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APPENDIX D - PRIMARY ROUTE DATA AND Z-SCORE TABLES

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APPENDIX E - LAND OWNER LIST

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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southern Cross Transmission LLC) Docket No. TX11-1-001
and Pattern Power Marketing LLC)

OFFER OF SETTLEMENT

Southern Cross Transmission LLC (“SCT”), Pattern Power Marketing LLC (“PPM”), the City of Garland, Texas and its municipally-owned electric utility Garland Power & Light (“Garland”), Oncor Electric Delivery Company LLC (“Oncor”) and CenterPoint Energy Houston Electric, LLC (“CEHE”)(hereinafter referred to individually as a “Party” and collectively as the “Parties”) hereby submit this Offer of Settlement for approval by the Federal Energy Regulatory Commission (“FERC” or the “Commission”), filed as part of SCT and PPM’s Joint Application for an Order Directing a Physical Interconnection of Facilities and Transmission Services Under Sections 210, 211 and 212 of the Federal Power Act (the “Application”) seeking an order (i) directing Garland to provide a physical interconnection of facilities and (ii) directing Oncor and CEHE to provide transmission services under Federal Power Act (“FPA”) Sections 210, 211 and 212.

BACKGROUND

SCT is planning the construction and operation of a high voltage, direct current transmission line providing incremental bi-directional transmission capacity of up to 3000 MW to facilitate power flows between the Electric Reliability Council of Texas, Inc. (“ERCOT”) and the SERC Reliability Corporation (“SERC”) reliability regions (the “Southern Cross Project” or the “Project”). SCT will finance, construct, own, operate and maintain the Project to stretch over a distance of approximately 400 miles from a proposed interconnection with Garland at the

Texas/Louisiana border (*i.e.*, at the eastern border of ERCOT) (the “Western Point of Interconnection”) and end at one or more substations of load serving entities within SERC in Mississippi and/or Alabama (the “Eastern Points of Interconnection”).¹ SCT anticipates that the western converter station of the Project, which will convert alternating current (“AC”) power in ERCOT to direct current (“DC”) power for transmission into SERC as well as converting DC power delivered over the Project from generation in the SERC region to AC power for delivery into ERCOT, will be located in Louisiana adjacent to the Western Point of Interconnection. Interconnection of the Project at the Western Point of Interconnection (the “Garland/SCT Interconnection”) will require (i) the construction by Oncor of interconnection facilities in Rusk County, Texas, (ii) the interconnection of the Oncor and Garland facilities, (iii) the construction of an approximate thirty-mile AC line segment from the Oncor switchyard to the Western Point of Interconnection which will be owned and operated by Garland (the “Garland Transmission Facilities”), and (iv) the interconnection of the Garland Transmission Facilities and the SCT facilities at the Western Point of Interconnection. Attached hereto as Appendix 1 is a diagram depicting the configuration of the facilities to be owned by Oncor, Garland, and SCT in connection with the Garland/SCT Interconnection at the Western Point of Interconnection. The interconnection of the Project to the ERCOT grid will require the execution of an Interconnection Agreement between Oncor and Garland to effect the interconnection of the Oncor switchyard to the Garland AC line segment (the “Oncor/Garland Interconnection Agreement”) and an Interconnection Agreement between Garland and SCT to effect the interconnection of the Project to the Garland AC line (the “Garland/SCT Interconnection Agreement”) at the Western Point of Interconnection. The Project’s eastern converter station

¹ The final size and siting of the Project is subject to change based on regulatory, commercial and technical considerations.

will be constructed at a site in Mississippi where the DC power will be converted back to AC power for delivery over one or more AC lines to one or more existing substations of load serving entities in Mississippi and Alabama. All AC lines will be constructed either by SCT or the interconnecting utilities.

The ERCOT grid is located solely within the state of Texas. The ERCOT grid is not synchronously interconnected to any other reliability council, and any electrical connections that do exist with facilities that permit the interstate flow of electricity have been established and are maintained pursuant to orders issued by the Commission pursuant to FPA Sections 210, 211 and 212.² Pursuant to FPA Section 201, an entity that is not otherwise a "public utility" as defined in the FPA will not become subject to the plenary jurisdiction of the Commission by reason of an order issued under FPA Sections 210, 211 and 212.³

