

Other Scheduling and Sequencing Matters

128. The 181-day deadline for processing and adjudicating CCN applications required by PURA § 39.203(e) is applicable to all CCN applications that are required for projects ordered by the Commission, whether those projects are identified as default, priority, or subsequent projects.

129. This CCN sequencing process forms the basis of the Commission’s general schedule by which the facilities and improvements shall be completed.

130. Each of the dockets will culminate in an order that outlines the responsible parties’ obligations for filing CCN applications.

131. If a concern arises regarding any TSP’s ability to file an application within the required timeframe, the matter should be brought to the Commission’s attention immediately.

132. Pursuant to P.U.C. SUBST. R. 25.216(f)(1), if the Commission determines that a designated TSP has failed to submit a CCN application in compliance with this Order designating it responsible for a CTP facility, the Commission may revoke the designation assigned to it and select another entity for the CTP facility.

__Wind Developer Financial Commitment Requirements__

133. P.U.C. SUBST. R. 25.174(c)(6) requires, within 45 days of an application for a CCN for CREZ transmission improvements, each developer for that CREZ shall post a letter of
credit or other collateral to an amount equal to 10% of the developer's pro rata share of the estimated capital cost of the transmission improvements covered by the CREZ order, including the TSP’s cost of preparing its CCN application.

134. If any developer fails to deposit the required funds, the Commission may take appropriate action, as required by the rule.

135. In order for a developer to post a letter of credit or other collateral to an amount equal to 10 percent of the developer's pro rata share of the estimated capital cost of the transmission improvements covered by the CREZ order, including the TSP’s cost of preparing its CCN application, a determination of what that amount is must be made. Therefore, the determination of the developers’ pro rata share of the estimated capital cost of the transmission improvements covered by the CREZ order that must be posted pursuant to P.U.C. SUBST. R. 25.174(c)(6) shall be addressed in Proceeding to Establish Policy Relating to Excess Development in Competitive Renewable-Energy Zones, Project No. 34577.

136. The Commission determines that P.U.C. SUBST. R. 25.174(c)(6) does not contemplate that all of the wind developers should be required to post their pro rata share within 45 days of the filing of the first CCN application for a project in the CREZ transmission plan.

137. Numerous CCN applications are required, there is a need to schedule and sequence the CCN applications, and the first CCN application for a priority project will likely be filed well before there can be a determination of the amount of collateral each developer shall post. It would be unreasonable to require all of the wind developers to post their pro rata share within 45 days of the filing of the first CCN application for a project in the CREZ transmission plan before the CCN application triggers can be determined. It is appropriate for the determination of which of the CCN applications will trigger the posting of the pro rata share for each developer to be addressed in Project No. 34577.

138. P.U.C. SUBST. R. 25.174(d)(1) requires developers that deposited funds in accordance with P.U.C. SUBST. R. 25.174(b)(1) or (c)(6) to take transmission service in the CREZ no later than one year after the TSP notifies it that the transmission system is capable of
accommodating the developer's renewable energy facility, unless the Commission approves an extension of time.

139. P.U.C. SUBST. R. 25.174(d)(2) requires the TSP and ERCOT to refund the developer all collateral, letters of credit, or funds it has deposited if the developer completes the generation facilities and begins delivering energy from the CREZ within one year of the completion of the transmission improvements.

**Project Monitoring and Reporting Requirements**

**Project Monitoring**

140. The Commission finds it appropriate to delegate to the Executive Director all necessary authority to select, engage, and oversee persons (as defined in PURA § 11.003(14)) to monitor the planning, financing, and constructing of all CREZ facilities to ensure that the facilities are completed in a timely manner.

141. The Executive Director shall establish the scope of work to be performed by the project oversight monitor, which will include monitoring the reports that the TSPs are required to file, providing regular status updates to the Commission, and immediately reporting to the Commission any significant changes in the estimates reported by the TSPs, particularly regarding any schedules, financing methods or costs, or cost estimates.

142. It is reasonable to require the TSPs that are responsible for the CREZ transmission facilities, which are identified as default, priority, and all subsequent projects in this Order, to pay the cost associated with retaining the project oversight monitor and to allow the TSPs to seek recovery of the amounts paid as part of the overall project costs. The apportionment of costs among the TSPs responsible for the CTP projects and the payment mechanisms will be established by the Executive Director.

