engineers through close coordination with their I-USA counterparts. In addition, WETT tracks expenditures through review of monthly requests for payments from I-USA.

D. ASSESSMENT OF CORPORATE SUPPORT SERVICES UNDER THE AFFILIATE SERVICES AGREEMENTS WITH SUBSIDIARIES OF BROOKFIELD AND ISOLUX CONCESIONES

Q. WHY DID WETT SIGN AFFILIATE SERVICES AGREEMENTS TO OBTAIN CORPORATE SUPPORT SERVICES FROM BROOKFIELD POWER AND ICCENLUX?

A. As described in Mr. Morton's testimony, WETT plans to operate in a lean manner. Though WETT's human resources needs are significant in the short term during the initial transmission build-out, the Company would like to minimize staff numbers to keep overhead low in the long term after the initial transmission build-out is complete. To accomplish this goal, WETT contracts with outside firms over the short term to gain the resources necessary to perform certain job functions. In addition, WETT's owners and their subsidiaries possess significant expertise internally that may be applicable to WETT's needs. For example, Isolux Concesiones has many highly qualified engineering and technical professionals with strong credentials in transmission line and substation design and construction. Brookfield has strong financial and transmission facility management experience in house. Accordingly, WETT has been able to leverage its relationships with these affiliates to obtain highly qualified corporate support services without hiring direct staff that may not be necessary in the long term. This qualified expertise can be obtained through affiliates more quickly and reliably than attempting to

contract with an outside party of unknown quality with no institutional knowledge of the project or proceedings.

Indeed, during the early formative months for WETT, the parent companies provided many services necessary to create WETT. This is a necessary common practice for start-up companies. After WETT's General Manager was hired, the process for obtaining services from WETT's parent companies became more structured as appropriate. WETT and its affiliates executed ASAs in July 2011. However, WETT's use of the ASAs is optional, not mandatory; WETT has retained the right to seek such services from third parties. True and correct copies of the ASAs and Task Orders are attached to my testimony as Exhibit ADP-2.

The existence of the ASAs presents definite advantages for WETT. An example is that WETT required qualified expertise in transmission system planning. While WETT sought a transmission system planner in the marketplace, it was able to obtain assistance from Brookfield on an as-needed, part-time basis. This allowed system planning to proceed until WETT was able to employ a qualified transmission system planner.

Q. DID SAIC REVIEW THE AFFILIATE SERVICE AGREEMENTS PRIOR TO EXECUTION OF THE AGREEMENTS?

A. Yes. SAIC reviewed an early-draft ASA and also reviewed the final products prior to execution.

Q. WHAT IS THE STRUCTURE OF THE ASA'S?

A. WETT has a "master ASA" with a Brookfield subsidiary (Brookfield Power) and a master ASA with an Isolux Concesiones subsidiary (Iccenlux). These master ASAs set

up the terms and conditions but do not specifically define particular services. This allows the parties to retain flexibility and define tasks as needs arise. Task Orders are used to define specific corporate support services under the master ASAs, subject to authorization by WETT. This arrangement permits WETT to more narrowly define each service requested and set narrowly tailored costs and schedules for its specific needs. Brookfield and Isolux Concesiones subsidiaries' services pursuant to the ASAs are provided without a profit margin.

Q. PLEASE DESCRIBE HOW WETT ADMINISTERS AND MANAGES THE ASA'S.

A. As I stated above, WETT manages the scope of the ASAs by consideration of Task Orders. Through these Task Orders, WETT may obtain corporate support services including but not limited to human resources or personnel, information technology, regulatory services, administrative services, real estate services, legal services, accounting services, environmental services, research and development, internal audit, community relations, corporate communications, financial services, financial planning and management support, corporate services, corporate secretary, corporate planning, general organization management, finances, and taxes. When WETT identifies a specific service needed, a draft Task Order is developed and submitted under the master ASA to the applicable parent. The Task Order contains a detailed description of the service or services needed and the estimated service duration. The applicable recipient determines the appropriate personnel resources needed to complete the services, the estimated schedule to complete the services, and the estimated cost for personnel and any necessary material, software, tools, etc. If WETT is satisfied with the value provided in the parent's

offering, the described work proceeds under the terms of the Master ASA and the Task Order.

Figure 3 below shows the assorted tasks performed under the Task Orders.

Figure 3: Table of Services Covered Under ASA Task Orders

Advisory Services	• Development, implementation and administration of WETT's business and regulatory strategies • Preparation and presentation of internal reports, analysis, studies and correspondence related to the establishment, start-up, and ongoing operation of WETT • Negotiation, implementation and administration of arrangements on behalf of WETT with respect to professional service providers • Evaluation, analysis, negotiation, implementation, and administration of arrangements on behalf of WETT with respect to technical service vendors and contractors • Evaluation, analysis, negotiation, implementation, and administration of ancillary services, and transmission arrangements • Regulatory and legal compliance services • Other responsibilities as required in the course of WETT's business
Project Management	• Forecasting and management support • Corporate documentation support • Analysis of accounting and administration needs, budgets, and tax and audit proposals • Contractor and consultant selection and management • Communications with wind developers • Real estate support • Development of contracts and RFPs • Start-up support, including website development and office research, selection, and setup
Human Resources	• Creation of job description(s), tasks and role responsibilities • Screening candidate resumes and providing recommendations; • Interface and manage recruiters; • Coordinate and participate in interviewing process • Develop offers and negotiate terms of employment
Financing	• Financial planning and management support services

	necessary to market, negotiate and secure project level financing to complete the transmission project
Regulatory Affairs	• Support services necessary to prepare for and participate in proceedings before, and/or communication with, the Public Utility Commission of Texas, Electric Reliability Council of Texas, and other regulatory agencies

Q. WHAT IS YOUR OPINION OF THE ASA'S EXECUTED BY WETT AND BROOKFIELD POWER AND ICCENLUX?

A. I believe WETT's decision to execute the ASAs was prudent, and the ASAs have been and will continue to prove to be an efficient method to obtain necessary, generally short-term expertise from qualified sources. This is an efficient approach because WETT management can rapidly contact either parent when a need arises to determine if cost-effective and qualified resources are available. Going to the marketplace and executing a contract can be a more time consuming activity, and references must be checked to insure quality assistance will be obtained. Furthermore, I believe the corporate support services accomplished pursuant to the ASAs are reasonable, necessary, and prudent, and that WETT is prudently and effectively administering and managing this work.

E. ASSESSMENT OF THE CONSULTANT SERVICE AGREEMENT WITH I-USA

Q. PLEASE EXPLAIN THE NEED FOR THE CSA.

A. The accelerated schedule for all CREZ projects meant that much of the engineering and design work for WETT's CREZ Projects needed to begin even before the anticipated dates for signing the EPC Contract and closing funding for the CREZ Projects. The solution was to begin engineering immediately under a separate agreement with I-USA. SAIC examined the preliminary project schedule and agreed with WETT

that there was an immediate need to begin engineering design on CCN1. Thus, instead of waiting until an EPC agreement was negotiated and executed, WETT decided to expedite project design by leveraging its affiliate's resources and contracting with I-USA to begin design work pursuant to a CSA. WETT and I-USA executed the CSA on December 15, 2010. A true and correct copy of the CSA is attached to my testimony as Exhibit ADP-3.

Q. WHAT IS THE STRUCTURE OF THE CSA?

A. The CSA is a master agreement for construction support services between WETT and I-USA that was executed prior to the EPC Contract. The body of the CSA described the terms and conditions under which services were to be provided by I-USA prior to the commencement of the EPC work. Then, the first CSA Task Release required I-USA to define all engineering and tower testing activities to be undertaken and to obtain WETT's approval of those activities. These services were described as engineering services necessary to develop the WETT conceptual design into a tender-ready design. The CSA included a change procedure that outlined the process for amending a Task Release.

Q. DID SAIC REVIEW THE ENGINEERING SERVICES RATES AND FEES USED IN THE CSA?

A. Yes. Engineering and administrative labor rates were delineated in the agreement. At WETT's request, SAIC reviewed the rates and agreed that the rates reflected the costs of providing the service and compared well with what would be expected in the market place for similar services. A 4% fee was applied to charges under the CSA. Relying in part upon feedback from Booz & Co., which is discussed in more detail in the direct testimony of Mr. Flaherty, SAIC found the 4% fee was reasonable in the industry for similar services, and in fact is lower than what one would expect to see

for similar contracts. Additionally, in my participation with the EPC Contract negotiations, I learned that I-USA would have required a higher fee to perform this contract for an unaffiliated entity. I-USA personnel have also confirmed this fact during the course of performing the contract. I will discuss the 4% fee further below with regard to the EPC Contract.

