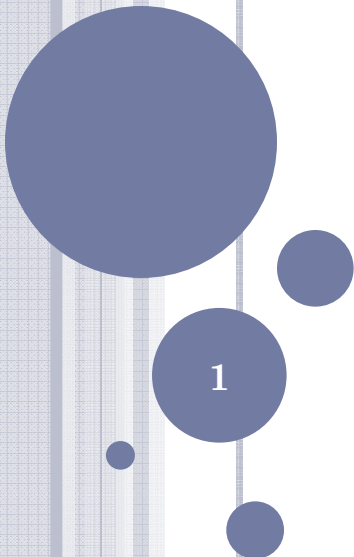


TEXAS RENEWABLES AND TRANSMISSION POLICY

February 10, 2009

RPS Collaborative
February 10, 2009



Jess Totten
Public Utility Commission of Texas



GOAL FOR RENEWABLE ENERGY

Statutory goal adopted in 1999, revised in 2005

Year	Goal	Actual	Non-Wind
2003	1280	990	45
2005	1730	1190	45
2007	2280	3100	77
Today	3272	9000	140
2015	5880		

DIFFERENT APPROACHES IN TEXAS

- Transmission rates
- Transmission planning and construction
 - Identification of Competitive Renewable Energy Zones
- Selection of transmission providers for CREZ

TEXAS TRANSMISSION POLICIES

- **Regional postage-stamp rate**
 - **Distance not a factor in rate**
 - **Multiple utilities do not charge multiple rates**
 - **Transmission costs charged to loads, based on demand**
- **Standard interconnection agreement**
- **Unbundling of generation and transmission and neutral planning organization**
- **Transmission upgrades in regional rates**
- **Cost-recovery mechanism for transmission investment**
- **Congestion managed through energy prices, transmission revenue rights**