² The ERCOT grid is interconnected to the Southwest Power Pool ("SPP") through two high voltage, direct current ("HVDC") interconnections, the North and East interconnections (collectively, the "HVDC Interconnections"). The Commission ordered the establishment of the HVDC Interconnections pursuant to FPA Sections 210, 211 and 212 in Docket Nos. EL79-8 and EL79-8-002. By its order issued in Docket Nos. EL79-8 and E-9558 on October 28, 1981, as corrected by the Errata Notice issued November 5, 1981, 17 FERC ¶ 61,078, and its Order on Rehearing issued January 29, 1982, 18 FERC ¶ 61,100 (the "Original Orders"), the Commission approved a settlement requiring the construction of two asynchronous direct current interconnections between the ERCOT grid and the SPP grid. The Original Orders also required the provision of transmission service to, from and over the interconnections by Central Power and Light Company, West Texas Utilities Company, Public Service Company of Oklahoma and Southwestern Electric Power Company, formerly the CSW Operating Companies and now operating companies of American Electric Power Corporation, Houston Lighting & Power Company (a predecessor of CEHE) and Texas Utilities Electric Company (a predecessor of Oncor). The Original Orders required the construction of a North HVDC Interconnection, which was placed into service in 1984, and a South HVDC Interconnection. In Docket No. EL79-8-002, the Commission approved an Offer of Settlement providing for the construction of a 600 MW East HVDC Interconnection, in lieu of the South HVDC Interconnection. *Central Power and Light Co.*, 40 FERC ¶ 61,077 (1987). In *Kiowa Power Partners, LLC*, 99 FERC ¶ 61,251 (2002), the Commission ordered an interconnection between Oncor Electric Delivery Company, Reliant Energy HL&P (a predecessor of CEHE) and Kiowa Power Partners, LLC. Most recently, in *Brazos Electric Power Coop., Inc.*, 118 FERC ¶ 61,199 (2007), the Commission approved an Offer of Settlement among Brazos Electric Power Cooperative, Inc., TXU Electric Delivery (now Oncor) and CEHE that required the construction of a third asynchronous direct current interconnection between the ERCOT grid and the SPP grid although that interconnection was never built. In addition, the Commission has disclaimed jurisdiction over the construction and operation of transmission facilities connecting two Competitive Renewable Energy Zones with the ERCOT grid in *Cross Texas Transmission, LLC, et al.*, 129 FERC ¶ 61,106 (2009).

³ FPA Section 201(b)(2) states, in relevant part, that: "Compliance with any order or rule of the Commission under the provisions of section ... 210, 211, 211A, [or] 212 ... shall not make an electric utility or other entity
(Footnote continued on next page)

Two of the entities ordered to construct the East HVDC Interconnection and provide transmission service to, from and over the HVDC Interconnections in Docket Nos. EL79-8 and EL79-8-002 were Texas Utilities Electric Company (“TU Electric”) and Houston Lighting & Power Company (“HL&P”). TU Electric owned a 100 MW interest in the East HVDC Interconnection and provided transmission service to, from and over both of the HVDC Interconnections in accordance with an open access Tariff for Transmission Service To, From and Over Certain HVDC Interconnections (a “TFO Tariff”) on file with the Commission.⁴ HL&P owned a 200 MW interest in the East HVDC Interconnection and provided transmission service to, from and over the HVDC Interconnections pursuant to an open access TFO Tariff on file with the Commission.⁵ The Commission’s orders in Docket Nos. EL79-8 and EL79-8-002 provided that compliance with the Commission’s orders would not cause TU Electric, HL&P or any other electric utility or other entity to be subject to the plenary jurisdiction of the Commission as a “public utility” under FPA Section 201, by virtue of Section 201(b)(2) of the FPA.⁶

(Footnote continued from previous page)

subject to the jurisdiction of the Commission for any purposes other than the purposes [of carrying out such provisions and applying the enforcement authorities of the FPA with respect to such provisions].” FPA Section 201(e) provides that “The term ‘public utility’ ... means any person who owns or operates facilities subject to the jurisdiction of the Commission under this Part (other than facilities subject to such jurisdiction solely by reason of section ... 210, 211, 211A, [or] 212 ...).”

⁴ TXU Electric Delivery’s (TU Electric’s successor) TFO Tariff (FERC Electric Tariff, Ninth Revised Volume No. 1) was accepted for filing by letter order issued July 23, 2004 in Docket No. ER04-957-000.

⁵ HL&P’s TFO Tariff (FERC Electric Tariff, Third Volume No. 1) was accepted for filing by order issued October 15, 1997 in Docket No. ER97-2524-000, effective April 14, 1997. *Houston Lighting & Power Co.*, 81 FERC ¶ 61,015 (1997), *order on reh’g*, 83 FERC ¶ 61,181 (1998). Effective August 31, 2002, CEHE succeeded to the TFO Tariff (FERC Electric Tariff, Fifth Revised Volume No. 1). *See CenterPoint Energy Houston Electric, LLC*, Docket Nos. ER02-2555-000 and ER02-2251-000, Letter Order (Nov. 14, 2002).

⁶ *Central Power and Light Co.*, 40 FERC ¶ 61,007, at 61,223. *See supra* note 3.

Effective May 7, 1999, HL&P changed its name to Reliant Energy HL&P. *See Reliant Energy HL&P*, "Notice of Succession," Docket Nos. ER99-3046-000 and ER97-2524-000 (filed May 25, 1999).