Q. PLEASE DESCRIBE HOW WETT ADMINISTERED AND MANAGED THE CSA.

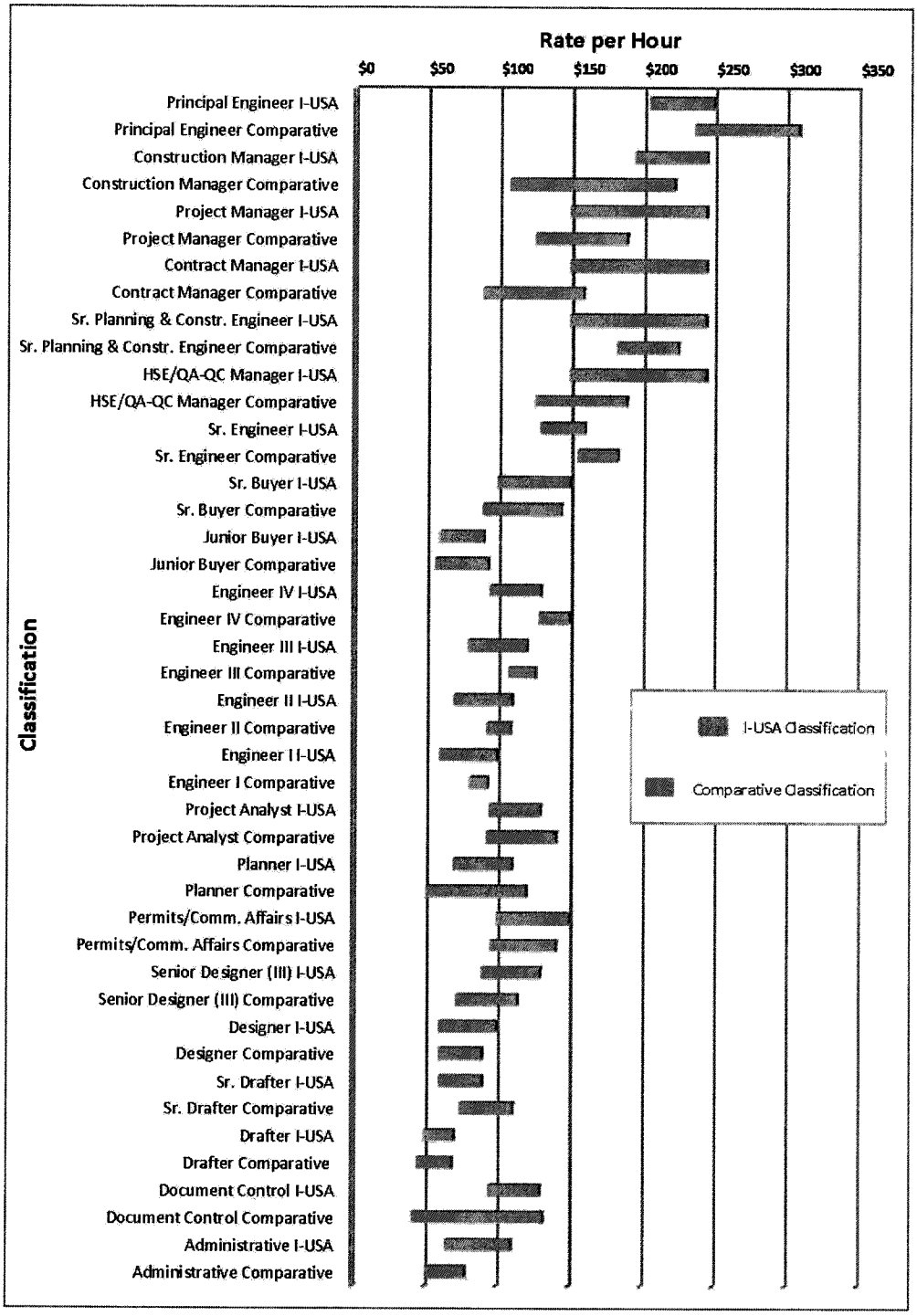
A. As WETT or I-USA identified tasks to be performed, I-USA developed budget estimates for the specified work scope to be included in relevant Task Releases. A total of seven Task Releases were approved by WETT. Each Task Release specified estimated costs and an estimated date for when the work was to be complete. The completion date was based on the overall project schedule considering the required in-service date for the transmission lines and switching stations. Each Task Release was approved by WETT prior to I-USA starting work.

Q. DO WETT'S COSTS UNDER THE CSA COMPARE FAVORABLY TO THOSE OF THE REST OF THE INDUSTRY?

A. Yes. WETT's costs under the CSA are primarily labor costs for engineering services. The billing rates charged by I-USA for these services, which are laid out in Schedule A of Exhibit ADP-3, are reasonable and compare favorably to fully-burdened billing rates charged within the industry. The figure below compares I-USA's billing rates to published industry information. In performing the comparative assessment, SAIC drew from various available industry sources including the Fall 2011 Dietrich Engineering Salary Survey, U.S. Bureau of Labor Statistics; Executive Compensation

and Salary Assessor by the Economic Research Institute; Salary.com; and Tower Watson Salary Survey. As can be seen in Figure 4, I-USA's rates generally fall within expected ranges.

Figure 4: I-USA's Billing Rates vs. Industry Averages



Q. WHAT IS YOUR OPINION ON WETT'S USE OF THE CSA ON THIS PROJECT?

A. I believe that WETT made a prudent decision to employ I-USA's services under a CSA given the project schedule pressure, I-USA's qualifications and capabilities to perform and administer the needed engineering design work, and the reasonable costs quoted by I-USA to perform work under the CSA. Further, I believe that WETT's administration of the CSA was prudent and effective. Specifically, since services performed under WETT's CSA are market-based, as distinguished from the types of services offered under the ASAs and similar contracts between other Texas utility companies and their affiliates, I believe it was prudent and consistent with industry standards for WETT to pay I-USA a 4% fee for these services.

F. ASSESSMENT OF THE EPC CONTRACTING PROCESS AND THE RESULTING EPC CONTRACT

Q. WHAT OPTIONS DID WETT CONSIDER IN SELECTING AN EPC CONTRACTOR?

A. Although WETT knew from its formation that it could rely on Isolux Ingeniería's extensive experience in the EPC industry, and as discussed in Mr. Morton's direct testimony, WETT repeatedly referenced Isolux Ingeniería's capabilities in the CREZ TSP selection docket (which the PUC acknowledged as advantageous to WETT), WETT nevertheless considered a number of different approaches for its EPC selection process. However, after reviewing prevailing market conditions and receiving input from SAIC and other experts, WETT decided to select its affiliate I-USA to serve as general

contractor for its CREZ Projects and to provide EPC work on a sole-source basis. Accordingly, WETT sought PUC approval of a limited waiver of its Code of Conduct.

Q. WHY DID WETT SELECT AN AFFILIATE TO PROVIDE CONSTRUCTION SUPPORT SERVICES UNDER THE EPC AGREEMENT?

A. Several factors influenced WETT's decision to select I-USA as the EPC contractor. These factors included:

1. **WETT's experience with Isolux Ingeniería during the PUC's TSP-selection docket, Docket No. 35665.** In that proceeding, WETT received significant engineering support from Isolux Ingeniería, the parent of I-USA. WETT repeatedly advanced Isolux Ingeniería's strengths with regard to EPC work, and the PUC cited these capabilities as an advantage of WETT's application.[4] Using affiliates for construction services was clearly contemplated by WETT from the beginning and may have formed much of the basis for the PUC's selection of WETT as a CREZ TSP. Further, Isolux Ingeniería's involvement in Docket No. 35665 gave it a solid grounding and overall knowledge of the CREZ Projects.

