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SOAH DOCKET NO. 473-16-2751  
PUC DOCKET NO. 45624

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APPLICATION OF THE CITY OF  
GARLAND TO AMEND A  
CERTIFICATE OF CONVENIENCE  
AND NECESSITY FOR THE RUSK TO  
PANOLA DOUBLE-CIRCUIT 345-KV  
TRANSMISSION LINE IN RUSK AND  
PANOLA COUNTIES

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BEFORE THE UTILITY COMMISSION  
FILED CLERK

STATE OFFICE OF

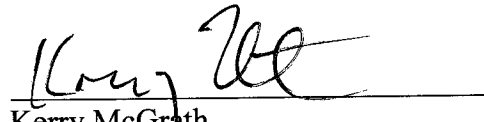
ADMINISTRATIVE HEARINGS

**CITY OF GARLAND'S RESPONSE TO TEXAS INDUSTRIAL ENERGY  
CONSUMERS' SECOND SET OF REQUESTS FOR INFORMATION TO THE  
CITY OF GARLAND QUESTION NOS. TIEC 2-1 THROUGH TIEC 2-6**

The City of Garland (Garland) files this response to Texas Industrial Energy Consumers' Second Set of Requests for Information (RFI) to Garland. Garland received TIEC's Second RFI on April 4, 2016. Pursuant to SOAH Order No. 2, this response is timely filed. All parties may treat these answers as if they were filed under oath.

Garland reserves the right to object at the time of the hearing to the admissibility of the information provided herein.

Respectfully submitted,



Kerry McGrath

State Bar No. 13652200

James A. Nortey, II

State Bar No. 24079063

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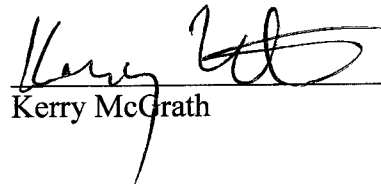
Facsimile: (972) 205-2389

**ATTORNEYS FOR THE CITY OF GARLAND**

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**CERTIFICATE OF SERVICE**

I certify that a true and correct copy of this document was served on Texas Industrial Energy Consumers on April 14, 2016 by electronic mail, facsimile, hand-delivery, overnight delivery, or First Class U.S. Mail.

  
Kerry McGrath

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**Question No. TIEC 2-1**

If Rusk Interconnection, LLC ("Rusk") cannot or will not pay to operate and maintain the line for any reason, will Garland commit not to seek recovery of those costs in TCOS?

**Response No. TIEC 2-1**

If Rusk cannot or will not pay to operate and maintain the line, it is unlikely that the line will be in operation unless it is serving a transmission customer other than Southern Cross. As a result, Garland will not commit not to seek recovery of operation and maintenance costs in TCOS in the event Rusk cannot or will not pay such costs. All costs that are proposed to be included in TCOS are subject to review by the Commission.

Prepared by: Darrell W. Cline  
Sponsored by: Darrell W. Cline

Title: Chief Financial Officer, Garland Power & Light  
Title: Chief Financial Officer, Garland Power & Light

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**Question No. TIEC 2-2**

Will Garland commit not to seek to recover the cost of decommissioning the facilities in TCOS under any circumstances?

**Response No. TIEC 2-2**

The Transmission Line Agreement provided as Exhibit DWC-2 to the direct testimony of Darrell W. Cline provides for the funding of a decommissioning escrow account by Rusk Interconnection, LLC, to cover the costs of decommissioning the facilities. The decommissioning fund will be funded at the time the facilities are transferred to Garland. Garland will not commit not to seek to recover the cost of decommissioning the facilities in TCOS under any circumstances, but does not anticipate incurring costs to decommission the facilities that are not covered by the decommissioning fund. All costs that are proposed to be included in TCOS are subject to review by the Commission.

Prepared by: Darrell W. Cline  
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**Question No. TIEC 2-3**

Please refer to Article 3 of the Asset Purchase agreement between Garland and Rusk (attachment 2 to Garland's response to Staff 1-9).

- Please explain the reasons why Garland requested the right to "put" the project back to Rusk (the Put Right).
- Please identify the specific circumstances in which Garland would expect to exercise this Put Right.
- Does Garland believe that exercising the Put Right would provide Rusk with a CCN under PURA's transfer provision (PURA § 37.154)? Does Garland believe that exercising the Put Right would require PUC approval? Please explain your answer.
- Does Garland's [sic] believe that exercising the Put Right would make Rusk an electric utility in Texas?
- Would Garland's commitments not to place the cost of the line into TCOS be imputed to Rusk in Garland were to exercise the Put Right? Please explain why or why not.

**Response No. TIEC 2-3**

The Asset Purchase Agreement referred to in this request has been superseded by the Transmission Line Agreement provided as Exhibit DWC-2 to the direct testimony of Darrell W. Cline, and is no longer in effect. Garland will respond to this request with respect to Article 3 of the Transmission Line Agreement.