143. Each of the new entrants that are assigned responsibility for CREZ projects in this Order, Cross Texas, WETT, and Lone Star, must submit its plans for operation, maintenance, and ongoing control of its assigned CREZ facilities, as required by the project oversight monitor.

144. The Commission finds it appropriate to delegate authority to the Executive Director to modify the project oversight monitor's scope of work as necessary and to request any
additional information he deems necessary to the oversight of the CTP implementation process.

Reporting Requirements

145. P.U.C. SUBST. R. 25.174(c)(1) requires the Commission to specify any additional reporting requirements or other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner.

146. P.U.C. SUBST. R. 25.216(f)(2) requires the responsible TSP to file cost estimates and an implementation schedule within six months of the date the Commission grants a CCN for a CREZ transmission facility.

147. The estimated total cost information for the facility, based on the latest available information, will encompass each of the following categories: CCN acquisition, right-of-way and land acquisition, engineering and design, procurement of materials and equipment, and construction of facilities.

148. The required six-month cost and scheduling reports should also include information regarding the TSP’s financing methods, costs, and schedules.

149. The implementation schedule for the facility, including start and completion dates, shall include the following categories: engineering and design, right-of-way and land acquisition, material and equipment procurement, and construction of facilities. The implementation schedule shall also include the estimated in-service date of the facility.

150. If, during implementation of a CREZ transmission facility, any schedule change that is greater than 60 days for any of the estimated dates provided in the 6-month report occurs, the TSP must provide a detailed explanation of the reasons for the change to the Commission within 30 days of becoming aware of the change pursuant to P.U.C. SUBST. R. 25.216(f)(3). The Commission specifically includes in this reporting requirement regarding schedule changes any change in the methods, costs, or scheduling for financing.

151. In addition to the above reporting requirements, the Commission finds that it is important to be notified as quickly as possible if any circumstances arise that will affect a TSP’s ability to complete a project, or if cost estimates are in need of adjustment by more than
15 percent. In order to be notified as quickly as possible of such circumstances, the Commission is imposing an additional requirement that any TSP shall report within ten working days of becoming aware of any change in circumstance that will affect the TSP’s ability to complete a project, or that would change any of the most current cost estimates provided to the Commission by more than 15 percent.

152. One year after CCN approval, P.U.C. SUBST. R. 25.216(f)(5) requires each TSP to file an updated total cost for each of its CREZ transmission facilities requiring a CCN. This cost report shall be updated annually until the CREZ transmission facility is placed in-service.

153. In addition to updated total cost information for CCN acquisition, right-of-way and land acquisition, engineering and design, procurement of material and equipment, and construction of facilities, the updated total cost information shall include an updated cost of financing.

154. As part of the order granting a CCN for a CREZ transmission project, a Commission project number will be assigned for the purpose of completing all of the reporting requirements. Each TSP must file all reports in the project assigned to the TSP for that purpose.

155. The Commission finds that communication among TSPs with interrelated and interdependent projects is critical to the successful, timely, cost effective, and efficient completion of the CREZ project. In order to facilitate this communication between TSPs, each TSP must provide the implementation reports to any other TSPs that are responsible for interdependent projects.

156. P.U.C. SUBST. R. 25.2169(f)(4) provides that if the Commission determines that the TSP has failed to comply with the CCN order for the CTP facility, the Commission may revoke the CCN.

157. Although default projects are not included in the sequencing dockets, and some of the default projects may not require a CCN, pursuant to the authority to establish additional reporting requirements or other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner under P.U.C. SUBST. R. 25.174(c)(1), the TSPs responsible for default projects should be required to
comply with any reporting provisions in this Order that are applicable to the default projects and any reporting requirements applicable to default projects that are subsequently established by the Executive Director or the project oversight monitor.

158. TSPs responsible for default projects should be required to report project completion to the CREZ project oversight monitor whether or not the project required a CCN.

159. If a priority or any subsequent project will be delayed because of incomplete status of a default project, the designated TSP for the priority or subsequent project must report the circumstance within ten working days of becoming aware of the delay to the project oversight monitor.

160. The CCN orders for default projects that require CCNs should include the same reporting requirements as the CCN orders for all other CTP projects that require CCNs.

**Compliance Dockets for New Entrants**

161. In order to perform the functions of a TSP prior to securing a CCN for specific facilities, and be in compliance with PURA and the rules, Cross Texas, Lone Star, and WETT are required to seek Commission approval of a code of conduct.

