EPC Charges

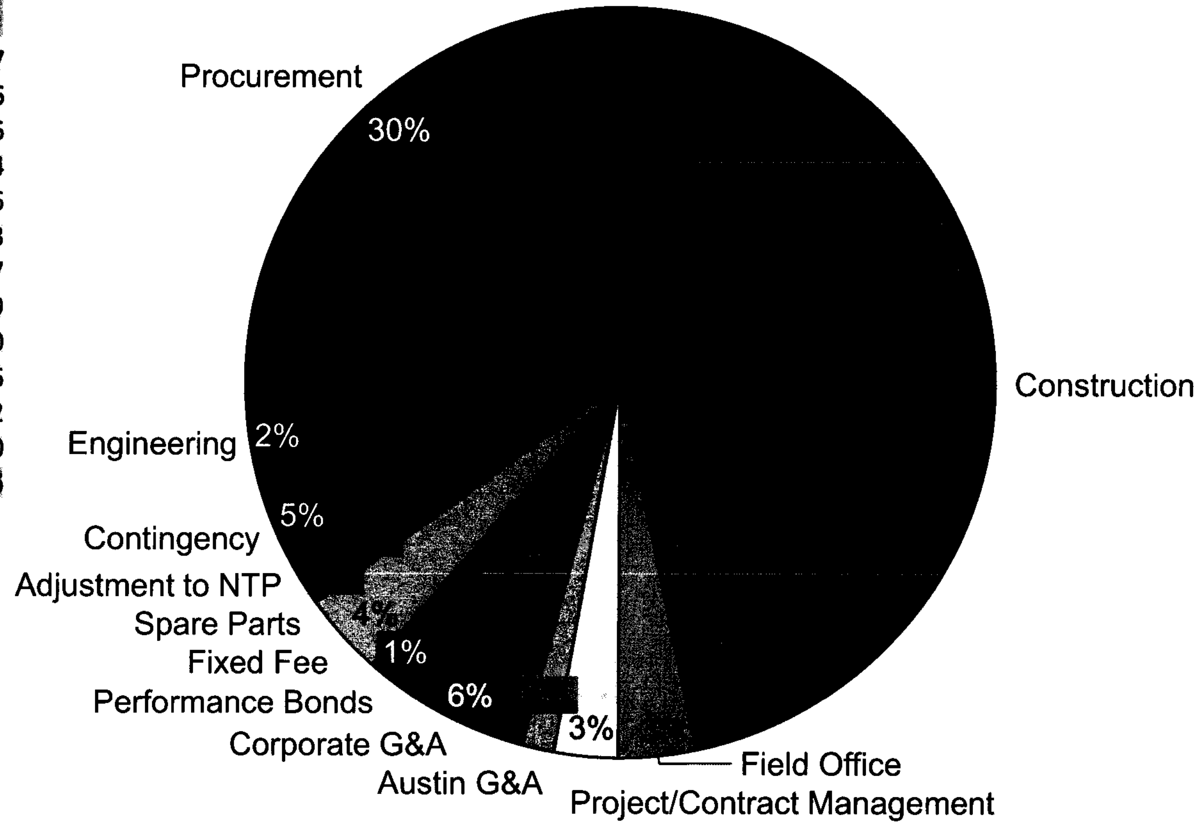
EPC Costs

Projected Expenditure

Source	Affiliate Service	Invoice Amount
I-USA (EPC)	Engineering	$14,692,117
	Procurement	$177,808,856
	Construction	$261,261,536
	Field Office	$20,025,604
	Project/Contract Management	$17,199,186
	Austin G&A	$7,928,553
	Corporate G&A	$35,494,967
	Performance Bonds	$8,192,929
	Fixed Fee	$21,704,150
	Spare Parts	$6,416,306
	NTP Adjustment	$246,932
	Contingency	$31,752,410
Total		$602,723,546

Breakdown of EPC Costs

Construction and Procurement take the vast majority of cost



Source: WETT Construction Project Tracking Records; Booz & Company analysis

TJF-1	Summary of Experience
TJF-2	WETT and Affiliate Organization and Services
TJF-3	**Affiliate Activity Necessity and Benefit**
TJF-4	Budgeting and Cost Control
TJF-5	EPC Survey
TJF-6	Project Management
TJF-7	Testimony Figures

Necessity Attributes Definitions

Necessity Attributes	Definitions
Corporate Governance	Activities that are necessary to ensure that fiduciary responsibilities and enterprise-wide management and operation is effectively executed. Examples include managing cross-business issues, performing risk management activities and evaluating internal controls
Regulatory Mandate	**Activities that are required to fulfill statutory, regulatory and other commitments or mandates. Examples include complying with FERC, ERCOT and PUCT requirements**
Legal Compliance	Costs incurred and activities performed as a direct result of legal proceedings, avoidance of legal proceedings, or compliance with legal requirements. Examples include performing litigation activities and responding to discovery requests
Management Control	**Activities performed specifically to provide analysis, decision support data and results to management personnel. Examples include managing projects and reporting results and developing management reports**
Operational Execution	Activities that are fundamental functions performed on a daily basis. Examples include performing maintenance activities, performing general accounting, and tracking employee information
Strategic Planning	**Activities that encompass business unit planning and activities directed at providing enterprise-wide direction. Examples include performing strategic planning and providing business planning assistance**

Necessity Analysis (continued)

Affiliate Services	Corporate Governance	Regulatory Mandate	Legal Compliance	Management Control	Operational Execution	Strategic Planning
Corporate Communications						
Manages internal and external communications to stakeholders about corporate programs, accomplishments, changes and, events, as well as the management of public relations and media interfaces						
External Affairs						
Provides support for governmental and community relations programs; informing stakeholders such as local government agencies and internal groups about ongoing company projects, as well as monitoring of potential legislative actions that could affect the business						
Finance & Accounting						
Prepares internal financial planning & management activities as well as banking services; in addition, tax advisory and planning, general accounting activities and accounting compliance activities are included in this category of service						
General Counsel						
Provides legal support for business units (e.g. litigation, labor and employment) as well as corporate ethics issues to ensure that governance standards are compliant at local, state and federal levels						
Human Resources						
Provide compensation , benefits, and workforce planning services to establish optimal staffing levels, specific labor-related compliance issues, and skills and knowledge delivery in line with employee development objectives						

Necessity Analysis (continued)

Affiliate Services	Corporate Governance	Regulatory Mandate	Legal Compliance	Management Control	Operational Execution	Strategic Planning
Internal Audit						
Provides compliance and process reviews related to adequacy of internal control mechanisms						
Information Management						
Provides management, operations and support of applications, architecture and network infrastructure; also includes overarching security measures designed to protect physical and intellectual property, and support for the technology environment through testing, help desk, and telecommunications						
Regulatory Affairs						
Manages regulatory relationships, lobbying, development of information supporting rate filings, shaping of regulatory strategy and serving as point of contact for requests for information from regulatory bodies						
Maintenance Services						
Maintains transmission infrastructure by performing scheduled repairs and/or managing maintenance contractors						
Emergency Response						
Responds to transmission disruptions as well as managing and coordinating emergency response contractors						
Procurement						
Assures WETT has access to quality goods and services at a competitive cost in a timely fashion						

Necessity Analysis (continued)

Affiliate Services	Corporate Governance	Regulatory Mandate	Legal Compliance	Management Control	Operational Execution	Strategic Planning
Engineering & Construction Project Management						
Provides engineering, design, and construction support during pre-construction, construction, and commissioning stages of the transmission line development.						
Tax Services						
Administers various tax services and issues such as state tax, federal tax, local tax, domestic tax and international tax. This activity ensures tax compliance to meet IRS regulations and limit exposure to legal actions. It is also a part of daily operation of the business and supports operational execution. This activity also includes tax advisory and planning, such as tax compliance, special tax situations, tax audits, and appeals and litigation.						
Real Estate Services						
Services include architectural, engineering, space planning/design, construction management services, remodeling projects, and repairs to HVAC & electrical system.						

Necessity Analysis (continued)

Affiliate Services	Corporate Governance	Regulatory Mandate	Legal Compliance	Management Control	Operational Execution	Strategic Planning
Environmental Services						
Obtains all the necessary environmental permits and assures compliance with environmental requirements. This activity is key for complying with regulatory mandates and legal requirements.						
Administrative Services						
Provides general administrative support to the entire organization . Includes sub topics like office facilities management. This activity supports operational execution as these activities are performed on a daily basis supporting ongoing operations.						
Corporate Governance						
Includes Board of Directors expenses and compensation plan expense amortization for terminated employees.						
Corporate Planning						
Provides consultation and common guidelines for performance management, planning, and analysis, including current year performance analysis, long-range planning, and valuations and scenario planning. This activity aids in management control.						
Research and Development						
Provides continuous improvement of the transmission infrastructure through various initiatives including smart grid						

Benefit Attributes Definitions

Benefit Attributes	Definitions
Reduce Risk	Actions designed to reduce liability and mitigate exposure to financial, operational, regulatory and other types of risk through activities such as implementing safety programs, performing internal audit, and developing policies, procedures and manuals
Increase Employee Productivity	**Programs that enhance employees' abilities to perform their jobs more productively. Examples include implementing certain automated systems, providing certain types of training, implementing and administering employee health awareness programs, developing procedures, policies and practice manuals, developing employee communications and implementing and administering quality programs**
Provide Management Information	Activities conducted primarily to provide decision support data and analysis to management personnel. Examples include developing budgets, monitoring operational and safety performance, performing corporate development, conducting strategic assessments and developing integrated information systems
Enhance Corporate Performance	**Activities performed to enhance the abilities and effectiveness of management with respect to the business, including developing strategic plans, managing the performance review process, maintaining the inter/intranet and conducting benchmarking studies**
Reduce or Avoid Costs	Activities performed to improve the cost effectiveness of operations. Activities include implementing certain automated systems or negotiating discounts with outside vendors
Increase Reliability	**Activities performed to increase the reliability of energy delivery and to minimize the impact of disruptions**

