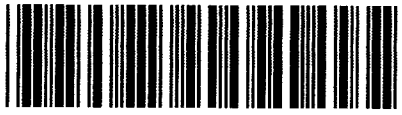
Control Number: 38290



Item Number: 269

Addendum StartPage: 0

SOAH DOCKET NO. 473-10-4790
PUC DOCKET NO. 38290

APPLICATION OF SHARYLAND UTILITIES, L.P. TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE PROPOSED HEREFORD TO WHITE DEER 345 kV CREZ TRANSMISSION LINE IN ARMSTRONG, CARSON, DEAF SMITH, OLDHAM, POTTER, AND RANDALL COUNTIES	§	**BEFORE THE STATE OFFICE** **OF** **ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY
OF
THOMAS HOULE

ON BEHALF OF
FREMANTLE ENERGY, LLC

AUGUST 26, 2010

269

SOAH DOCKET NO. 473-10-4790

PUC DOCKET NO. 38290

APPLICATION OF SHARYLAND UTILITIES, L.P. TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE PROPOSED HEREFORD TO WHITE DEER 345 kV CREZ TRANSMISSION LINE IN ARMSTRONG, CARSON, DEAF SMITH, OLDHAM, POTTER, AND RANDALL COUNTIES	**§**	**BEFORE THE STATE OFFICE** **OF** **ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY OF THOMAS HOULE

Table of Contents

Page

SOAH DOCKET NO. 473-10-4790
PUC DOCKET NO. 38290

APPLICATION OF SHARYLAND UTILITIES, L.P. TO AMEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR THE PROPOSED HEREFORD TO WHITE DEER 345 kV CREZ TRANSMISSION LINE IN ARMSTRONG, CARSON, DEAF SMITH, OLDHAM, POTTER, AND RANDALL COUNTIES	§	**BEFORE THE STATE OFFICE** **OF** **ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY OF THOMAS HOULE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Thomas Houle. My current business address is 2700 Via Fortuna, Suite 150, Austin, Texas 78746.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by Macquarie Holdings (USA) Inc., and I am testifying in this proceeding on behalf of Fremantle Energy, LLC ("Fremantle")

Q. PLEASE DESCRIBE FREMANTLE.

A. Fremantle is a renewable energy development company with a primary focus on developing wind and solar energy generation projects. Fremantle is based in Austin, Texas, and both Fremantle and Macquarie Holdings (USA) Inc. are indirect, wholly-owned subsidiaries of Macquarie Group Limited.

Q. WHAT ARE YOUR POSITION AND RESPONSIBILITIES WITH FREMANTLE?

A. I serve as President and am responsible for the company's project development activities and corporate strategy. This includes policy and regulatory activities related to our development projects.

Q. PLEASE SUMMARIZE YOUR EMPLOYMENT BACKGROUND AND QUALIFICATIONS.

A. Before forming Fremantle Energy I served as Vice President of a Texas-based independent wind power development company where I was responsible for all wind farm development activities. While there I played a key leadership role in the successful development of the 161 MW Wildorado wind farm near Amarillo, Texas. Prior to that position, I was Vice President of Hunt Power, L.P., a Dallas-based privately-held independent power company, leading teams in the development and implementation of Hunt's wholesale power generation and wires businesses domestically and in Canada. This included development of a gas-fired power plant site near Calgary, Alberta and creation of an operating partnership with Genova Power Company resulting in the successful permitting of two power plant sites. As one of Hunt Power's founding employees I worked as part of a small team that created Sharyland Utilities, L.P. Earlier in my career I also built and led a profitable power supply optimization function as Director of Power Supply and Planning for Texas-New Mexico Power Company. Having traded electricity and oil in the U.S. and U.K., I have a background and understanding of the regulatory, contractual, and market factors impacting the value of energy assets. I attended Fordham University in New York graduating with a Bachelor of Arts degree in economics.

Q. WHAT IS THE PURPOSE AND SCOPE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide evidence of Fremantle's interest in the routing of Sharyland's White Deer to Hereford transmission line (the "Transmission Line") as both a leaseholder along one of the proposed routes and as a wind developer. Specifically, I present evidence regarding Fremantle's support of Route 1, Sharyland's Preferred Route.

Q. WHAT EVIDENCE ARE YOU PRESENTING?

A. The evidence consists of my description of the Canadian Breaks wind generation project located in the Panhandle A Competitive Renewable Energy Zone ("CREZ") that Fremantle intends to interconnect with the Transmission Line. This evidence includes Confidential Exhibit TH-1, which is a map showing the location of the Canadian Breaks project. I also describe Fremantle's participation in the CREZ proceedings and how the routing of the Transmission Line is critical to the viability of Fremantle's project and other wind development in the region.