Effective June 14, 1999, TU Electric changed its name to TXU Electric Company ("TXU Electric"). *See TXU Electric Company*, "Notice of Succession," Docket No. ER99-3295-000 (filed June 18, 1999).

On January 1, 2002, TXU Electric and Reliant Energy HL&P were unbundled pursuant to the mandates of Senate Bill 7, a Texas restructuring statute. All of TXU Electric's transmission and distribution facilities (including its Commission-jurisdictional facilities and its TFO Tariff) were transferred to TXU Electric Delivery Company, a separate transmission and distribution utility.⁷ CEHE is the successor to the transmission and distribution operations of what had been the integrated utility Reliant Energy HL&P.⁸ Accordingly, CEHE owns transmission and distribution facilities within the ERCOT grid and an interest in the East HVDC Interconnection and provides service pursuant to its TFO Tariff.

On May 8, 2007, TXU Electric Delivery Company changed its name to Oncor Electric Delivery Company. *See Oncor Electric Delivery Company*, "Notice of Succession," Docket No. ER07-870-000. On October 31, 2007, Oncor Electric Delivery Company became Oncor Electric Delivery Company LLC. *See Oncor Electric Delivery Company LLC*, "Notice of Succession," Docket No. ER08-114-000.

⁷ In an order dated November 14, 2001, in Docket No. EC02-6-000, 97 FERC ¶ 62,146, the Commission approved the transfer of the jurisdictional assets of TXU Electric and TXU SESCO Company to TXU Electric Delivery on January 1, 2002.

⁸ In an order issued November 30, 2000, the Commission authorized the corporate realignment of Reliant Energy, Incorporated, of which Reliant Energy HL&P is a division, to the extent the corporate realignment caused the transfer of indirect control of the Reliant Energy HL&P affiliates' jurisdictional facilities. *See Reliant Energy Coolwater, LLC, et al.*, 93 FERC ¶ 62,152 (2000).

As a result of this restructuring and the various Commission orders referenced above, both Oncor and CEHE provide transmission service for transactions that involve the import of power into ERCOT or the export of power out of ERCOT. Service is provided pursuant to Oncor's and CEHE's respective TFO Tariffs on file with the Commission.⁹ Oncor and CEHE each own and operate transmission facilities that are used for the sale of electric energy at wholesale and, as a result of the Commission orders in Docket Nos. EL79-8, EL79-8-002 and TX02-2-000, they each own and operate ERCOT facilities that are used for the transmission of electric energy in interstate commerce and provide transmission services into and out of the ERCOT region under their respective TFO Tariffs. Accordingly, each of Oncor and CEHE qualify as a "transmitting utility" within the meaning of FPA Sections 3(23) and 211(a). Neither Oncor nor CEHE is a "public utility" within the meaning of Section 201(e) of the FPA. With the exception of their ownership interests in Commission-ordered interconnection facilities and their obligation to comply with Commission orders issued pursuant to FPA Sections 210, 211 and 212, Oncor and CEHE are subject to the jurisdiction of the PUCT.

Garland currently owns and operates two gas-fired generating facilities with a combined generating capacity of approximately 603 MW and has an ownership interest with Texas Municipal Power Agency in a 462 MW coal-fired generating station. Garland serves nearly 68,000 electric customers within its municipal boundaries, making it the fourth largest municipal utility in the State of Texas and the forty-second largest in the country. Garland's 2009 peak load was 479 MW. As a result, because it has in the past and continues to engage in the sale of

⁹ Oncor Electric Delivery Company LLC, FERC Electric Tariff, Twelfth Revised Volume No. 1 (effective September 17, 2009); CenterPoint Energy Houston Electric, LLC, FERC Electric Tariff, Sixth Revised Volume No. 1 (effective September 29, 2010).

electric energy within the ERCOT region, Garland qualifies as an “electric utility” within the meaning of FPA Sections 3(22)(A) and 210(a)(1)(A).

SCT is a limited liability company organized under Delaware law for the purpose of developing, financing, constructing, owning and operating the Southern Cross Project. In addition, SCT intends to engage in the purchase and re-sale of electric energy at wholesale from time to time as necessary to meet the definition of an “electric utility” under the FPA. In so doing, SCT commits to comply with the Commission’s Standards of Conduct to ensure the functional separation of its transmission and power marketing activities. As a result, SCT will qualify as an “electric utility” within the meaning of FPA Sections 3(22)(A), 210(a)(1) and 211(a).

PPM is a limited liability company organized under Delaware law for the purpose of purchasing and aggregating wind power supplies with ERCOT for sale to load serving entities within the SERC and is expected to utilize the transmission capacity made available by the Southern Cross Project to transact with load serving entities within SERC. As a result, PPM will qualify as an “electric utility” within the meaning of FPA Sections 3(22)(A), 210(a)(1) and 211(a).