- Garland did not request the right to "put" the project back to Rusk.
- Garland has not considered specific circumstances in which it would expect to exercise the Put Right.

- c. Garland does not believe that exercising the Put Right would provide Rusk with a CCN under PURA's transfer provision (PURA § 37.154). Only the Commission could provide Rusk with a CCN. Garland does believe that exercise of the Put Right would require PUC approval. See Section 9.4 of the Transmission Line Agreement.
- d. Please see the response to subsection c, above.
- e. Garland understands that Southern Cross has committed not to seek to recover from ratepayers any costs of any facilities to be owned by Garland and SCT identified in the interconnection agreements, and that Southern Cross's commitment extends to Rusk. See Southern Cross's response to TIEC 1-4.

Prepared by: Darrell W. Cline  
Sponsored by: Darrell W. Cline

Title: Chief Financial Officer, Garland Power & Light  
Title: Chief Financial Officer, Garland Power & Light

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**Question No. TIEC 2-4**

Please refer to Article 9.1 of the Asset Purchase agreement.

- a. Please provide all executed financing documents related to this agreement.
- b. Please provide all documents and communications exchanged between Garland and Rusk pertaining to how the lender or equity financing entity could exercise its security interest in the line if Rusk were to default.

**Response No. TIEC 2-4**

The Asset Purchase Agreement referred to in this request has been superseded by the Transmission Line Agreement provided as Exhibit DWC-2 to the direct testimony of Darrell W. Cline, and is no longer in effect.

- a. Garland has not identified any documents responsive to this request.
- b. Garland has not identified any documents responsive to this request.

Prepared by: Darrell W. Cline  
Sponsored by: Darrell W. Cline

Title: Chief Financial Officer, Garland Power & Light  
Title: Chief Financial Officer, Garland Power & Light



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**Question No. TIEC 2-5**

Please refer to Article 9.6.3(ii) of the Asset Purchase agreement.

- a. Please confirm that subpart (b) would allow Garland to seek TCOS recovery of the costs of owning and operating the line notwithstanding its stated commitment not to seek such costs.
- b. Please explain under what circumstances subpart (c) becomes operative. Does Garland agree that, as written, this subpart contradicts its commitment not to seek recovery of any costs of owning, operating, maintaining, or decommissioning the Facilities?

**Response No. TIEC 2-5**

The Asset Purchase Agreement referred to in this request has been superseded by the Transmission Line Agreement provided as Exhibit DWC-2 to the direct testimony of Darrell W. Cline, and is no longer in effect. Garland will respond to this request with respect to Section 9.6.3(ii) of the Transmission Line Agreement, which is unchanged from the Asset Purchase Agreement.

- a. This request misstates Garland's commitment with respect to recovery of the costs of owning and operating the line, which is explained in Mr. Cline's direct testimony and in Garland's response to TIEC 1-1. Section 9.6.3(ii)(b) allows Garland to seek TCOS recovery of costs relating to the Facilities (as defined in the Agreement) in the two specific circumstances identified in that provision. All costs that are proposed to be included in TCOS are subject to review by the Commission.
- b. This request misstates Garland's commitment with respect to recovery of the costs of owning and operating the line, which is explained in Mr. Cline's direct testimony and in Garland's response to TIEC 1-1. Garland interprets Section 9.6.3(ii)(c) to become operative to the extent that costs of owning, operating, maintaining or decommissioning the Facilities (as defined in the Agreement) are not paid or reimbursed by Rusk.

Prepared by: Darrell W. Cline	Title: Chief Financial Officer, Garland Power & Light
Sponsored by: Darrell W. Cline	Title: Chief Financial Officer, Garland Power & Light

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**Question No. TIEC 2-6**

Please refer to the definition of "Integration Event" in the Decommission Escrow agreement (Exhibit 1.1(a) to the Asset Purchase agreement). Given Garland's commitment not to seek recovery of operations and maintenance costs in TCOS, please explain why the parties included such a circumstance in their contract. Please identify the circumstances where Garland would seek to include such costs in its TCOS.

**Response No. TIEC 2-6**

The Asset Purchase Agreement referred to in this request has been superseded by the Transmission Line Agreement provided as Exhibit DWC-2 to the direct testimony of Darrell W. Cline, and is no longer in effect.

This request misstates Garland's commitment with respect to recovery of the costs of owning and operating the line, which is explained in Mr. Cline's direct testimony and in Garland's response to TIEC 1-1.

The provision regarding an "Integration Event" was initially included in the Decommissioning Escrow Agreement attached to the Asset Purchase Agreement at a time when the line that is the subject of this proceeding was expected to be a private line for which no CCN was required. The Integration Event provisions were intended to address the circumstance in which the private line subsequently became part of the ERCOT grid.

Prepared by: Darrell W. Cline  
Sponsored by: Darrell W. Cline

Title: Chief Financial Officer, Garland Power & Light  
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