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PUBLIC UTILITY COMMISSION

PROJECT TO IDENTIFY ISSUES §
 PERTAINING TO LUBBOCK POWER §
 & LIGHT'S PROPOSAL TO BECOME §
 PART OF THE ELECTRIC §
 RELIABILITY COUNCIL OF TEXAS §

PUBLIC UTILITY COMMISSION

OF TEXAS

REPLY COMMENTS OF LUBBOCK POWER & LIGHT

Lubbock Power & Light ("LP&L") files this reply to the initial comments filed on April 11, 2016. On the pages that follow, LP&L provides specific responses to certain parties' comments on the issues posed by Public Utility Commission of Texas ("Commission") Staff on March 3, 2016. Before reaching those specific responses, however, LP&L first addresses general themes present in many parties' initial comments.

I. GENERAL DISCUSSION

LP&L acknowledges that, at first glance, much about its request to interconnect to the Electric Reliability Council of Texas ("ERCOT") might appear novel. But LP&L's request can also be understood as an approximate 430 MW load seeking interconnection with ERCOT and consideration of the transmission system upgrades that will be necessary to reliably and economically connect that load to the system. Such a request is not unusual.

Transmission upgrades are built to accommodate large new loads even in sizes in excess of what LP&L proposes here. For example, the Freeport Liquefied Natural Gas ("LNG") facility is expected to comprise 690 MW of load, without any self-serve generation, on the Gulf Coast.¹ Accommodating that project required a number of transmission upgrades that were approved by the ERCOT Board through the usual Regional Planning Group ("RPG") Process on February 9, 2015. In their initial comments in this Project, parties have proposed standards and procedures to be applied that are not applied to any other new load—connecting a new LNG facility to the system did not require a specific public-interest finding, or an analysis concluding that the benefits of the upgrades exceeded the costs, or a requirement to "hold the ERCOT system harmless" by reflecting the cost of transmission upgrades or the market effects of adding new load, or any other such threshold requirement. The Houston Import Project is another example.

¹ ERCOT Jones Creek Regional Planning Group Project Independent Review, http://www.ercot.com/content/wcm/key_documents_lists/51614/13_Jones_Creek_RPG_Project_Independent_Review.pdf.

To LP&L's knowledge, no party proposed that customers in the Houston Zone solely fund the Houston Import Project, a transmission project intended to relieve the constraint into that zone.

The fact that LP&L is outside what is commonly thought of as the "boundary" of ERCOT is less significant than it might seem at first—until it is connected to the system, *no* load is part of ERCOT. The "boundary" of ERCOT encompasses only those grid elements—loads, resources, and transmission—that are connected to the ERCOT system; the boundary has no geographic definition, and it is not a line drawn on a map. The Commission should not apply heightened or punitive standards to the connection of load that is beyond an arbitrarily assumed boundary line.

A common theme throughout many of the initial comments is that before deciding whether to permit LP&L to connect to ERCOT, more study is necessary. Some commenters urged that the decision whether to permit LP&L to join ERCOT occur only in a contested case. As LP&L explained in its initial comments and as highlighted below, the procedural path for this matter does not end with this Project. LP&L intends to file for a certificate of convenience and necessity ("CCN") by the end of the year, in conjunction with its connecting Transmission Service Providers ("TSPs"), and intends to provide support for its proposed interconnection with ERCOT in that matter. As a contested case, parties to that proceeding will have the ability to conduct discovery and present evidence in support of their views.

In LP&L's view, this Project is not the vehicle for an ultimate ruling on the propriety of LP&L's move to ERCOT. Instead, it is a formalized space for vetting issues raised by Commission Staff and interested parties. Importantly, it is also a means for parties, Staff, and the Commissioners to convey what they believe to be important elements of LP&L's proof in support of its CCN application and what standards should apply. LP&L anticipates that Staff and the Commissioners might wish to provide guidance as to what aspects of the proposed transition should be included in LP&L's study that will support its CCN application.

LP&L is indeed preparing a study related to its transition from Southwest Power Pool ("SPP") to ERCOT. That Transition Study is currently scoped to include:

- Cost of integrating LP&L's 430 MW load into ERCOT
- Impacts on ERCOT's annual access charge
- Impacts caused by LP&L's 430 MW load and generation capacity increase in the West Zone including impacts on ERCOT wholesale power market price, impacts

on ancillary services and other market charges/fees, impacts on congestion costs, the power flow impact of load addition and associated transmission facilities on local reliability, the avoided cost of planned synchronous condensers in West Texas, and the benefit of additional wind export capacity.

- Impacts on SPP including a transmission impact study, power flow impacts on local reliability, impact on SPP transmission rates, and impacts on wholesale power market from load and generation reduction.
- Impacts on LP&L's costs and consumers.
- Other quantifiable or non-quantifiable impacts identified.

Several parties made specific calls for particular proceedings to occur between this project and the initiation of LP&L's (and the other connecting utilities') CCN case. Golden Spread Electric Cooperative ("Golden Spread") proposes a "public interest" proceeding to occur first, with a separate proceeding to assign TSPs (more of which LP&L addresses in response to Question No. 1 below).² Oncor proposes a rulemaking to first define the processes and standards that would apply to the transition.³ These proposals are unnecessary and risk LP&L needlessly missing its target timeframe of integrating with ERCOT in June 2019. As LP&L explained in its initial comments, assignment of TSPs must occur this summer for the connecting utilities to file CCN applications at the close of 2016. This schedule affords eighteen months for the utilities to complete construction of the relevant lines. LP&L acknowledges the aggressiveness of this schedule, but notes that additional processes interjected between now and the CCN proceedings will prevent LP&L from meeting its target.