Benefit Analysis (continued)

Affiliate Services	Reduce Risk	Increase Employee Productivity	Provide Management Information	Enhance Corporate Performance	Reduce or Avoid Cost	Increase Reliability
Corporate Communications						
Manages internal and external communications to stakeholders about corporate programs, accomplishments, changes and, events, as well as the management of public relations and media interfaces						
External Affairs						
Provides support for governmental and community relations programs; informing stakeholders such as local government agencies and internal groups about ongoing company projects, as well as monitoring of potential legislative actions that could affect the business						
Finance & Accounting						
Prepares internal financial planning & management activities as well as banking services; in addition, tax advisory and planning, general accounting activities and accounting compliance activities are included in this category of service						
General Counsel						
Provides legal support for business units (e.g. litigation, labor and employment) as well as corporate ethics issues to ensure that governance standards are compliant at local, state and federal levels						
Human Resources						
Provide compensation , benefits, and workforce planning services to establish optimal staffing levels, specific labor-related compliance issues, and skills and knowledge delivery in line with employee development objectives						

Benefit Analysis (continued)

Affiliate Services	Reduce Risk	Increase Employee Productivity	Provide Management Information	Enhance Corporate Performance	Reduce or Avoid Cost	Increase Reliability
Internal Audit						
Provides compliance and process reviews related to adequacy of internal control mechanisms	✓	✓	✓	✓	✓	
Information Management						
Provides management, operations and support of applications, architecture and network infrastructure; also includes overarching security measures designed to protect physical and intellectual property, and support for the technology environment through testing, help desk, and telecommunications	✓	✓	✓	✓	✓	✓
Regulatory Affairs						
Manages regulatory relationships, lobbying, development of information supporting rate filings, shaping of regulatory strategy and serving as point of contact for requests for information from regulatory bodies	✓				✓	
Maintenance Services						
Maintains transmission infrastructure by performing scheduled repairs and/or managing maintenance contractors	✓	✓		✓	✓	✓
Emergency Response						
Responds to transmission disruptions as well as managing and coordinating emergency response contractors	✓	✓		✓	✓	✓
Procurement						
Assures WETT has access to quality goods and services at a competitive cost in a timely fashion		✓		✓	✓	

Benefit Analysis (continued)

Affiliate Services	Reduce Risk	Increase Employee Productivity	Provide Management Information	Enhance Corporate Performance	Reduce or Avoid Cost	Increase Reliability
Engineering & Construction Project Management						
Provides engineering , design, and construction support during pre-construction, construction, and commissioning stages of the transmission line development.						
Tax Services						
Administers various tax services and issues such as state tax, federal tax, local tax, domestic tax and international tax. This activity ensures tax compliance to meet IRS regulations and limit exposure to legal actions. It is also a part of daily operation of the business and supports operational execution. This activity also includes tax advisory and planning, such as tax compliance, special tax situations, tax audits, and appeals and litigation.						
Real Estate Services						
Services include architectural, engineering, space planning/design, construction management services, remodeling projects, and repairs to HVAC & electrical system.						

Benefit Analysis (continued)

Affiliate Services	Reduce Risk	Increase Employee Productivity	Provide Management Information	Enhance Corporate Performance	Reduce or Avoid Cost	Increase Reliability
Environmental Services						
Obtains all the necessary environmental permits and assures compliance with environmental requirements. This activity is key for complying with regulatory mandates and legal requirements and serves to reduce risks and costs.						
Administrative Services						
Provides general administrative support to the entire organization . Includes sub topics like office facilities management. This activity supports operational execution and increases employee productivity.						
Corporate Governance						
Includes Board of Directors expenses and compensation plan expense amortization for terminated employees.						
Corporate Planning						
Provides consultation and common guidelines for performance management, planning, and analysis, including current year performance analysis, long-range planning, and valuations and scenario planning.						
Research and Development						
Provides continuous improvement of the transmission infrastructure through various initiatives including smart grid.						

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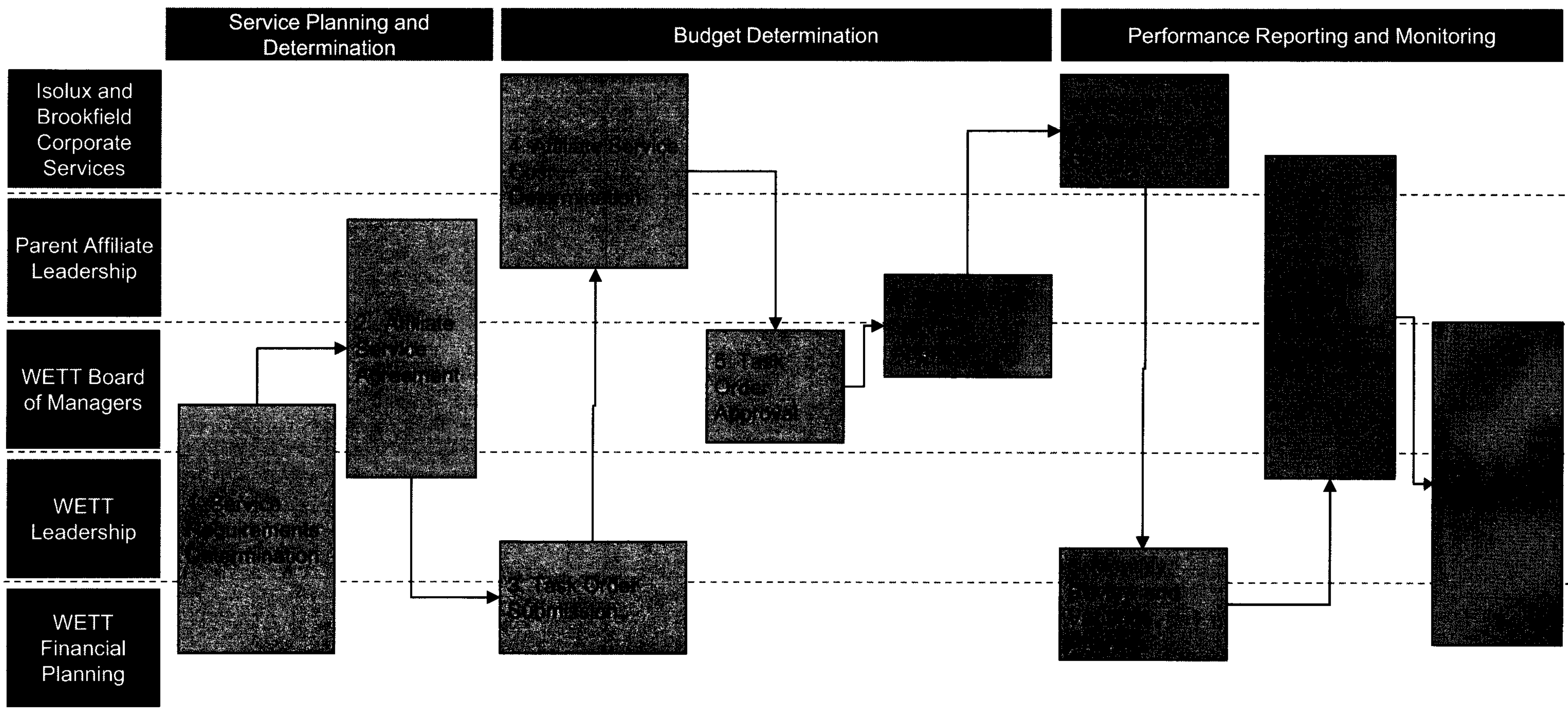
TJF-6	Roles and Responsibilities
TJF-7	Testimony Figures

Affiliate Services Planning, Budgeting and Monitoring Processes



Source: Interview with Jason Spreyer; Booz & Company analysis

Affiliate Services Planning, Budgeting and Monitoring Processes (1/3)

Service Planning and Determination

Activity	Group(s)	Description
1. Service Requirements Determination	WETT Financial Planning, Services, WETT Leadership, and WETT Board of Managers (BOM)	WETT Leadership (General Manager and functional leaders) identifies the need, determines requirements for corporate functions, and seeks approval from the WETT BOM to seek services. WETT engages Isolux or Brookfield to obtain affiliate service support.
2. Affiliate Service Agreement (ASA)	Isolux and/or Brookfield Leadership, WETT BOM, and WETT Leadership	WETT and Isolux or Brookfield Leadership examines request and determines which affiliate services should be provided. WETT and Parent Affiliate agreed to an ASA, which sets forth the types of services that can be provided by Isolux or Brookfield to their affiliate. It is the main contract governing service provision between Isolux or Brookfield and their affiliates. Although not explicitly stated, WETT has the option to engage non-affiliate third parties for the corporate services, instead of having affiliates provide these services.

Source: Affiliate Service Agreements with Isolux and Brookfield; Contracting Procedure - ASA; Booz & Company analysis

Affiliate Services Planning, Budgeting and Monitoring Processes (2/3)

Budget Determination

Activity	Group(s)	Description
3. Task Order Submission	WETT Financial Planning & WETT Leadership	When determining whether to engage Isolux or Brookfield or hire an outside vendor, WETT considers expertise, availability of service and cost. If it determined that Isolux or Brookfield meet WETT's requirements, the scope of service, schedule, and cost is negotiated and approved by WETT BOM or relevant subcommittee.
4. Affiliate Service Cost Determination	Isolux and Brookfield Corporate Services & Leadership	Isolux or Brookfield inform WETT of acceptance or rejection of the Task Order. This acceptance or rejection is governed by WETT's Code of Conduct, "products, services, and assets shall be priced at levels that are fair and reasonable to the customers of WETT and that reflect the market value of the product, service, or asset." That is, Isolux or Brookfield must have the expertise and availability and provide services at cost. Isolux or Brookfield Corporate Services engages appropriate functional support and reviews the proposed cost of service for reasonableness and compare total costs to internally developed targets. Results are reviewed with Isolux or Brookfield leadership and issues and concerns are identified for discussion.
5. Task Order Approval	WETT BOM	WETT management will submit all agreed task orders to the BOM or relevant subcommittee for approval
6. Budget and Service Approval	Isolux and Brookfield Leadership and WETT BOM	Parent Affiliate Leadership reviews the finalized forecasts and budget and approves or sends it back to Corporate Services group for refinement.