162. Each of these entities must file a request for a compliance docket for the purpose of submitting its proposed organizational structure and code of conduct, as required by PURA § 39.157 and Commission rules.

**ERCOT Flexibility**

163. The Commission recognizes the need to ensure that adequate flexibility is maintained in the ongoing transmission planning process.

164. The degree of flexibility needed is tied to the complexity and significance of the proposed modification.

165. P.U.C. SUBST. R. 25.174(c)(7) allows the TSPs to propose modifications to the transmission improvements described in the CREZ order if such improvements would reduce the cost of transmission or increase the amount of generating capacity that transmission improvements for the CREZ can accommodate. The rule also allows the Commission to direct ERCOT to review modifications proposed by the TSP.
166. In addition to the modifications indentified in P.U.C. SUBST. R. 25.174(c)(7), the implementation of the CTP should include the review of proposed modifications that will speed up a project’s implementation timeline, achieve other technical efficiencies, or otherwise are cost-effective and consistent with the CTP, and this can be most efficiently conducted by providing TSPs and ERCOT guidance on how to address proposed modifications to the CTP.

167. Any modifications proposed by a TSP to a CTP project that would reduce the cost of transmission, increase the amount of transfer capacity, speed up a project’s implementation timeline, achieve other technical efficiencies, or otherwise be cost-effective and consistent with the CTP shall be submitted to ERCOT.

168. ERCOT shall review the changes to determine whether they are cost-effective and consistent with the intent of the CTP.

169. ERCOT’s review may include stakeholder input, but such input must not result in a delay in the completion of the CTP project.

170. ERCOT shall provide a recommendation to the designated TSP that shall be filed in the CCN proceeding if the modification is to a project or part of a project that has been determined to require a CCN.

171. When the proposed modifications to the CTP impact a project requiring a CCN, the Commission will ultimately decide whether the change should be adopted.

172. To the extent that a proposed modification is to a project that does not require a CCN, then ERCOT is authorized to allow the TSP to implement those minor modifications if they are cost-effective and consistent with the intent of the CTP. ERCOT and the affected TSPs will not be required to seek Commission approval for these minor modifications.

173. The types of modifications contemplated as being minor are modifications such as: making changes to line conductors, modifying the specifications of series compensation and other reactive equipment, adding substations, using existing transmission infrastructure for interconnection of generation, and similar minor modifications.
174. ERCOT must have this degree of flexibility to make modifications where necessary to ensure that the CREZ facilities are implemented efficiently and cost-effectively.

175. To the extent that such minor changes are necessary to facilitate efficiency and cost-effective implementation, but would result in a change of the TSP responsible for the project or the CTP facility, ERCOT and the affected TSPs shall request Commission approval of the proposed reallocation.

176. It may be necessary to modify the CTP projects, as specifically identified in Attachment B to this Order, to account for changes in the transmission system that have occurred since the development of the CTP and additional information that may become available during the transmission planning process.

177. It is appropriate for the Commission to give great weight to ERCOT’s endorsement of modifications in the CREZ CCN cases, as is currently done in non-CREZ CCN proceedings.

178. Modifications approved by the Commission will not change the project’s nature as a CTP project.

V. Conclusions of Law

1. The Commission has jurisdiction and authority over this proceeding pursuant to PURA §§ 14.001 and 39.904(g).

2. PURA § 39.904(g)(2) requires the Commission to develop a plan to construct transmission capacity necessary 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 CREZs.

3. There was good cause to set a procedural schedule in excess of 180 days for the Commission to decide the issues in this proceeding.

4. Interested TSPs filed statements of interest and CTP proposals in compliance with Commission order.
5. The Commission has fulfilled its obligation under P.U.C. SUBST. R. 25.174(c)(1) to select the entities responsible for constructing the transmission improvements, establish a schedule by which the improvements shall be completed, and specify any additional reporting requirements or other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner.

6. Each interested TSP's proposal included information responsive to P.U.C. SUBST. R. 25.216(e)(1)(A-R) and (e)(2), as applicable to that entity.

7. The Commission is authorized pursuant to P.U.C. SUBST. R. 25.174(a)(4) to consider other factors deemed appropriate by the Commission.

