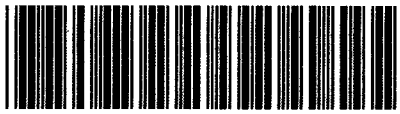

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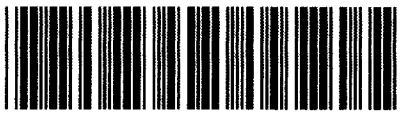


Item Number: 3275

Addendum StartPage: 0

Barry T. Smitherman
Chairman

Donna L. Nelson
Commissioner

Kenneth W. Anderson, Jr.
Commissioner

Rick Perry
Governor

Public Utility Commission of Texas

November 30, 2010

Mr. Stephen C. Lipman
160 Live Oak Lane
Kerrville, TX 78728-2011

Re: Docket No. 38354; SOAH Docket No. 473-10-5546

Dear Mr. Lipman:

Thank you for sharing your most recent correspondence regarding the LCRA TSC's proposed 345-kV transmission line project from McCamey D to Kendall.

Because this is an active case, we cannot discuss any substantive issues with you. However, your correspondence has been filed in Docket No. 38354 so that all parties are aware of your comments.

Future correspondence regarding this project should be directed to the following address:

Public Utility Commission of Texas
Attn: Filing Clerk
1701 North Congress Avenue
Post Office Box 13326
Austin, TX 78711-3326

Sincerely,

Barry T. Smitherman
Chairman

Donna L. Nelson
Commissioner

Kenneth W. Anderson, Jr.
Commissioner

3275

Stephen C. Lipman
Tierra Linda Ranch
160 Live Oak Lane
Kerrville, Texas 78028

Commissioner Barry Smitherman, Chair
Texas Public Utility Commission
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

November 14, 2010

Dear Commissioner Smitherman,

I am an Intervenor in the SOAH Docket # 473-10-5546, PUC Docket No. 38354 regarding the proposed CREZ Transmission Line route. I live on Tract #221 on the Tierra Linda Ranch Subdivision of Gillespie County, and I also own and use the adjoining Tracts #257 and #258.

I am writing you again to submit more of my concerns about the PUC Staff recommended transmission line route from McCamey D to Kendall. I had the opportunity to attend the ALJ Hearings during the last of October and early November in Austin. I found it an extremely informative event, and particularly the cross-examination of the PUC Staff member, Mr. Ali, upon whose recommendation the PUC Staff adopted their preferred transmission line route.

As the attorneys questioned Mr. Ali, he said he studied all of LCRA's lengthy documents and all of the other submittals by the parties involved, but he kept no notes. This was an early indication of the audacity of this so-called expert and his lack of scientific evaluation. Even Einstein, Michelangelo, Galileo, and Copernicus kept notes!

Mr. Ali began his analysis with a number of assumed "givens":

1. He would avoid the City of Kerrville.
2. He would use or parallel existing transmission line right-of-ways or other compatible right-of-ways.
3. He would have to take into account and balance all of the following factors:
    a. Impact on landowners.
    b. Impact on habitable structures.
    c. Impact on unfragmented habitats.
    d. Impact on length of line and cost.
    e. Impact on "community values".
    f. Viability of the route regarding safe and secure operation.
    g. Avoidance of environmentally sensitive areas.
    h. Avoidance of incorporated parts of cities.

These are factors that I agree should be given due consideration, but when you examine the result of his analysis you have to wonder what role did these factors play in his decision. Let's look at some of the facts about some of these factors.

The impact on landowners and habitable structures: Mr. Ali's preferred route through Tierra Linda Ranch goes through a close-knit community of more than 500 residents and 267 habitable structures. As I sat there in the hearing, seated near me were 4 of our homeowners that will lose their residences because of this transmission line.

The impact on length of line and cost: Mr. Ali agreed that the LCRA preferred route (MK-13) was 10 miles shorter and $35 million cheaper.

Avoidance of environmentally sensitive areas: Mr. Ali agreed with the Texas Parks and Wildlife description of environmentally sensitive areas and that western Gillespie is environmentally sensitive. Texas Parks and Wildlife designates Tierra Linda Ranch as an excellent example of unfragmented wildlife habitat. That's why most of the homeowners moved here. The wildlife are precious to us.