Q. DESCRIBE FREMANTLE'S PROJECT.

A. Fremantle's Canadian Breaks project is located in Oldham and Deaf Smith Counties, west of Amarillo. Please see Confidential Exhibit TH-1 for a map showing the project area and its proximity to Route 1. Fremantle has been developing this project since late 2007 and has collected two years of meteorological data on-site. The project site consists of over 12,000 acres under lease. With very flat upwind terrain conditions and a narrow wind rose, this site possesses a superior wind resource. The Canadian Breaks project is capable of generating up to 200 MW of nameplate wind turbine capacity. Fremantle has applied for interconnection to segment B1 of Sharyland's Preferred Route for the Canadian Breaks project.

Q. DESCRIBE FREMANTLE'S PARTICIPATION IN THE CREZ PROCESS.

A. Fremantle was a party in Docket 33672, *Commission Staff's Petition for Designation of Competitive Renewable Energy Zones*, Docket 34577, *Proceeding to Establish Policy Relating to Excess Development in Competitive Renewable Energy Zones*, and Docket 37567, *Commission Staff's Petition for Determination of Financial Commitment for the Panhandle A and Panhandle B Competitive Renewable Energy Zones*.

Q. WHAT WAS FREMANTLE'S INVOLVEMENT IN DOCKET 33672?

A. In Docket 33672, Fremantle focused its zone nominations on the McCamey area because Fremantle's projects in that region were further along in the development process, although it also generally supported designation of zones in the Panhandle. With the Commission's decision to establish zones in the Panhandle, Fremantle's Canadian Breaks project has much stronger development potential. In addition, several years have passed since the designations of the various zones in Docket 33672, and Fremantle has moved forward with the development of the Canadian Breaks project during this time period.

Q. WHAT WAS FREMANTLE'S INVOLVEMENT IN DOCKET 34577?

A. In Docket 34577, Fremantle supported the implementation of a stronger system of dispatch priority for the CREZ lines. It is essential for the long-term success of the wind industry that developers know they will generally be able to dispatch the power they are able to produce. While we support an appropriate dispatch priority mechanism, we are confident that the Commission will protect the ability of power generation companies to transmit wind generation without significant curtailment for those who step up to the plate with significant investment capital in the Texas market.

Q. WHAT WAS FREMANTLE'S INVOLVEMENT IN DOCKET 37567?

A. In Docket 37567, Fremantle was a party, but Fremantle was unable to post collateral for the Canadian Breaks project. The issues in this CCN proceeding regarding the routing of the Transmission Line provided the basis for Fremantle's inability to post collateral.

Q. HOW DID THE ROUTING OF THIS TRANSMISSION LINE IMPACT FREMANTLE'S POSTING OF COLLATERAL IN DOCKET 37567?

A. As I will describe below, the success of the Canadian Breaks project is intimately tied to the routing of the Transmission Line. Under the Commission's Rules, collateral posted in accordance with the final order in Docket 37567 will be forfeited by developers who do not timely complete construction of the projects for which they post collateral. Fremantle could not risk forfeiting posted collateral if a southern route is selected that may not allow Fremantle's project to be economically competitive in the market when the outcome of this CCN proceeding remained unknown.

Q. SHOULD FREMANTLE'S LACK OF COLLATERAL POSTING BE SEEN AS AN INDICATOR IT WILL NOT BUILD THE CANADIAN BREAKS PROJECT?

A. Fremantle's decision not to post collateral in Docket 37567 should not be seen as an indicator of the likelihood of Fremantle building the Canadian Breaks project. Rather, it should be seen as an indicator of the critical nature the routing of the Transmission Line has for Fremantle's wind development, as well as other wind projects in the Panhandle.

Q. WHAT ROUTE DO YOU SUPPORT WITH REGARD TO SHARYLAND'S APPLICATION IN THIS PROCEEDING?

A. Fremantle prefers Route 1, which is designated by Sharyland as the Preferred Route, as discussed in the testimony of Mark Caskey, Mark Meyer, and Rob Reid on behalf of Sharyland. This route runs immediately adjacent to Fremantle's project area. In

addition, it runs the farthest north and west of any of the proposed routes, which brings it closer to those areas that have a superior wind resource for potential development north and west of Amarillo.