Source: Hypothesis / Criteria Synthesis Applied During Budget Preparation; EPC Ex. Q; Booz & Company analysis

Affiliate Services Planning, Budgeting and Monitoring Processes (3/3)

Performance Reporting and Monitoring

Activity	Group(s)	Description
7. Cost Assurance Review	Isolux and Brookfield Corporate Services	Prior to invoicing WETT, Corporate Services performs a cost assurance review on all charges. More specifically, Parent Affiliate Corporate Services reviews all receipts and timesheets and matches the cost to the specific Task Order. This ensures that the scope, cost, or timeline of activities is align with the Task Order.
8. Monthly Review and Variance Analysis	Isolux and Brookfield Leadership and WETT Leadership	WETT conducts monthly variance analysis of actual results to budget and incorporates forecasted revisions of Corporate Service charges as appropriate. Unexpected unfavorable variances may cause the development of action plans that would address cost pressures or service quality concerns.
9. Annual Budget Review and Forecasting	Isolux and Brookfield Leadership, Isolux and Brookfield Corporate Services, and WETT Leadership	Isolux and Brookfield Corporate Services undertake an annual re-estimation of the Corporate Budget considering evolving business needs, progress on action plans, and underlying cost drivers. Revisions to the original budget may be communicated to WETT with explanations for proposed changes. In the event that changes are appropriate, Isolux, Brookfield, and WETT may negotiation the changes. Additionally, any new affiliates will be expressly laid out for the PUC to review and an annual report on affiliate activities, including changes to compliance plans, will be compiled and reported.
10. Monitoring	Isolux and Brookfield Corporate Services, and WETT Leadership	Isolux and Brookfield Corporate Services and WETT monitor the preparation, action and results of the task order to ensure that it meets required standards

Source: Interviews with Contracts Manager and Program Director; Booz & Company analysis

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EPC Margin Survey Focus and Participant Breakdown

Focus of the Survey[1]

- **Determine preferred contract form structures**
- **Obtain specific data on margin levels**
- **Identify factors affecting margin levels and risk premiums**
- **Capture perspectives on future margin levels**

Participants

- 7 utilities
- 2 EPCs
- 1 Market Data Firm
- 1 Trade Association

- Power plants
- Transmission lines
- Services

(1) Conducted by telephone interview

Key Takeaways from EPC Margin Survey

Owner Observations

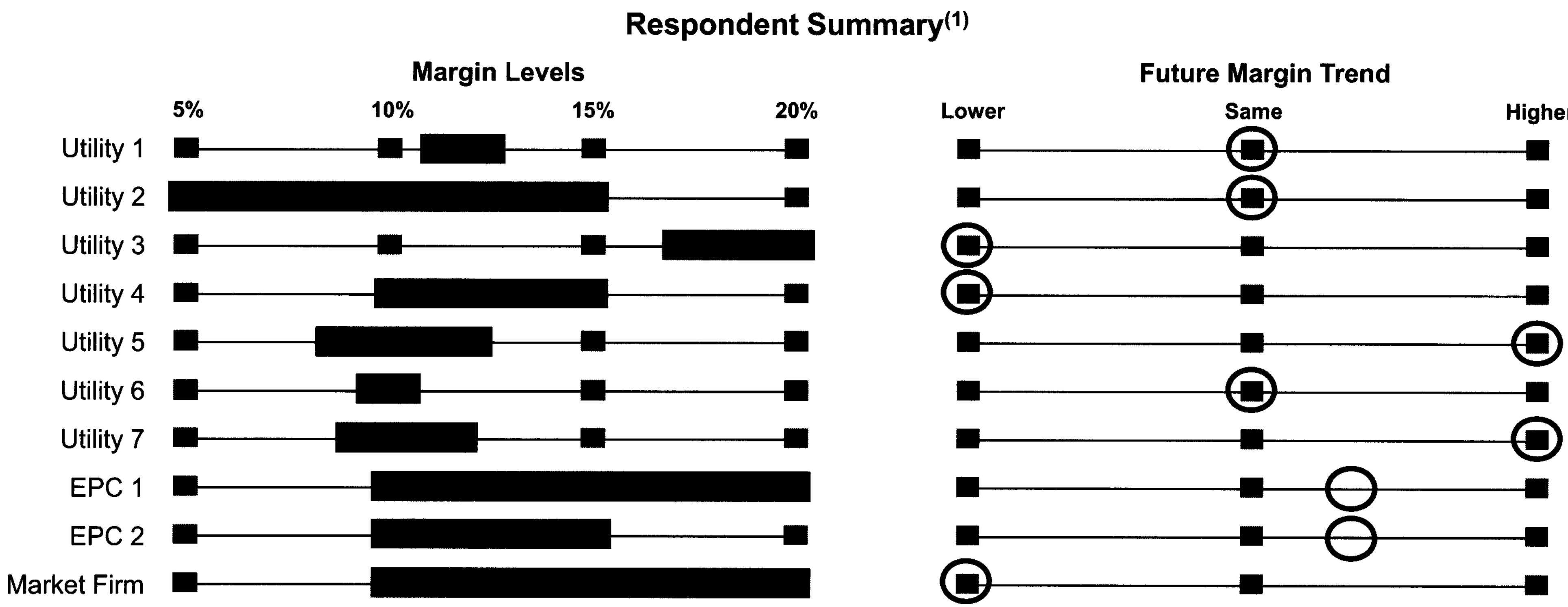
- Mixed view of the attractiveness of EPC contracts given existing market and talent constraints
- Growing preference for targeted incentive contracts to align objectives
- Ability to clearly understand margin levels and risk premiums is limited
- Owners prefer to break contract work into discrete modules to match margins, scope and risk
- General consensus on mega project margin levels at 10 – 15% with potential for higher levels dependent on project type
- Some owners successful at obtaining lower margin levels through contracting strategy

EPC Observations

- Level of margin will vary based on the nature of the work and the degree of risk being assumed
- Fixed price contracts are inconsistent with most major project requirements when complexity is significant
- Earned margins have been lower than expected due to performance issues and owner contracting approach
- Recognition that owners are seeking more cost predictability and that contracts form a primary vehicle for attainment
- Margin levels in the 10 – 15% range, but risk premium levels will significantly influence outcomes
- Perception that moving from seller-to-owner-to-seller market may result in slightly increasing margins

Contract forms vary, with divergent preferences between EPCs and owners

Reported Margin Levels and Future Trends



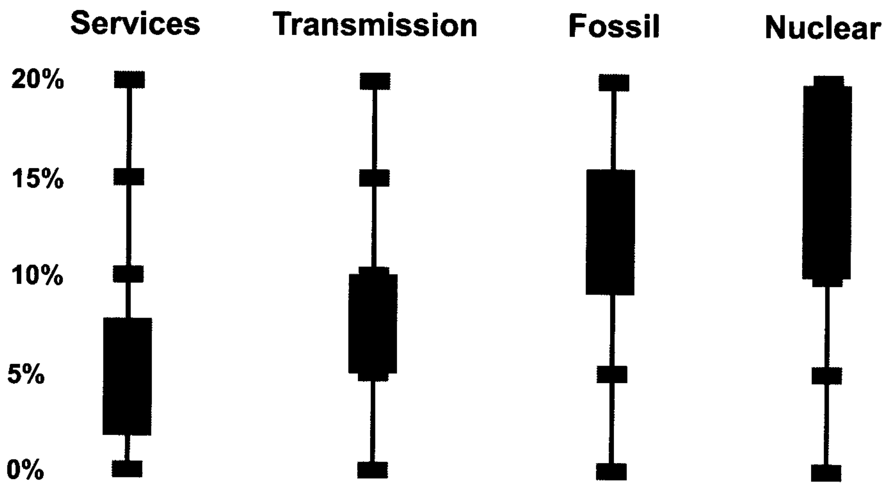
Primary driver is nature of the work with high-risk premiums priced in for FOAK projects

Expectation that deferred infrastructure spend will return and create less EPC availability

(1) Trade association responses too general to capture

Factors Affecting Margin Levels

Differences in Margin Levels



Factors Affecting Margin Levels

- Amount of engineering complete at bid
- Complexity associated with project execution
- Role to be performed by the EPC
- Risk apportionment model in place
- Size of overall contract
- Nature of owner – EPC relationship
- Potential for future work
- General market condition and scarcity

Considerations

Services: Simpler work scope, e.g., outages, well planned and EPC viewed as commodity service provider

Transmission: More limited use of EPC for these but viewed as better scoped and less uncertainty

Fossil: More representative of typical outcomes with level determined by perceived complexity and EPC role

Nuclear: Significant risk premiums included to reflect engineering uncertainty, lack of quantities information

"Value of tight project scoping may be worth 3 – 5% in margins"

EPC Overhead Adder Survey Focus and Participant Breakdown

Focus of the Survey(1)

- Determine basis of allocation of overhead allocation
- Obtain specific data on overhead levels
- Identify factors affecting overhead levels