The CCN proceedings will afford parties full process, and ample opportunity to test and validate LP&L's proposal and the analytical support for it. There is no need to adopt a special rule before this occurs. As LP&L detailed in its initial comments, the Commission's Substantive Rule § 25.101(b)(3)(A)(ii) exempts LP&L from the strict cost-benefit threshold applied to economic projects, and instead would treat LP&L's proposal as a reliability project in which a Transmission Service Customer seeks interconnection.⁴ ERCOT's Independent Review of

² Golden Spread Electric Cooperative's Initial Comments at 3 (Apr. 11, 2016) (Golden Spread's Initial Comments).

³ Initial Comments of Oncor Electric Delivery Company LLC at 2-3 (Apr. 11, 2016) (Oncor's Initial Comments).

⁴ 16 Tex. Admin. Code § 25.101(b)(3)(A)(ii) (TAC).

LP&L's own study should provide complete analysis from a reliability perspective and should quantify the benefits that are relevant to ERCOT's analysis.

Strangely, Xcel Energy ("Xcel") attempts to denigrate LP&L's motives for seeking integration with ERCOT as being economic only.⁵ Texas Industrial Energy Consumers ("TIEC") strikes a similar theme in its initial comments. First, LP&L observes that this position is an oversimplification—while economics are an important component of LP&L's consideration, other factors are critical as well. Given LP&L's location on the distant end of the SPP system, separated from the rest of the system by a persistent transmission constraint, SPP's capacity construct is particularly unworkable for LP&L. LP&L desires to be part of a grid subject to the direct governance of the Commission in its home state. ERCOT's collaborative stakeholder driven governance structure allows market participants such as LP&L more opportunity for input. LP&L's reasons for seeking ERCOT integration are not solely economic.

Even so, it is peculiar that Xcel would attempt to demean LP&L's motivations in this matter. As a steward of its citizen-ratepayers, LP&L should not be denigrated for seeking a lower-cost power source. LP&L is not an Investor-Owned Utility ("IOU") like Xcel. Instead, it is community owned, meaning that any benefit derived from joining ERCOT accrues to the community that LP&L serves, not distant investors. Xcel's position is particularly odd considering that the transparently economic motivation in this matter is its own. Xcel clearly does not favor losing LP&L as a payor of Xcel's transmission costs.

Lea County Electric Cooperative, Inc. ("Lea County") and Xcel's comments allege that LP&L's request amounts to somehow evading an obligation properly placed upon it in SPP. Indeed, in Xcel's words, LP&L's proposal is an attempt "to escape the incremental investment necessary to serve its customers."⁶ But this posture mis-frames LP&L's circumstance. LP&L is treated simply as a load in SPP. It has a wholesale supply contract with Xcel, not SPP, that concludes by its own terms at the end of May 2019. LP&L is not proposing to walk away from an obligation in SPP. Instead, it is proposing to satisfy its obligations regarding 430 MWs of load currently under contract with Xcel and to take a different direction from that point forward as to such load. At the end of this contract, LP&L has no further obligations to Xcel outside of

⁵ Xcel Energy's Initial Comments Regarding Lubbock Power & Light's Proposed Move to the Electric Reliability Council of Texas at 5 (Xcel's Initial Comments).

⁶ Xcel's Initial Comments at 4.

the 170 MW contract. The problem with Xcel and Lea County's position is evident when considering an analogy. One might imagine a different large load of similar size—a large refinery, for instance—located in the SPP footprint, connected to the SPP system, and served by Xcel. Consider what would occur if that refinery shut down. Would Lea County and Xcel claim that this refinery has improperly evaded an obligation in SPP? Would such a load be required to continue to pay transmission charges to Xcel? Xcel and Lea County's position does not suggest why LP&L should be treated any differently than such a load once LP&L's contract with Xcel expires.

Finally, a number of commenters have noted various areas in which they believe SPP's input will be critical to the Commission's consideration of LP&L's proposal. SPP's Initial Comments are notable in that they do not raise any issues that would in any manner bar LP&L's proposal. SPP states no intent to do the kind of special-case, one-off study that some commenters appear to believe is required. Instead, SPP states that it will evaluate the renewal or non-renewal of the SPP/Xcel Network Integration Transmission Service ("NITS") agreement related to LP&L's load as part of its normal planning process. As SPP states, its Open Access Transmission Tariff "does not prescribe a specific evaluation when an entity choose not to renew its NITS."⁷ SPP also makes clear that it views its relationship as being with Xcel—not with LP&L. SPP's comments explain: "There is no legal relationship or contract between SPP and LP&L" and that "LP&L is not a party to [the] NITS agreement,"⁸ statements to which LP&L agrees. It is clear that SPP views LP&L's potential departure from the SPP system as simply the loss of a load on the Xcel system, which is an event that requires no special SPP-specific process or analysis to address.

II. ISSUE-SPECIFIC RESPONSES

1. **How should the transmission service providers for the transmission facilities that would be needed to interconnect Lubbock Power & Light (LP&L or Lubbock) to the Electric Reliability Council of Texas (ERCOT) be selected?**

Most commenters agree with LP&L that the current process stated in the protocols can and should be used to apportion any LP&L transmission integration projects to the responsible TSPs. Only one party—Cross Texas Transmission ("CTT")—proposes a competitive selection

⁷ Southwest Power Pool's Responses to Commission Staff's Questions at 1 (Apr. 11, 2016) (SPP's Initial Comments).

⁸ *Id.* at 4.

process along the lines of what was performed in the Competitive Renewable Energy Zone (“CREZ”) process. CTT’s proposal would inject unnecessary processes into this matter, place LP&L’s desired integration schedule at risk, and is inconsistent with the Protocols. As LP&L explained at the outset of these reply comments, LP&L’s proposal can be thought of as the connection of a load to the ERCOT. CTT notes that LP&L’s project is not a typical RPG project and does not neatly fit into the established categories of projects that the RPG process addresses.⁹ While the LP&L integration projects are indeed not a perfect fit for the RPG process, ERCOT is currently applying them to the extent possible, and no logical reason is given why current Protocol Section 3.11.4.8 cannot be applied to the projects that will be recommended by ERCOT in its forthcoming study. The process set forth in the ERCOT protocols has been used many times, and this instance presents no obstacles to using it here—the integration projects would terminate with LP&L at one end and an existing ERCOT utility on the other, and so the end point-based allocation required by the protocols can be conducted.