2. **Prevailing conditions in the marketplace.** The state-wide CREZ build-out involves what is now approximately $6.9 billion worth of transmission lines and substations. Because much of this build-out was scheduled to occur at the same time, it was known that individual CREZ TSPs would need to compete for access to qualified contractors. With a finite supply of experienced, qualified engineering/construction firms and with the increased demand placed on the marketplace by the influx of CREZ work, there was a reasonable belief that the cost of qualified EPC contractors in Texas would rise or the most qualified personnel at available firms might already be engaged by other TSPs.

3. **The accelerated project schedule.** CREZ was made a priority by the Texas Legislature and the PUC, and the CREZ construction schedule as outlined by the PUC is ambitious. WETT recognized that foregoing a lengthy competitive bidding process for the EPC contractor—given the risk that such a process may not result in cost-competitive and highly qualified bids due to market conditions—would save several months of procurement activity.

[4] *See* Commission Staff's Petition for Selection of Entities Responsible for Transmission Improvements Necessary to Deliver Renewable Energy from Competitive Renewable Energy Zones, Docket No. 35665, Buckman Responsive Testimony at 4-5; Trefois Responsive Testimony at 4, 6-9, 12-13; "When I compared [what] . . . WETT has in parts of the world, they have significantly more – at least Isolux has significantly more transmission experience." Tr. at 132-22 (Jan. 14, 2009 Open Meeting, Chmn. Smitherman); "WETT has vast international experience and . . . among the new entrants was, frankly, one of the more impressive proposals, albeit ambitious in their original submission." ... "WETT has more financial resources . . . in addition to much more experience in transmission, and they bring a new set of experiences. . . ." Tr. at 40, 65 (Jan. 29, 2009 Open Meeting, Comm'r Anderson).

4. **The qualifications of the affiliate.** Isolux Ingeniería is a trusted global leader in complex EPC projects and in the transmission industry specifically. Not only did Isolux Ingeniería possess excellent qualifications for large transmission line projects, it also possessed international procurement experience that had the potential to lower certain procurement costs for the project. Its ability to "shop the world" for materials has realized cost savings.

5. **Administrative efficiencies.** Working with an affiliated company which has administrative and operating procedures similar to WETT's allows for efficient communication and has resulted in efficiencies and savings that would be difficult to achieve with a third-party provider.

6. **The PUC's approval of the Limited Waiver to WETT's Code of Conduct.** As stated in the TSP-selection process, WETT intended to take advantage of Isolux Ingeniería's extensive EPC experience. To that end, WETT pursued a limited waiver of its Code of Conduct, in the event that such a waiver was necessary to allow WETT to contract with its affiliate I-USA for EPC services without competitive bidding. This limited waiver was approved by the PUC in Docket No. 38568.

Q. WHAT WERE THE IMPLICATIONS OF WETT'S DECISION TO ENGAGE I-USA?

A. WETT's selection of affiliate I-USA as general contractor provided several advantages: selecting I-USA generally served to align objectives, reduce costs, expedite project execution, and mitigate and avoid risks. Specific advantages include the following:

- I-USA's parent, Isolux Ingeniería, has worldwide transmission-related experience and has executed similar, large-scale projects in Latin America and elsewhere. The company has built 60 transmission line projects totaling over 5,000 miles as well as 90 substations.

- I-USA's parent, Isolux Ingeniería, is a global company and has access to international markets. Isolux Ingeniería's ability to source materials and components from abroad has delivered significant cost savings. Isolux Ingeniería's support has been particularly advantageous with regard to major equipment procurement.

- I-USA was willing to execute the EPC Contract with a 4% fee, which is lower than that sought by typical EPC firms for similar projects, according to research performed by Booz & Co., and less than what Isolux Ingeniería indicated it would charge an unaffiliated entity for similar work.

- I-USA is affiliated with one of WETT's parent companies, so it shares WETT's interest in brand protection through successful completion of this project and the provision of quality service to Texas customers.

Despite these advantages, selecting an affiliate to provide EPC work might theoretically be perceived to create some risks and/or burdens for WETT, because specific statutes and Commission rules govern affiliate transactions. By selecting I-USA as general contractor, WETT knew its dealings might be subject to particular scrutiny. Nonetheless, WETT's ownership structure (two equal owners motivated to make sure all investments in WETT are recoverable) already provides heightened internal scrutiny and helps ensure that things are done pursuant to applicable contract terms and controls. Accordingly, WETT believes the advantages provided by I-USA outweigh any disadvantages and are consistent with WETT's previous statements to the PUC.

Q. DO YOU HAVE ANY KEY OBSERVATIONS ON WETT'S APPROACH IN DEVELOPING THE EPC CONTRACT?

A. I observed several factors which significantly contributed to the final EPC Contract structure. As a preliminary matter, it is worth noting that WETT's Board of Managers—which is equally controlled by Brookfield and Isolux Concesiones—insisted all negotiations between WETT and I-USA must take place at "arm's-length." EPC negotiations between WETT and I-USA ensued following the PUC's granting of WETT's request for a waiver to its Code of Conduct. I observed and participated in many hours of these negotiations and found that both parties aggressively pursued favorable terms in all matters, as one would expect in any third-party negotiation. The negotiations were indeed conducted at arm's length.

Next, the Board required that a "Term Sheet" be developed that was agreed to by both owners. This comprehensive Term Sheet was to serve as the high-level guidance for all terms, conditions, and other content in the EPC Contract.

Also, as Mr. Morton discusses in his direct testimony, WETT chose a business model that allows it to operate with a lean organizational structure. To enable this business model, the EPC Contract structure recommended by SAIC required the general contractor to assume all responsibility for engineering design and procurement activities and construction management. These responsibilities were clearly stated in the terms of the EPC Contract. I-USA is responsible for establishing detailed, prescriptive engineering standards and technical specifications, which kept WETT from having to directly hire additional full-time engineers for these functions, consistent with WETT's lean staffing model.

Q. PLEASE EXPLAIN KEY EPC CONTRACT TERMS.

A. The EPC Contract, a copy of which is attached hereto, as amended, as Exhibit ADP-4, is a "cost plus" contract with "open book" provisions. "Cost plus" means that WETT reimburses I-USA for reasonable costs related to engineering design activities, procurement of project equipment and materials, and construction management. WETT also pays I-USA for certain corporate overheads, expenses, and permit fees related to the CREZ Projects. Essentially, WETT reimburses all reasonable costs incurred in designing and building the CREZ Projects, and also pays I-USA a fee equal to 4% of incurred costs. "Open book" means that all EPC is done with complete transparency. WETT has the right to view, or audit, any documentation for all transactions involving costs on the project. This includes any I-USA labor costs, subcontractor invoices and backup

documentation, and documentation associated with the procurement of equipment and material.

Additionally, the EPC Contract contains cost caps. Project costs are capped both for each specific phase of construction (Maximum Phase Amounts) and in total (Maximum Project Amount), subject to the application of certain limited events such as change orders.

The EPC Contract is consistent with industry standards. Key provisions include the following:

- Responsibilities of the Contractor
- Rights, Duties and Obligations of WETT
- Pricing and Compensation
- Project Milestones and Schedule
- Safety Requirements
- Pre-approved Contractors
- Testing
- Guaranteed Completion
- Delay Liquidated Damages
- Equitable Adjustment Events and Force Majeure
- Performance Securities
- Title and Risk of Loss
- Warranties
- Termination
- Dispute Resolution

To ensure WETT would have all information necessary to monitor I-USA's performance under the EPC Contract, the Contract has provisions delineating WETT's preferences for activities such as planning, reporting, and payments to the contractor. Also, WETT had certain specific preferences with regard to equipment specifications and technical standards. Requirements to adhere to these preferences are contained in the body of the EPC Contract[5], and additional detailed guidance was constructed in the form of exhibits to the EPC Contract[6]. These exhibits provided wide-ranging guidance for I-USA including design examples, preferred work processes, forms to be used by the contractor, reporting requirements, document templates, and the like.