Participants

- 7 utilities
- 4 EPCs
- 1 Market Data Firm

(1) Conducted by telephone interview

Isolux Corsan's corporate overhead allocation

Corporate Overhead Allocation

- General and administrative expenses from the parent company, Isolux Corsán is segregated and spread across each business unit on the basis of relative scale
- Justification of general expenses attributable to a business unit is provided in EPC contract – Exhibit Q
- Overhead allocated to I-USA is in accordance with allocation for Transmission and Power Distribution of Energy (T&D) business unit
- Isolux Corsán uses revenue as an allocation factor for its overhead costs, i.e., overhead expenses are allocated to various business units in proportion to their revenue
- The overhead rate of 6.29% based on 2009 calculation is applied to the total amount of the EPC Contract. Overhead rate changes every year based on the revenues

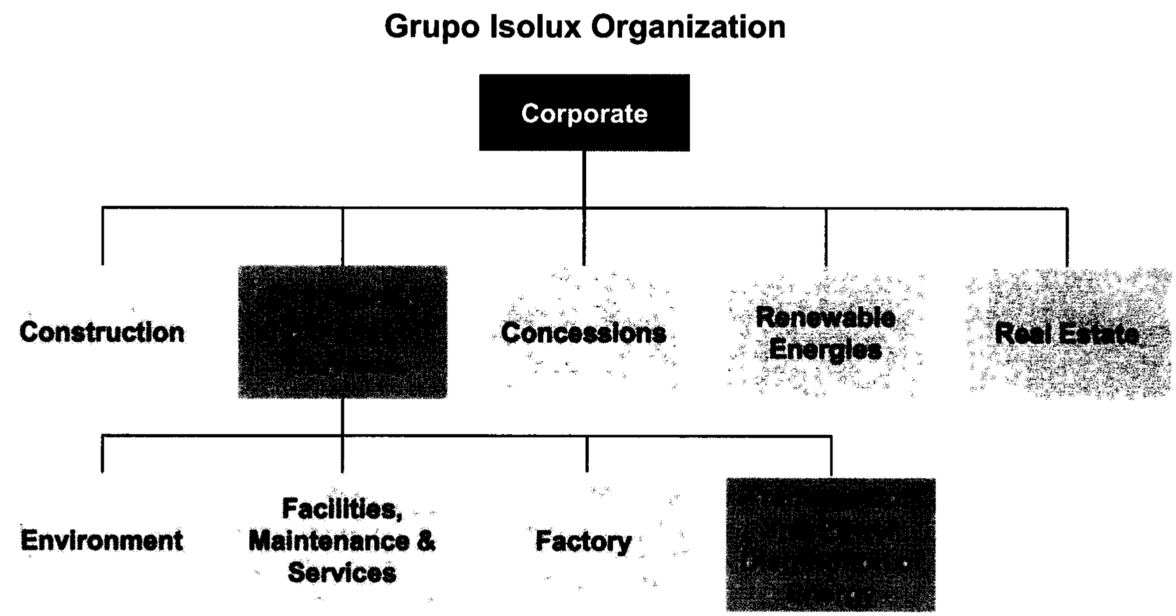
Source: EPC contract Exhibit Q

Isolux Corsan bases its T&D business services overhead adder on three principal cost components

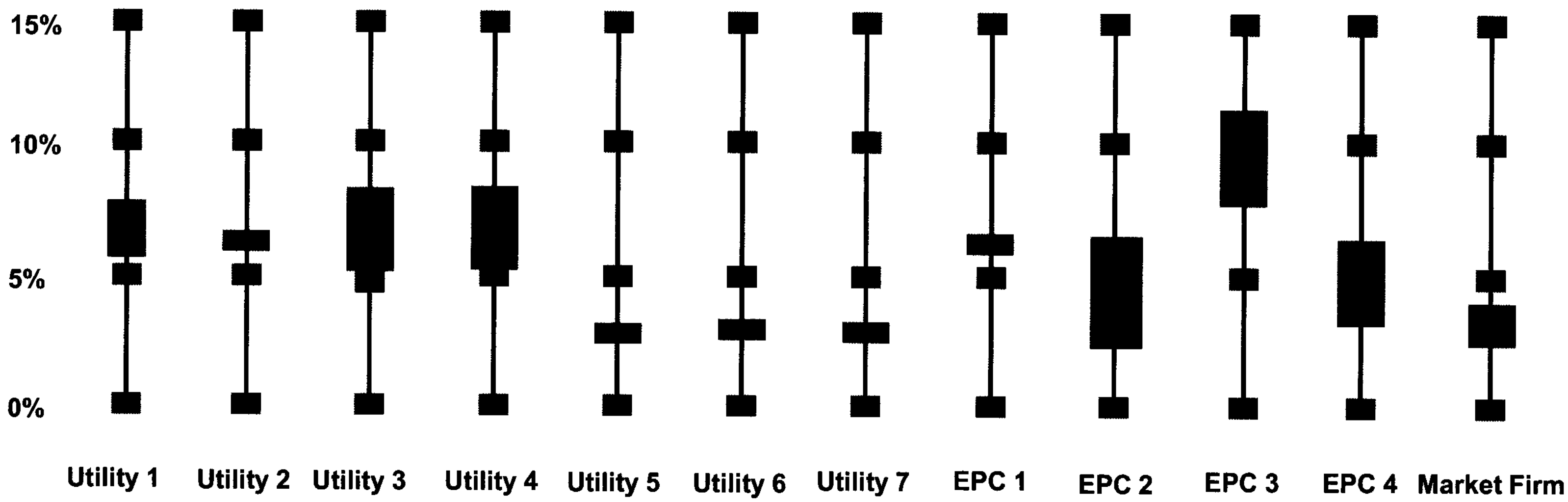
Corporative Chargeable Expenses
- Based on allocation of corporate structural charges, corporate amortization, and finance expenses

Engineering Business Services
- Based on total segment revenue matching with "Engineering and Industrial Services"

Peripheral T&D
- Based on cost centers assigned to "Transmission and Power Distribution of Energy"



Overhead Adder Analysis



Discussion

- "Typical" approach to G&A allocation recovery is not observed
- Overhead adder levels vary from 3 to 12% with a median of 5.5%
- Factors such as project complexity, risk levels, owner preferences and, contract form all influence the selected approach
- Variability of these adders are due to organizational alignments, cost composition, project types, contract structures, and project risk

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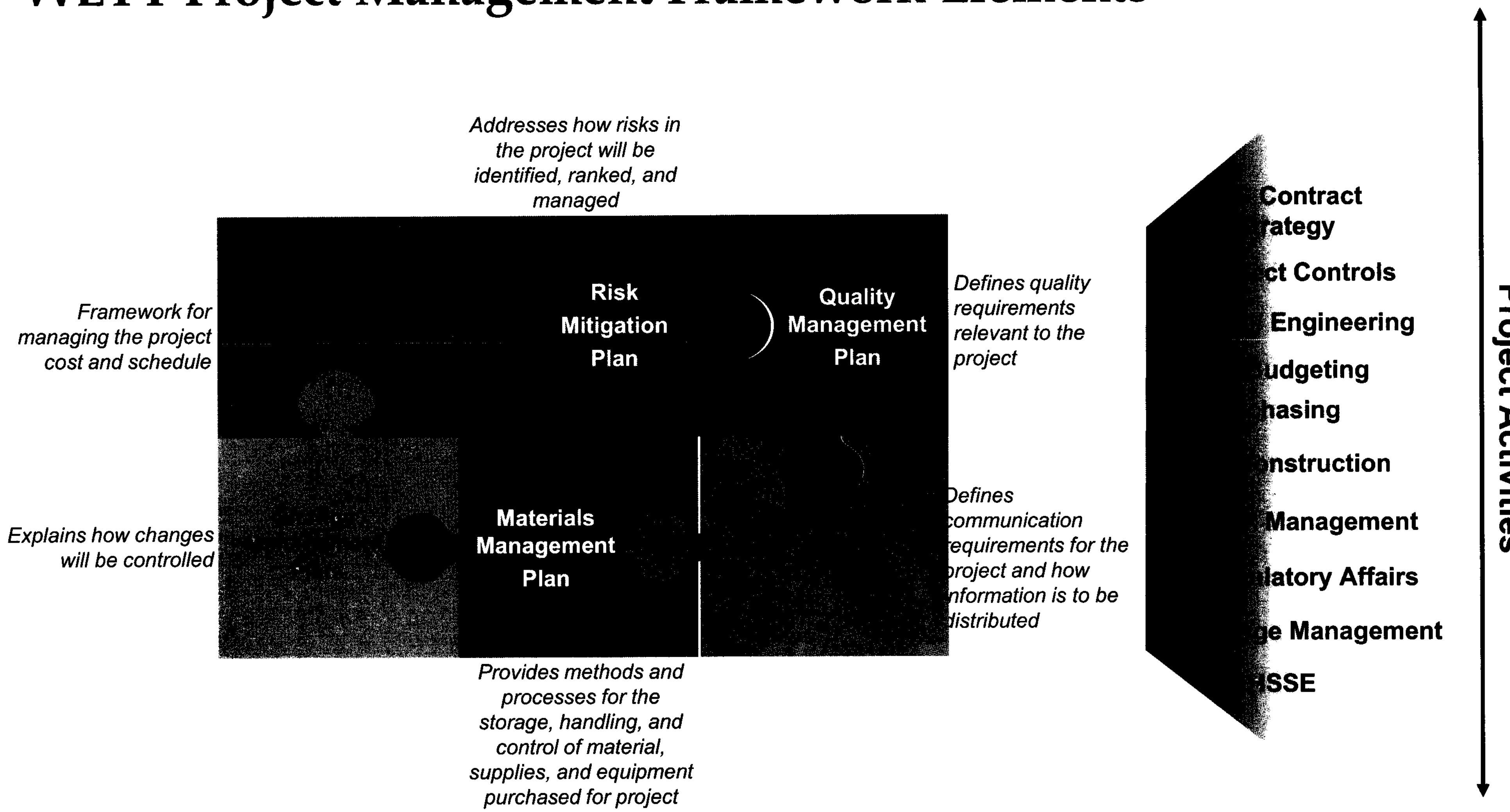
WETT Project Management Framework Elements



