



MEMO

Date: December 7, 2004
To: Board of Directors
From: Bill Bojorquez, Sam Jones
Subject: Clear Springs – Salado 345-kV Project

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: December 14, 2004

Agenda Item No.: 7b

Issue:

Endorsement of the need for the proposed Clear Springs – Salado double-circuit 345-kV project that will reach from the Clear Springs/Zorn stations in Central Texas to a new switching station at Salado just south of Temple (Approximately 100 miles). The line will also include two new 345/138-kV substations in Travis and Williamson counties. The estimated capital cost of the project is approximately \$140 million.

Background/History:

ERCOT leads three Regional Planning Groups (RPGs) in the review of actions proposed by transmission service providers and other stakeholders, in accordance with ERCOT-defined project submittal criteria, to address transmission constraints and other system needs.

A summary of the project is included in Attachment A. The presentation provided to TAC on December 2, 2004, is included in Attachment B.

The following summarizes the stakeholder process that was a part of ERCOT's review of the alternatives considered for the project:

- The Clear Springs to Salado (CSS) 345-kV project was chosen from a list of potential projects compiled at a joint North and South Regional Planning Group meeting held April 4, 2002, as the most effective way to address local load growth in Travis, Bell, and Williamson counties, relieve existing transmission constraints in Central Texas and reduce south to north Commercially Significant Congestion. Stakeholder comments on the results of the April 4, 2002, meeting were compiled and distributed to stakeholders by ERCOT staff.
- Preliminary planning work on the CSS project continued throughout 2003. On December 19, 2003, a formal meeting was held in which a project team was formed, a project scope was developed, and a timeline for completion of the



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project was determined. The Lower Colorado River Authority (LCRA), Austin Energy (AE), and Texas Utilities Electric Delivery (TXU ED) formed the team that began the evaluation of the project.

- The initial findings of the project team were presented to both the North and South RPGs on January 21, 2004. Stakeholder comments on the information presented at the meeting were accepted with the overall response being in favor of the continued study of the project as defined by the project team.
- On September 21, 2004, the project team presented their final study for North and South RPG review. The final RPG comment period was completed on October 14, 2004. Once again, stakeholder response to the project was favorable. This was the third comment period held on the project. The study mode for the project was completed on November 11, 2004.
- ERCOT staff completed its Independent Review of the project on November 22, 2004, and distributed the results to the RPGs involved. ERCOT staff endorsed the construction of the project.
- On December 2, 2004, TAC reviewed and voted unanimously in favor of the project.

The CSS project is projected to be in service by 2010, but ERCOT recommends its construction as soon as feasible. Portions of the project will be built by TXU Energy Delivery, LCRA and Austin Energy, as described in Attachment A.

The project provides approximately \$50 million in savings annually. In addition, several other transmission projects that would be necessary to meet reliability requirements, with a total capital cost of \$47.5 million, will not be needed if the CSS line is built. Thus, the CSS project will pay for itself in approximately 2 years. Over a 10-year period, the projected net benefit of the project is approximately \$274 million.

ERCOT endeavors to achieve a coordinated transmission planning process through the regional planning efforts. This process ensures that the ERCOT and NERC planning standards are met, that the proposed project addresses TDSP planning criteria requirements, and that all areas of concern are addressed with the good of the overall region in mind.

Key Factors Influencing Issue:

- Production Cost savings of approximately \$50 million annually.



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- Mitigated project savings of approximately \$47.5 million.
- Total project savings are projected to exceed its capital cost two years after in-service
- Increased flexibility and reduced costs for maintenance outages.
- Elimination of existing Central Texas special protection scheme.
- Elimination of transmission congestion that has limited production from relatively inexpensive Central Texas generation.
- Provides two new 345/138-kV injection points in quickly growing Travis and Williamson counties.
- Provides infrastructure for future 345/138-kV injection in Bell County.

Alternatives:

- Endorse the need for construction of the Clear Springs – Salado 345 kV project as soon as feasible; or
- Remand to ERCOT Staff with instructions.

Conclusion/Recommendation:

ERCOT Staff recommends that the Board endorse the need for the 345-kV Clear Springs – Salado project as described in Attachment A.