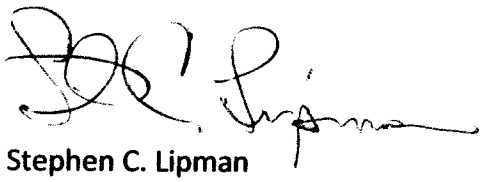
Viability of route for safe and reliable operation: The existing pipeline right-of-way that Mr. Ali proposes to use across Tierra Linda Ranch may not be as safe as he assumes. This pipeline has been in operation for more than 35 years. I am attaching to this letter a copy of a front page article appearing in today's San Antonio Express-News which describes the increasing hazards of these older gas pipelines as corrosion eventually causes failures and usually catastrophic consequences. Building an elaborate and expensive high voltage transmission line next to an aging high pressure gas pipeline does not make for a "safe and reliable operation". Also, I am not sure that Mr. Ali is aware that the electric utility (Central Texas Electric Co-Op) for the Tierra Linda Ranch considers this ranch to be in an area that is subject to frequent lightning ground strikes. Many of the landowners have had recurring lightning damage in their structures on their property. This also includes damage to C.T.E.C. equipment. They say they have more lightning damage on the Tierra Linda Ranch than all of Fredericksburg. Again, would this lead to a "safe and reliable operation" for the proposed transmission line?

Impact on Community Values: Though Mr. Ali could not define "Community Values", the PUC staff did agree with a definition found in the Environmental Assessment by PBS & J that community values are shared appreciation of an area or natural resource. Because of this by-passing the City of Kerrville weighed heavily in their route decision. Yet, on close examination, there are all kinds of transmission lines existing within the incorporated limits of the northern side of Kerrville. It is widely understood that the primary objection to a transmission route along I-10 Highway is that it would be located near an existing Chevy dealer. I have bought Chevy trucks from this dealer, and I will in the future even if there is a transmission line close to his property. Also if the PUC staff wants to use compatible transmission line right-of-ways,

it seems there are several in the northern Kerrville area. Finally, if you want to see a true definition of Community Values in practice, you should visit Tierra Linda Ranch. We live on community enhancement by volunteer work from our homeowners.

In conclusion, I fail to see how, using the PUC staff's own criteria, they can arrive at a preferred route more desirable than the route proposed by the LCRA (MK-13). Hopefully, you and the other PUC Commissioners will agree.

Respectfully submitted,



Stephen C. Lipman

An explosive danger lurks just below the surface in Texas

Old gas pipelines could be vulnerable to failure.

BY ERIC NALDER
Hearst Newspapers

They wind under homes, across plains and through the state's most populous cities.

And, according to a Hearst Newspapers investigation, more than half of the major natural gas transmission lines in Texas were laid more than 40 years ago and now are vulnerable to failure.

Nationwide, the issue of pipeline safety took on more urgency in September, when a natural gas transmission line exploded in San Bruno, Calif., killing eight people and destroying three dozen homes.

The National Transportation Safety Board said it hasn't ruled out pipeline age, or associated problems with welds and corrosion, as potential causes.

The Pacific Gas & Electric Co. pipeline in San Bruno was installed in 1956.

In Texas alone, more than 25,000 of nearly 46,000 miles of transmission pipe are older than 1970, some dating to the Great Depression, according to federal records.

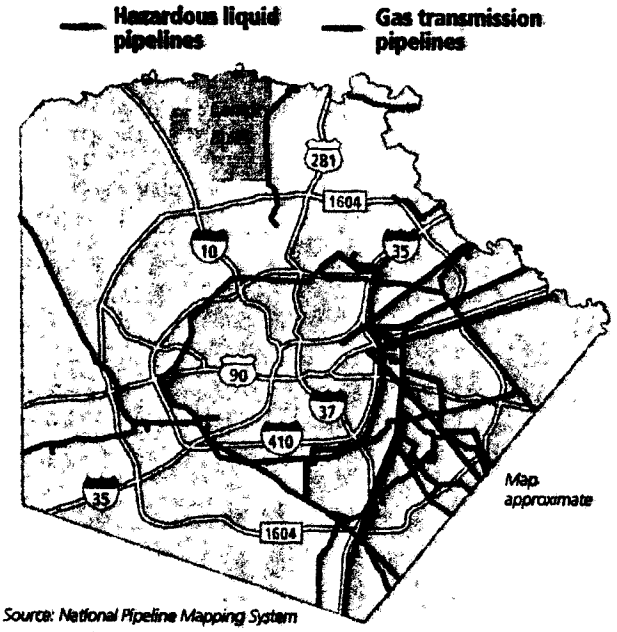
Federal regulators warned companies more than 20 years ago to reconsider the use of all pipelines buil with lower-quality welding technique that were widely employed in pip factories prior to 1970, document show.