It is not clear why this course should be rejected in favor of some other TSP selection process not currently governed by any rule nor set out in any statute or ERCOT protocol. The Commission would be developing this process in real-time, during the same timeframe that LP&L would ask the selection to occur. For such an “open season” process to be sound, assuming statutory authority for it exists, it would need to be addressed in a rule. As explained in LP&L’s Initial Comments, there is not sufficient time to complete a rulemaking and a TSP selection proceeding without preventing LP&L from meeting its targeted integration date of June 1, 2019. CTT states that the process it recommends could occur “in parallel with the proceeding to ascertain whether to proceed with the proposal.”¹⁰ But as LP&L details in its initial comments, LP&L envisions the decision to permit it to integrate with ERCOT to be considered in a CCN proceeding filed at the end of 2016. CTT does not detail what the proceeding would look like, and under what standards it would be conducted. It is difficult to contemplate how CTT’s proposed route would not result in a substantial delay to LP&L’s integration with ERCOT.

⁹ Initial Comments of Cross Texas Transmission, LLC at 1 (Apr. 11, 2016) (CTT’s Initial Comments).

¹⁰ *Id.* at 3.

Golden Spread proposes bifurcation of the TSP selection process and the decision as to whether LP&L may integrate with ERCOT.¹¹ To this limited extent, LP&L agrees, inasmuch as LP&L urges that the TSP selection occur first so that the relevant TSPs can file for CCNs at the end of 2016. However, Golden Spread proceeds to argue in favor of a process where the Commission decides whether LP&L should be permitted to integrate with ERCOT first, then assigns the projects to TSPs. For the reasons stated above, this sequential processing of LP&L's proceeding should be avoided.

ERCOT expresses openness to applying Protocol Section 3.11.4.8 if the Commission so directs, but ERCOT also states that LP&L might not be considered a TSP under the protocols. LP&L addressed this line of reasoning in its initial comments. In short, every decision or recommendation that ERCOT or the Commission might make between now and approving LP&L's request to join the ERCOT grid (in the context of a CCN case) is contingent upon the Commission ultimately giving that approval. If the Commission ultimately decides that LP&L should not be an ERCOT TSP—that it should remain in SPP—then there are no LP&L transmission integration projects, and nothing for ERCOT to assign to anyone. LP&L's request is that ERCOT and the relevant TSPs apply Protocol Section 3.11.4.8 contingent upon the Commission approving the transition to move forward, just as ERCOT's recommendation of a transmission plan in its forthcoming study is contingent on that same approval. To the extent ERCOT requests guidance on the application of Section 3.11.4.8 in this matter, LP&L requests the Commissioners provide that guidance.

2. Would making LP&L part of ERCOT be in the public interest?

Most commenters decline to provide a response to this item, which in essence asks the ultimate question that the Commission may be requested to decide regarding LP&L's transition. ERCOT's initial comments properly note that the study it is currently conducting is not focused on the broader picture of cost and the benefits that LP&L's integration would provide.¹² To the extent that parties' reluctance stems from a perceived lack of study, LP&L refers to its discussion at the outset of these reply comments, and notes that it intends to provide a more comprehensive

¹¹ Golden Spread Electric Cooperative's Initial Comments at 3 (Apr. 11, 2016) (Golden Spread's Initial Comments).

¹² ERCOT Response to Commission's Questions and Request for Comments at 2 (Apr. 11, 2016) ("ERCOT's Initial Comments").

Transition Study in its CCN case to be filed in late 2016. LP&L welcomes the input of Staff and the Commissioners as to what that Transition Study should include.

Xcel does address the question, and argues that what it characterizes as the “more stringent” standard stated in the Public Utility Regulatory Act (“PURA”) § 37.056 should apply to LP&L’s request to join ERCOT.¹³ Xcel particularly advocates that subsection (d) of that section is applicable, addressing as it does projects “not necessary to meet state or federal reliability standards and that does not serve a competitive renewable energy zone.”¹⁴ Subsection (d) addresses what are commonly known as “economic” transmission projects.

What Xcel’s comments do not consider is the Commission’s rule embodying PURA § 37.056. As LP&L explained in its initial comments, that rule details the two alternate paths to a CCN for a new transmission line: economic projects and reliability projects. Economic projects are subject to a defined cost benefit analysis, presumably the analysis that Xcel would like to have applied to LP&L’s proposal, given its citation of subsection (d) of PURA § 37.056. Yet, 16 TAC § 25.101(b)(3)(A)(i) states that “[t]his requirement does not apply to an application for a transmission line that is necessary to meet state or federal reliability standards, including . . . a transmission line needed to interconnect a transmission service customer.”¹⁵ The Commission’s Substantive Rule 25.5(142) also defines a transmission service customer as including, among other entities, a municipally-owned utility.¹⁶ Xcel’s Initial Comments, therefore, overlook the exception to the economic project test provided for in the Commission’s rules; that economic project test does not apply to a municipally-owned utility’s request to obtain transmission interconnection.

Instead, in considering a project not addressed by subsection (i) quoted above, the Commission shall give “great weight” to a request of a transmission service customer to interconnect, and shall consider, among other items, “the needs of the interconnected transmission systems to support a reliable and adequate network and to facilitate robust wholesale competition,” factors which would undoubtedly be met here. LP&L and ERCOT have endeavored to craft the most cost-effective and reliable means of interconnecting LP&L to ERCOT, and LP&L itself is a credit-worthy and sizeable load that will be participating in the

¹³ Public Utility Regulatory Act, Tex. Util. Code Ann. § 37.056 (West 2007 & Supp. 2014) (PURA).