Q. CAN YOU EXPLAIN FURTHER HOW EXHIBITS TO THE EPC CONTRACT ARE USED?

A. Yes. I will use as an example one important exhibit that specifically called out a number of operational obligations WETT placed on I-USA: Exhibit A – Functional Requirements. The Functional Requirements Exhibit describes certain requirements for the design, material, procurement, and construction of the CREZ Projects. To guide I-USA's development and preparation of the final design of the CREZ Projects, preferred owner standards are referenced in the Functional Requirements. Also included in the exhibit are many of the types of tools and processes WETT requires I-USA to use in managing its obligations to WETT and reporting to WETT as owner of the project. These requirements also set up the framework within which WETT will monitor and manage the contractor to project completion. As one example of the level of specificity

[5] EPC Contract, Section 4.1 – Performance of the Work.
[6] Primarily EPC Contract, Exhibit A.

set forth in this exhibit, the functional requirement for Communication and Coordination[7] identifies communication tools and protocols between the owner and the contractor for routine work and key events. These tools include and protocols cover:

1. **Owner – Contractor Communication**, which include provisions that:

   a. Identify the contractor's staff responsible for direct coordination with the owner;

   b. Identify various types of communication and the guidelines describing when information may be provided verbally and when it must be provided in writing;

   c. Describe the use of a contractor-managed project website;

   d. Describe the process for early identification of changes;

   e. Describe the protocol for requesting design clarifications;

   f. Describe the response measures for addressing emergencies and the chain of command to identify who should be notified in case of an emergency

2. **Monthly Management Meetings**, which require the attendance by the contractor's Program Director and by the leads for design, procurement, construction, health & safety, and quality management, and others as deemed appropriate by the contractor or as requested by owner. Regular monthly meetings shall be held in Austin, Texas. The focus of these meetings shall be to assess progress toward meeting the contract dates, addressing potential issues that may affect schedule and/or cost, and planning for major upcoming activities that require the involvement of both the owner and contractor.

3. **Design Progress Meetings**, which call for the contractor to hold periodic design progress meetings with the owner for each project component, at a minimum of monthly and following receipt of owner comments on the 60% and 90% design packages. Additional meetings shall be scheduled as required by the contractor's design. The intent of these meetings will be for the owner to provide input and to discuss options for addressing the owner's comments.

4. **Construction Progress Meetings**, which call for:

[7] Exhibit ADP-4, Exhibit A – Functional Requirements, Section 3, Communication and Coordination.

a. At a minimum during ROW clearing, access road work, line construction and station construction, the contractor shall provide a weekly activity report and hold weekly meetings with the owner to review and discuss the Work. The contractor and the owner shall hold additional meetings as needed to resolve construction-related issues and to keep the owner informed as to the progress of construction.

b. Contractor shall prepare a weekly activity report by project component.

5. **Monthly Progress Reports**, in which the contractor shall furnish the owner with a written Monthly Progress Report that summarizes all aspects of the completed month and cumulative work progress.

6. **Baseline Schedule**, in which the contractor shall prepare an integrated project schedule for each of the project components, from the contract date through final completion, using Primavera scheduling software. The Project Schedule shall provide a basis for determining the status of the work.

7. **Look-Ahead Schedules**: Throughout the project, the contractor shall prepare and present a four week look-ahead schedule. The look-ahead schedule shall be resource (i.e., labor and equipment) loaded.

There are 19 other Functional Requirements found in Exhibit A to the EPC Contract. The subjects covered by the Functional Requirements range from communication, which I just described, to design requirements that contain preferred WETT technical specifications.

In addition to the Functional Requirements, currently there are 16 other exhibits which augment the terms found in the body of the EPC Contract. These range from lists of Equipment and Material Suppliers and Subcontractors previously approved by WETT, to contract change order forms, to examples of project close out documents.

Q. HOW DO THE TERMS AND CONDITIONS OF THE EPC CONTRACT COMPARE TO INDUSTRY STANDARDS?

A. The EPC Contract contains all the provisions I would expect to see in EPC contracts of this type for projects of this scale. The EPC Contract terms and conditions are consistent and comparable to terms and conditions I have seen in other large construction projects, including the specific sections I listed above.

Q. HOW WAS SAIC INVOLVED IN DEVELOPING AND NEGOTIATING THE EPC CONTRACT?

A. At WETT's request, SAIC has been involved with WETT and its outside counsel for much of the contracting process. We have advised WETT throughout the process and explained our suggestions with regard to the process and the business and technical terms of the EPC Contract itself. In addition to drawing on the experience of our team members, SAIC referred to the Engineers Joint Documents Committee Design and Construction Related Documents[8] as a guideline during this process.

As I briefly stated in Section III of this testimony, WETT and SAIC conducted a comprehensive planning phase, which preceded the formulation of the contracting strategy. The companies performed an assessment of WETT's capabilities and worked to identify and mitigate gaps in WETT's processes and resources. Initially, WETT prepared for the regulatory approval process by identifying relevant regulatory requirements and creating actionable plans to fulfill these requirements and to obtain the necessary permits. As the CREZ Projects have progressed, WETT's monthly project report lists and tracks progress on required permits by CCN. The report lists the agency, associated dates, required completion, and any potential issues. It captures each regulatory and environmental permit that WETT is required to obtain, along with the expected difficulty

[8] Engineers Joint Documents Committee Design and Construction Related Documents, National Society of Professional Engineers.

of obtaining the permit, as well as the inherent risk. This document is discussed in the monthly Board of Managers meetings.

When contract planning began, SAIC acted as WETT's independent advisor and was heavily involved in contract planning and structuring. SAIC's advice was based on its extensive experience and the standard industry practices it has observed in the market place. One of the major considerations assessed in structuring the EPC Contract was risk management. WETT and SAIC sought to distribute risk in a way that was acceptable to WETT. To do this, SAIC advised WETT on the trade-offs between various contracting models and the implications for overall cost and project execution. WETT and SAIC also considered different pricing and incentive structures, including cost incentives, performance incentives, end of project bonuses, cost caps, and performance bonds. WETT decided not to include any provisions for performance incentives or end-of-project bonuses in the EPC Contract because it did not believe such incentives were necessary to encourage timely completion. In addition, since project costs were already capped at Maximum Phase Amounts and Maximum Project Amount, subject to the application of certain limited events such as change orders, there was no need to include further cost incentives. Similar elements are a standard component of most EPC contracts.

Another major consideration during contract structuring was to align contractor interests with project outcomes. SAIC and WETT studied various approaches meant to align vendor interests with overall project success. Aspects of the approach addressed safety programs, quality of work, and reporting mechanisms, which are addressed respectively in Exhibit A to Exhibit ADP-4.

The need to effectively manage the project budget and schedule was also addressed in the contract structuring phase. Specifically, WETT and SAIC discussed which cost-control mechanisms were to be used (such as cost reporting, frequent meetings, hands-on vendor oversight, etc.) and how project progress was to be tracked. With SAIC's help, WETT established a set of project milestones and associated due dates.

WETT and SAIC also considered the need for engineering and design work to be completed early in the project. This would result in lower overall EPC costs since higher detailed design and engineering completion reduces uncertainty and risk to the EPC, which is an element typically incorporated into contract margin determinations.

A major role of SAIC was to advise WETT on the functional and business requirements to be included in the EPC Contract. The two companies worked together to develop the detailed commercial terms and conditions and related project schedules and milestones. As part of this project planning effort, WETT also reviewed several subcontractors and from them compiled a list of preferred vendors. SAIC supported WETT in vendor communications and was present during EPC Contract negotiations. SAIC also assisted WETT in reviewing these contract terms.

Another issue addressed during contract structuring was the degree of involvement in EPC project execution required from WETT. SAIC and WETT analyzed different approaches and identified the level of involvement that each approach would require from WETT. Governance and decision rights were also discussed during contract structuring. Specifically, with the advice of SAIC, WETT established a structure to effectively manage the EPC contractor as well as all other vendors involved in ROW and

permitting. WETT established requirements to report project cost and cash flow projections as well as progress estimation by project category in connection with invoice submissions.

Q. WHAT IS YOUR OPINION OF THE PROCESS USED BY WETT IN DEVELOPING AND NEGOTIATING THE EPC CONTRACT?

A. I believe WETT used a sound decision-making process to select I-USA as its general contractor, and that WETT's selection of I-USA was reasonable, prudent and effective. WETT negotiated a contract that meets industry standards and that protects its interests.

SAIC's experience supports the conclusion drawn in the direct testimony of Mr. Flaherty; that is, the 4% fee charged by I-USA is below market in the industry and less than I-USA would charge a non-affiliate. A typical range of profit margins for contracts of this type would be 5 to 10%, in SAIC's experience in the industry. Furthermore, based on numerous interactions with I-USA, I understand I-USA would charge a higher project fee if WETT were not an affiliate company.