Comparison of Baseline and Compressed Schedule Milestones

Baseline Schedule[1]
Completion Dates

Function	CCN1		CCN2					CCN3				
	TL1	SS1	TL2	TL3	TL4	SS2	SS3	TL5	TL6	TL7	SS4	SS5
Engineering	1/9/12	4/24/12	6/18/12	5/9/12	6/25/12	6/21/12	6/14/12	5/9/12	5/9/12	5/9/12	7/6/12	8/10/12
Procurement	8/23/12	11/13/12	10/16/12			12/10/12		3/22/13			8/17/12	
Construction	12/21/12	12/11/12	1/30/13	3/29/13	1/30/13	3/11/13	3/21/13	6/28/13	7/31/13	8/28/13	5/6/13	5/13/13

Compressed Schedule
Completion Dates

Function	CCN1		CCN2					CCN3				
	TL1	SS1	TL2	TL3	TL4	SS2	SS3	TL5	TL6	TL7	SS4	SS5
Engineering	2/9/12	5/22/12	7/6/12			6/11/12		9/7/12			7/6/12	
Procurement	7/30/12	11/13/12	9/12/12			9/17/12		11/13/12			11/14/12	
Construction	12/18/12	12/14/12	12/19/12	2/5/13	12/6/12	2/11/13	12/31/12	4/3/13	3/4/13	4/26/13	3/11/13	4/25/13

1) Rev 4 as listed in the September 2011 Board Report's EPC Schedule attachment
Source: September 2011 Board Report; February 2012, and March 2012 Construction Progress Reports; Booz & Company analysis

WETT Governance Structure

WETT Governance Structure

1 Governance	[redacted]	▪ Includes parents (Brookfield and Isolux) ▪ Elects Board of Managers
	[redacted]	▪ Governs the company on behalf of owners ▪ Recruits and oversees top WETT management ▪ Has ultimate responsibility for performance
2 Oversight	[redacted]	▪ Refers to Board for major decisions ▪ Provides monthly updates ▪ Reviews project performance, risk, and WETT initiatives
3 Executing	**WETT Functional Management (Program Director, Controller, Contracts Mgr., Regulatory Mgr., HSSE Mgr., Operations Mgr.)**	▪ Responsible for WETT operational and financial performance of the project
4 Monitoring / Controlling	Performance Mgmt. Process (KPIs) (Finance, Safety, Environment, and other Objectives)	▪ Monitor project execution and ensure alignment across the organization to meet corporate and working group targets and objectives

Source: Booz & Company analysis

Project Management Mechanisms

Meeting Type	Description
WETT Staff Meetings	The WETT Staff meet weekly to discuss major events that the relevant portions of the team should be aware of. Such meetings address: 1. Internal all-hands updates 2. Project Financial Status with the Controller and leadership 3. Field Monitoring with WETT field inspectors 4. And HSSE issues in a meeting held on site. This meeting occurs only monthly
Direct Contractor Meetings	Because WETT contracts to several other companies directly, these entities are met with at weekly intervals, including: 1. Land-related meetings include ROW Survey and Acquisition meetings with KPE, Integra Realty, Survey & Mapping, the WETT real estate manager and the leadership team. 2. Additionally there is a meeting with Survey & Mapping to get similar land updates. 3. Some of the parties also take part in discussions about how WETT traverses other transmission and pipe lines in the Facility Crossing Meeting 4. HSE meetings to debrief with KPE and WETT HSE Staff 5. Regulatory affairs meetings to update parties involved with the regulatory side on all the events of the past week and plans to mitigate regulatory risks
I-USA Meetings	I-USA, as the contractor, has many direct touch-points with WETT but weekly meetings strengthen those connections and put all parties at the same information baseline 1. Design meetings with the I-USA technical leads and engineering subcontractors allow WETT engineers to provide input on design and engineering 2. Purchasing and Ordering meetings bring subcontractors in to track procurement and shipping in the supply chain 3. Weekly as well as monthly construction progress report meetings in advance of Board of Managers interactions allow the WETT team to spot and smooth out any issues that may have arisen in the prior week / month
Board Meetings	While the Board of Managers at large meets monthly to discuss construction progress, there are two weekly points of contact: 1. Competition with other Transmission lines and utilities is analyzed to determine how other CREZ projects are doing and what WETT can learn from them 2. The Board is also in regular contact with the General Manager to discuss weekly high-impact items

WETT and I-USA Interface and Touch Points

WETT	Focus Area	Frequency	I-USA
General Manager	Overall Project Performance	Monthly formal meeting	General Manager
Program Director	Operational Issues related to project progress and performance	Monthly formal meeting	Operations Director
Program Director	Procurement: supply chain issues, material shipment, vendor management	Informal weekly or daily discussions, monthly formal meetings	Procurement Manager
Controller	Finance and Accounting, such as, Invoices and Cash Management	Monthly formal meeting	CFO
Project Manager CCN1, CCN2, and CCN3	Planning, Scheduling & Managing Construction Contractors	Weekly formal meeting	Planning & Construction Manager
Contracts Manager	Contractual Issues: (Change Orders, Claims and Equitable Adjustments)	Informal daily discussions, monthly formal meetings	Contract Manager
Controller	Cost Control, Invoicing and Reporting	Informal weekly discussions, monthly formal meetings	Project Controls Manager
HSSE Manager	HSSE	Weekly meeting	HSSE Manager
Project Manager CCN1, CCN2, and CCN3	Quality Assurance/Quality Control	Informal weekly discussions, monthly formal meetings	QA/QC Manager
Engineering Manager	Engineering functions: design reviews, design changes	Informal weekly discussions, monthly formal meetings	Engineering Manager
Field Monitors (Construction, Safety)	Field construction activities	Daily meetings	Construction Manager

Source: WETT Communications Plan; Booz & Company analysis

Summary of WETT Weekly and Monthly Meetings

Meeting Type	Description
WETT Staff Meetings	The WETT Staff meet weekly to discuss major events that the relevant portions of the team should be aware of. Such meetings address: 1. Internal all-hands updates 2. Project Financial Status with the Controller and leadership 3. Field Monitoring with WETT field inspectors 4. And HSSE issues in a meeting held on site. This meeting occurs only monthly
Direct Contractor Meetings	Because WETT contracts to several other companies directly, these entities are met with at weekly intervals, including: 1. Land-related meetings include ROW Survey and Acquisition meetings with KPE, Integra Realty, Survey & Mapping, the WETT real estate manager and the leadership team. 2. Additionally there is a meeting with Survey & Mapping to get similar land updates. 3. Some of the parties also take part in discussions about how WETT traverses other transmission and pipe lines in the Facility Crossing Meeting 4. HSE meetings to debrief with KPE and WETT HSE Staff 5. Regulatory affairs meetings to update parties involved with the regulatory side on all the events of the past week and plans to mitigate regulatory risks
I-USA Meetings	I-USA, as the contractor, has many direct touch-points with WETT but weekly meetings strengthen those connections and put all parties at the same information baseline 1. Design meetings with the I-USA technical leads and engineering subcontractors allow WETT engineers to provide input on design and engineering 2. Purchasing and Ordering meetings bring subcontractors in to track procurement and shipping in the supply chain 3. Weekly as well as monthly construction progress report meetings in advance of Board of Managers interactions allow the WETT team to spot and smooth out any issues that may have arisen in the prior week / month
Board Meetings	While the Board of Managers at large meets monthly to discuss construction progress, there are two weekly points of contact: 1. Competition with other Transmission lines and utilities is analyzed to determine how other CREZ projects are doing and what WETT can learn from them 2. The Board is also in regular contact with the General Manager to discuss weekly high-impact items

Weekly and Monthly Meetings (1 of 2)

Description	Frequency	Purpose and Content	Attendees
WETT Internal Staff Meeting	Weekly (Monday)	All internal staff discuss what happened in the prior week	All Internal WETT Staff
EPC Meeting (Design Progress Meeting)[3]	Weekly (Tuesday)	WETT to provide input on design and engineering	Program Director, Engineering Manager, I-USA Engineers, I-USA Technical Leads, Subcontractor reps (M&S Engineering and VI Engineering), KPE
ROW Survey and Acquisition Meeting	Weekly (Tuesday)	Discuss ROW issues & legal implications land ownership	Program Director, Project Managers, Real Estate Manager, KPE, Integra Realty, Survey & Mapping Inc.
HSE Meeting	Weekly (Tuesday)	Discussions regarding safety and environmental issues on the ROW.	Program Director, Project Manager, HSSE Manager, Environmental Monitor, KPE
Regulatory Affairs Meeting	Weekly (Tuesday)	Discussions of regulatory affairs and status	General Manager, Regulatory Manager, Naman Howell, Board of Manager, Board of Managers Legal Representative
Finance	Weekly (Tuesday)	Discussions on financial status	General Manager, Controller, Program Director
Construction Progress Meeting	Weekly (Wednesday – 2 sessions for segments)	Review all the sections of weekly project update (Planned vs. Actual), Resources on Site (Planned vs. Actual), Material & Equipment Supply, Safety, Environmental, Other Project Issues and Concerns	Program Director, Project Managers, I-USA main team; Subcontractors (e.g., Price Construction, Lang & Mitchell, PSI, Henkles, Asplundh)
I-USA Field Monitors Construction Meeting[2]	Weekly (Wednesday)	Examination of Monitoring over the last week and validation of performance	Program Director, Project Managers, HSSE Inspectors, Site Safety Monitor
Purchasing / Ordering	Weekly (Wednesday)	Update procurement status and track shipment in the supply chain	Program Director, Project Managers, Contracts Manager, Engineering Manager, I-USA Procurement Rep
WETT Internal Field Monitor Meetings	Weekly (Wednesday)	WETT field monitors with third party contractors conduct a status update on environmental, health, and safety	Program Director, Project Managers, HSE Inspectors, KPE Environmental Assessors