SCT seeks a Commission order directing the establishment of the Garland/SCT Interconnection within the ERCOT grid at the Western Point of Interconnection. PPM, on behalf of itself and other entities that will be eligible customers under Oncor’s TFO Tariff and CEHE’s TFO Tariff, seeks a Commission order directing Oncor and CEHE to provide transmission service under their respective TFO Tariffs to facilitate the movement of electricity between the ERCOT and SERC regions. Garland has indicated that it is willing to provide the requested interconnection and Oncor and CEHE have indicated that they are willing to provide the

requested transmission service, in both cases, only if SCT and PPM obtain an order from the Commission directing the interconnection and transmission services pursuant to FPA Sections 210, 211 and 212 and maintaining the jurisdictional status quo for ERCOT and entities within the ERCOT region by unequivocally confirming that the Commission will *not* assert jurisdiction over any of the ERCOT entities that are not otherwise public utilities under the FPA for any purposes other than the purposes of carrying out the provisions of Sections 210, 211 and 212.

SCT and PPM have engaged in negotiations with Garland, Oncor, and CEHE, and the Parties have resolved the primary issues concerning the interconnection and transmission services requested herein. The Parties have reached agreement on the rates, cost allocation, terms and conditions under which Garland will interconnect with the Project and under which Oncor and CEHE will provide transmission services pursuant to the terms and conditions of their respective TFO Tariffs. In addition, because the interconnection of Garland's AC transmission line to the Oncor switchyard is an essential part of the interconnection of the Project to the ERCOT grid, the Parties have also reached agreement on the rates, cost allocation, terms and conditions under which Oncor will interconnect the Garland's AC transmission line to its system. Those discussions have culminated in the preparation of this Offer of Settlement.¹⁰

Accordingly, SCT and PPM have filed with the Commission a Joint Application under FPA Sections 210, 211 and 212 seeking an order from the Commission requiring (i) Garland to interconnect the Garland Transmission Facilities within the ERCOT grid to the Project and (ii)

¹⁰ As of the filing of this Offer of Settlement, the interconnection and related reliability studies to identify the facilities needed in order to effect the Oncor/Garland and Garland/SCT interconnections are still underway. As a result, the final identification of the interconnection facilities will become known following the completion of all required studies. Thus, the Parties propose to execute the Oncor/Garland Interconnection Agreement and the Garland/SCT Interconnection Agreement after the Commission issues a final order no longer subject to judicial review ordering Oncor and CEHE to provide transmission services consistent in all respects with this Settlement Agreement and upon the completion of the appropriate studies and the final identification of the necessary interconnection facilities.

Oncor and CEHE to provide transmission services for power flows into and out of the ERCOT grid pursuant to their respective TFO Tariffs.

THE SETTLEMENT PROPOSAL

This Offer of Settlement provides for the execution of the Oncor/Garland Interconnection Agreement (attached hereto as Appendix 1) setting forth the terms and conditions that will govern the interconnection of the Garland Transmission Facilities with Oncor's interconnecting transmission facilities and the allocation of cost responsibility between Garland and Oncor. The terms and conditions in the Oncor/Garland Interconnection Agreement are in accordance with the terms and conditions that apply to the interconnection of facilities in the ERCOT grid. In brief, the Oncor/Garland Interconnection Agreement provides for: (1) certain specified interconnection facilities that will be owned, operated and maintained by Garland and (2) certain specified interconnection facilities that will be owned, operated and maintained by Oncor. SCT has agreed to back-stop Garland's financial obligations, if any, under the Oncor/Garland Interconnection Agreement. The Oncor/Garland Interconnection Agreement will be governed by, and subject to, the rules and regulations of the Public Utility Commission of Texas (the "PUCT").

This Offer of Settlement provides for the execution of the Garland/SCT Interconnection Agreement (attached hereto as Appendix 2) setting forth the terms and conditions that will govern the interconnection of the Garland Transmission Facilities with the Southern Cross Project at the Western Point of Interconnection within the State of Texas, including the facilities that will be owned, operated and maintained by Garland and SCT, respectively, and the allocation of cost responsibility between Garland and SCT. The terms and conditions in the

Garland/SCT Interconnection Agreement are in accordance with the terms and conditions that apply to the interconnection of facilities in the ERCOT grid. In brief, the Garland/SCT Interconnection Agreement provides for: (1) certain specified interconnection facilities that will be owned, operated and maintained by Garland and (2) certain specified interconnection facilities that will be owned, operated and maintained by SCT. Garland further agrees that it will not seek to recover from wholesale or retail customers in Texas the costs incurred in constructing the interconnection facilities identified in the Garland/SCT Interconnection Agreement. The Garland/SCT Interconnection Agreement will be governed by, and subject to, the rules and regulations of the PUCT.

The Application also requests that the Commission direct Oncor and CEHE to provide transmission services to PPM and other entities eligible to take service under Oncor's and CEHE's respective TFO Tariffs for power flows into and out of the ERCOT grid over the Garland Transmission Facilities and the Project. Accordingly, the Parties have agreed that, subject to the Commission's approval of this Offer of Settlement, Oncor and CEHE will provide transmission services for power flows into and out of the ERCOT grid pursuant to their respective TFO Tariffs for PPM and any other entity that is an eligible customer under the TFO Tariff.

