BRYAN TEXAS UTILITIES
BTU
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June 14, 2005

Board of Directors
Electric Reliability Counsel of Texas, Inc.
7620 Metro Center Dr. Austin, TX 78744

RE: Bryan Texas Utilities request for reimbursement of non-fuel related unit start-up costs resulting from OOMC instructions requesting specific units be brought on line.

Background:
ERCOT Protocol 6.8.2.2(4), (B), (c) covers compensation for additional types of costs not previously identified in the protocol when providing Ancillary Services.

Since ERCOT operates most of the state wide transmission system as a single control area, QSE's are required to dispatch their units as directed for reliability and operational stability. Generating units when not on line must initiate cold start procedures that require differing periods of time to bring such units back on line.

Discussion:
There are three types of costs related to unit start up. BTU costs of production are recorded, maintained, and accounted for following the FERC chart of accounts and these start-up costs are identified to be:

1). Generation Supplies (FERC accounts 502, 505, & 506) unit specific for generation supplies such as chemicals, fluids, etc.

2). Direct Maintenance (FERC accounts 511, 512, 513, 514, & 553) unit specific for maintenance items such as instrumentation & controls, pumps and motors, turbine/generators, bearings, boilers, etc.

3). Operational Supervision and Support (FERC accounts 500, 501, 506, & 507) relate to overall supervision and operation of generation facilities that occurs during OOMC instructions.

Request:
The proposed process to establish non-fuel related start-up costs resulting from OOMC instructions is requested as follows:

A). Generation Supplies and Direct Maintenance: These costs are to be reimbursed as an hourly charge, on the basis of the preceding 3 year average of actual FERC Operations Account totals. They will be divided by total actual hours on line plus start-up hours to establish the "hourly rate for start-up". This charge is to be recomputed annually from audited financial information and the 3 year average adjusted accordingly.

B). Operational Supervision and Support: Actual operational supervision and support is assigned on the basis that each generation unit requires certain incremental costs, especially redirection of existing activities, or for problems with start-up, or for a shift of personnel available for meeting the OOMC instruction. We believe the reasonable assignment of such expenses is to divide the 3 year average of such costs by the total hours in the year (8,760 hrs.) to determine an "hourly cost". This value is to be multiplied only by the hours required for specific unit start-up.

BTU submits this request for compensation of our non-fuel related start-up costs to the ERCOT Board of Directors for their review and consideration for the period beginning September 4, 2004 and going forward. Attached as Exhibit I is draft language for insertion in the appropriate location as it applies to Protocol Section 6.8.2.2 "Capacity and Energy Payment" for your consideration.

Sincerely,

Lee R. Starr
Bryan Texas Utilities
Chief Risk Officer, QSE Settlement Supervisor

Cc: Dan Wilkerson, BTU General Manager
Tom Hancock, Group Manager, QSE Power Marketing and Production

Exhibit I

Draft language for insertion in the appropriate location pursuant Protocol Section 6.8.2.2 "Capacity and Energy Payment"

(v) Compensation for non-fuel related start up shall include unit costs accounted for following the FERC chart of accounts in sufficient detail to allow for verification of costs and the calculation for unit specific start up compensation assigned as an hourly fee multiplied by the approved unit start up time identified in the QSE's Resource Plan. The basis for compensation shall be the verifiable cost determined as follows:

a) **Generation Supplies**: {the sum of (FERC accounts 502, 505, & 506) from audited financial detail for the proceeding three (3) years} divided by {sum of total hours of operation + start up hours during the same period} = Hourly start up cost for Generation Supplies.

b) **Direct Maintenance**: {the sum of (FERC accounts 511, 512, 513, 514, & 533) unit specific from financial detail for proceeding three (3) years} divided by {sum of total hours of operation + start up hours during the same period} = Hourly start up cost for Direct Maintenance.

c) **Operational Supervision and Support**: {the sum of (FERC accounts 500, 501, 506, & 507) from audited financial detail for the proceeding three (3) years divided by 26,280 hours} = Hourly fee to be applied to unit start up.

The above compensation to be updated and reviewed annually in sufficient detail to allow for verification by ERCOT Staff.