1) Exhibit A Section 3 – Communication and Coordination
2) aka WETT Weekly Constriction Coordination Meeting
3) aka I-USA Engineering Status Meeting
Source: Booz & Company analysis

Weekly and Monthly Meetings (2 of 2)

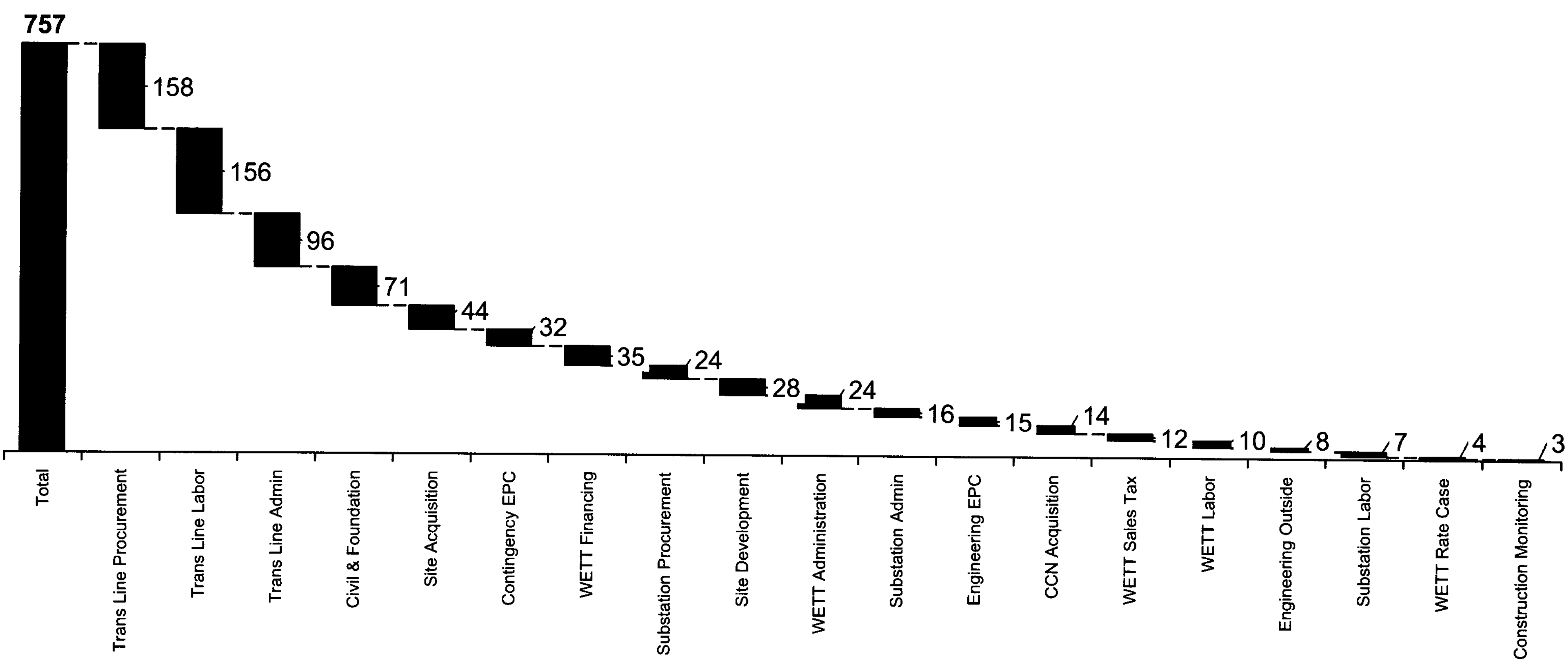
Description	Frequency	Purpose and Content	Attendees
Survey & Mapping	Weekly (Wednesday)	Discussions with Survey and Mapping to discuss their work	Project Managers, Survey & Mapping Inc.
Transmission / Utilities Update	Weekly (Wednesday)	Discussion on where other CREZ projects are and following their cases	General Manager, Board of Directors
Facility Crossing Meeting	Weekly (Thursday)	Discuss Right of Way and transmission line tracking and routing issues concerning oil/gas pipelines	Program Director, Project Managers, Manager Real Estate, KPE
Board of Managers Interaction	Weekly (Thursday)	Update the board on the project's current status. High impact items are discussed	General Manager, Project Director, Planning and Operations Manager, Board of Managers
Project Report Review	Monthly	Review Monthly Progress Report	Program Director and his direct reports, I-USA
Board of Managers Monthly Meeting	Monthly	Monthly Report	General Manager, Program Director, Board of Managers
On-Site HSSE meeting	Monthly	Discussions regarding HSE factors of operations in the ROW. Meeting occurs on site	HSSE Manager, Field HSE Inspectors

Reports Presented to WETT Stakeholders

Description	Frequency	Purpose and Content	Author and Target Distribution
Subcontractor Report on Substations	Daily	Log of occurrences in the day, including units of product delivered or constructed, which is used to track progress	For: Program Director, Project Managers
Subcontractor Report on Transmission Lines	Daily	Log of occurrences in the day, including units of product delivered or constructed, which is used to track progress	For: Program Director, Project Managers
PSI Core Sampling Report	Daily	Analysis of materials and area that is used by engineering to validate that assets can be built safely	For: Program Director, KPE Consulting
Incident Report	As Needed	Documentation used to inform managers about accidents on the ROW	For: Program Director
Construction Report	Weekly	Tactical information on events of the prior week with occasional updates on progress by all subcontractors	For: Program Director, Project Managers By: I-USA
Three-week look-ahead	Weekly	Consolidated examination of all contractors and their purpose for the next three weeks	For: Project Managers By: Subcontractors
HSSE Reports	Weekly	Logs developments in HSSE related matters including documentation, training, and incidents	For: Program Managers
Engineering Report	Monthly	Illustrates the progress of the project in terms of design	For: Project Managers
WETT Monthly Project Report	Monthly	Summarizes all activities related completed work and cumulative work progress	For: Board of Managers, WETT management and program teams
Purchase Order Variance Log	Monthly	Illustrates the amount by which the actual cost of equipment or construction deviated from budget	For: Program Director's team
Quarterly Construction Report	Quarterly	Inform creditors of progress made to date and any deviations from existing agreements or plans	For: Bank of Nova Scotia By: General Manager, Contracts Manager