Upon the Commission's approval of this Offer of Settlement, Oncor and CEHE agree to make compliance filings to modify their respective TFO Tariffs to apply to the import or export of power over the Garland Transmission Facilities and the Project into and out of the ERCOT grid at the same rates and on the same terms and conditions under which Oncor and CEHE currently provide transmission services under their respective TFO Tariffs. SCT and PPM agree

that neither will oppose, or directly or indirectly support any opposition to, such amendments to Oncor's and CEHE's TFO Tariffs.

CONDITIONS ON THE OFFER OF SETTLEMENT

The Offer of Settlement is submitted by the undersigned on the conditions that, in the event the Commission does not accept the Offer of Settlement by the issuance of a Commission order consistent in all material respects with the draft Final Order Directing Interconnection and Transmission Services and Approving Settlement (attached hereto as Appendix 3), without material change or modification and without hearing or material investigation, then (1) any of the Parties will have the right, on written notice to the others, to terminate the Offer of Settlement, in which case the Offer of Settlement will be deemed withdrawn and will not constitute part of the record in these or any other proceeding or be used for any other purpose, and (2) the Parties agree that Garland, Oncor and CEHE will have an opportunity to respond to the Application in any manner they deem appropriate at the time as if the Offer of Settlement had never been executed and filed, and SCT and PPM will not object to such responses on the basis that they are not timely filed. These conditions are a part of the Offer of Settlement, not to foreclose full consideration and evaluation by the Commission, but because the operative documents, which the Parties believe the Commission will find to be in the public interest, are such that any modifications thereto could have the effect of changing the agreement of the Parties, which compromises and settles a number of complex issues. In particular, the Parties acknowledge that an essential element of the agreement between the Parties memorialized in this Offer of Settlement is the issuance of a Commission order in this proceeding which contains the following ordering paragraphs, consistent with the Commission's prior orders in Docket Nos. EL79-8, EL79-8-002, TX02-2-000 and TX07-1-000.

- (A) Each of the parties listed in Appendix A hereto is granted leave to intervene in this proceeding [or other appropriate language addressing interventions].
- (B) Oncor shall construct, or cause to be constructed, certain interconnection facilities identified through the ongoing facilities study as necessary to provide transmission services by connecting the Oncor transmission system with the Garland Transmission Facilities (“Oncor-Garland Interconnection”) (such facilities to be more fully described in the Oncor/Garland Interconnection Agreement attached as Appendix 1 to the Offer of Settlement filed as part of the Application) so as to permit the delivery of electric energy over the Garland Transmission Facilities and the Southern Cross Project into and out of the ERCOT grid.
- (C) Garland shall construct, or cause to be constructed, the facilities identified through the ongoing interconnection and related reliability studies as necessary to connect the Garland Transmission Facilities with the Project facilities of SCT at the Interconnection (“Garland-SCT Interconnection”) (such facilities to be more fully described in the Garland/SCT Interconnection Agreement attached as Appendix 2 to the Offer of Settlement filed as part of the Application) so as to permit the delivery of electric energy over the Garland Transmission Facilities and the Southern Cross Project into and out of the ERCOT grid.
- (D) Garland shall interconnect with SCT at the Garland/SCT Interconnection in order to permit or to facilitate the transmission, purchase, sale, exchange, coordination or commingling of electric energy in interstate commerce into and out of the ERCOT grid over the Garland Transmission Facilities and the Project or within the ERCOT grid by or for SCT, PPM, or any other entity, in accordance with Ordering Paragraph (K). Garland and SCT will maintain and use such Interconnection for any purpose, except in and during emergencies as determined by Garland, Oncor, or ERCOT, or except when otherwise ordered by a governmental entity with putative authority, regardless of the source of the electric power in interstate commerce.
- (E) Ownership or use of the Garland-SCT Interconnection, including the rights and obligations established under this Offer of Settlement and under the Garland/SCT Interconnection Agreement, may be transferred at any time without further order of the Commission. In the event of a change of ownership or control of the Garland Transmission Facilities, or any part thereof, whether by sale, transfer, assignment or otherwise, the terms and conditions of this Order shall continue to apply, without prejudice to the non-jurisdictional status of ERCOT, Oncor, CEHE, and other ERCOT utilities or entities set forth in Ordering Paragraph (L).
- (F) Garland and SCT shall operate the Garland-SCT Interconnection for any purpose, including the purchase, sale, exchange, transmission, coordination, commingling, or transfer of electric energy in interstate commerce in compliance with all applicable ERCOT and PUCT requirements.