Q. DOES FREMANTLE SUPPORT ANY OTHER ROUTES?

A. Yes, Fremantle also supports the northern Routes 2 and 6. These routes run north and west of Amarillo bringing them in closer proximity to areas with excellent wind development potential and that are already under development. For example, both routes run within 7 miles of the approximate location of the Canadian Breaks project substation, making it more likely Fremantle can obtain right-of-way from its project site to the point of interconnection or making it easier for Sharyland to do so if Sharyland obtains certification for and builds the interconnection line. Fremantle believes that Routes 2 and 6 have some of the same advantages of Route 1; however, both are farther away from some of the best areas for wind development than Route 1.

Q. DOES FREMANTLE SUPPORT THE SOUTHERN ROUTES?

A. Fremantle does not support Routes 3, 4, 5, 7, 8, 9, 10, 11, and 12 (the "southern routes"), all of which run south of Amarillo. Fremantle does not support these routes for the same reasons that it supports Routes 1, 2, and 6. These southern routes run farther away from areas with excellent wind development potential that are already under development. Route 3, for example, is at least 15 miles from the approximate location of the Canadian Breaks project substation, and the other routes are even farther away. If a southern route was selected, Fremantle likely would be dependent upon Sharyland getting certification for and constructing the interconnection line, because without the power of eminent domain, it would be difficult for Fremantle to obtain right-of-way for 15 miles to

construct a necessary interconnection line, and that difficulty would increase for the routes located even further away. In addition, many other prime wind development locations are even farther to the west than Fremantle's project. It would be extremely difficult for the developers of these projects to obtain the right-of-way to interconnect with the southern routes. In addition to the difficulty of obtaining right-of-way and the additional cost of building long interconnections, I agree with Sharyland witness Mark Caskey on pages 10-11 of his direct testimony that longer interconnection lines will also lead to greater environmental and land use impacts associated with those lines.

Q. WHY SHOULD THE COMMISSION CONSIDER THE LOCATION OF WIND DEVELOPMENT PROJECTS IN THIS PROCEEDING?

A. The entire CREZ process was established by the legislature so that areas of the state with strong renewable energy resources and suitable land areas could be utilized to generate renewable energy for the citizens of Texas. It would completely defeat this purpose if the Transmission Line, one of the critical lines for bringing Panhandle wind into ERCOT, did not actually run through or close to the areas that are best suited for wind development. I agree with Sharyland witness Mark Caskey's statement (page 10) that Route 1 "is the route most consistent with the overall purpose of the CREZ buildout." Wind developments should be sited where the best wind resources are available to allow for the most economic generation of electricity. Wind developers have leased, or are in the process of leasing, large tracts of land in the Panhandle in order to ensure that they will be able to develop projects where the best wind resources are located to generate the most economic renewable power. Developers have not simply waited for the Commission to choose a transmission route and then develop a project nearby; instead, they have identified the best wind resources, leased land, and begun development work

in order to capture a competitive position and in anticipation of logical routing decisions by the Commission. If the Commission does not route the Transmission Line near existing and likely areas of wind development, long radial interconnection lines will be required. The need for additional radial lines will lead to increased costs, longer timeframes, and a greater environmental and land-use impact. These impacts will likely outweigh any similar reduction in environmental and land-use impact that may result from selecting a southern route. From a public policy standpoint, the Commission should select a route that will allow for the most efficient interconnection of wind projects in the Panhandle enabling the ERCOT market to receive wind power at the lowest possible price, and that route will be one that provides greater accessibility to planned and future wind developments. I believe Sharyland's Preferred Route best achieves this goal.

Q. HOW DOES THE ROUTING OF THE TRANSMISSION LINE IMPACT WIND DEVELOPMENT IN THE TEXAS PANHANDLE?

A. The routing selected will impact the timing and cost of interconnecting wind projects to the ERCOT grid. Unless the Transmission Line runs through or adjacent to a wind project, a radial interconnection line will be required to connect the wind project to the Transmission Line. This interconnection line could be built in one of two ways. One option is for a developer to build the radial interconnection line privately. Under this scenario, the wind project would incur the extra time and cost of securing right-of-way for the line, as well as the cost of actually building the line. This would increase the total cost of the project requiring the developer to charge wholesale purchasers buying the power a higher price for the electricity generated. Wholesale power purchasers in turn will ultimately pass this higher cost on to end users. The other option for the

interconnection line would be for Sharyland to build it. The costs for Sharyland to build the line would be eligible for cost recovery; thus, long interconnection lines will result in higher rates for ratepayers. Further, Sharyland would have to go through the CCN process for the interconnection line once the Transmission Line is built. This would disadvantage the Panhandle wind projects as it would allow other wind developments to secure power purchase agreements before the Panhandle projects while the Panhandle projects are waiting on these additional CCN proceedings.