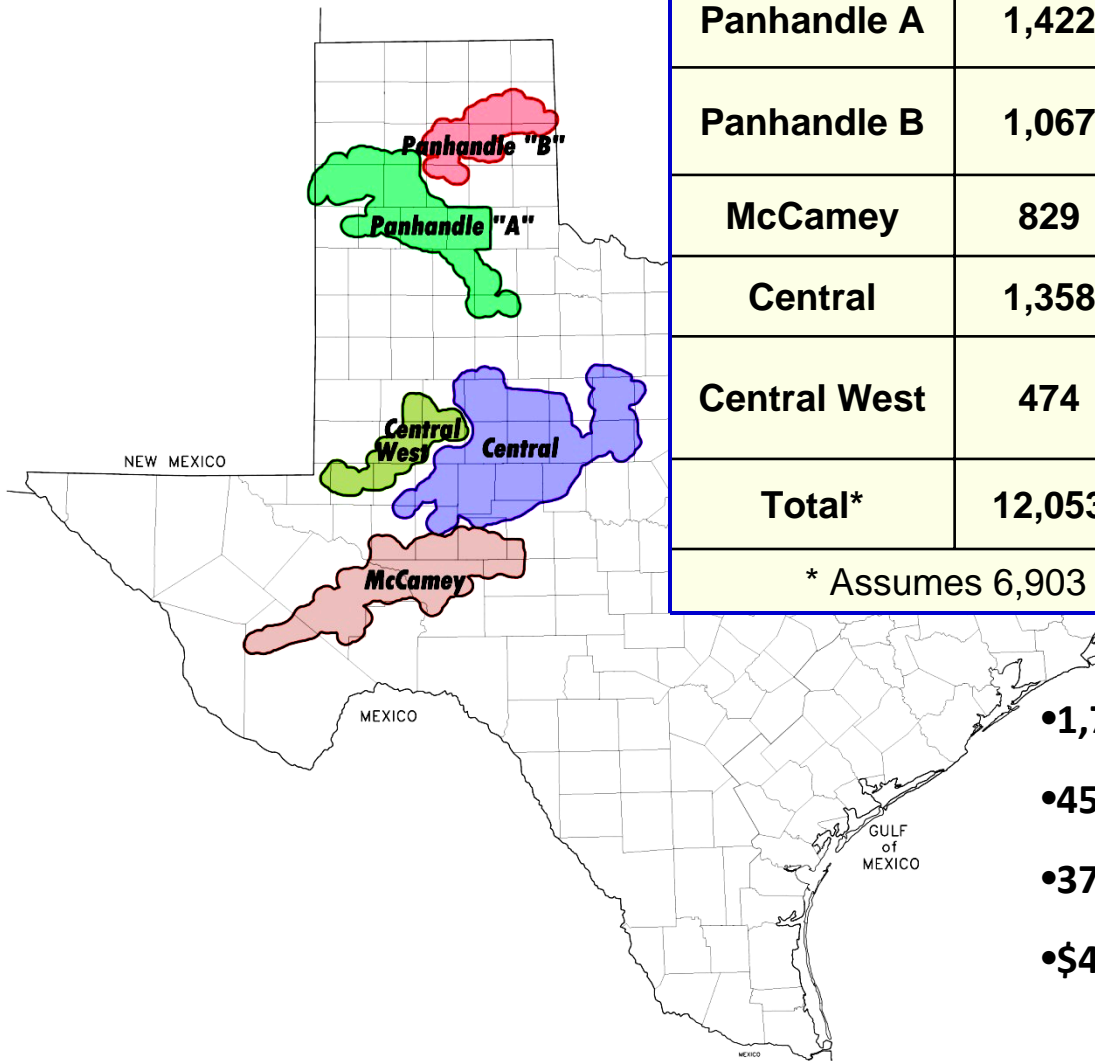
COMPETITIVE RENEWABLE ENERGY ZONES

- **Stalemate between transmission and generation over construction of long transmission lines from West Texas**
 - Transmission providers wanted financial commitment from generators
 - Developers concerned about cost and risk of commitment prior to licensing and construction of transmission
- **2005 Legislation**
 - Designate zones for renewable energy development
 - Develop transmission plan
 - Consider level of financial commitment in designating zone and granting CCN

PUC Evaluation of Competitive Renewable Energy Zones

- **PUC initiated CREZ proceeding--December 2006**
- **ERCOT generic wind/transmission study--December 2006**
- **Wind developers submit evidence of financial commitments--March 2007**
- **PUC orders transmission study of four scenarios--October 2007**
- **ERCOT transmission study and ancillary service study--April 2008**
- **PUC issues CREZ final order--August 2008**
- **One party filed for judicial review**

CREZ SCENARIOS



Capacity of New CREZ Wind by Scenario (MW)				
Wind Zone	Scen. 1	Scen. 2	Scen. 3	Scen. 4
Panhandle A	1,422	3,191	4,960	6,660
Panhandle B	1,067	2,393	3,720	0
McCamey	829	1,859	2,890	3,190
Central	1,358	3,047	4,735	5,615
Central West	474	1,063	1,651	2,051
Total*	12,053	18,456	24,859	24,419
* Assumes 6,903 MW of existing wind capacity				

February 10, 2009

- 1,705 miles of new 345-kV double circuits
- 453 miles of new 345-kV single circuit
- 371 miles of 345-kV rebuild & upgrade
- \$4.9 Billion

SELECTION OF TRANSMISSION PROVIDERS

- PUC adopted rule and initiated proceeding to select transmission providers to build CREZ lines
 - Non-incumbent companies may make proposals
 - 14 applicants, including 4 companies that are not transmission providers in Texas
 - Most major projects have 3 or 4 companies that seek to build them
 - PUC decision in January; projects awarded to:
 - Oncor, Electric Transmission Texas (AEP, Mid-American Energy), Lower Colorado River Authority, Sharyland Utilities, Lone Star Transmission (FPL), Wind Energy Transmission Texas (Isolux Corsan-Brookfield Asset Management), Cross-Texas Transmission (LS Power), South Texas Electric Cooperative

WHAT'S AHEAD

- Small number of line upgrades will not require PUC license, construction can start in 2009
- Transmission license applications filed Q3 2009
 - Detailed routing and environmental studies
 - Affected landowners participation
 - Environment, impact on community, and use of land
- Six month deadline for each case
- Construction of transmission 2011 – 2013
 - Engineering, acquisition of right of way, and construction

LEGAL RESOURCES

- PUC Rules www.puc.state.tx.us/rules/subrules/electric/index.cfm
 - Transmission Service Rates, 25.192
 - Goal for Renewable Energy, 25.173
 - Competitive Renewable Energy Zones, 25.174
 - Selection of Transmission Service Providers, 25.216
- PUC Proceedings <http://interchange.puc.state.tx.us>
 - CREZ Proceeding, Control No. 33672
 - Selection of CREZ Transmission Service Providers, Control No. 35665