- (G) Oncor shall provide transmission services by interconnecting with Garland at the Oncor-Garland Interconnection in order to permit or to facilitate the transmission, purchase, sale, exchange, coordination or commingling of electric power in interstate commerce into and out of the ERCOT grid over the Oncor transmission system or within the ERCOT grid by or for SCT, PPM, or any other entity, in accordance with Ordering Paragraph (K). Garland and Oncor will maintain and use such Oncor-Garland Interconnection for any purpose, except in and during emergencies as determined by Garland, Oncor, or ERCOT, or except when otherwise ordered by a governmental entity with putative authority, regardless of the source of the electric power in interstate commerce.
- (H) Ownership or use of the Oncor-Garland Interconnection, including the rights and obligations established under the Offer of Settlement and under the Oncor/Garland Interconnection Agreement, may be transferred at any time without further order of the Commission. In the event of a change of ownership or control of the Oncor interconnection facilities, or any part thereof, whether by sale, transfer, assignment or otherwise, the terms and conditions of this Order shall continue to apply, without prejudice to the non-jurisdictional status of ERCOT, Oncor, CEHE, and other ERCOT utilities or entities set forth in Ordering Paragraph (L).
- (I) Oncor and Garland shall operate the Oncor-Garland Interconnection for any purpose, including the purchase, sale, exchange, transmission, coordination, commingling, or transfer of electric energy in interstate commerce in compliance with all applicable ERCOT and PUCT requirements.
- (J) The use and operation of the Garland Transmission Facilities shall not affect the non-jurisdictional status of ERCOT, Oncor, CEHE, or any other ERCOT utilities or entities set forth in Ordering Paragraph (L) not currently subject to the Commission's jurisdiction for any purposes other than for the purpose of carrying out the provisions of Sections 210, 211 and 212 of the FPA.
- (K) In connection with the Southern Cross Project, Oncor and CEHE shall transmit power into and out of the ERCOT grid at the rates and under the terms and conditions set forth in Oncor's and CEHE's respective TFO Tariffs, except that each such tariff shall be modified as necessary to comply with this Order, for PPM or any other entity that is an eligible customer under the TFO Tariff. Oncor and CEHE shall make compliance filings to modify their respective TFO Tariffs to apply to the import or export of power over the Garland Transmission Facilities and the Southern Cross Project into or out of the ERCOT grid at the Western Point of Interconnection at the same rates and on the same terms and conditions under which Oncor and CEHE currently provide transmission services under their respective TFO Tariffs. Such modified TFO Tariffs shall be filed with the Commission as compliance filings no earlier than one hundred and twenty (120) days and no later than sixty (60) days prior to when the Oncor-Garland Interconnection and Garland Transmission Facilities are expected to be energized.

- (L) Compliance with this Order and the Offer of Settlement shall not make ERCOT, Oncor, CEHE, or any other ERCOT utility or other entity a “public utility” as that term is defined by Section 201 of the FPA and subject to the jurisdiction of the Commission for any purpose other than for the purpose of carrying out the provisions of Sections 210, 211 and 212 of the FPA.
- (M) As a result of compliance with this Order and the Offer of Settlement, the ERCOT grid boundary shall be extended to that point within the State of Texas at which the Garland Transmission Facilities interconnect with the Southern Cross Project at the Western Point of Interconnection at the Texas/Louisiana border. The use and operation of the Garland Transmission Facilities shall not affect the non-jurisdictional status of ERCOT, Oncor, CEHE, or any other electric utility or other entity within the ERCOT grid not currently subject to the Commission’s jurisdiction for any purposes other than for the purpose of carrying out the provisions of Sections 210, 211 and 212 of the FPA.
- (N) As a result of this Order, Oncor and CEHE may be or will be operating in interstate commerce by virtue of the interconnection required by this Order and the transmission, purchase, sale, exchange, coordination or commingling of electric power to, from or within the ERCOT grid, including the ownership or use of facilities therefore, or by virtue of the synchronous or asynchronous operation of electromagnetic unity of response of interconnected electric facilities; Oncor and CEHE, however, shall not be subject to jurisdiction under Section 201 of the FPA by virtue of Section 201(b)(2) of the FPA.
- (O) In the event any entity outside of ERCOT is determined to be subject to jurisdiction as a public utility under the FPA as a direct or indirect result of the flow of electric energy through the Garland Transmission Facilities and the Southern Cross Project, such jurisdiction shall not affect the non-jurisdictional status of Oncor, CEHE, ERCOT, or other ERCOT entities.
- (P) Since the Parties have already agreed on the terms and conditions upon which this Order is to be carried out, including determination of the associated cost responsibility between them and the compensation or reimbursement reasonably due to them, no proposed order pursuant to Section 212(c) of the FPA is necessary. The Commission approves the Offer of Settlement and, pursuant to Section 212(c)(2)(A) of the FPA, the terms and conditions of the Offer of Settlement relating to cost responsibility, compensation and reimbursement as set forth therein are hereby incorporated in this Order.
- (Q) This Order is a final order, effective upon the date of issuance.