8. The Commission's determination to allow time in excess of one year from the date of the CREZ order in Docket No. 33672 for the designated TSPs to file CCN applications for the CTP facilities requiring CCNs is compliant with to P.U.C. SUBST. R. 25.174(c)(4).

9. The Commission's determination to establish a filing schedule due to the numerous CCN applications that are required for the CTP facilities is compliant with P.U.C. SUBST. R. 25.174(c)(4).

10. Pursuant to PURA § 39.904(h) and P.U.C. SUBST. R. 25.174(c)(5), the CTP CCN applications are exempt from addressing the need criteria in PURA §37.056(c)(1) and (2).

11. P.U.C. SUBST. R. 25.174(c)(7) allows a TSP to propose modifications to the transmission improvements if the cost of the transmission would be reduced or the amount of generating capacity would be increased.

12. If the Commission determines that a designated TSP has failed to submit a CCN application in compliance with this Order designating it for a CTP facility, the Commission may revoke the designation awarded to it and select another entity for the CTP facility pursuant to P.U.C. SUBST. R. 25.216(f)(1).

13. P.U.C. SUBST. R. 25.174(c)(6) does not contemplate that all of the wind developers are required to post a letter of credit or other collateral to an amount equal to 10 percent of the developer's pro rata share of the estimated capital cost of the transmission improvements covered by the CREZ order, including the TSP's cost of preparing its CCN
application, within 45 days the filing of the first CCN application for a project in the CREZ transmission plan.

14. The Commission is authorized in P.U.C. SUBST. R. 25.174(c)(1) to specify additional reporting requirements or other measures deemed appropriate by the Commission to ensure that entities complete the ordered improvements in a timely manner.

15. In addition to the reporting requirements identified in the Commission rules, the additional reporting requirements and other measures specified by the Commission in this Order are appropriate.

16. It is appropriate for the Commission to initiate several dockets by which the Commission shall oversee the implementation of the CTP to ensure that selected entities complete the facilities and improvements in a manner that is most cost-effective and beneficial to customers.

17. It is appropriate for the Commission to require that the six-month cost and schedule reports also include information regarding the TSP’s financing methods, costs, and schedules.

18. It is appropriate, in order to perform the functions of a TSP prior to securing a CCN for specific facilities and be in compliance with PURA and the rules, that Cross Texas, Lone Star, and WETT each be required to seek Commission approval of code of conduct.

19. Pursuant to P.U.C. SUBST. R. 25.216(f)(4), if the Commission determines that the TSP has failed to comply with the CCN order for the CTP facility, the Commission may revoke the CCN.

20. It is necessary to the beneficial and cost effective implementation of the CTP to provide assigned TSPs and ERCOT a method to propose modifications to the CTP.

21. Delegating to ERCOT the degree of flexibility provided in this Order to make modifications is necessary to ensure that the CREZ facilities are implemented efficiently and cost-effectively.

22. The Commission may direct ERCOT to review any proposed modifications to a CTP project to determine whether it is cost-effective and consistent with the intent of the CTP.
VI. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

**TSP Selection and Project Assignments**

1. The entities identified in Attachment B to this Order are assigned responsibility for constructing, operating, and maintaining the transmission facilities identified in Attachment B to this Order.

2. If any apparent conflicts exist between the map in Attachment A and the project list in Attachment B, Attachment B controls.

**Schedule and Sequencing of CCN Applications**

3. The TSPs assigned responsibility for priority projects shall participate with Commission Staff and ERCOT in Docket No. 36801 to sequence priority project CCN applications.

4. TSPs assigned responsibility for projects that are associated with all remaining projects not already identified as priority or default projects, which are referred to as subsequent projects in this Order, shall participate with Commission Staff and ERCOT in Docket No. 36802 to sequence CCN applications for these projects.

5. Each TSP responsible for filing CCN applications for CTP facilities that are identified within each of these categories shall participate with Commission Staff and ERCOT in the appropriate sequencing dockets and file all required CCN applications in accordance with the determinations made in the respective dockets.

6. Each of the sequencing dockets shall culminate in an order that outlines the responsible parties' obligations for filing CCN applications.

7. Absent a showing of good cause, the necessary applications shall be filed according to a staggered schedule established in each sequencing docket, with all having been filed by the established deadline.

8. If a concern arises regarding any TSP's ability to file an application within the required timeframe, the matter shall be brought to the Commission's attention immediately.
9. The CCN application deadline for the priority projects sequencing docket is no later than October 7, 2009.