Additionally, services are provided under the EPC Contract with an overhead load factor. This figure is also discussed in Mr. Flaherty's direct testimony. The SAIC team has observed that overhead load factors are standard in the industry.

Accordingly, given my extensive involvement in contract planning and negotiations and my industry experience, from a business and technical standpoint, the executed contract is fair for both WETT and I-USA and sets up an efficient framework for contract management and construction monitoring throughout the life of the CREZ Projects. SAIC provided this opinion to WETT at the time the EPC Contract was

executed. A true and correct copy of the memorandum from SAIC providing this opinion is attached hereto as Exhibit ADP-5. As a result, I conclude that the charges for construction support services under the EPC Contract are reasonable and are not higher than charges that I-USA or Isolux Ingeniería would apply to other affiliated or un-affiliated entities.

G. ASSESSMENT OF EPC CONTRACT MANAGEMENT AND CONSTRUCTION MONITORING

Q. WHAT EPC CONTRACT TERMS AND CONDITIONS AFFECT CONTRACT MANAGEMENT AND CONSTRUCTION MONITORING?

A. In his direct testimony, Mr. Ballard describes how WETT manages the EPC Contract. He explains that Exhibit A to the EPC Contract contains the Functional Requirements that provide much of the guidance used in the contract management process. Sections of the EPC Contract that provide such guidance include:

- Subcontracting and management of subcontractors (Article 3.3 through 3.7)
- Performance of the work (Article 4.1)
- Project controls and periodic reports & meetings (Article 4.23)
- Project schedule (Article 6)
- Liquidated damages (Article 7)
- Compensation (Article 8)
- Equitable adjustment events and contract changes (Article 9 and 10)
- Functional requirements (Exhibit A), including:
- Communication and coordination (Exhibit A, Section 3)
- Submittal procedures (Exhibit A, Section 4)

- Quality management (Exhibit A, Section 5)
- Environmental requirements and commitments (Exhibit A, Section 6)
- Other technical requirements (Exhibit A, Section 7-18)
- Project close-out (Exhibit A, Section 20)

1. Contract Management

Q. GENERALLY, WHAT HAVE YOU OBSERVED WITH RESPECT TO WETT'S POLICIES AND APPROACH TO CONTRACT MANAGEMENT?

A. WETT's contract management policies are developed through adherence to the terms of the EPC Contract. The cost control mechanisms established by the EPC Contract are reasonable and meet the standards I have typically observed in projects of this type.

Q. PLEASE DESCRIBE WETT'S PROJECT TEAM FOR CONTRACT MANAGEMENT.

A. WETT staff manages WETT's contracts and reports to the Board monthly or more often on contract matters that may affect the project. WETT has set up an organizational structure that assigns responsibility for managing all WETT contracts related to the CREZ Projects including the EPC Contract. Exhibit WM-5 from Mr. Morton's testimony presents WETT's organization structure. Under that structure, WETT's Contracts Manager has responsibility for primary interface with I-USA on contract matters. In practice, SAIC has observed that WETT's Contracts Manager is closely involved with key members of the I-USA management staff and there is active dialogue with respect to contract matters. Also, Mr. Morton, WETT's General Manager, and Mr. Ballard, the Asset Management Director, are heavily involved in all contract

issues as well. WETT's Controller is involved in all financial matters surrounding compliance with contractor invoicing requirements and WETT payments to contractors. Several WETT engineers, schedulers, and other personnel support these individuals as needed on contract matters. WETT's Board of Managers serves as the ultimate decision-maker when it comes to significant contract management matters, while WETT's personnel listed here perform day-to-day contract execution and provide advice to the Board.

Q. HOW DOES WETT UNDERTAKE CONTRACT MANAGEMENT?

A. WETT executes its contract management responsibilities through the use of formal procedures, reports, meetings, and information and control systems, as well as informal coordination and communication, in compliance with the EPC Contract terms discussed above. Additionally, WETT is organized to monitor performance in an adequate manner and has qualified staff and advisors in place to monitor project performance with clearly defined roles and responsibilities. WETT personnel closely coordinate with I-USA staff both in Austin and in the field. These tools and practices are effective and consistent with typical processes used to control cost incurrence on large construction projects.

Q. HOW DOES SAIC ASSIST WETT WITH CONTRACT MANAGEMENT?

A. SAIC regularly meets with WETT staff responsible for contract management to discuss the CREZ Projects. SAIC will review and advise on all changes to the EPC Contract including Change Orders or requested Equitable Adjustment Events. SAIC participates in all monthly progress meetings with I-USA. At WETT's request, SAIC conducts periodic observations of I-USA's design, procurement, and construction

activities to assure project activities are consistent with the provisions of the EPC Contract. In addition, we regularly review the monthly requests for payment submitted by I-USA under the EPC Contract.

Q. HAS SAIC BEEN ASKED TO REVIEW CHANGES TO THE EPC CONTRACT?

A. Yes. The Maximum Project Amount may be modified under certain specific circumstances. Changes are processed in accordance with the terms and conditions of the EPC Contract. Changes may be initiated by WETT (Change Orders) and/or requested by I-USA (after the occurrence of certain enumerated, unforeseeable Equitable Adjustment Events). WETT has informed SAIC that all Change Orders and requests for Equitable Adjustment Events to the Maximum Project Amount will be submitted to SAIC for review and comment. SAIC has received two documentation packages for Change Orders. Change Order No. 1, the Faraday Switching Station change order, and Change Order No. 2, Monopoles, have been executed. WETT and SAIC are also currently discussing a potential EPC Contract amendment, which I previously discussed, to optimize construction schedules.

Q. HAS SAIC REVIEWED MONTHLY INVOICES TO WETT FROM I-USA?

A. Yes. We regularly review the monthly requests for payment submitted by I-USA under the EPC Contract. During this review, SAIC has compared the requested payment amounts with the construction progress and work activity descriptions reported in I-USA's monthly construction progress reports. We have observed that any areas of question are quickly communicated by WETT to I-USA and resolved in a timely manner. Disputed amounts are not paid by WETT until resolved.

Q. WHAT IS YOUR OPINION OF WETT'S CONTRACT MANAGEMENT APPROACH?

A. WETT's approach to contract management is sound, prudent, and consistent with industry standards. I believe WETT has an effective organizational structure for monitoring contracts, including the EPC Contract, staffed by qualified professionals. WETT demands I-USA's adherence to the requirements of the EPC Contract, which provide reasonable cost control mechanisms consistent with what I have typically observed in projects of this type.

2. Construction Monitoring

Q. GENERALLY, WHAT HAVE YOU OBSERVED AS TO THE RESULTS OF WETT'S POLICIES AND APPROACH TO CONSTRUCTION MONITORING?

A. The approach and policies for construction monitoring of WETT's CREZ Projects have been established by the EPC Contract. Earlier in my testimony I described examples of the guidance provided in the EPC Contract for construction monitoring activities such as progress reports, schedule updates, cost reports, and periodic meetings. With SAIC's observation and input, WETT has carefully ensured that I-USA adheres to requirements stated in the EPC Contract that are designed to facilitate WETT's monitoring of procurement and construction.

Q. PLEASE DESCRIBE WETT'S PROJECT TEAM FOR CONSTRUCTION MONITORING.

A. Mr. Ballard is primarily responsible for construction monitoring, and he discusses his responsibilities and activities in his direct testimony in this docket. In addition, WETT's construction monitoring team includes two experienced Project Managers

responsible for different parts of WETT's CREZ projects. These individuals spend a significant amount of time in the field observing construction activities, interfacing directly with I-USA field staff and addressing issues from quality to progress to staffing and other issues as they arise.

Q. HOW DOES WETT UNDERTAKE CONSTRUCTION MONITORING?

A. WETT's construction monitoring seeks to ensure two core functions progress efficiently: schedule and costs.

To monitor the construction schedule, WETT received and approved an integrated project schedule that served as the baseline schedule for all construction activities. On an ongoing basis, that schedule is updated at least monthly by I-USA and discussed by all parties during each monthly Construction Progress Meeting. Projected expenditures are also discussed during the monthly Construction Progress Meeting. SAIC participates in these monthly meetings. I-USA delivers its Monthly Construction Report to all participants in advance of each meeting. Weekly meetings are also held at the job sites between WETT field personnel and I-USA construction management staff. SAIC periodically attends these on site meetings and also observes activities underway at the various construction sites.

