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Public Utility Commission of Texas

Memorandum

TO: All Parties of Record

CC: Chairman Donna L. Nelson
Commissioner Brandy Marty Marquez

FROM: Commissioner Kenneth W. Anderson, Jr. *KWA w/permission*

DATE: March 8, 2016

RE: **Docket No. 44060** – *Application of Brazos Electric Power Cooperative, Inc. to Amend a Certificate of Convenience and Necessity for a 138-kV Transmission Line in Denton County*

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PUBLIC UTILITY COMMISSION
FILING CLERK

The parties in this case have submitted a stipulation agreement¹ that would route a proposed Brazos Electric Power Cooperative, Inc. (Brazos) transmission line underground in Frisco, Texas. Having reviewed the evidence and heard party statements at the March 3, 2016 open meeting, I believe the stipulation agreement contains numerous uncertainties and unknowns that should be addressed before approving an underground route. I therefore request that the parties address the following questions in testimony or other competent evidence to be filed in the docket for the Commission's consideration when it next considers this matter.

A. Cost Savings

1. The parties assert that undergrounding the transmission line will result in \$9.8 million in cost savings. A portion of the \$9.8 million in stated cost savings is based in part on lowering design requirements. What portion of cost savings is attributable to lowering design requirements? What facts support the assertion that Brazos's initial design for underground transmission in its application was overdesigned? If the underground construction was overdesigned, what are the benefits to overdesigning the system?
2. The Power Engineers cost estimate attached as Attachment C to the stipulation agreement is for a 2.7 mile-long transmission line as opposed to the approximately 2.9 mile-long line discussed in the stipulation. What impact does the 0.2 mile difference have on the cost estimate?
3. The Proposal for Decision reflects that Brazos estimated the cost for overhead Route 5 at \$5.6 million.² The settlement stipulation assumes \$6 million for the cost of an overhead line constructed along Route 5. What accounts for this approximate \$400,000 discrepancy?

¹ Settlement Stipulation (Feb. 16, 2016).

² Proposal for Decision at 9-10.

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4. The stipulation agreement indicates a reduction in conductor size from 5000 kcmil to 4000 kcmil. What are the cost savings attributable to the reduction in conductor size? Does this reduction affect the transfer capacity of the line or reliability?
5. The stipulation agreement does not specify the cost savings attributable to the removal of the two spare conductors. What is this amount and what facts support that calculation?
6. Are there any additional operations and maintenance costs because the line is underground? If so, what additional operations and maintenance costs would the underground line entail and who would pay for those costs?
7. Would USDA Rural Utility Service funding would be available for the incremental cost of undergrounding transmission lines for a project in the city of Frisco? If so, in what amount?

B. Facilities Construction

1. The exact length of the overhead portion of the stipulated route is not specified in the stipulation agreement. What is the length of the overhead segment(s) and where will the overhead segment(s) be?
2. The stipulation agreement is unclear whether the agreement to coordinate civil construction applies to the entire underground length of the transmission line or only the length that coincides with the city of Frisco's water line installation. Is there a portion of the transmission line for which there will be no shared civil construction? If so, is the full cost of any Brazos share of construction costs reflected in the stipulation agreement's cost estimate?
3. Brazos's expert witness, Erik Rugerri, stated that to coordinate construction efforts successfully, the contractors hired by the city of Frisco would have to be approved by Brazos and have experience with underground transmission construction.³ Mr. Rugerri also testified that there would have to be a Brazos representative on-site at all times to ensure the standard of construction complies with all regulations. The stipulation agreement does not specifically address whether Mr. Rugerri's requirements will be met. Will construction of the line along the stipulated route meet these requirements and what costs will these requirements entail?
4. Mr. Rugerri gave all pre-filed and hearing testimony on the Stonebrook transmission underground design. He testified that he is the project engineer for all transmission line design projects under a long term engineering services contract with Brazos.

³ Rugerri Rebuttal Testimony at 10-11.

However, Mike Mueller, the project engineer for the stipulation route—not Mr. Ruggeri, the project engineer for the proposed project—supplied supporting testimony for the stipulation.⁴ Why did Mr. Mueller provide this testimony in light of Mr. Ruggeri's work on this project and previous work for Brazos?

5. The stipulated route incorporates a transition (riser) from underground to overhead that is not a component of Brazos's application. How is this transition facility designed? How much land will the transition facility require?
6. At the March 3, 2016 open meeting, several parties provided statements regarding the use of interspersed vault entrances to allow access to the underground line. Precisely how will the vault entrances allow access to maintain and repair the transmission line? Are the proposed entrance features sufficient to diagnose and repair any damage to the transmission line?

C. Reliability

1. Neither the stipulation nor the supporting testimony address the reliability of the stipulated underground route. What reliability concerns does the underground route raise?
2. What is the useful life for the 138-kV line constructed underground compared to overhead placement?
3. What are the reliability effects of the reduction of conductor size from 5000 kcmil to 4000 kcmil? What other effects may this reduction have?
4. What are the safety and reliability implications for removing the two spare conductors?
5. There is no evidence that Brazos has ever built, operated, or maintained an underground high voltage transmission line. What concerns does Brazos's lack of experience with underground facilities raise and how will Brazos address those concerns?

D. Public Interest and Other Considerations

1. Proposed finding of fact number 29 of the stipulation agreement's proposed order states that the stipulated route is "consistent with the public interest." However, Commission Staff has not yet offered testimony or other evidence into the record in support of this finding. What facts support Staff's determination that the stipulated route is in the public interest?

⁴ Mueller Testimony at 4.

2. Mr. Ruggeri provided testimony regarding the division of work between Brazos and Frisco on Exhibit ER-4.⁵ The stipulation agreement's proposed finding of fact 87 would allow the parties to deviate from the division of performance and payment requirements by mutual agreement without Commission approval. Why is finding of fact 87's deviation language appropriate in light of Mr. Ruggeri's testimony?
3. The stipulation agreement includes the following ordering paragraph No. 2:

As specified in the Stipulation, if Frisco fails to pay the total sum of \$10,846,944 to Brazos Electric within 15 months from the date of this Order, or if Frisco fails timely to design, bid, and award the contract to construct its Main Street Widening and Water Line Improvement project within 15 months of the date of this Order, then Frisco will be deemed to have breached the Stipulation, and in such event, Brazos Electric's application to amend CCN No. 30016 is granted to include the construction of a new double-circuit 138-kV transmission line and substation on overhead Route 5.

Does this ordering paragraph undermine the finality of the Commission's order in this docket because it requires certain action based on the potential occurrence of future events? Does the Public Utility Regulatory Act (PURA)⁶ allow the Commission to include this paragraph in a final order given that the Commission has not approved overhead Route 5? How should the final order address this issue, assuming the Commission approves the stipulation?

4. The stipulation agreement does not address who, in the event of a breach of the agreement resulting in construction of overhead Route 5, will cover the stranded costs associated with the preparation of construction of the stipulated route. Who would be responsible for such stranded costs?
5. If the Commission does not find undergrounding necessary under PURA, what do the parties propose to cover the remaining balance of the incremental cost of undergrounding other than uplifting the cost to all ratepayers?

I look forward to discussing these issues with my colleagues when we next take up this matter in an open meeting.

⁵ Ruggeri Rebuttal Testimony at 28-29.

⁶ Tex. Util. Code Ann. §§ 11.001-66.016 (West 2007 & Supp. 2014) (PURA).