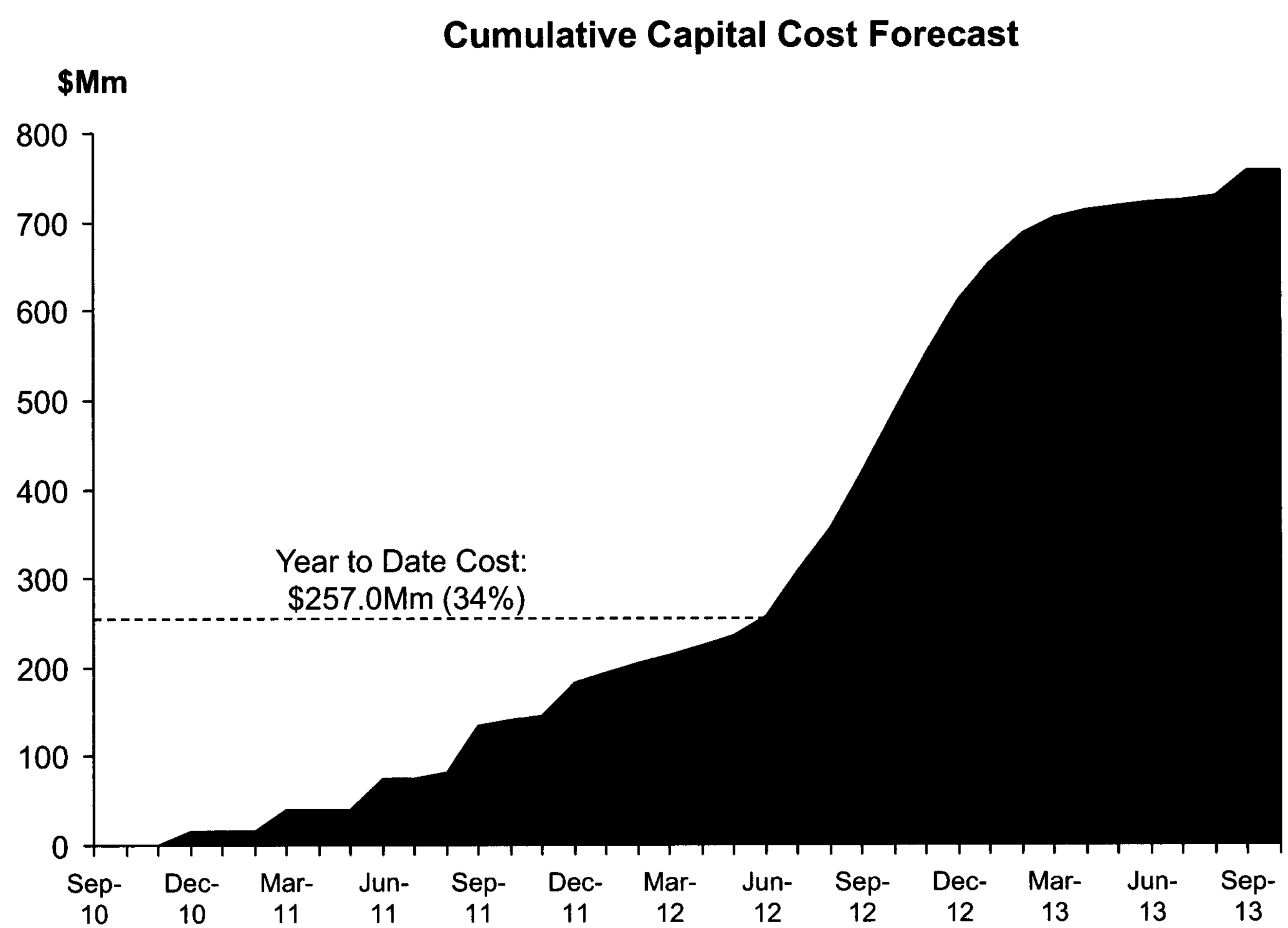
Total Project Costs

Breakdown of Total Project Cost
Ordered on Size $Mm



Source: WETT Construction Project Tracking Records; Booz & Company analysis

Total Project Capital Cash Curve



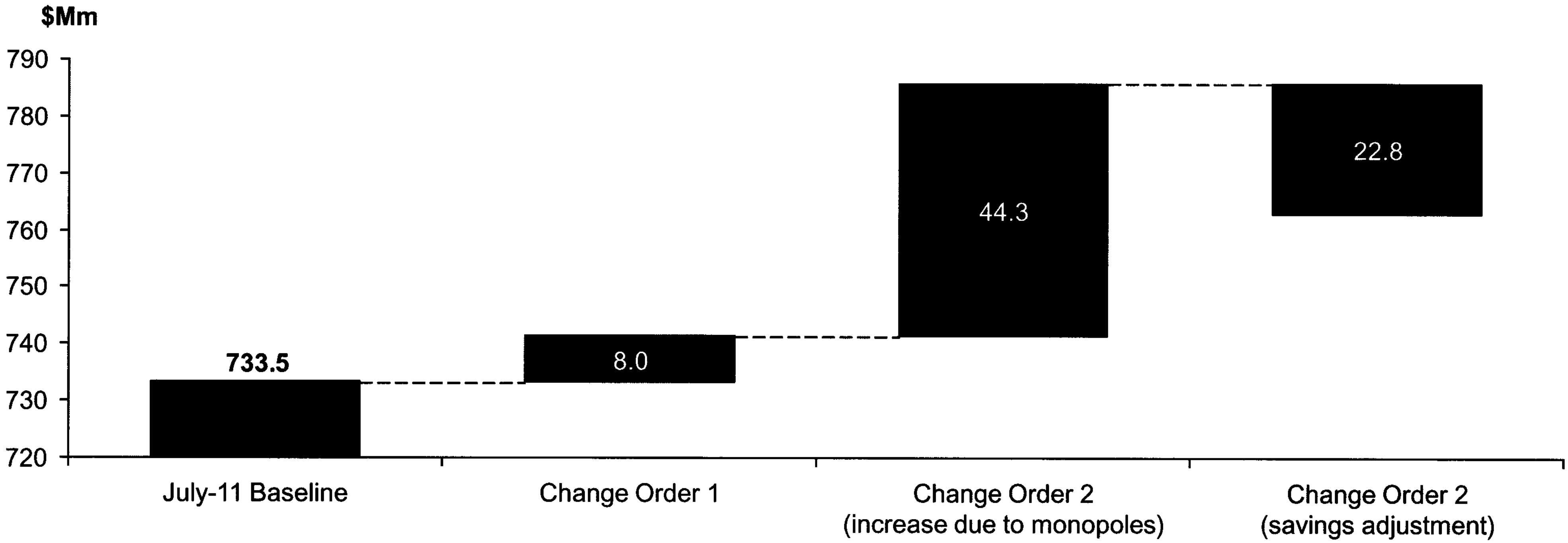
Source: WETT Construction Project Tracking Records; Booz & Company analysis

Project Progress as of June 30, 2012

	Weight	Accrued Planned	Accrued Actual
[redacted]	[redacted]	[redacted]	[redacted]
Sub Station Engineering	1%	78%	67%
[redacted]	[redacted]	[redacted]	[redacted]
Sub Station Procurement	7%	26%	26%
[redacted]	[redacted]	[redacted]	[redacted]
Sub Station Construction	3%	28%	26%
[redacted]	[redacted]	[redacted]	[redacted]

Source: Monthly Report WETT Project March 2012; Booz & Company analysis

Project Budget Adjustments

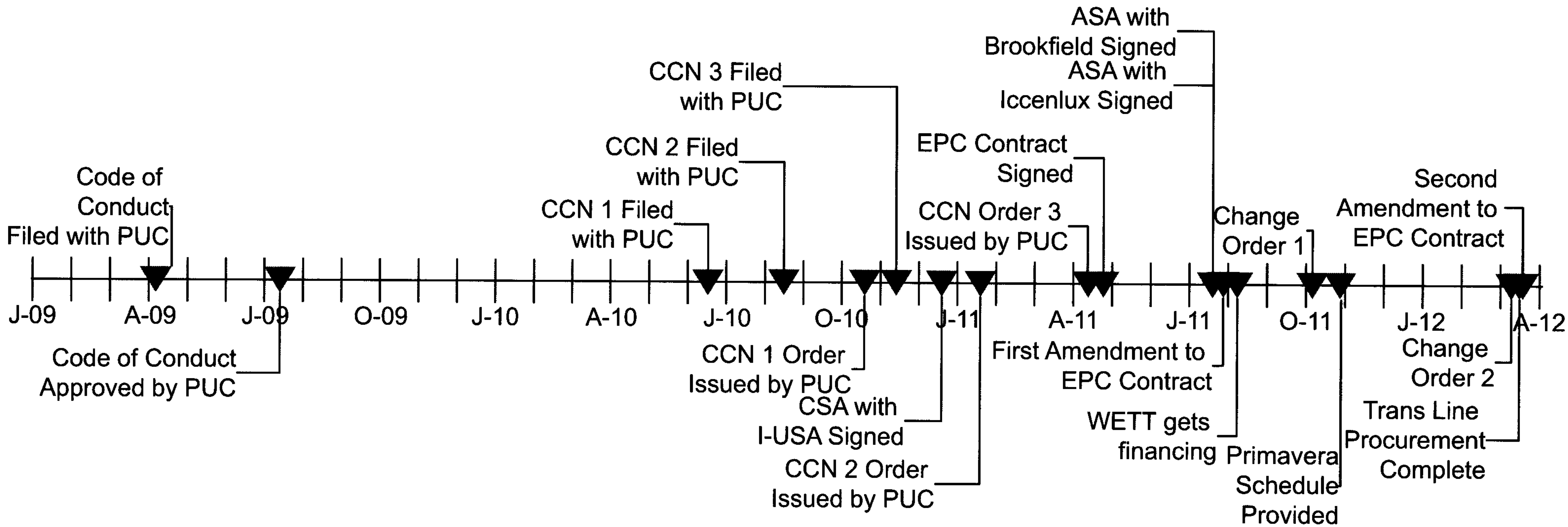


Discussion

- July 2011 – WETT Financing Baseline – $733.5 million
- February 2012 – Change Order #1 for Faraday added for $7.99 million
- March 2012 – Change Order #2 for monopoles added net of $21.54 million.
- Change Order #2 includes $44.3 million increase due to addition of monopoles and savings of $22.77 in EPC costs

Source: WETT Project Cost Variances; Booz & Company analysis

Major Project Events



Source: Interviews; Contracts; Reports from all time frames; Booz & Company analysis

Executed Change Order

Change Order No	Description of change	Effective Date	Rationale	Impact
1	Non-CREZ project to add Faraday switching station; increase in EPC contract $7,992,144.	Dec 30, 2011	To accommodate an ERCOT approved secondary power source for Oncor via the WETT grid	$ 7,992,144 net increase in project cost No impact on original contract dates
2	Increase due to monopoles is $44,310,975, savings due to reduction in EPC costs by $22,769,302 resulting in a net change is an increase of $21,541,672	Dec 30, 2011	Comply with CCN Final Orders requirements and routing and landowner related issues.	$21,541,672 net increase in project costs. No impact on schedule for CCN1

TJF-1	Summary of Experience
TJF-2	WETT and Affiliate Organization and Services
TJF-3	Affiliate Activity Necessity and Benefit
TJF-4	Budgeting and Cost Control
TJF-5	EPC Survey
TJF-6	Project Management
TJF-7	**Testimony Figures**

Figure 1: Evaluation Framework Change to Questions

Area	Topic	Question
Affiliate Charges	Necessity of Service	Are the activities performed by affiliates necessary and do they deliver tangible benefits?
	Budgeting and Cost Control	Are effective budgeting and thorough cost control mechanisms in place?
	Adequacy of Cost Allocations	Is cost allocation transparent and does it follow sound and reasonable principles?
EPC Engagement	Prudence of EPC Selection Process	Did WETT perform appropriate levels of due diligence in selecting EPC for project?
	Adequacy of EPC Contract Structure	Are the EPC contract structure, terms, and conditions in line with industry standards and best practices?
	Review of EPC Margin	Are the EPC contract margins reasonable and comparable to other EPC projects?
	Review of EPC Overhead Adder	Is the EPC Overhead adder reasonable and comparable to other projects?
Project Management	Management Oversight	Are project planning, risk management and monitoring processes adequate to enable effective oversight?
	Owner Execution	Is WETT performing its role as owner of the project effectively?