To monitor construction costs, WETT and SAIC look to the EPC Contract, which establishes budgets and describes how costs are to be paid. WETT actively monitors all aspects of the CREZ Projects' costs through established periodic reports from I-USA and other contractors and through regularly scheduled meetings with I-USA on a daily, weekly, and monthly basis. WETT reviews and approves subcontractors hired by I-USA for different parts of the project. In performing these functions, WETT works closely

with and relies on the expertise of SAIC, which provides independent third-party review and evaluation of the project reports. The Board of Managers of WETT oversees the project, providing input, direction, and guidance to WETT personnel as needed.

Additional important tools that WETT uses in construction monitoring include Quality Control Reports; Material Inspection/Acceptance Reports; Health, Safety and Security Reports; Construction Staffing Reports; and Right of Way, Environmental and Permit Issues Reports. These reports are produced monthly and are described in a series of Plans (e.g. Quality Assessment/Quality Control ("QA/QC") Project Plan, Material Management Plan, etc.) developed by I-USA in compliance with requirements in the EPC Contract.

Q. HOW DOES SAIC ASSIST WETT WITH CONSTRUCTION MONITORING?

A. SAIC conducts periodic auditing of I-USA's design, procurement, and construction activities to assure project activities are consistent with the provisions of the EPC Contract. SAIC also documents the audit review results quarterly in a report organized to address the key issues noted and to support WETT's progress reporting to the PUC. SAIC participates in all monthly progress meetings with I-USA. Additionally, at WETT's request, SAIC attends other project meetings between WETT, I-USA and others to assist WETT in its monitoring functions.

Q. WHAT IS YOUR OPINION OF WETT'S APPROACH TO CONSTRUCTION MONITORING?

A. WETT's approach to construction monitoring is reasonable, prudent, and uses the guidance in the EPC Contract as its basis. WETT's approach to cost control compares

well to the approaches used on other successful construction projects with which SAIC has experience.

Q. IN SUMMARY, WHAT ARE YOUR CONCLUSIONS WITH REGARD TO WETT'S CONTRACT MANAGEMENT AND CONSTRUCTION MONITORING?

A. The SAIC team and I have been closely involved with WETT's contract administration and construction monitoring. Given our extensive experience in the industry, I conclude that WETT prudently and effectively manages the EPC Contract and monitors construction of the CREZ Projects.

V. CONCLUSION

Q. GIVEN SAIC'S INVOLVEMENT IN THIS PROJECT AS INDEPENDENT ADVISOR, WHAT IS YOUR FINDING AS TO THE PRUDENCE AND EFFECTIVENESS OF WETT'S SELECTION OF I-USA AS A SOLE-SOURCE EPC PROVIDER AND ITS SUBSEQUENT MANAGEMENT OF ITS CREZ PROJECT?

A. I find that WETT has prudently structured its organization and made decisions such that processes and contracts are in place that should lead to successful completion of each part of the CREZ Projects within the schedule established by the PUC. My specific conclusions are as follows:

- WETT's decision to select an affiliate to perform the EPC Contract was reasonable and prudent given the unique features of the organization, Commission review and endorsement, and the prevailing market circumstances at the time this decision was made.
    - Selecting an affiliate served to reduce costs, expedite project execution, and mitigate risk.

- I-USA's services are cost competitive and the firm enjoys the backing of Isolux Ingeniería, a respected name in the EPC industry.

- The 4% fee in the CSA and the EPC Contract is below average as compared to similar scale contracts in the industry and less than what I-USA would charge an unaffiliated entity.

- Isolux Ingeniería charges I-USA an overhead allocation, which is common in the industry.

- WETT and its owners receive identifiable benefits from the performance of I-USA's service activities, and future customers may also benefit from activities that have maintained lower costs and higher project effectiveness.

- The budgets and schedules WETT has established are reasonable and incorporate appropriate and effective control mechanisms that allow WETT to provide adequate input into the service and cost levels.

- The ASAs with subsidiaries of Brookfield and Isolux Concesiones were necessary to allow WETT to obtain cost-effective, qualified corporate support services in a manner that enabled WETT to retain a lean staffing model. Further, in structuring and negotiating the ASAs, WETT made prudent decisions to ensure it had the proper control over the work performed pursuant to the ASAs and that costs incurred pursuant to the ASAs would be fair and reasonable. Brookfield and Isolux Concesiones' subsidiaries' services pursuant to the ASAs are provided with an overhead loader but without a profit margin, as is common for such services between utilities and their affiliates in Texas. The charges for corporate support services provided under the ASAs are reasonable and are not higher than charges that Brookfield and Isolux Concesiones' subsidiaries would apply to other affiliated or un-affiliated entities.

- The CSA with I-USA was necessary to allow WETT to begin the design phase of its CREZ Projects on the necessary timeline. Further, WETT made prudent decisions to ensure it had the proper control over the work performed pursuant to the CSA and that costs incurred pursuant to the CSA would be fair and reasonable. I conclude that the charges for construction support services provided under the CSA are reasonable and are not higher than charges that I-USA or Isolux Ingeniería would apply to other affiliated or un-affiliated entities.

- In structuring and negotiating the EPC Contract, WETT made prudent decisions and took reasonable, necessary, and prudent steps to ensure that it has the proper control over the work performed pursuant to the EPC Contract and that costs incurred pursuant to the EPC Contract would be fair and reasonable.

  - EPC-planning activities undertaken by WETT and SAIC are adequate. WETT and SAIC engaged in thorough planning on the front end to identify and seek

to mitigate apparent risk during the design, development, and execution phases.

- Costs are assigned or allocated to WETT using processes consistent with those used in the industry.

- EPC Contract negotiations, which SAIC closely observed and in which SAIC participated, were conducted in an arm's-length manner and resulted in a contract that contains standard terms and offers performance at costs that are market or below market.

- WETT's approach to contract management and construction monitoring is prudent, thorough, and will result in the timely and cost-effective completion of its CREZ Projects.

  - WETT utilizes multiple mechanisms to monitor and control its costs that are effective and consistent with typical processes used in the industry to control costs.

  - WETT utilizes a variety of mechanisms to facilitate the execution of its contract management responsibilities that include formal procedures, reports, meetings, and information and control systems, as well as informal coordination and communication.

  - WETT is organized to monitor performance in an adequate manner and has qualified staff and advisors in place to monitor project performance. Roles and responsibilities are clearly defined and understood.

  - The services performed by I-USA pursuant to the EPC Contract are necessary and consistent with those performed on behalf of utility peers, particularly for engineering and construction support.

  - WETT's estimated average cost per mile of transmission lines are within the range of average line costs established by the marketplace. WETT's estimated average substation cost is also within the range of average substation costs established by the marketplace.

- The charges to WETT under the ASAs, the CSA, and the EPC Contract are reasonable, necessary, and prudent for each class of service. Further, the charges to WETT for construction support services contain a small profit margin, but are at or below market. These charges are not higher than charges that I-USA and Isolux Ingeniería would apply to other affiliated or unaffiliated entities.

In making the conclusions stated above, I would like to re-iterate that SAIC was uniquely positioned during this process to observe every aspect of WETT's contracting strategy, negotiation, execution, and management. SAIC participated in these processes

to provide objective, third-party perspective and to ensure WETT's contract structuring and administration were and continue to be performed on a prudent, reasonable, industry-standard basis.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes. However, I reserve the right to make changes or corrections as necessary.

STATE OF TEXAS §
§
COUNTY OF Travis §

BEFORE ME, the undersigned authority, on this day personally appeared A. Daryl Pullin, who, having been placed under oath by me, did depose as follows:

My name is A. Daryl Pullin. I am of legal age and a resident of the State of Texas. The foregoing direct testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are accurate, true and correct.

A. Daryl Pullin

SUBSCRIBED AND SWORN TO BEFORE ME by the said A. Daryl Pullin this 16 day of August, 2012.