¹⁴ Xcel’s Initial Comments at 3-4.

¹⁵ 16 TAC § 25.101(b)(3)(A)(i).

¹⁶ 16 TAC § 25.5(142).

wholesale electricity market. Far from viewing PURA § 37.056's requirements as an obstacle to its integration with ERCOT, LP&L views the statute—as interpreted by the Commission's rule—as being supportive of its request.

Xcel also proposes that the Commission look to PURA § 14.101 in evaluating LP&L's request.¹⁷ That section establishes a reporting requirement when a utility seeks to sell more than \$10 million dollars' worth of a plant as an operating unit or system. Under subsection (c) of that section, the Commission may determine whether the transaction is in the public interest and may disallow the effect of the transaction in a future rate case, if the transaction unreasonably affects rates or service. Section 14.101 is not applicable to LP&L's request; it is not proposing to sell any of its infrastructure, and its proposal could not reasonably be construed as doing so. LP&L's system is its own, and LP&L's only obligation to Xcel is pursuant to its wholesale supply contract, which, for the 430 MW at issue, expires at the end of May 2019.

Xcel also contends that the Commission should consider “an appropriate remedy” to hold Xcel's remaining retail and wholesale customers harmless from a purported shifting of transmission costs that are allocated to the Xcel Energy zone in SPP.¹⁸ Xcel does not specify what such a remedy would be, or how to work within the Xcel/SPP regulated or market construct. Also, Xcel does not specify any authority in support of such proposition.

LP&L's obligations to Xcel regarding the 430 MW of load at issue extinguish with the expiration of the current wholesale supply contract with the company at the end of May 2019. Xcel does not explain where any additional obligations would come from, such that LP&L would be required to make the company “whole.” Xcel's claim is also inconsistent with how loads operate within the SPP system. As in ERCOT, no provision or mechanism in SPP requires a departing load to make Xcel whole. When a large industrial or commercial load leaves the Xcel footprint—an event that is certainly not unheard of—neither Xcel nor SPP impose an obligation on the departed load to compensate Xcel in some manner.

TIEC makes a similar argument regarding SPP, but extends the same concern to customers in ERCOT, as well. In TIEC's view, LP&L should be held “responsible for all net, identifiable costs that would be imposed on SPP (and its customers) and on ERCOT (and its customers)” and that LP&L should be held to a “no harm” requirement with respect to

¹⁷ Xcel's Initial Comments at 4.

¹⁸ Xcel's Initial Comments at 5.

customers.¹⁹ As this argument pertains to SPP, it is flawed in the same manner as Xcel's claims. Regarding ERCOT, this concept presents other difficulties because of PURA's requirement that the ERCOT utilities' combined annual cost of transmission be recovered through the postage stamp-pricing methodology and because of the manner in which the ERCOT market functions.

As LP&L explained in its initial comments, LP&L wishes to join the ERCOT system on the same footing as other TDSPs. LP&L acknowledges that this means it will bear its share of transmission investment throughout the ERCOT system, including such projects as the Houston Import Project, which do not directly benefit the West Texas or Panhandle areas at all.

As TIEC is aware, large new loads—such as the Freeport LNG facility at 690 MWs—are not required to abide by a “no harm” standard. Such a load is simply connected to the ERCOT system, and the required transmission upgrades to accommodate it are built, included in the transmission cost of service (“TCOS”) matrix, and charged to distribution service providers (“DSPs”) throughout the system. If applied to all new large loads on the ERCOT system, such a standard as TIEC suggests would upend one of the basic features of the ERCOT system.

Practical questions apply to such a “no harm” standard as well—for instance, over what time horizon would the no-harm standard apply? As a member of ERCOT in perpetuity, LP&L would be paying its share of the TCOS revenue requirement for decades, a payment that would only increase as the total TCOS revenue requirement increases to accommodate the investment needed to meet load growth. Similarly, LP&L would also be paying for its share of a variety of ERCOT market uplift items in perpetuity, including the cost of ancillary services and any defaults that occur. If LP&L is made to pay some kind of “no harm” compensation at the outset of its transition to ERCOT, would LP&L receive a refund if the sum total of its contributions to the market and TCOS system are greater than expected? Significant questions also surround who such compensation would go to.

Requiring LP&L to either forego its own investment in a transmission integration project, or fund other utility's investment in such a project, while still requiring LP&L to pay its share of every other utility's TCOS investment is inequitable and inconsistent with the “postage stamp” method of transmission pricing set forth in PURA § 35.004(d). It would also be discriminatory

¹⁹ Texas Industrial Energy Consumers' Response to Commission Staff's Request for Comments at 2 (Apr. 11, 2016) (TIEC's Initial Comments).

and would require the old transmission wheeling regime that the Legislature scrapped when it mandated open access transmission and the postage stamp pricing in ERCOT.

3. Would the benefits of LP&L becoming part of ERCOT exceed the costs of LP&L becoming part of ERCOT?

Consistent with a theme struck throughout the initial comments, many parties call for more studies on this and other issues. As noted elsewhere in these reply comments, LP&L intends to present a Transition Study in its contemplated CCN case at the end of the year. LP&L welcomes Commission guidance as to what that study should include.

It bears emphasizing, however, that the strict cost-benefit methodology stated in 16 TAC § 25.101(b)(3)(A)(i)—comparing annual production cost savings to the first year revenue requirement associated with the transmission project—is not required in this instance. The terms of the rule expressly exempt a project necessary to interconnect a transmission service customer.

LP&L's proposal to integrate with ERCOT does implicate important, non-quantifiable, policy considerations. In that sense, LP&L agrees with ERCOT that in addition to quantifiable considerations, this matter presents "social or political considerations that are not readily captured in traditional transmission planning methodologies and that would therefore be better evaluated by the Commission."²⁰ Such policy considerations should include the non-quantifiable benefit of rendering more Texas consumers subject to the sole market design and policy judgments of the Commission, and extending the benefits of the highly successful ERCOT wholesale market model to additional Texans.