The Offer of Settlement shall not become effective until an order of the Commission approving the Offer of Settlement and adopting the draft Final Order Directing Interconnection

and Transmission Services and Approving Settlement, attached hereto as Appendix 3 and incorporated herein by reference, becomes final and is no longer subject to judicial review.

The Parties have agreed on the rates, cost allocation, terms and conditions upon which the draft Final Order Directing Interconnection and Transmission Services and Approving Settlement is to be carried out, including the apportionment of costs between them and the compensation or reimbursement reasonably due to each of them.

This Offer of Settlement includes and incorporates herein by reference as if fully set out in the Offer of Settlement, as Appendix 1, the unexecuted Interconnection Agreement between Oncor and Garland, as Appendix 2, the unexecuted Interconnection Agreement between Garland and SCT and, as Appendix 3, the draft Final Order Directing Interconnection and Transmission Services and Approving Settlement, which contain all of the terms and conditions of the Offer of Settlement that is being offered in this proceeding.

Approval of this Offer of Settlement will constitute a waiver of any and all Commission rules and regulations that may be necessary to affect this Offer of Settlement in accordance with its terms.

This Offer of Settlement may be executed in multiple counterparts, each of which shall be deemed an original, but all shall constitute one and the same instrument.

CONCLUSION

WHEREFORE, for the foregoing reasons, the undersigned Parties request that the Commission approve the Offer of Settlement and adopt the Proposed Order Directing Interconnection and Transmission Services and Approving Settlement attached hereto.

Respectfully submitted,

Southern Cross Transmission LLC

By: [Signature]

Name: Daniel Pappe

Title: Authorized Signatory

Pattern Power Marketing LLC

By: [Signature]

Name: **Daniel M. Elkort**
Authorized Signatory

Title: _____

City of Garland, Texas and Garland Power & Light

By: [Signature]

Name: William E. Diller

Title: City Manager

Oncor Electric Delivery Company LLC

By: _____

Name: _____

Title: _____

CenterPoint Energy Houston Electric, LLC

By: _____

Name: _____

Title: _____

CONCLUSION

WHEREFORE, for the foregoing reasons, the undersigned Parties request that the Commission approve the Offer of Settlement and adopt the Proposed Order Directing Interconnection and Transmission Services and Approving Settlement attached hereto.

Respectfully submitted,

Southern Cross Transmission LLC

By: [Signature]

Name: DANA PARQUER

Title: AUTHORIZED SIGNATORY

City of Garland, Texas and Garland Power & Light

By: [Signature]

Name: William E. Dollar

Title: CITY MANAGER

Pattern Power Marketing LLC

By: [Signature]

Name: Daniel M. Elkort
Authorized Signatory

Title: _____

Oncor Electric Delivery Company LLC

By: _____

Name: _____

Title: _____

CenterPoint Energy Houston Electric, LLC

By: [Signature]

Name: DEANN T. WALKER

Title: ASSOCIATE GENERAL COUNSEL

CONCLUSION

WHEREFORE, for the foregoing reasons, the undersigned Parties request that the Commission approve the Offer of Settlement and adopt the Proposed Order Directing Interconnection and Transmission Services and Approving Settlement attached hereto.

Respectfully submitted,

Southern Cross Transmission LLC

Pattern Power Marketing LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

City of Garland, Texas and Garland Power & Light

Oncor Electric Delivery Company LLC

By: _____

By: Charles W. Jenkins III

Name: _____

Name: Charles W. Jenkins III

Title: _____

Title: SVP & COO

CenterPoint Energy Houston Electric, LLC

By: _____

Name: _____

Title: _____

Appendix 1

**Final, Unexecuted Oncor/Garland Interconnection
Agreement**

INTERCONNECTION AGREEMENT

This Agreement is made and entered into this ___ day of _____, _____, by and between The City of Garland (“GPL”) and Oncor Electric Delivery Company LLC (“Oncor”) each sometimes hereinafter referred to individually as “Party” or both referred to collectively as “Parties.”

WITNESSETH

WHEREAS, each Party is the owner and operator of electric transmission facilities and is engaged in the business of transmitting electric energy within the Electric Reliability Council of Texas region; and

WHEREAS, the Parties desire to interconnect their respective electric systems in the respects and under the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and conditions herein set forth, the Parties agree as follows:

ARTICLE I – EFFECTIVE DATE AND TERM

This Agreement shall become effective on the date first set forth above and shall continue in effect thereafter until terminated in accordance with its terms.

ARTICLE II – OBJECTIVE AND SCOPE

2.1 It is the intent of the Parties, by this Agreement, to state the terms and conditions under which the Parties’ electric systems will be interconnected and to identify the facilities and equipment provided by each Party at the Point of Interconnection.

2.2 This Agreement shall apply to the ownership, design, construction, control, operation, and maintenance of those facilities that are specifically identified and described in Exhibit A.