Figure 2: Data Sources

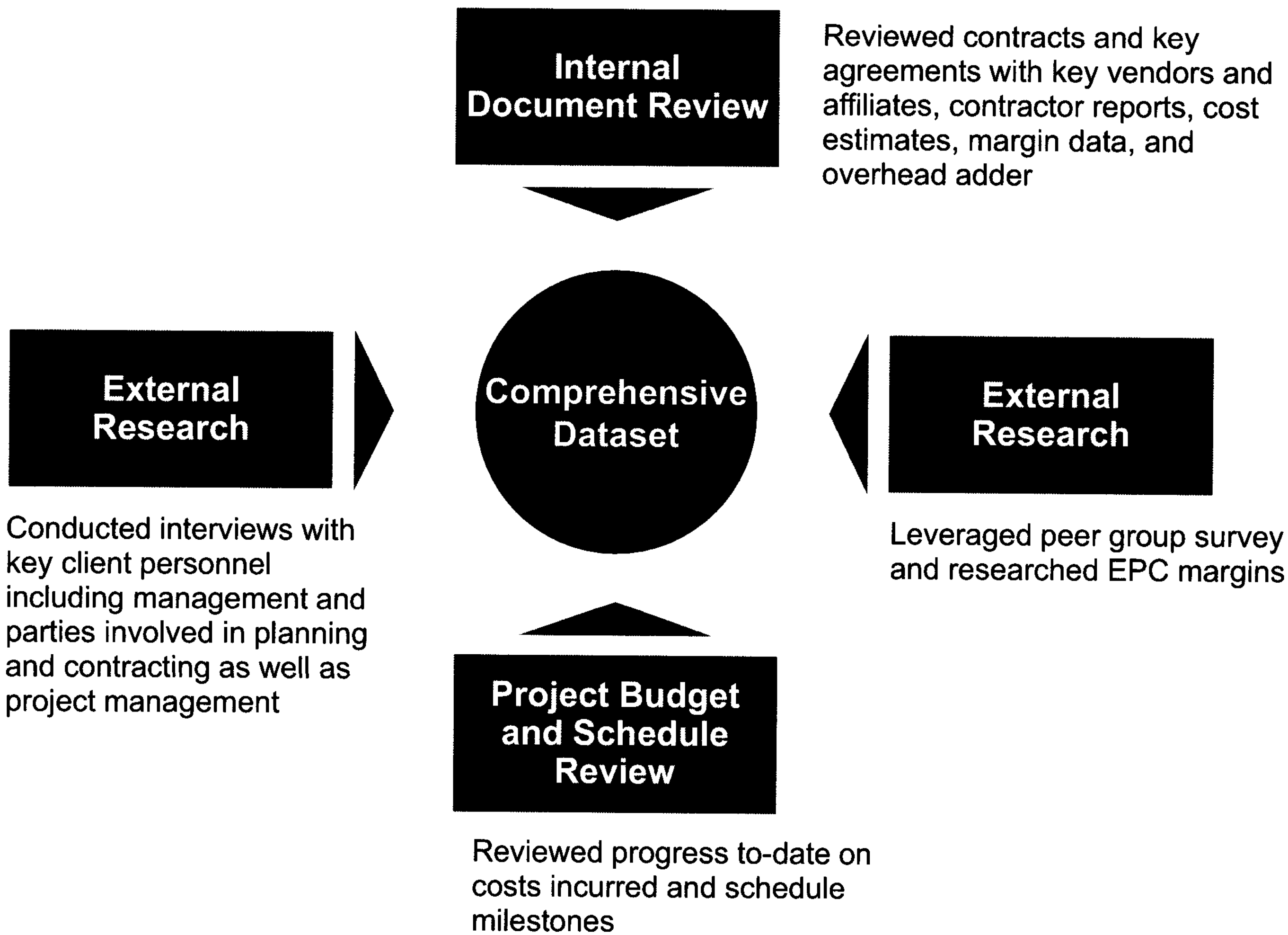
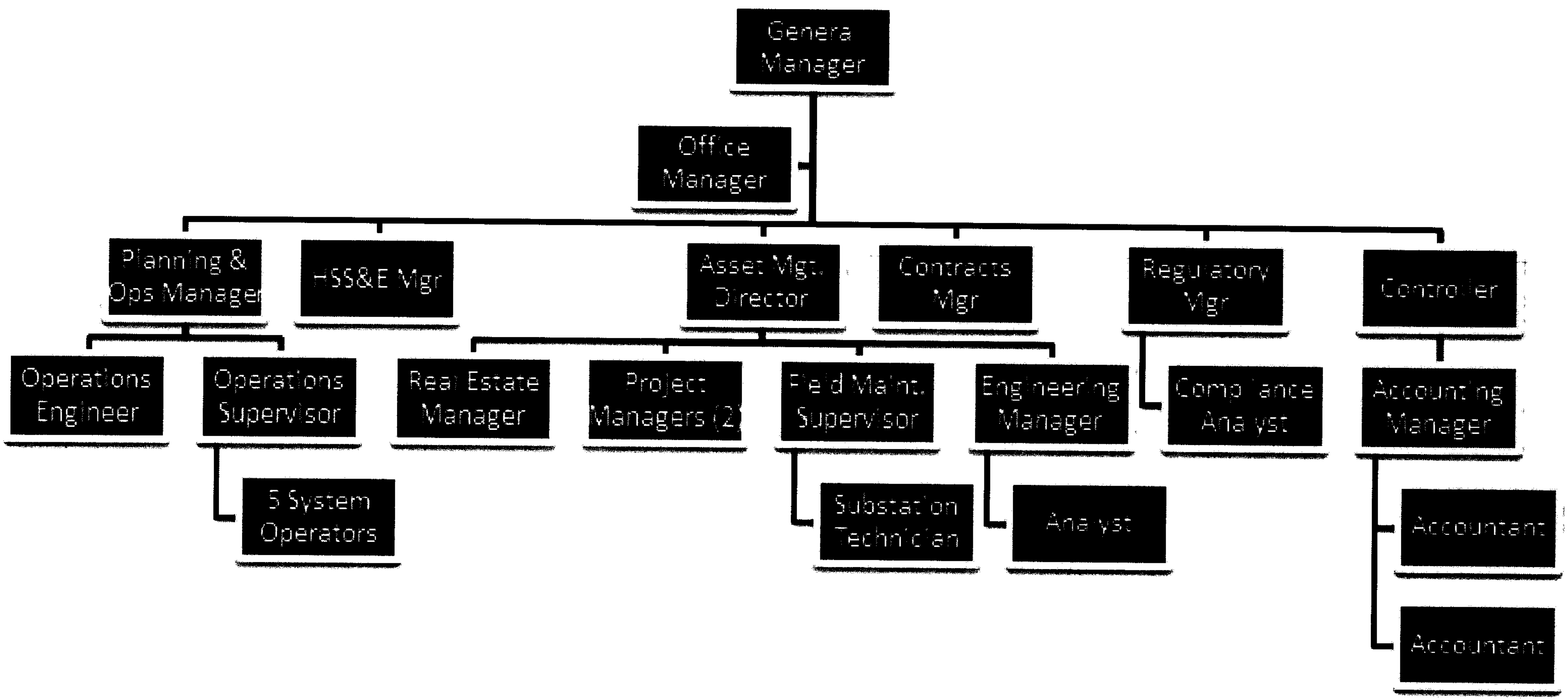


Figure 3: Evaluation Criteria

Affiliate Charges	EPC Selection	Project Management
Necessity and Benefit of Service ▪ Do the activities represent legitimate and useful business activities? ▪ Is the performance of these activities discretionary? ▪ Are these activities consistent with those performed by similar companies? ▪ Are there benefits observable from activity performance? **Adequacy of Cost Assignments and Allocations** ▪ Are the assignment and allocation methods fully documented? ▪ Do assignment and allocation methods reflect acceptable standards? ▪ Do assignment and allocation methods reflect cost causation? ▪ Are assignments and allocation methods consistent with similar companies? **Budgeting and Cost Control** ▪ Is the activity cost budgeting process well defined and executed? ▪ Does activity cost budgeting provide adequate visibility into costs? ▪ Is the budgeting process consistent with that of similar companies? ▪ Does WETT have adequate input into the budgeting process? ▪ Are costs sufficiently controlled over the course of the year? ▪ Is there evidence of ongoing cost evaluation? ▪ Is there evidence of execution against previous cost control programs? ▪ Can direct benefits of cost control be demonstrated?	**Evaluation of EPC Selection Process** ▪ Was the basis to select the EPC contractor appropriate? ▪ Was the allocation of contract risk considered and appropriately addressed? ▪ Was the decision to select the EPC contractor based on concrete benefits and advantages the contractor would deliver? **Adequacy of Contract Structure** ▪ Is the EPC contract similar to other contracts observed in the market? ▪ Do the terms and conditions and the structure of the EPC contract compare to other contracts observed? ▪ Were incentives considered and used in the EPC contract? **Appropriateness of Contract Margin** ▪ Does the margin level charged by the EPC contractor compare favorably to margins observed in the market? **Appropriateness of Overhead Adder** ▪ Does the overhead adder charged by the EPC contractor compare favorably to overheads observed in the market?	**Management Oversight** ▪ Is the overall project management philosophy adequate? ▪ Are project management procedures and processes adequate to provide for the execution of indicated oversight responsibilities? ▪ Is cost and schedule management adequate and conducive to meeting project objectives? ▪ Are project management processes adequate to provide for the monitoring of project progress and performance and initiation of corrective action when required? ▪ Are project planning efforts adequate in light of the complexity of the tasks? ▪ Are project planning scope and efforts and level of specificity demonstrated within planning documents appropriate? **Owner Role in Execution** ▪ What is the degree of involvement of WETT in development analysis and approval of project plans and direction? ▪ Is the evaluation process used by WETT to review and select subcontractors comprehensive? ▪ Are roles clearly defined between WETT and subcontractors?

Figure 4: WETT Organizational Chart



Source: WETT Organization Chart as of 6/29/12; Booz & Company analysis