.Q. WILL THE RADIAL INTERCONNECTION LINES HAVE ANY ADVERSE IMPACTS?

A. In addition to the additional time and cost required to build long radial interconnection lines, the impact of such lines should also be considered. Each radial interconnection line will lead to further environmental and land use impacts. The CCN process for the Transmission Line should consider these factors not just for the direct impact of the Transmission Line, but also for the future impact a long radial line to each wind development that will interconnect to the Transmission Line will have. These impacts can be lessened by prudent routing of the Transmission Line that will minimize the length and number of any necessary radial interconnection lines.

Q. HOW DOES THE ROUTING OF THE TRANSMISSION LINE DIRECTLY IMPACT FREMANTLE'S PROJECT?

A. If Route 1 is selected, the Canadian Breaks project will have the ability to locate its project collection substation immediately adjacent to the Transmission Line. This will minimize the cost and time required to connect the wind project to the ERCOT grid by eliminating the need for a radial interconnection line. Ultimately, it will lower the cost of the Canadian Breaks project, which will result in a lower power price and a lower rate for

retail consumers. If a southern route is selected, the viability of the Canadian Breaks wind project as a renewable resource in the ERCOT market would be significantly diminished. The southern routes make the interconnection of the project less cost-effective and could lead to significant delays for the project. These factors, in turn, will make the project less attractive to potential power purchasers and investors. Even if Fremantle was able to obtain easements for the necessary right-of-way to build an interconnection line, the cost of the line would increase the cost of power from the project.

Q. WHY WOULD THE SOUTHERN ROUTES MAKE INTERCONNECTION OF THE PROJECT LESS COST-EFFECTIVE?

A. Routes 3, 4, 5, 7, 8, 9, 10, 11, and 12 run anywhere from 15 to over 30 miles from the approximate location of the Canadian Breaks project substation. A radial interconnection line to connect to any of those routes would likely be even longer than that distance due to the need to follow property lines and other existing right-of-way. If built as a private interconnection line, it would take Fremantle substantial time to obtain the necessary right-of-way, and for a line that could be as much as 30-40 miles in length, it may prove to be impossible for Fremantle to obtain such right-of-way without eminent domain. Regardless of whether Fremantle or Sharyland would build this radial line, it will result in additional costs that will ultimately be born by consumers. These are additional costs that could be avoided by selecting one of the northern routes that runs closer to Fremantle's project area and that of other developers. Additionally, it should be evident that should more than one project such as Fremantle's require tens of miles of radial interconnection line to be built, it would more than eat up the difference in distance, cost, and impact between the southern routes and northern routes.

Q. IF ROUTE 1 IS SELECTED, DOES FREMANTLE HAVE ANY CONCERNS ABOUT IT CROSSING THE FREMANTLE PROJECT AREA?

A. Fremantle does not have any concerns about the current routing of Route 1 through Fremantle's project area as it runs along a county road. Our experience in working with Transmission Service Providers is to collaborate on the exact routing of transmission lines through our project area to ensure a route that minimizes the impact of the line on the operations of the wind farm. Sharyland has assured us that they will work with us to minimize the impact of the proposed line as it runs through our project area, and we do not anticipate any problems with this routing. Further, Fremantle does not oppose localized adjustments to Route 1 to accommodate other wind farm development projects.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared Thomas Houle, to me known, who being duly sworn according to law, deposes and says:

"My name is Thomas Houle. I am over the age of 21 and a resident of the State of Texas. The foregoing testimony and the opinions stated therein are, in my judgment and based upon my professional experience, true and correct."

Thomas Houle

SUBSCRIBED AND SWORN TO BEFORE ME by the said Thomas Houle this 25th day of August, 2010.

Notary Public, State of Texas

JUNE MARIE M. GRAY
Notary Public, State of Texas
My Commission Expires
March 27, 2011

HIGHLY SENSITIVE PROTECTED MATERIAL PROVIDED PURSUANT TO THE PROTECTIVE ORDER IN DOCKET 38290
CONFIDENTIAL EXHIBIT TH-1 TO
DIRECT TESTIMONY OF TOM HOULE

[REDACTED]