Another potential problem is som age-old protective coatings on pipe that can make them more vulnerabl to corrosion, according to a numbe

See DANGER/17A

Pipelines in Bexar

About 300 miles of natural gas and hazardous liquids pipelines course through Bexar County. They are among some 46,000 miles of transmission lines in Texas.



Source: National Pipeline Mapping System

EXPRESS-NEWS GRAPHIC

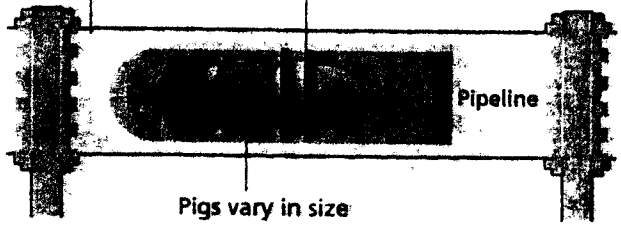
Pipeline pigs

Gas companies use devices called pigs to detect corrosion, leaks and other flaws in pipeline walls.

DETECTING TROUBLE

A pig trap, which acts like an air lock, is attached to each end of a segment of pipeline

Gas flow pushes the pig, which has rubber seals that make it function like a piston; pigs travel at speeds of less than a mile per hour to about 8 mph.



PIG FACTS

- Pigs can travel up to 600 miles; average pipeline sections are about 30 miles long.
- Ultrasonic pigs use echoes to determine the pipeline wall's thickness; magnetic pigs detect corrosion using magnetic sensors.

OTHER METHODS OF INSPECTING PIPELINES

- Hydrostatic testing: This involves pumping high-pressure water into a pipe to see if it holds. It is considered an impractical method for operating natural gas lines because of the required downtime.
- Direct assessment: This relies on research and spot checks along a pipeline. It is used on pre-1970 lines because most can't accommodate pigs without expensive retrofitting. Some industry experts consider the process inferior for detecting risks because it skips much of the pipeline and doesn't go inside.

Source: GE Energy

MCT GRAPHIC

DANGER

CONTINUED FROM 1A

of pipeline experts.

"Older pipelines have properties that are inherently inferior," said John Kiefner, a pipeline integrity consultant in Ohio with 43 years of experience.

Texas regulations

One piece of good news: The Texas Railroad Commission, which regulates pipeline safety, has imposed stiffer inspection requirements on pipeline companies than has the federal government or other big states. It's considering even more regulations.

But there's a shortage of inspectors and a lot of pipe. Twenty-eight state inspectors oversee the nation's largest complex of intrastate pipelines, each one theoretically responsible for 6,000 miles of pipe, and 90 inspections per year, commission data was a type "typically associated with and susceptible to stress corrosion cracking," said a report by An-Tech Laboratories in Houston.

Experts say several types of coating on old pipe are vulnerable to failure. With newer pipe, the industry relies on a superior fusion-bonded epoxy coating, among other improvements.

When the OPS issued a corrective action order to the pipeline owner two weeks after the accident, the first reason it cited was the "age of the pipe," followed by the inherent hazard of natural gas, the high operating pressure of the 3-foot-diameter pipe and the fact that other sections of the pipeline course through populated areas.

Pipeline owner Natural Gas Pipeline Co. of America, a subsidiary of Houston-based Kinder Morgan, had documented "numerous instances" of stress corrosion cracking along

Congress began imposing construction standards on new natural gas pipelines in 1968, resulting in major improvements. But the old pipe remained in the ground.