10. The deadlines for CCN applications in the subsequent projects sequencing docket will be determined in the sequencing order in that docket.

11. ERCOT shall file its analysis and sequencing recommendations regarding the subsequent projects within 60 days of the date of this Order.

12. The Commission’s administrative law judge shall initiate a pre-hearing conference in the subsequent projects docket for the purpose of facilitating the filing of a jointly proposed sequencing order for all subsequent projects, including CCN application deadlines.

13. “No earlier than and no later than” windows in the subsequent-projects docket for filing CCN applications are required to manage the workload associated with processing the CCN applications. The opening date for the CCN-application window shall be no earlier than October 7, 2009, and the closing date for the final CCN-application window shall be mid-2010 to ensure that the year-end 2013 target for the completion can be met. CCN applications for projects that will take less than the anticipated 30-36 months (from application to completion) can be sequenced for a later date if necessary.

14. Designated TSPs responsible for subsequent projects, Commission Staff, and ERCOT shall file a jointly proposed sequencing order in the subsequent-projects sequencing docket that complies with the Commission’s directions in this Order no later than 30 days after ERCOT files its analysis and sequencing recommendations. If the parties are unable to file a joint proposal by the deadline, the Commission shall conduct an expedited hearing to order the sequencing and set deadlines.

15. The construction of any project that is interdependent or mutually supporting a primary project shall be timed appropriately in relation to its primary project, whether or not the supporting project requires a CCN.

**Wind Developer Collateral Requirements**

16. The wind developers’ pro rata share of the estimated capital cost of the transmission improvements covered by the CREZ order that shall be posted pursuant to P.U.C. SUBST.

17. The determination of which of the CCN applications will trigger the required postings of the pro rata shares for each developer shall be addressed in Project No. 34577.

18. The 45-day deadline in P.U.C. SUBST. R. 25.174(c)(6) will not commence to run until the determinations identified in Ordering Paragraphs No. 16 and No. 17 are made in Project No. 34577.

Project Monitoring and Reporting Requirements

19. The Commission delegates to the Executive Director all necessary authority to select, engage, and oversee persons (as defined in PURA § 11.003(14)) to monitor the planning, financing, and constructing of all CREZ facilities to ensure that the facilities are completed in a timely manner.

20. The Executive Director shall establish the scope of work to be performed by the project oversight monitor, which will include monitoring the reports that the TSPs are required to file, providing regular status updates to the Commission, and immediately reporting to the Commission any significant changes in the estimates reported by the TSPs, particularly regarding any schedules, financing methods or costs, or cost estimates.

21. TSPs that are responsible for the CREZ transmission facilities, which are identified as default, priority, and all subsequent projects in this Order, shall pay the cost associated with retaining the project oversight monitor and are allowed to seek recovery of the amounts paid as part of the overall project costs.

22. The apportionment of costs among the TSPs responsible for the CTP projects and the payment mechanisms shall be established by the Executive Director.

23. Each of the new entrants that are assigned responsibility for CREZ projects in this Order, Cross Texas, WETT, and Lone Star, shall submit its plans for operation, maintenance, and ongoing control of its assigned CREZ facilities as required by the project oversight monitor.
24. The Commission delegates authority to the Executive Director to modify the project oversight monitor’s scope of work as necessary and to request any additional information he deems necessary to the oversight of the CTP implementation process.

25. The TSPs assigned responsibility for CTP projects in this Order shall comply with all monitoring and reporting requirements as provided in this Order.

26. Each TSP shall file cost estimates and an implementation schedule within six months of the date the Commission grants a CCN for a CREZ transmission facility.

27. The cost estimates shall be based on the latest available information, and shall encompass each of the following categories: CCN acquisition, right-of-way and land acquisition, engineering and design, procurement of materials and equipment, and construction of facilities.

28. The implementation schedules, including start and completion dates, shall include the following categories: engineering and design, right-of-way and land acquisition, material and equipment procurement, and construction of facilities.

29. Each implementation schedule shall also include the estimated in-service date of the facility.

30. Six-month cost and scheduling reports shall include information regarding the TSP’s financing methods, costs, and schedules.

31. If, during implementation of a CREZ transmission facility, any schedule change that is greater than 60 days for any of the estimated dates provided in the six-month report occurs, the TSP shall provide a detailed explanation of the reasons for the change to the Commission within 30 days of becoming aware of the change. This reporting requirement includes any schedule changes any change in the methods, costs, or scheduling for financing.