E. Sims
Notary Public, State of Texas

A. Daryl Pullin

Mr. Pullin is Senior Project Manager for Science Applications International Corporation ("SAIC"). As an executive consultant to the utility industry and several other industrial sectors, Mr. Pullin assists clients with management challenges including strategic and business planning and the redesign of functional work process. Mr. Pullin conducts technical and economic audits, directs performance measurement and productivity improvement studies and advises clients on contracting matters. Mr. Pullin has provided assistance to utility clients involved in the ERCOT market on decisions involving wholesale and retail energy issues, the transition to retail choice and the transition to a nodal market. His experience includes providing design engineering, engineering management and consulting services for internationally respected engineering and construction firms. Mr. Pullin also draws on his extensive technical background to provide support for clients in civil litigation and regulatory proceedings. He has also served as an expert witness before the PUC of Texas addressing utility company management processes and cost control.

University of Houston
M.B.A. in Management and Finance

Fairleigh Dickinson University
B.S. in Mechanical Engineering Technology

Performance Benchmarking

Mr. Pullin has designed and directed well-publicized performance benchmarking programs for investor-owned utilities, municipal utilities and Fortune 500 companies. These programs, characterized by their "work process" orientation, originally were designed within the electric utility industry and have grown to include other markets, including financial services, telecommunications, water and wastewater, and natural gas. Mr. Pullin has also applied in-depth benchmarking studies to the evaluation of utility company's management costs as the basis for his expert testimony before regulatory agencies. Examples of his project experience in this area include:

Investor Owned Utilities

- Boston Edison
- Consolidated Edison
- Detroit Edison
- Duke Power Company
- Electricidad de Caracas, Venezuela
- Entergy
- Fortis TCI
- Houston Lighting & Power
- Illinois Power
- International Transmission Company
- Kansas City Power & Light
- Ohio Edison
- Public Service Company of Colorado
- Public Service Electric & Gas of New Jersey
- Southern California Edison
- TransAlta Utilities, Canada
- Wisconsin Power & Light Company

R·W·BECK

Public Utilities

- New York Power Authority
- City of Tallahassee Municipal Utility System, Florida
- City of Ocala Utilities, Florida
- City of Wakefield, Massachusetts
- City of Fort Collins Utilities, Colorado
- City of Longmont Utilities, Colorado
- City of Ponca City Utilities, Oklahoma
- City of Springfield Utilities, Missouri
- City of Palo Alto, California
- Public Utility District of Snohomish County, Washington
- City of Lafayette Utilities System, Louisiana
- Lower Valley Water District, Texas
- Navajo Tribal Utility Authority, Arizona
- San Antonio City Public Service, Texas
- Washington Public Power Supply System, Washington
- Ontario Hydro, Ltd., Canada

Financial Institutions

- American Express TRS
- Bank of Boston
- First Chicago Corporation
- National City Corporation
- NBD Bank Corporation
- Barnett Banks of Florida

Telecommunications Companies

- GTE
- Pacific Bell Telephone
- Southwestern Bell Telephone
- US West

Other

- Ontario Ministry of Finance, Ontario, Canada
- Penske Truck Leasing Company
- Public Utility Commission of Texas (for State of Texas Comptroller's Office)

Management Systems

Working with management and key staff members of municipal utility systems, investor-owned utilities, government agencies and financial institutions, Mr. Pullin assists in the development of management information systems. He also addresses practices and methods to satisfy organization informational needs related to retail

competition in the electric industry. These assignments have included facilitating brainstorming sessions involving management and assisting working groups focus their activities to better achieve the organization's near- and long-term objectives. A partial list of clients where he has provided management system services includes:

Investor Owned Utilities

- Consumers Power Company
- First Choice Power Company, Texas
- Iowa Electric Light & Power

Public Utilities

- Greenville Electric Utilities, Texas
- New Braunfels Utilities, Texas
- Bluebonnet Electric Cooperative, Texas
- Brownsville Public Utilities Board, Texas
- Midland Cogeneration Venture, Michigan
- Lafayette Utilities System, Louisiana
- Tallahassee Municipal Utility System, Florida
- Wabash Valley Power Association, Indiana

Financial Institutions

- First City Bancorporation; Texas

Other

- City of Lafayette/Parish of Lafayette Consolidated Government, Louisiana
- Public Utility Commission of Texas (for State of Texas Comptroller's Office)

Organizational Development

Mr. Pullin has performed organizational enhancement evaluations for utilities and other types of clients. His primary areas of focus include strategic planning, scheduling, budgeting, competitive assessment, cost tracking and training. He has authored or co-authored reports presented to companies' management, which recommend options and implementation plans for restructuring their organization. A partial list of clients includes:

Investor Owned Utilities

- Consumers Power Company
- Iowa Electric Light & Power
- PacifiCorp

Public Utilities

- Brownsville Public Utility Board, Texas
- Greenville Electric Utilities, Texas
- New Braunfels Utilities, Texas
- Bluebonnet Electric Cooperative, Texas

- City of San Antonio, Texas (City Public Service)
- City of St. George Water & Power Department, Utah

Other

- City of Wichita, Kansas
- City of Oklahoma City, Oklahoma
- City of Lafayette/Parish of Lafayette Consolidated Government, Louisiana
- Energy for Schools Electricity Aggregator, Texas
- Public Utility Commission of Texas (for State of Texas Comptroller's Office)
- First Choice Power Company, Texas

Management and Technical Audits

Mr. Pullin conducts management and technical audits for clients active in the utility, banking and petrochemical industries. Audit subjects have included evaluation of electric utility competitiveness in deregulated retail markets, the evaluation of multimillion-dollar nuclear power plant modifications, management practices at bank holding companies and state regulatory agencies. These audits generally include performing extensive personnel interviews, reviewing procedures, validating technical standards and examining schedules and budgets. Whether technical or managerial in nature, these evaluations culminate in a detailed report presented to the clients, which documents observations and suggests recommendations for improvements. A partial list of clients Include:

Investor Owned Utilities

- Iowa Electric Light & Power
- Public Service Electric & Gas of New Jersey

Public Utilities

- City of Garland Power & Light, Texas
- Lower Valley Water District, Texas
- City of Fort Collins Utilities, Colorado
- City of Taunton Municipal Light Plant, Massachusetts
- City of Cincinnati, Ohio
- City of Memphis, Tennessee
- City of Oklahoma City, Oklahoma
- City of Ocala, Florida
- County of Roanoke, Virginia
- La Joya Water Corporation, Texas
- City of Lansing Board of Water & Light, Michigan

Financial Institutions

- North American Development Bank
- First City Bancorporation, Texas

A. Daryl Pullin

Litigation Support

Mr. Pullin has been retained on several occasions to provide expert witness services. His testimony generally addresses and evaluates the reasonableness and necessity of costs incurred by investor-owned electric utility companies pursuing regulatory activities before public utility commissions. He also has served as a testifying and non-testifying technical expert in civil cases within the electric utility industry. His litigation support experience includes:

- Expert Rebuttal Testimony for Coalition of Cities served by AEP – Texas Central Company (previously Central and Southwest – CP&L) - Before the PUC of Texas; Docket No. 28840; February/March 2004. Mr. Pullin provided testimony countering arguments of selected witnesses in this rate case on the collection of municipal franchise fees and the appropriateness of including rate case expenses in general T&D rates.
- Expert Direct Testimony for Coalition of Cities served by AEP – Texas Central Company (previously Central and Southwest – CP&L) - Before the PUC of Texas; Docket No. 28840; February/March 2004. Mr. Pullin reviewed, evaluated and provided recommendations on the electricity transmission and distribution rates increase requested by AEP – TCC.
- Expert Testimony for Gulf Cost Coalition of Cities, Enron Energy Services, Inc., AES New Energy Texas LLC and Shell Energy Service Company, LLC - Before the PUC of Texas; Docket No. 22355
- Direct and Settlement Testimony for Houston Lighting & Power Company – Before the PUC of Texas; Docket No. 12065
- Settlement Testimony for Houston Lighting & Power Company – Before the PUC of Texas; Docket No. 9850-5
- Direct Testimony for Houston Lighting & Power Company- Before the PUC of Texas; Docket No. 9850
- Direct Testimony for Houston Lighting & Power Company- Before the PUC of Texas; Docket No. 8425
- Testimony support activities for Texas Utilities; Docket No. 9300 (PUC of Texas)

Publications and Presentations

- *Power Supply Planning in Texas*; with Ron Moe; presented at the Texas Public Power Association Annual Conference; San Antonio, Texas; July 2007

