

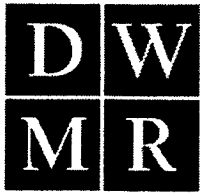


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PUBLIC UTILITY COMMISSION
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Chairman Donna L. Nelson
Commissioner Kenneth W. Anderson, Jr.
Commissioner Brandy Marty Marquez
Public Utility Commission of Texas
1701 N. Congress Ave.
Austin, Texas 78701

RE: Docket No. 45624; SOAH Docket No. 473-16-2751; *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*

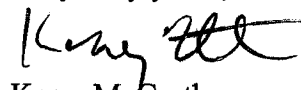
Dear Commissioners,

At last week's open meeting, you expressed an interest in how the costs of the City of Garland's project in this case would be recovered. In response to your concerns, Garland provides the following information. As described in Mr. Cline's direct testimony, Garland has designated a Southern Cross affiliate, Rusk Interconnection LLC, to design and construct the project in compliance with and along the route identified in the Commission's order in this case. After the facilities are complete and ready to be placed in service, Rusk will convey them to Garland for \$1 and the assumption by Garland of certain liabilities associated with the project. Garland committed at FERC and commits in this case that it will not seek to recover the costs of developing, constructing, interconnecting or financing the project through transmission service rates established by the Commission. Garland also commits that it will operate the transmission line as an open access facility subject to the Commission's rules, NERC standards, and ERCOT protocols applicable to such facilities.

Southern Cross will not recover its costs through cost-based rates set by FERC. Instead, Southern Cross has received an order from FERC authorizing it to charge negotiated rates for the Southern Cross project. *Southern Cross Transmission LLC*, 137 FERC ¶ 61,207, Order Authorizing Proposal (Dec. 15, 2011). Under that order, Southern Cross will follow established FERC procedures for either an anchor tenant/open season process or an open solicitation process. Southern Cross will assume all market risk associated with the project and will have no captive customers or ability to pass on any costs to captive customers. As a result, Southern Cross will have the right to recover the costs of developing, financing and constructing the transmission project only from entities that voluntarily subscribe to the transmission capacity.

I hope this information is responsive to your concerns.

Very truly yours,


Kerry McGrath

cc: Central Records
All Parties

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