4. What is the impact on production costs for both ERCOT and the Southwest Power Pool (SPP)?

As explained throughout these comments, LP&L intends to present a Transition Study in its subsequent CCN proceeding. The Transition Study will encompass a number of items, including production cost effects in both markets. ERCOT's Initial Comments reference a combined ERCOT/SPP study on production cost effects but notes the difficulty of such a study, and states that it would take six months or more to develop and implement the study.²¹ If such a study were to be required in a sequential manner—that is, sometime between now and the filing of the CCN case, with that subsequent CCN case awaiting completion of the study—LP&L

²⁰ ERCOT's Initial Comments at 3.

²¹ *Id.*

would be unable to meet its targeted integration time frame. Notably, SPP's Initial Comments state that to answer this question a study would be necessary, but SPP suggests no intent on its part to perform such a study.²²

American Electric Power ("AEP") echoes calls for a study to be conducted on this issue, but also injects the possibility that Direct Current ("DC") ties should be considered as an option for LP&L to access "potentially lower cost purchased power from the ERCOT market in comparison to taking power from the SPP."²³ AEP's proposal misconstrues LP&L's intent in seeking interconnection with ERCOT. It is not about harvesting a transitory price differential between SPP and ERCOT, as AEP's DC tie proposal seems to envision. LP&L's request is to join ERCOT for all purposes, to be a full participant in ERCOT's wholesale market, and to be subject to ERCOT's transmission planning and pricing regimes. While ERCOT's wholesale pricing now favorably compares to SPP's, LP&L recognizes that this may not always be the case. Nonetheless, LP&L's attraction to ERCOT is to the fundamentals—to ERCOT's market design, to its regulators and stakeholder governance structure, and to its transmission system. Not only would AEP's DC tie proposal not accomplish what LP&L desires regarding ERCOT, it would require an additional regulatory process at FERC.

For its part, Xcel calls for more study on this issue, but also offers the speculation that because SPP has excess capacity, LP&L should be able to acquire capacity from SPP suppliers without the need for additional transmission upgrades. Xcel then suggests that "LP&L's proposed departure from SPP would be unlikely to reduce the price of power in SPP."²⁴ It is not clear how Xcel arrived at these conclusory statements because they are entirely at odds with LP&L's experience in the SPP market. First, Xcel's statement that SPP has excess capacity is a non-sequitur; as Xcel is undoubtedly aware, SPP imposes a deliverability requirement on power contracts. As a result, the critical consideration is not the sum total of capacity in SPP, but where it is *located* relative to LP&L. Xcel is also undoubtedly aware that a persistent transmission constraint northeast of LP&L renders that deliverability requirement very difficult to meet, and results in very few feasible supply options. It is also not clear how removing 430 MW of load from SPP will *not* reduce the price of power in SPP, as Xcel claims. In principle, removing load

²² SPP's Initial Comments at 2.

²³ Response of AEP Texas Central Company, AEP Texas North Company and Southwestern Electric Power Company to Request for Comments at 7 (Apr. 11, 2016) (AEP's Initial Comments).

²⁴ Xcel's Initial Comments at 6.

places the SPP system further down the supply curve, reducing the need to dispatch less-efficient units, and reducing prices. This is true irrespective of the system's total capacity being in excess of expected demand.

Xcel's Initial Comments also state that LP&L joining ERCOT will increase demand in ERCOT.²⁵ While true—indeed, almost tautological—this statement oversimplifies the matter. It overlooks the analysis presented in LP&L's Initial Comments that if ERCOT is to add 430 MW of load anywhere on its system, doing so at LP&L's location presents the most benefit, given the reliability issues currently present in the Panhandle area.

5. What is the impact on ancillary service costs for both ERCOT and SPP?

ERCOT's Initial Comments note that, in the ERCOT ancillary services market, assuming no increase in total ancillary services, LP&L integration could result in a small savings because of increased load available to pay for ancillary services and the addition of LP&L's generating units.²⁶ LP&L highlighted similar dynamics and reached a similar conclusion in its Initial Comments.

SPP notes that a study would be required to answer this question, but does not propose to conduct one.²⁷

6. What is the impact on transmission costs for SPP?

In its initial comments, Xcel presents a rough analysis of \$230 million in Xcel transmission, with LP&L being 10% of that total. Xcel claims that the resulting share of its transmission cost would be redistributed to its other customers.²⁸ Lea County makes a similar claim. However, for several reasons, this figure is overstated. Xcel states that "LP&L is approximately 10% of Xcel Energy's total transmission loads"²⁹ but fails to acknowledge that LP&L's proposal does not encompass the entirety of LP&L's load. This alone results in Xcel's calculation being over-simplified and overstated.

Furthermore, Xcel's claim does not account for how transmission in SPP is actually priced. In SPP, cost allocation of transmission is based on voltage level classifications. For facilities with a voltage greater than 300-kV, the cost of those facilities is spread over all SPP

²⁵ *Id.*

²⁶ ERCOT's Initial Comments at 3.

²⁷ SPP's Initial Comments at 2.

²⁸ Xcel's Initial Comments at 7

²⁹ *Id.*

load, and all entities would pick up their load ratio share in the SPP region. LP&L's current regional load ratio share is approximately 1.1%. Facilities with a voltage level below 100-kV are allocated to the pricing zone where the facility resides. In the case of LP&L, these revenue requirements for these elements would be shared between SPS ("Southwestern Public Service Company") (90.4%), LP&L (9.5%), and Lea County Electric Cooperative (0.1%). Facilities between 100-kV and 300-kV are allocated 1/3 to the region and 2/3 to the pricing zone. When LP&L transfers a portion of its load to ERCOT, the revenue requirements for LP&L facilities would be removed from the SPP revenue requirement. Also, the remaining SPP members would have their load ratio share percentages in the region and zone recalculated for the reduced SPP system load.

