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DOCKET NO. 57115

JOINT APPLICATION OF THE CITY OF SAN ANTONIO, ACTING BY AND THROUGH THE CITY PUBLIC SERVICE BOARD (CPS ENERGY), AND SOUTH TEXAS ELECTRIC COOPERATIVE, INC. (STEC) TO AMEND THEIR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR THE PROPOSED HOWARD ROAD-TO-SAN MIGUEL 345-KV TRANSMISSION LINE IN BEXAR AND ATASCOSA COUNTIES	§ § § § § § § § § § § §	**PUBLIC UTILITY COMMISSION** **OF TEXAS**

DIRECT TESTIMONY

OF

PAUL G. PERSON

ON BEHALF OF APPLICANT

SOUTH TEXAS ELECETRIC COOPERATIVE, INC.

October 4, 2024

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DIRECT TESTIMONY

OF

PAUL G. PERSON

ON BEHALF OF SOUTH TEXAS ELECTRIC COOPERATIVE, INC.

I.

INTRODUCTION

Q. PLEASE STATE YOUR NAME, CURRENT EMPLOYMENT POSITION AND BUSINESS ADDRESS.

A. My name is Paul G. Person. I am employed at South Texas Electric Cooperative, Inc. (STEC) as the Manager of Engineering. My business address is:

South Texas Electric Cooperative, Inc.
2849 FM 447
PO Box 119
Nursery, Texas 77976

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE WITH STEC AND YOUR PROFESSIONAL QUALIFICATIONS.

A. My employment at STEC began in the position of Transmission Engineer in 2007, tasked with the design of transmission lines as well as the coordination of contracted engineering and construction services. In 2012, I transitioned to the position of Substation Engineer, tasked with the design of substations and the continued coordination of contracted engineering and construction services. In 2014, I became the Manager of Engineering, supervising all Substation, Transmission, Distribution and Planning Engineers, Engineering Assistants, Land Agents and the Construction Department. As the Manager of Engineering, I am responsible for the coordination and completion of all transmission line and

substation capital projects. Prior to my employment with STEC, I earned a Bachelor of Science degree in Physics from Texas State University in 1997 and a Master of Science degree in Physics from Texas State University in 1999.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS (PUC OR COMMISSION)?

A. Yes. I have submitted testimony in PUC Docket Nos. 48490, 52610, 54936, 55151, and 55563.

II.

PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. STEC and CPS Energy (Applicants) are jointly filing an application in this docket seeking to amend their respective certificates of convenience and necessity (Application) to construct, own, and operate the proposed Howard Road to San Miguel 345 kV transmission line project in Bexar and Atascosa Counties (Project). My testimony discusses the cost estimates and other aspects of STEC's portion of the proposed Project.

Q. DO YOU SPONSOR ANY PART OF THE RESPONSES IN THE APPLICATION? IF SO, WHICH ONES?

A. I co-sponsor responses to Question Nos. 1 through 8, 11 through 13, 17 through 19, and 30. The direct testimony of Mr. Daniel T. Otto, an employee of CPS Energy, includes an exhibit with his testimony (Exhibit DTO-5), that provides an overview of the Application sponsorship by the various witnesses providing testimony on behalf of the applicants in this proceeding.

Q. WAS YOUR TESTIMONY AND THE INFORMATION YOU'VE IDENTIFIED AS SPONSORING PREPARED BY YOU OR BY KNOWLEDGEABLE PERSONS UPON WHOSE EXPERTISE, JUDGMENT AND OPINIONS YOU RELY IN PERFORMING YOUR DUTIES?

A. Yes.

Q. IS THE INFORMATION CONTAINED IN YOUR TESTIMONY AND THAT YOU ARE SPONSORING TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?

A. Yes.

III.