32. Designated TSPs shall report within ten working days of becoming aware of any change in circumstance that will affect the TSP’s ability to complete a project, or that would change any of the most current cost estimates provided to the Commission by more than 15 percent.
33. Within one year after CCN approval, each TSP shall file an updated total cost for each of its CREZ transmission facilities requiring a CCN. This cost report shall be updated annually until the CREZ transmission facility is placed in-service.

34. In addition to updated total cost information for CCN acquisition, right-of-way and land acquisition, engineering and design, procurement of material and equipment, and construction of facilities, the updated total cost information shall include an updated cost of financing.

35. As part of the order granting a CCN for a CREZ transmission project, a Commission project number shall be assigned for the purpose of completing all of the reporting requirements. Each TSP must file all reports identified in this Order in the project assigned to the TSP for that purpose.

36. At the same time as the implementation reports are filed with the Commission, each TSP shall provide the implementation reports to any other TSPs that are responsible for interdependent projects.

37. TSPs responsible for default projects shall comply with any reporting provisions in this Order that are applicable to the default projects and any reporting requirements applicable to default projects that are subsequently established by the Executive Director or the project oversight monitor.

38. TSPs responsible for default projects shall report project completion to the CREZ project oversight monitor whether or not the project required a CCN.

39. If a priority or any subsequent project will be delayed because of incomplete status of a default project, the designated TSP for the priority or subsequent project shall report the circumstance within ten working days of becoming aware of the delay to the project oversight monitor.

40. The CCN orders for default projects that require CCNs shall include the same reporting requirements as the CCN orders for all other CTP projects that require CCNs.
Compliance Dockets for New Entrants

41. Each of the new entrant TSPs, Cross Texas, Lone Star, and WETT, shall file a request for a compliance docket for the purpose of submitting its proposed organizational structure and code of conduct, as required by PURA § 39.157 and Commission rules.

ERCOT Flexibility

42. Any modifications proposed by a designated TSP to a CTP project shall be submitted to ERCOT.

43. ERCOT shall review the changes to determine whether they are cost-effective and consistent with the intent of the CTP. ERCOT’s review may include stakeholder input, but such input must not result in a delay in the completion of the CTP project. ERCOT shall then provide a recommendation to the designated TSP that shall be filed in the CCN proceeding if the modification is to a project or part of a project that has been determined to require a CCN. To the extent that a proposed modification is to a project that does not require a CCN, ERCOT is authorized to allow the TSP to implement those minor modifications, such as: making changes to line conductors, modifying the specifications of series compensation and other reactive equipment, adding substations, using existing transmission infrastructure for interconnection of generation, and similar minor modifications. To the extent that minor changes are necessary to facilitate efficiency and cost-effective implementation, but would result in a change of the TSP responsible for the project or the CTP facility, ERCOT and the affected TSPs shall request Commission approval of the proposed reassignment.

44. The CTP projects, as specifically identified in Attachment B to this Order, may be modified to take into account changes in the transmission system that have occurred since the development of the CTP and additional information that may become available during the transmission planning process. While the Commission will make the final decision on any CCN project modifications, the Commission will give great weight to ERCOT’s endorsement of modifications in the CREZ CCN cases, as is currently done in non-CREZ CCN proceedings. Modifications approved by the Commission will not change the project’s nature as a CREZ transmission project.
45. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not expressly granted, are denied.

SIGNED AT AUSTIN, TEXAS the 20th day of February 2009.