Xcel and Lea County's figures, even if accurate, do not account for the avoided cost of transmission that would be needed to accommodate LP&L load growth in the future. Already, SPP has identified one potential project that may be avoided, but notes further study with updated assumptions would be still be required.³⁰

7. What is the impact on reliability for both ERCOT and SPP?

ERCOT stated that integrating LP&L into the ERCOT system will not have any significant reliability impact to ERCOT and may improve stability in the Panhandle, along with providing additional Panhandle export capacity.³¹ SPP stated that it intends to maintain the reliability of its own system, and that further study would be necessary, but is silent as to whether it intends to conduct any such study outside of its normal planning process.³²

Xcel says that the incremental cost of transmission upgrades in ERCOT should be borne by LP&L;³³ the suggestion that LP&L be required to fund, or forego recovery of, any transmission investment to connect it to ERCOT is discussed elsewhere in these comments. In short, this concept is inconsistent with the postage stamp transmission regime in ERCOT, is inequitable given that LP&L would still be required to pay for others' transmission investment, and is not consistent with LP&L's desire to be a long-term participant in ERCOT on equal footing with other participants.

³⁰ *Id.* at 2-3.

³¹ ERCOT's Initial Comments at 3-4.

³² SPP's Initial Comments at 2.

³³ Xcel's Initial Comments at 8.

8. Are there any future projects avoided due to the Lubbock integration into ERCOT?

SPP has identified at least one potential project that might be avoided because of LP&L leaving SPP, but notes that a re-evaluation of the project is needed to know for certain. LP&L intends to examine this issue as part of the Transition Study it will present in its CCN case.

ERCOT's Initial Comments agree in principle that there may be avoided projects in ERCOT, but ERCOT notes that it cannot know with more certainty until it conducts planning studies in the future. As LP&L explains in its initial comments, ERCOT has previously identified the need for a 345-kV double circuit Long Draw-to-Ogallala project in its 2014 Panhandle Renewable Energy Zone ("PREZ") study; LP&L's proposal can be thought of in part as merely accelerating resolution of the same Panhandle issues that the Long Draw-to-Ogallala line is planned to address once installed wind capacity in the Panhandle increases somewhat. It bears emphasizing that LP&L did not itself devise the need for this line; LP&L simply refers to ERCOT staff's own April 2014 Panhandle study. LP&L identified the costs of additional synchronous condensers in the Panhandle in its Integration Study, as LP&L detailed in its initial comments.

AEP says that future projects might be postponed if additional synchronous condensers are determined to be needed and "if the LP&L integration includes a transmission line in the Panhandle CREZ system." To be clear, these conditions are met. LP&L does indeed intend to connect to the CREZ lines, and LP&L's Integration Study identifies the avoided cost of the synchronous condensers avoided by virtue of the integration.

9. What is the impact of integrating the Lubbock footprint on the capacity, demand, and reserve margins for ERCOT and SPP?

Not addressed.

10. Who is responsible for the costs of disconnecting LP&L from SPP and interconnecting into ERCOT?

11. For any transmission facilities that LP&L constructs to interconnect LP&L with ERCOT, should LP&L be required to forego inclusion of any of those costs in its wholesale transmission rates? If so, how much?

12. **For any transmission facilities that Transmission Service Providers other than LP&L construct to interconnect LP&L with ERCOT, should LP&L be required to make contributions in aid of construction for those interconnecting transmission facilities and forego inclusion of any of those costs in its wholesale transmission rates? If so, how much?**

Because these questions ask variations of the same basic issue, LP&L groups Question Nos. 10, 11, and 12 and provides a reply as follows.

ERCOT speaks briefly to the issue of cost responsibility for the potential LP&L transmission integration project, and notes only that it “presumes these [costs of upgrades to connect to ERCOT] would be included in TCOS and funded by consumers in ERCOT.”³⁴ Such an assumption is understandable, given that the ERCOT’s systems TCOS construct makes no provision for a special category of TDSP who must pay for every other utility’s transmission investment, but must either self-fund or forgo recovery of its own.

However, as discussed previously in these reply comments, both Xcel and TIEC say that ratepayers in SPP and ERCOT should be held harmless from any costs resulting from the transition. Similarly, AEP makes the general statement that the Commission should consider whether LP&L should bear some or all of the cost of the integration.³⁵ LP&L has explained in these reply comments and its initial comments how such proposals run afoul of PURA and ERCOT’s transmission pricing scheme. LP&L will not repeat those points here.

Xcel specifically recommends that LP&L bear responsibility for “transmission facilities that Xcel Energy or the SPP reasonably expected LP&L would pay for over the life of those projects.”³⁶ This notion is flawed in several respects. Xcel’s purported “reasonable expectations” aside, LP&L and Xcel have a contract relating to the 430 MWs of load at issue, which LP&L intends to honor through its expiration at the end May 2019. As LP&L has emphasized previously, this is not an instance of LP&L walking out on an obligation to Xcel; what LP&L proposes is satisfaction of its obligation to Xcel for the load in question, and seeking a new path forward thereafter.

It is important to remember the process undertaken by LP&L to reach a decision to seek interconnection with ERCOT did not happen overnight. The task of finding a new long-term source of power was prompted by a legal ruling that forbid LP&L from re-signing its current full

³⁴ ERCOT’s Initial Comments at 4-5.

³⁵ AEP’s Initial Comments at 9.

³⁶ Xcel’s Initial Comments at 9.

requirements contract in its current form. LP&L underwent a public process lasting nearly eighteen months that included a Request for Proposal (“RFP”) issued requesting any and all solutions for future power for the Lubbock citizens. The RFP did not put restrictions on the types of solutions to be submitted. It merely asked that entities submit solutions that would provide reliable service to LP&L.