INTRODUCTION OF WITNESSES

Q. PLEASE IDENTIFY THE WITNESSES TESTIFYING ON BEHALF OF STEC WITH A BRIEF SUMMARY OF THE PURPOSE OF THEIR TESTIMONY.

A. The witnesses testifying on behalf of STEC include myself and Mr. Ethan Fholer of POWER Engineers, Inc. (POWER) Power Delivery Division. My Direct Testimony addresses the topics summarized above.

POWER is the company STEC contracted to perform engineering assessments for STEC's portion of the proposed transmission line. The testimony of Mr. Fholer addresses the engineering and design aspects of STEC's portion of the proposed Project, including the design criteria, the structure selection study, the basis of construction and material cost estimates, and an explanation of construction activities and work schedules.

POWER is also the company the Applicants contracted to perform routing studies and environmental assessments for the entirety of the proposed transmission line. The testimony of Ms. Denise Williams, Project Manager in the Environmental Division of POWER, addresses those subjects on behalf of the Applicants and discusses aspects of Attachment No. 1 to the Application, titled "*Howard Road to San Miguel 345 kV Transmission Line Project Environmental Assessment and Alternative Route Analysis Atascosa and Bexar Counties, Texas* (EA).

On behalf of the Applicants, Mr. Kenneth Bowen, an employee of CPS Energy, provides testimony regarding the need for the Project and the approval process the Project went through at the Electric Reliability Council of Texas.

Mr. Otto, also an employee of CPS Energy, provides testimony on behalf of the Applicants regarding the combined notice process utilized by both CPS Energy and STEC and the open houses held for this Project.

IV.

ESTIMATED COSTS

Q. WHAT IS THE ESTIMATED COST OF STEC's PORTION OF THE PROPOSED PROJECT?

A. The estimated installed cost of STEC's portion of the proposed Project (including the station work at the STEC-owned San Miguel Station rounded to up to nearest $1,000) is $118,478,000 utilizing Route U and constructed using the monopole design.

Q. HOW WILL STEC'S PORTION OF THE PROPOSED PROJECT BE FINANCED?

A. Short-term financing will be utilized using a previously established revolving line of credit. Short-term debt will be routinely replaced with long-term debt through bond offerings.

Q. PLEASE DESCRIBE THE BASIS OF THE COST ESTIMATES FOR THE STEC PORTION OF THE PROJECT.

A. STEC's estimated costs to install STEC's portion of the proposed Project are based upon construction and material cost estimates supplied by POWER that are discussed in the direct testimony of Mr. Ethan Fholer in this docket. STEC adjusted the amounts to include its forecasts of Project costs such as increases in labor and material. The following are STEC's Project installation cost estimates for STEC's portion of the Project assuming selection of Route U and the use of monopole structures.

ESTIMATED COST OF ROUTE - U

Question 13 Cost Table	Transmission Line	San Miguel Station
ROW and Land Acquisition	$19,836,000	$0
Engineering and Design (Utility)	$419,000	$81,000
Engineering and Design (Contract)	$2,788,000	$258,000
Procurement of Material and Equipment (including stores)	$46,578,000	$3,022,000
Construction of Facilities (Utility)	$323,000	$316,000
Construction of Facilities (Contract)	$32,288,000	$1,226,000
Other	$11,246,000	$97,000
Estimate Total Cost	**$113,478,000**	**$5,000,000**

Q. PLEASE DISCUSS THE INDIVIDUAL COST ITEMS IN THE ABOVE TABLE IN MORE DETAIL.

A. Installation costs of transmission lines include costs for materials (structures, insulators, conductor, hardware, foundations, and other miscellaneous materials), ROW acquisition, construction labor and transportation, engineering, investment carrying costs during construction (IDC), and overhead. A further discussion of these costs is included below.

- ROW and Land Acquisition

Estimates for the ROW acquisition are based upon information on recent property sales discovered in initial research of the general area and also incorporate historical costs incurred in easement acquisition for past projects. About 447 acres of ROW are expected to be needed for the transmission line easements and

access agreements from public roads for Route U. No adjustments were made to this estimate for inflation or changes in the market value of the properties. STEC typically assigns approximately half of its surveying costs to ROW acquisition, which are costs for easement plat development.