PUBLIC UTILITY COMMISSION OF TEXAS

BARRY T. SMITHERMAN, CHAIRMAN

DONNA L. NELSON, COMMISSIONER

KENNETH W. ANDERSON, JR. COMMISSIONER
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* Default facilities were assigned by the Commission in Docket No. 36146.
** Priority dependent facilities are those which involve work on a line identified as a priority project in Docket No. 33672.
<table>
<thead>
<tr>
<th>Description</th>
<th>Miles</th>
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<th>Cost ($M)</th>
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<td>Add second circuit to existing towers on Divide to Twin Butte</td>
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<td>Upgrade terminal equipment on Morgan Creek to Twin Buttes 345-kV line</td>
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<td>Designation</td>
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<td>Central A to Tonkawas double-circuit 345-kV line</td>
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<td>Upgrade terminal equipment on Morgan Creek to Twin Buttes 345-kV line [split responsibility 50/50 with LCRA]</td>
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<td>94.08</td>
<td>Sharyland</td>
<td></td>
</tr>
<tr>
<td>100 MVAR Cap Bank on Panhandle A C</td>
<td></td>
<td>New</td>
<td>4.00</td>
<td>Sharyland</td>
<td></td>
</tr>
<tr>
<td>50 MVAR Reactive Compensation on Panhandle A C</td>
<td></td>
<td>New</td>
<td>2.00</td>
<td>Sharyland</td>
<td></td>
</tr>
<tr>
<td>Sharyland Total</td>
<td></td>
<td></td>
<td>393.56</td>
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<td></td>
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<tr>
<td>McCamey C to McCamey D single-circuit, double-circuit-capable 345-kV line</td>
<td>75</td>
<td>New</td>
<td>105.00</td>
<td>STEC</td>
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<tr>
<td>STEC Total</td>
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<td>105.00</td>
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</tr>
<tr>
<td>Central D to Divide single-circuit, double-circuit-capable 345-kV line</td>
<td>6</td>
<td>New</td>
<td>8.40</td>
<td>WETT</td>
<td></td>
</tr>
<tr>
<td>Central E to Central D single-circuit, double-circuit-capable 345-kV line</td>
<td>27</td>
<td>New</td>
<td>37.80</td>
<td>WETT</td>
<td></td>
</tr>
<tr>
<td>Panhandle A D to Central B double-circuit 345-kV line</td>
<td>68</td>
<td>New</td>
<td>114.24</td>
<td>WETT</td>
<td></td>
</tr>
<tr>
<td>50 MVAR Cap Bank on Panhandle A D</td>
<td></td>
<td>New</td>
<td>2.50</td>
<td>WETT</td>
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</tr>
<tr>
<td>50 MVAR Reactive Compensation on Panhandle A D</td>
<td></td>
<td>New</td>
<td>2.00</td>
<td>WETT</td>
<td></td>
</tr>
<tr>
<td>West A to West C single-circuit, double-circuit-capable 345-kV line</td>
<td>25</td>
<td>New</td>
<td>35.00</td>
<td>WETT</td>
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</tr>
<tr>
<td>West A to Central D single-circuit, double-circuit-capable 345-kV line</td>
<td>50</td>
<td>New</td>
<td>70.00</td>
<td>WETT</td>
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<tr>
<td>Description</td>
<td>Miles</td>
<td>New/Upgrade Existing</td>
<td>Cost ($M)</td>
<td>Designation</td>
<td>1/29/09 Selected TSP</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
<td>-------</td>
<td>----------------------</td>
<td>-----------</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>West C to Odessa single-circuit, double-circuit-capable 345-kV line</td>
<td>43</td>
<td>New</td>
<td>60.20</td>
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<td>WETT</td>
</tr>
<tr>
<td>Central A to West A double-circuit 345-kV line</td>
<td>43</td>
<td>New</td>
<td>72.24</td>
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<td>WETT</td>
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<tr>
<td><strong>WETT Total</strong></td>
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<td><strong>402.38</strong></td>
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<tr>
<td>Rebuild Sonora to Hamilton 138-kV line</td>
<td>88</td>
<td>Upgrade Existing</td>
<td>88.00</td>
<td>Default</td>
<td>AEP TCC and AEP TNC</td>
</tr>
<tr>
<td>Open the Rock Springs to Friess Ranch 69-kV line [approximately 10 miles owned by AEP TNC and approximately 22 miles owned by AEP TCC]</td>
<td></td>
<td></td>
<td>0.00</td>
<td></td>
<td>AEP TCC and AEP TNC</td>
</tr>
<tr>
<td><strong>TCC/TNC Total</strong></td>
<td></td>
<td></td>
<td><strong>88.00</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upgrade terminal equipment on both Singleton to Gibbons Creek 345-kV lines</td>
<td></td>
<td>Upgrade Existing</td>
<td>2.00</td>
<td>Default: TMPA and CenterPoint</td>
<td>TMPA and CenterPoint</td>
</tr>
<tr>
<td><strong>TMPA/CenterPoint</strong></td>
<td></td>
<td></td>
<td><strong>2.00</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>4931.32</strong></td>
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