A large number of providers, of which Xcel Energy or their subsidiary SPS Texas were not included, submitted proposals of varying size and scope from both the SPP and ERCOT systems. LP&L spent an extensive amount of time analyzing all submitted proposals and ultimately came to the firm conclusion that a long-term transition to the ERCOT market would be beneficial to the ratepayers of Lubbock and ERCOT.

Furthermore, Xcel’s comments are belied by the public statements of certain of its officials. In an RTO Insider story recounting a discussion at SPP’s Strategic Planning Committee in late 2015, Bill Grant of Xcel was reported as saying “I can tell you no facilities were built just for Lubbock.”³⁷ In any event, LP&L’s departure from SPP would appear to be viewed by SPP itself as simply the departure of a load, which is an event that can be sufficiently considered in SPP’s normal planning process and that requires no special procedure or analysis.

13. What is the impact on Congestion Revenue Rights for ERCOT and Transmission Congestion Rights for SPP?

In its initial comments, SPP states that Transmission Congestion Rights (“TCR”) for LP&L’s load are held by Xcel and terminate with the NITS agreement with Xcel in July of 2019. Those TCRs would then simply be reallocated to other participants in the SPP system.

On the ERCOT side, ERCOT highlights a series of timing challenges in coordinating the ERCOT modeling and CRR auction processes.³⁸ ERCOT does state that a NOIE load zone eliminates any impact on the values of CRRs sourced and sunk in any current load zone. Given that ERCOT raises no insurmountable obstacles to coordinating these issues, LP&L is confident that it and ERCOT can reach a workable approach to these issues between now and 2019.

³⁷ RTO Insider, SPP Ponders Response to Lubbock’s ERCOT Move (October 19, 2015). Available at <http://www.rtoinsider.com/spp-ponders-response-to-lubbock-ercot-move-18564/>.

³⁸ ERCOT’s Initial Comments at 5-6.

14. **What would the integration impact be for storm hardening and storm recovery and reliability for both Lubbock and surrounding areas?**

No response.

15. **In addition to LP&L, which utilities, if any, in Texas that are currently in SPP want to become part of ERCOT? Should the possible interconnection of these utilities to ERCOT be included in the evaluation of interconnecting LP&L to ERCOT? Are any utilities harmed by remaining in SPP?**

No response.

16. **How would the Commission's jurisdiction of Lubbock change post-integration?**

No response.

17. **What is the timeline for integrating LP&L into ERCOT's operations and market systems and are there any milestones to determine rate of completion?**

AEP's comments suggest that the Commission should require LP&L to develop a more specific and comprehensive plan to address the timeline for these activities.³⁹ However, as LP&L indicates in its initial comments, LP&L is in contact with ERCOT staff on these issues and development of that timeline is underway. Those discussions confirm LP&L's view that its June 2019 integration timeframe leaves sufficient time for these activities. In its filed comments, ERCOT agrees and says that this process should begin "as soon as possible after receiving all regulatory approvals."⁴⁰ LP&L believes that the specific lead times for the activities specified in ERCOT's comments to be reasonable and achievable. For instance, LP&L finds the 90-day lead time for model data submission feasible. LP&L certainly agrees with ERCOT that working closely with ERCOT staff on these activities will be important,⁴¹ and is committed to doing so.

AEP makes reference to LP&L's "broadly stated timeline" range of 2019 to 2021 for its integration.⁴² To be clear, LP&L's wholesale contract with Xcel for the load at issue expires on May 31, 2019. The reference to the year 2021 comes from LP&L's Integration Study submitted to RPG. That year served as the study year for that analysis in the event that LP&L's integration is caused to be delayed for any reason. In such an instance, LP&L did not want to be put in the position of being required to re-perform its Integration Study and go through a quasi-RPG process again at some point in the future, delaying its proposed integration further. In any event,

³⁹ AEP's Initial Comments at 12.

⁴⁰ ERCOT's Initial Comments at 7.

⁴¹ *Id.*

⁴² AEP's Initial Comments at 12.

conditions on the system in 2021 do not differ substantially from 2019 and the differences can be, and have been, accounted for in LP&L's Study. LP&L's wholesale supply for 430 MW of its load expires on May 31, 2019, and starting in on June 1, 2019, a new direction will be required.

18. What is the timeline for regulatory filings in Texas and other jurisdictions?

Consistent with LP&L's Initial Comments, no commenter indicates that a filing in any jurisdiction other than Texas will be required. SPP does not suggest that any SPP or FERC submittal is required to accommodate LP&L's proposal.

Xcel and Golden Spread propose a two-stage process of first considering the public interest and whether the transition should occur, and next conducting the CCN cases.⁴³ Instead of this multiple-phase process, as set forth in LP&L's Initial Comments, LP&L proposes to file a CCN application, in conjunction with its connecting utilities, that addresses the need for the relevant transmission lines—a question that encompasses whether LP&L's transition to ERCOT should be authorized at all—along with customary routing issues. This proceeding would occur on a one-year timeline. The two-stage proposal suggested by Xcel and Golden Spread is not necessary, as the CCN proceeding will provide interested parties ample avenues to conduct discovery, present testimony and argument, and contest or support LP&L's integration into ERCOT. Breaking the process into two or more proceedings is unnecessary and risks rendering LP&L's target integration timeframe of June 2019 unachievable.

19. What is the cost of integrating the remaining 170 MW load into ERCOT and are any additional benefits accrued? What would be the costs and benefits of maintaining systems in both SPP and ERCOT should the remaining 170 MW load remain in SPP?

As ERCOT observed, all of the transmission integration options under consideration can accommodate the additional 170 MW at some future date. While LP&L does not seek integration of this load into ERCOT at this time, the transmission integration options proposed in LP&L's Integration Study will be able to integrate that additional load at the appropriate time.

