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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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PUBLIC UTILITY COMMISSION
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PUBLIC UTILITY COMMISSION
OF TEXAS

TEXAS INDUSTRIAL ENERGY CONSUMERS'
REPLY TO SOUTHERN CROSS TRANSMISSION, LLC'S
SECOND MOTION FOR REHEARING

April 24, 2017

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**TEXAS INDUSTRIAL ENERGY CONSUMERS' REPLY TO SOUTHERN
CROSS TRANSMISSION, LLC'S SECOND MOTION FOR REHEARING**

I. INTRODUCTION

Southern Cross Transmission, LLC's (SCT's) second Motion for Rehearing (SCT's Motion) is generally a rehash of its prior briefing. TIEC has previously responded to the majority of SCT's alleged points of error, and the Commission should once again reject SCT's arguments for the reasons stated in its Order on Rehearing and in Texas Industrial Energy Consumers' (TIEC's) Initial and Reply Briefs on Rehearing.¹

TIEC will respond briefly to SCT's new "request for clarification" related to ERCOT's cost study, which should also be rejected. The Order on Rehearing describes the Commission's intent to assign *all* costs incurred to support construction and operation of the SCT DC Tie to SCT and the entities transacting over the Tie, including costs that may arise in the future. That was also TIEC's understanding from the Open Meeting discussion around the final order. SCT's requested "clarification" would substantively change the Commission's Order by limiting the cost assignment envisioned in the final order to a "one-time" assignment that can never be revisited, even if it becomes apparent that SCT is imposing additional costs on the system for which ERCOT ratepayers receive no benefit.

Additionally, it is not reversible error for the Commission to require SCT and the entities transacting over the SCT Tie to bear all costs associated with the construction and operation of that Tie on a continuing basis. The hearing revealed no compelling evidence that the SCT Tie will provide net benefits to ERCOT ratepayers, and the Commission's order is appropriately

¹ See Docket No. 45624, Texas Industrial Energy Consumers' Initial Brief on Rehearing (Dec. 14, 2016); Docket No. 45624, Texas Industrial Energy Consumers' Reply Brief on Rehearing (Dec. 28, 2016).

premised on assigning costs to the SCT Tie (and entities transacting over the tie) to the extent that ERCOT ratepayers *do not* benefit.² The Commission's intent is clear, and the cost assignment provisions of the Order on Rehearing are narrowly tailored to ensure that SCT is only responsible for costs that are driven by the construction and operation of the SCT Tie, so there is no reason to modify the Order as SCT requests.

II. ARGUMENT

A. SCT's requested "clarification" should be rejected because it would substantively change the cost allocation intended by the Commission's Order on Rehearing.

There is no evidence that the SCT Tie will benefit ERCOT ratepayers, so the Commission appropriately adopted broad language assigning *all* incremental costs associated with the construction and operation of the SCT Tie to SCT and the entities transacting over that tie—including future costs that may not be anticipated at this time. This condition is meant to hold ERCOT customers harmless for the incremental costs required to support the business activities of SCT and entities transacting over the tie. The Commission's intent is apparent throughout the Order on Rehearing. For example, Finding of Fact 113D states:

Because of the failure to demonstrate meaningful benefits to Texas customers and the uncertainty caused by the Southern Cross DC tie, it is in the public interest not to allow *any additional associated costs that may arise* because of the Garland line, the Garland substation, the Oncor substation, and the Southern Cross DC tie to be uplifted to ERCOT ratepayers.³

This Finding of Fact is clearly forward-looking, and shields ERCOT ratepayers from any costs that may arise in the future as a result of the SCT Tie. This is an appropriate condition based on the evidence, and should not be compromised as SCT requests.

SCT has requested a new Ordering Paragraph to "clarify" the Commission's intended cost allocation scheme, but that Ordering Paragraph would freeze any cost allocations related to the SCT Tie at the levels determined by ERCOT in Project No. 46304, and would require any future adjustment or redetermination of those allocations to be accomplished through rules and

² See Order on Rehearing at 8 (requiring ERCOT to evaluate potential benefits in determining the specific cost assignment).