After deadly and destructive pipeline accidents in the 1980s, the NTSB noticed trouble with the welding techniques that had been used in factories before 1970 to knit together the seams of pipelines.

The OPS issued two warnings about its findings to pipeline companies in 1988 and 1989, but no widespread replacement or blanket inspection pro-

But some say that would be not only very expensive, but also unnecessary.

Charles Yarbrough, vice president of rates and regulatory affairs at Atmos Pipeline-Texas, one of the state's largest pipeline operators, said pipe pulled from the ground in bone-dry West Texas, where corrosion isn't as big an issue, can appear fairly new after three-quarters of a century.

"New (transmission) pipe going in the ground is around $1 million to $1.5 million a mile," Yarbrough said. "It is not something where you want to just say, 'It is getting old, let's go and replace it all.' "

snow.

Among those calling for more inspectors is David Porter, a Republican from Midland elected this month to the three-member railroad commission.

But Texas is criss-crossed by 21,000 miles of interstate natural gas transmission pipelines that aren't under TRC jurisdiction.

Two accidents

Texas experienced at least two accidents in the past five years where pipeline age appears to have been a factor, records show.

On May 13, 2005, an underground natural gas pipeline exploded near Marshall, spewing nearly six times the amount of gas released in San Bruno, sending a giant fireball into the sky and hurling a 160-foot section of pipe onto the grounds of a nearby electric power generating plant, according to the federal Office of Pipeline Safety.

The rural location spared lives: Only two power plant workers were injured.

No independent investigation was conducted by the NTSB, but the OPS concluded that stress corrosion cracking was the culprit.

The interstate pipeline — installed four decades earlier in 1967 — sprang a leak where the metal rotted. The asphalt coating on the exterior of the pipe the same pipeline, which originates in Jim Hogg County in South Texas and terminates more than 1,000 miles away near Chicago, according to the federal report.

Also, a massive release of gas with one of the company's 1957-vintage gas pipelines in Oklahoma in August 2003 was blamed on stress corrosion cracking, and in that case, too, the OPS cited pipeline age.

Larry Pierce, Kinder Morgan's vice president for corporate communications, said in an e-mail the accidents weren't "strictly" age-related, though he acknowledged the type of pipeline coating was a major factor.

Pierce said the company has developed a program to cure its corrosion cracking problem, including an extensive pipeline inspection and replacement program.

In another accident, on Jan. 8, 2006, a ConocoPhillips pipeline split open near Denver City, in West Texas, spilling 1.3 million gallons of crude oil.

The OPS focused its investigation — and a $209,000 fine — on the fact the company failed to detect and stop the leak for 24 hours.

However, it also cited a cause: a weld that split open along the horizontal seam of the pipe because of fatigue, which is often associated with pipe older than 1970. The pipe was manufactured in 1948.

gram was ordered.

Congress finally ordered inspections of some big pipelines in 2002, after a pair of deadly pipeline accidents, including a massive explosion in New Mexico in 2000 that killed 12 campers and was caused by corrosion in a 1950-vintage pipe, according to the NTSB. But inspections were limited to highly populated areas.

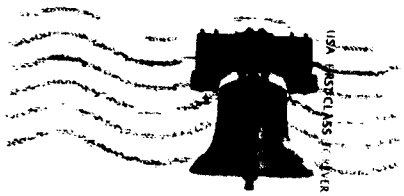
The Texas Railroad Commission acted sooner and more thoroughly than Congress, imposing in 2001 a requirement for testing all intrastate high-pressure natural gas transmission lines in the state.

Replacing pipes?

After the San Bruno explosion, there were renewed calls to require pipeline companies to replace all older transmission pipes with newer, safer ones.

"There's a point where you just want to go to the new technology and go ahead and replace the pipe," said pipeline safety expert Rick Kuprewicz of Redmond, Wash.

Mr. Stephen Lipman
160 Live Oak Ln
Kerrville, TX 78028-2011



Mr. Barry T. Smitherman, Chair
Public Utilities Commission
P.O. Box 13326
Austin, Texas 78711

78711+3326