- *Benchmarking: A Powerful Tool for Developing Fleet Maintenance Strategies;* MSW Management; September/October 2002
- *Coming Together: Effective Fleet Management*; American City & County; February 1, 2002
- *Managing Costs and Performance in a Competitive Wires Business*; presented at the Texas Public Power Association Annual Conference; San Antonio, Texas; August 1999
- *Benchmarking for Performance Improvement; A Case Study;* presented to the Performance Management Committee of the American Public Power Association; Austin, Texas; November 1996
- *Benchmarking for Performance Improvement;* presented at the Texas Public Power Association's Communications & Customer Service Conference; San Antonio, Texas; March 1996
- *Benchmarking: How It Can Help Utilities and the Pros and Cons;* presented at the Annual Meeting of the National Rural Utilities Cooperative Financing Corporation; New Orleans, Louisiana; February 1994
- *Performance Management Through Effective Measures;* presented as a certification course for the Northeast Public Power Association's Public Utility Management program; Burlington, Vermont; November 1993
- *Fleet Benchmarking;* presented at the utility Fleet Managers' Conference; Williamsburg, Virginia; June 1993
- *Benchmarking: How It Can Help Utilities and the Pros and Cons;* presented to the Performance Management Committee of the American Public Power Association; Austin, Texas; April 1993
- *Avoiding Benchmarking Pitfalls*; Utility Fleet Management; October 1993; co-authored with Denver G. Blosser
- *Aiming for Efficiency*; Resource; Volume 5; Fall 1993

Employment History

- 2009 – Present – SAIC, Senior Project Manager
- 1998 – 2009 – R.W. Beck, Inc., Vice President and Principal, Management Advisory Services
- 1992 – 1993 – Resource Management International, Inc., Manager, Process Evaluation

A. Daryl Pullin

- 1990-1998 – TEAMSS Consulting Group, Principal and Executive Consultant
- 1985-1990 – Hawks, Giffels & Pullin, Inc., Vice President/Principal and Executive Consultant
- 1978-1985 – Brown & Root, Inc., Department Manager, Project Manager and Project Engineer
- 1975-1978 – Burns & Roe, Inc., Senior Engineer
- 1966-1975 – U.S. Navy, Nuclear Power Program

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Exhibits of A. Daryl Pullin

Filed Under Seal

Highly Sensitive Confidential Material

Exhibit ADP-2	Affiliate Services Agreement CONFIDENTIAL HIGHLY SENSITIVE	1-72
Exhibit ADP-3	Consultant Service Agreement CONFIDENTIAL HIGHLY SENSITIVE	1-26
Exhibit ADP-4	Engineering, Procurement and Construction Contract CONFIDENTIAL HIGHLY SENSITIVE	1-166

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Memorandum

Draft
LEGAL

To: Dennis Donley

From: Chuck Williams
Steve Baumgart

Subject: EPC Contract Review

Date: April 14, 2011

This memorandum addresses our review of business, commercial and technical aspects of the proposed EPC contract (the "Contract"), currently being negotiated between Wind Energy Transmission Texas, LLC ("WETT") and Isolux Ingeniería USA LLC ("I-USA"), jointly referred to as the "Parties".

Although SAIC understands the basis for much of the proposed Contract language is the Term Sheet Agreement ("Term Sheet") developed jointly by WETT and I-USA, we have nonetheless performed our review of the Contract regardless of existing Term Sheet language. Our review is based on SAIC's experience with similar projects and our knowledge of other agreements used within the industry. Our review was performed from a business, contract administration and technical perspective, and does not represent a legal opinion. Our review considered the described processes covering how phase budgets are to be established and changed as needed, and how actual costs are to be paid.

We do not represent that all conceivable commercial issues were addressed in our review, neither do we represent that the results of our review considered all possible approaches for a particular issue. However, we believe that the proposed Contract includes reasonable approaches for functions that are typically identified as occurring under an EPC Contract and when taken as a whole represents an integrated, balanced package for risk mitigation. We expect this situation should be viewed favorably by the Public Utility Commission.

SAIC believes that from an Owner's perspective the proposed Contract does contain administrative mechanisms, contractual protections and controls that we would expect to find in a contract of this type. This should enhance WETT's ability to obtain acceptable financing terms for the project.

CHW/alb

SAIC Energy, Environment & Infrastructure, LLC
1001 Fourth Avenue, Suite 2500 | Seattle, WA 98154-1004 | tel: 206.695.4700 | fax: 206.695.4701 | saic.com/EEandI

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PUC DOCKET NO. 40606

APPLICATION OF WIND ENERGY TRANSMISSION TEXAS, LLC FOR AUTHORITY TO ESTABLISH INITIAL RATES AND TARIFFS	§ § § § §	BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

DIRECT TESTIMONY OF

BRETT A. PERLMAN

ON BEHALF OF

WIND ENERGY TRANSMISSION TEXAS, LLC

AUGUST 2012

TABLE OF CONTENTS TO THE DIRECT TESTIMONY OF BRETT A. PERLMAN, WITNESS FOR WIND ENERGY TRANSMISSION TEXAS, LLC

LIST OF EXHIBITS

EXECUTIVE SUMMARY

WETT's affiliate contracts comply with the applicable legal and regulatory standards in PURA and the Commission's rules for affiliate transactions. Specifically, WETT's corporate support services performed under the Affiliate Services Agreements cover ongoing functions and are provided to WETT at cost, consistent with traditional regulatory practice. WETT's construction support services under the Consultant Service Agreement and the EPC Contract cover one-time or non-recurring construction project functions that a utility would typically contract to a third party and pay market rates for such services. The CSA and the EPC Contract provided to WETT on a cost plus a fee basis comply with the legal requirements governing affiliate transactions.

PURA and Commission precedent require that a TSP such as WETT have a tariff in place and rates set before operating transmission facilities. Accordingly, the Commission should exercise discretion to address certain ratemaking issues related to WETT's position as a new transmission company. The Commission should approve WETT's request to include its capital investment through June 30, 2012, in rate base, with rates to be effective when the asset is capable of providing service. The Commission should also find that WETT's request for deferred accounting treatment of its operating expenses, if necessary, is reasonable.

DIRECT TESTIMONY OF BRETT A. PERLMAN

I. INTRODUCTION AND EXPERIENCE

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Brett Perlman. I am President of Vector Advisors, and my business address is 5643 Del Monte, Houston, Texas 77056.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of Wind Energy Transmission Texas, LLC ("WETT" or the "Company").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I have been President of my own consulting firm, Vector Advisors, for approximately nine years. My management consulting practice focuses on advising senior executives and management teams in the telecommunications and electric utility industries on business strategy, product and strategic marketing, and merger and acquisition issues. I also have spent six years as a consultant performing similar functions for McKinsey and Company, Inc. Before that, I practiced law in the private sector.

In 1999, I was appointed to the Public Utility Commission of Texas ("PUCT") by then-Governor George W. Bush. From 1999 to 2003, I served as a PUCT Commissioner. I was charged with leading a complex, multi-year industry restructuring process for the state's telecommunications and electric utility industries. Texas's restructuring process has been widely recognized as one of the most successful electric utility industry

restructurings in the U.S., and I became nationally recognized as an expert in electric utility industry and telecommunications issues.

I received my BA in Economics from Northwestern University in 1981, where I graduated *Phi Beta Kappa*. I received my JD from the University of Texas School of Law in 1984, where I served as an Associate Editor on TEXAS LAW REVIEW.

My educational and professional backgrounds are described in more detail in my resume, a copy of which is attached as Exhibit BAP-1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY TO THE COMMISSION?

A. Yes; my prior testimony is identified in Exhibit BAP-1.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I generally address those issues with regulatory policy implications in three areas.

First, I will describe how WETT's arrangements to obtain services from its affiliates are consistent with regulatory policy and standards relating to affiliate cost recovery. WETT is owned in equal shares by subsidiaries of Brookfield Asset Management, Inc. ("Brookfield") and Isolux Corsán Concesiones, S.A. ("Isolux Concesiones"). Brookfield is a global owner and operator of property, power and infrastructure assets. Isolux Concesiones is a subsidiary of Grupo Isolux Corsán ("Grupo Isolux") and is the largest non-public Spanish engineering, construction, public services, and real estate development company.

In particular, I will examine the relationship between WETT and affiliate Brookfield-CREZ SPV LLC ("Brookfield SPV"), which is ultimately owned by