ARTICLE III – DEFINITIONS

For purposes of this Agreement, the following definitions shall apply:

3.1 Agreement shall mean this Agreement with all schedules and attachments hereto, and any schedules and attachments hereafter added by amendment to this Agreement.

3.2 ANSI Standards shall mean the American National Standards Institute Standards in effect at the time the Point of Interconnection is constructed.

3.3 ERCOT shall mean the Electric Reliability Council of Texas, Inc., or its successor in function.

3.4 ERCOT Requirements shall mean the ERCOT Operating Guides, ERCOT Protocols, as well as any other binding documents adopted by ERCOT relating to the interconnection and operation of electric systems in ERCOT, including any amendments of those Guides, Protocols, and binding documents that are adopted by ERCOT from time to time, and any successors thereto.

3.5 Good Utility Practice shall have the meaning ascribed thereto in PUCT Rule 25.5(56) or its successor.

3.6 IEEE Standards shall mean the Institute of Electrical and Electronic Engineers Standards in effect at the time the Point of Interconnection is constructed.

3.7 NERC shall mean the North American Electric Reliability Corporation or its successor in function.

3.8 NERC Reliability Standards shall mean the electric reliability standards enforced by NERC and applicable to the Parties to this Agreement.

3.9 NESC shall mean the National Electrical Safety Code in effect at the time the Point of Interconnection is constructed.

3.10 Person shall mean any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity.

3.11 Point of Interconnection shall mean the point of interconnection described in Exhibit A where the electrical systems of the Parties are connected or may, by the closure of normally open switches, be connected, such that electric power may flow in either direction.

3.12 PUCT shall mean the Public Utility Commission of Texas or its successor in function.

ARTICLE IV – ESTABLISHMENT OF POINT OF INTERCONNECTION

4.1 The Parties agree to interconnect their facilities at the Point of Interconnection in accordance with the terms and conditions of this Agreement.

4.2 The Parties agree to cause their facilities being constructed in conjunction with the establishment of the Point of Interconnection; to be designed and constructed in accordance with (a) Good Utility Practice, (b) applicable laws and regulations, (c) the applicable provisions of the NERC Reliability Standards and ERCOT Requirements, and (d) the applicable provisions of the following standards in effect at the time of construction of the Point of Interconnection: NESC; ANSI Standards; and IEEE Standards.

4.3 Each Party will design its system protection facilities to isolate any fault occurring on its system that would negatively affect the other Party's system at the Point of Interconnection in accordance with applicable ERCOT Requirements and NERC Reliability Standards. The protection schemes used by the Parties at the Point of Interconnection will be determined by both Parties in a cooperative effort to achieve system coordination. Prior to commissioning the Point of Interconnection, both Parties will perform a complete calibration test and functional trip test of their respective system protection equipment including communication circuits between facilities.

ARTICLE V - SYSTEM OPERATION AND MAINTENANCE

5.1 The Parties agree to cause their facilities at the Point of Interconnection, and their other facilities having, or which may reasonably be expected to have, an impact upon the facilities of the other Party to be operated and maintained in accordance with Good Utility Practice, applicable laws and regulations, and the applicable provisions of the ERCOT Requirements and NERC Reliability Standards.

5.2 If either Party proposes to make equipment changes or additions to (a) its equipment at the Point of Interconnection (including its system protection equipment) or (b) its system protection equipment at any other location that may affect the operation or performance of the other Party's facilities at the Point of Interconnection ("Changes"), such Party agrees to notify the other Party, in writing, in advance of making such proposed Changes, and the Parties will coordinate and cooperate on the assessment of the impact of such Changes on the electric systems of the Parties and the identification of any required mitigation measures (including but not limited to new or upgraded facilities). Those Changes will not be made until the required aforementioned mitigation measures have been implemented. The Parties will communicate with each other with respect to other equipment changes or additions in accordance with applicable ERCOT Requirements and NERC Reliability Standards.

5.3 A Party may interrupt service at the Point of Interconnection in accordance with applicable laws, regulations, and ERCOT Requirements.

5.4 Each Party will establish and maintain a control center that shall be staffed 24 hours per day, 7 days per week, with personnel capable of making operating decisions and possessing the ability to effect control of its transmission facilities at the Point of Interconnection (or make appropriate arrangements for a third party to establish and maintain such a control center on its behalf). For purposes of voice communications between the Parties' transmission control centers, phone numbers will be exchanged and each Party will be notified of changes.

5.5 Neither Party will take any action that would cause the other Party that is not a "public utility" under the Federal Power Act to become a "public utility" under the Federal Power Act or become subject to the plenary jurisdiction of the Federal Energy Regulatory Commission.

5.6 In the event that the Federal Energy Regulatory Commission or any court with jurisdiction issues an order or decision that has the effect of making void a prior order issued by the Federal Energy Regulatory Commission that disclaimed jurisdiction over ERCOT, Oncor, GPL, CenterPoint Energy Houston Electric, LLC ("CenterPoint") and other ERCOT utilities in