



August 31, 2006

SUBJECT: RMR Exit Strategy for Atkins

Summary:

On September 29, 2005, Bryan Texas Utilities (BTU) announced its plans to mothball Atkins units 3, 4, 5 and 6 beginning June 1, 2006. ERCOT entered into an RMR agreement with BTU for Atkins units 4, 5 and 6.

Section 6.5.9.1 of the ERCOT Protocols requires ERCOT staff to report to the Board and post on the MIS a list of feasible alternatives that may be more cost-effective than the continued renewal of the existing RMR Agreement. Such report is required no later than 90 days after the execution of the RMR agreement.

ERCOT staff has completed its review for the need of Atkins units 4, 5 and 6 beyond summer 2006 and has confirmed that, once the Gibbons Creek-College Station Switch 138-kV Project is complete, ERCOT can release the units from RMR status. Texas Municipal Power Agency (TMPA), Brazos Electric Cooperative (BEC), and College Station Utilities (CSU) are performing the work on this project.

The Gibbons Creek-College Station Switch 138-kV Project consists of the following:

1. Construct Keith Switch Station at the intersection of the Gibbons Creek-Steephollow (TMPA) and Keith-Iola (BEC) lines and route lines into station thus creating a new 4 terminal 138 kV switching station
2. Rebuild the newly created Gibbons Creek-Keith Switch 138-kV line to have an emergency rating of 717 MVA (TMPA)
3. Rebuild the Iola-Keith Switch-Keith-Carlos Switch-Carlos 69-kV line for 138-kV service. The Keith Switch to Keith to Carlos Switch line sections shall have an emergency rating of 500 MVA while the Carlos Switch-Carlos and Iola to Keith Switch lines shall have an emergency rating of 237 MVA (BEC)
4. Rebuild a portion of the Carlos Switch-Boonville 69-kV line to 138-kV service and construct a new line from College Station Switch to the rebuilt portion. The emergency rating of this circuit will be 500 MVA. The remainder of the Carlos Switch-Boonville line will be left out of service temporarily until other system improvements, not related to the Atkins RMR exit strategy, can be constructed (CSU/ BEC)

As of August 28, 2006 the construction of items 1 through 3 has been completed. A temporary tie from Carlos Switch to the BTU East substation has been constructed and will remain in place until the construction of item 4 is complete. This temporary tie will lessen the need to run the Atkins units. However, for the contingency loss of Dansby 1 and the Gibbons Creek-East/ Gibbons Creek-Greens Prairie 138-kV double circuit the Atkins units are still required to prevent transmission overloads for the duration of the term of the Atkins RMR agreement.

In addition, a Remedial Action Plan (RAP) for the Gibbons Creek autotransformers will continue to be necessary under certain operating conditions in order to maintain system security without the Atkins units.