³ Order on Rehearing at FoF 113D (emphases added).

protocols of general applicability.⁴ This proposed language is intended to preclude the SCT tie from being treated differently from other ties in the future, even where that may make sense from a cost assignment standpoint due to the size, purpose, and other features of the SCT Tie. This “clarification” should be rejected because the Commission’s intent is already clear, and because SCT’s language would contradict the existing cost assignment provisions in the Commission’s Order on Rehearing. Had the Commission intended to create a one-time allocation of costs to SCT, it could have adopted language to that effect. Instead, the Commission appropriately adopted broad, prospective cost assignment provisions and retained the flexibility to change its cost allocation scheme in the future.⁵ SCT has provided no persuasive reason for the Commission to abandon its chosen approach to allocating costs related to the SCT Tie.

B. The Commission’s Order on Rehearing appropriately limits the costs assigned to SCT and entities transacting over the SCT Tie to those that are directly caused by the construction and operation of that Tie.

Contrary to SCT’s claims, the cost allocation provisions of the Order on Rehearing are appropriately limited to costs that arise “because of” the construction and operation of the SCT Tie, and cannot plausibly be used to assign unrelated costs to SCT or the entities transacting over the Tie. SCT argues that the cost allocation provisions in the Order on Rehearing are ambiguous and constitute an abuse of discretion because they could lead to unrelated, third-party costs, such as the costs associated with interconnecting an economic transmission upgrade to the Garland substation, to be assigned to SCT.⁶ That is not the case, as illustrated in Finding of Fact 113D, which describes the costs that will be assigned to SCT and entities transacting over the Tie as “any additional associated costs that may arise *because of* the Garland line, the Garland substation, the Oncor substation, and the Southern Cross DC tie.”⁷ The cost of interconnecting an economic transmission upgrade or a similar project to the Garland or Oncor substations cannot properly be said to have arisen “because of” the construction and operation of the

⁴ See SCT’s Second Motion on Rehearing at 3 (“ERCOT’s determination in Project No. 46304 shall consider economic benefit as applicable and shall not be subject to adjustment or redetermination except in rules and protocols of general applicability to all DC ties and/or to entities engaged in transactions over DC ties.”).

⁵ See Order on Rehearing at 9 (“This cost allocation is subject to change after completion of the ERCOT studies and adoption of new ERCOT protocols and standards and Commission rules.”).

⁶ See SCT’s Second Motion for Rehearing at 5-7.

⁷ Order on Rehearing at FoF 113D (emphasis added).

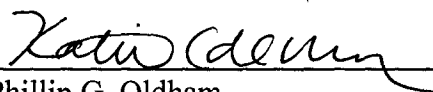
facilities listed in the Commission's Order on Rehearing. Therefore, it is not reversible error for the Commission to adopt the cost assignment provisions in its Order on Rehearing as they stand, and no modifications to that Order are necessary.

III. CONCLUSION

For the reasons stated above, the Commission should affirm its Order on Rehearing and reject SCT's arguments. The Commission's Order on Rehearing clearly assigns all present and future costs associated with the construction and operation of the SCT Tie to SCT and the entities transacting over that Tie. Not only is that result well-justified, but the Order on Rehearing is narrowly tailored to effectuate it. SCT has provided no compelling reason for the Commission to grant rehearing and further modify its Order.

Respectfully submitted,


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CERTIFICATE OF SERVICE

I, Katie Coleman, Attorney for Texas Industrial Energy Consumers, hereby certify that a copy of the foregoing document was served on all parties of record in this proceeding on this 24th day of April, 2017 by hand-delivery, facsimile, electronic mail and/or First Class, U.S. Mail, Postage Prepaid.


Katie Coleman