- Engineering and Design (Utility and Contract)

In addition to the engineering and design costs included in the cost estimate provided by POWER, STEC's in-house engineering estimates include costs for its project management, construction inspection, regulatory development for STEC's portion of the Project, and applicable company overhead charges. These costs reflect amounts accounted for in similar projects in the past and adjusted for anticipated increases due to inflation, location, and length of the line.

- Procurement of Materials and Equipment

In addition to the material costs included in the estimate provided by POWER, costs for concrete, road base, re-bar, grounding equipment, and other items that are expected to be provided by the line construction contractor are included in the Materials category. STEC has applied a 10% increase to the materials cost supplied by POWER in an effort to accurately predict the installed cost of STEC's portion of the Project. This amount also includes materials used from STEC's warehouse stock. STEC does not plan to utilize in-stock materials to a large degree. Most projects, however, include unforeseen obstacles and difficulties that require the use of STEC's transmission labor and equipment, so a relatively small amount of in-stock materials are included in the estimate to cover materials that may come from STEC's stocks.

- Construction of Facilities (Utility and Contract)

In addition to the labor costs included in the cost estimate provided by POWER, the estimate for Labor (utility) includes costs for STEC's in-house labor associated with construction. This amount is very small compared to the Project cost and is only meant to cover in-house labor and equipment for construction processes overlooked in Project design and specification for which STEC personnel are the best cost alternative and will mitigate the costs.

The Labor (contractor) cost estimate includes contract labor, construction equipment, transportation, per diem, and all other costs incurred constructing the transmission line except for materials. The cost estimate for ROW clearing is included in the Labor (contractor) amount. STEC anticipates that a price increase in labor to construct its portion of the Project is very likely for the same reasons as previously discussed with respect to the Materials. Therefore, STEC has added 10% to POWER's estimated Labor (contractor) costs to cover any unforeseen obstacles and difficulties that require the use of STEC's transmission labor.

- Other Cost

STEC includes only its estimated interest during construction (IDC) in the table for this category.

Q. DID STEC DETERMINE THE ESTIMATED COSTS OF THE ALTERNATIVE ROUTES? IF SO, PLEASE EXPLAIN.

A. Yes, the estimated costs of installing STEC's portion of the line utilizing the thirty-three (33) other alternative routes were developed. POWER and STEC determined that there were no unreasonably costly obstacles unique to any one alternative, so an in-depth investigation was not necessary for each alternative route. The alternative route cost tables are shown in Attachment No. 2 to the

CCN Application and were developed jointly by STEC and POWER for STEC's portion of the proposed Project. The estimated Project costs for STEC's portion of the line range from $105,045,000 to $129,029,000 (see Attachment 2, Table 4).

Q. DO THE ESTIMATED COSTS PROVIDED IN THE APPLICATION REFLECT THE ACTUAL COSTS FOR THE ROUTE TO BE CONSTRUCTED?

A. No. As the line has not been approved and the line route has not yet been determined by the Public Utility Commission of Texas (Commission) or surveyed by the Applicants, the final engineering design for the proposed line has not been performed. This will be completed once the final route has been approved by the Commission and surveyed by the Applicants. Once the final engineering design is completed, construction costs can then be re-estimated based on material and construction bids received. Actual costs will be supplied to the Commission once the transmission line construction has been completed. Until that point, the costs reflected in the Application and in the testimonies provided by Applicants are only estimates.

Q. DO YOU BELIEVE THE ESTIMATED COSTS BASED UPON THE STRUCTURE SELECTION STUDY AND THOSE INCLUDED IN THE CCN APPLICATION TO BE REASONABLE?

A. Yes.

V.

SUMMARY AND CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I have introduced those providing direct testimony in support of STEC's portion of the Application, explained the Project cost estimates for STEC's portion of the Project, and STEC's financing plan.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.