AEP suggests that a solution should be considered that keeps LP&L in SPP; while AEP does not specify in this section what solution it contemplates, LP&L understands it to be a reference to AEP's proposal to leave LP&L's 430 MW load connected to SPP, and to connect LP&L to ERCOT by a DC tie. As noted previously, this proposal does not meet LP&L's intent in seeking to join ERCOT, raises additional FERC jurisdictional issues, and based on reports

⁴³ See Xcel's Initial Comments at 11, Golden Spread's Initial Comments at 3.

given to the RPG stakeholder group, does not appear to be under final consideration as a solution that ERCOT staff will recommend.

As Xcel correctly notes, LP&L has a contract with Xcel for 170 MW of its load through 2044. While Xcel states it assumes that LP&L will honor that contract, Xcel's comments also consider what should occur should LP&L "breach its contract" with Xcel.⁴⁴ LP&L has stated this publicly in other documents, and will do so again here—LP&L has no intention of breaching this contract with Xcel. LP&L does not seek integration of this load into ERCOT at this time, and there is no reason to consider the issues that Xcel raises in this section of its comments, including the contemplation of an "appropriate remedy" that includes breach of contract damages.⁴⁵

- 20. Changes made to the transmission system as part of the process of integrating LP&L into ERCOT may provide new opportunities for wind developers. What impact, if any, will increased wind power penetration have on consumers in ERCOT and on the ERCOT system?**

Not addressed.

- 21. What studies should ERCOT perform?**

LP&L intends to conduct a Transition Study that addresses ERCOT-specific issues. LP&L invites guidance from the Commissioners as to what that study includes.

Importantly, however, beyond the currently-pending transmission integration study at RPG, ERCOT states the intent to perform a relatively limited set of studies (including a subsynchronous resonance study) addressing the interconnection of LP&L's generation, should the integration be approved to go forward.⁴⁶ Given the analysis that is being performed in ERCOT's pending transmission integration study, ERCOT states that a Full Interconnection Study ("FIS") will not be required.⁴⁷ ERCOT also states that a process for the cutover would need to be developed in conjunction with the connecting TDSPs. LP&L agrees that the customary studies associated with generation interconnection would be required, but appreciates ERCOT's conclusion that a complete FIS should not be performed given the large amount of study and analysis currently going into ERCOT's pending Integration Study.

⁴⁴ See Xcel's Initial Comments at 12.

⁴⁵ *Id.* at 13.

⁴⁶ ERCOT's Initial Comments at 8-9.

⁴⁷ *Id.*

22. What studies should SPP perform?

At the outset of these reply comments, LP&L describes its intention to perform a Transition Study that addresses SPP-specific issues. LP&L welcomes the Commission's guidance as to what should be considered in that study.

Throughout their initial comments, Golden Spread, AEP, Xcel, and others propose that SPP perform a study on a number of SPP-oriented issues. However, as explained previously, it is significant that SPP does not propose to do any one-off, special studies of LP&L's proposal. Instead, SPP will study the departure of LP&L's load as part of its normal planning process. While SPP does not characterize its approach this way in its initial comments, it is clear that SPP views this matter as essentially the unremarkable departure of a load on the Xcel system.

23. What would be the benefits of LP&L becoming part of ERCOT? Please quantify the benefits to the extent quantification is possible.

Most commenters do not present a substantive answer to this question. However, ERCOT refers to the operational and reliability benefits that it believes may result from LP&L's integration in response to Question No. 7. The Wind Coalition provides a very thorough technical analysis of the benefits to the Panhandle system in its initial comments.

LP&L's Initial Comments, too, refer to the resulting benefits of its integration into ERCOT, benefits that include the avoided cost of synchronous condensers, improved system strength in the Panhandle, and improvement to the Panhandle export constraint. Another important benefit is LP&L's presence as an additional 430 MW payor into the TCOS matrix in perpetuity, and as a payor of a variety of load-ratio share uplift charges produced by the ERCOT market.

As noted throughout these comments, LP&L intends to present a Transition Study that quantifies these benefits, to the extent possible, in its CCN proceeding.

24. What would be the costs of LP&L becoming part of ERCOT?

LP&L presents the estimated costs of its own recommended integration options in its initial comments. Those costs may differ from the integration plan that is ultimately recommended by ERCOT; commenters will have more certainty surrounding the costs at issue once ERCOT issues its report and presents it to the ERCOT Board of Directors in June.

25. What are the ERCOT transmission capital costs net of synchronous condensers?

ERCOT's initial comments state that there may be a need for synchronous condensers in the Panhandle irrespective of whether LP&L joins ERCOT;⁴⁸ however, the 2014 ERCOT PREZ study identified the need for synchronous condensers, and that projected need formed the basis for LP&L's calculation of the avoided cost of synchronous condensers stated in its Integration Study. Projecting that benefit was not a speculative exercise on LP&L's part—its analysis of avoided costs is based on known issues in the Panhandle that ERCOT itself has reported.

26. What are the costs to disconnect Lubbock from SPP?

In its initial comments Xcel states that more study is necessary to determine whether it needs to upgrade its transmission system in the wake of LP&L's transition to ERCOT, and how "LP&L's exit . . . would affect SPP's planning for future projects."⁴⁹ But in its own comments, SPP does not propose to do a one-off or special LP&L study. As is the case when any load changes, arrives, or departs over time, SPP will simply take this issue into account in its regular planning cycle.

III. CONCLUSION

LP&L appreciates the opportunity to present these reply comments and looks forward to discussing these issues with Commission Staff and interested parties at the workshop on May 3, 2016.

⁴⁸ ERCOT's Initial Comments at 9.

⁴⁹ Xcel's Initial Comments at 15.

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Respectfully submitted,

LLOYD GOSSELINK

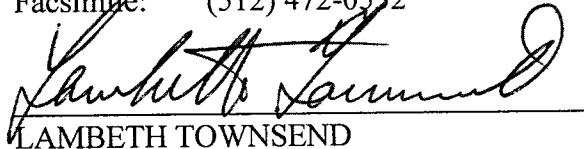
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A handwritten signature in black ink, appearing to read "Lambeth Townsend", is written over a horizontal line.

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