Date: September 13, 2011
To: Board of Directors
From: Jeff Billo, Manager of Mid-Term Planning
Subject: Endorsement of Laredo to Lower Rio Grande Valley (LRGV) Regional Planning Group (RPG) Project

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: September 20, 2011
Agenda Item No.: 11

Issue:
Whether the ERCOT Board of Directors (Board) should endorse and deem critical to the reliability of the ERCOT system the Laredo to LRGV RPG Project which ERCOT Staff has independently reviewed and the Technical Advisory Committee (TAC) has voted to endorse.

Background/History:
American Electric Power Service Corporation (AEPSC) submitted a project to increase the import capability into the LRGV for RPG review. ERCOT performed an Independent Review and found that ERCOT planning reliability criteria would be exceeded by 2016 without system upgrades. ERCOT analyzed the proposed project as well as eight alternative projects identified by ERCOT and other stakeholders. These projects were refined and narrowed down to three final project alternatives. Of these, Option 1R (a variation of the AEPSC proposed project) was identified as the most effective option. The improvements included in Option 1R are described as follows:

- Construct a new 163 mile, single circuit 345 kV line from Lobo to Rio Bravo to North Edinburg, utilizing 2-954 ACSR conductor on double-circuit capable structures, and (2) approximately 24 ohm 3600 amp series capacitors on the Lobo 345 kV circuit (no additional substation equipment would be installed at Rio Bravo at this time but may be added in the future as needed to support the Laredo area needs)
- Energized reconductor the existing Lon Hill-Nelson Sharpe-Ajo-Rio Hondo 345 kV line to 1988/2426 MVA normal/emergency rating to achieve increased rating before peak of 2016
- Energized reconductor the existing Lon Hill-North Edinburg 345 kV line to 1988/2426 MVA normal/emergency rating to achieve increased rating before peak of 2016
- Reconfiguration of the North Edinburg and Rio Hondo series capacitors such that the MVA rating is at least 2000 MVA and the compensation level is 25% of each respective circuit

The total cost estimate (by AEPSC) for these improvements is $525 million. The ERCOT study indicated that these upgrades will solve the 2016 reliability criteria exceedances for the LRGV import. AEPSC requested that ERCOT deem the project critical to reliability of the ERCOT system pursuant to the Public Utility Commission of Texas Substantive Rule 25.101(b)(3)(D) in order to have the upgrades in place by 2016 summer peak. The ERCOT Independent Review is included as Attachment A.

Key Factors Influencing Issue:

1. ERCOT planning reliability criteria will be exceeded for the LRGV by 2016 if additional transmission infrastructure is not constructed.
2. Option 1R will solve the reliability criteria exceedances by 2016.
3. The project was supported through the RPG process and received unanimous endorsement by TAC.

Alternatives:

1. Endorse the need for the Laredo to LRGV Project as recommended by ERCOT Staff and supported by the RPG and TAC and deem the project critical to reliability.
2. Remand to ERCOT Staff with instructions.

Conclusion/Recommendation:

ERCOT Staff respectfully recommends that the Board of Directors endorse and deem critical to the reliability of the ERCOT system the Laredo to LRGV which ERCOT Staff has independently reviewed and the TAC has voted to endorse.

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, staff of the Electric Reliability Council of Texas, Inc. (ERCOT) has prepared the ERCOT Independent Review of the Laredo to Lower Rio Grande Valley Project, which is attached hereto as *Attachment A*, and recommends that the ERCOT Board of Directors (Board) endorse and deem critical to reliability of the ERCOT system the Laredo to Lower Rio Grande Valley Project;

WHEREAS, after due consideration of the alternatives, the ERCOT Board deems it desirable and in the best interest of ERCOT to endorse and deem critical to reliability of the ERCOT system the Laredo to Lower Rio Grande Valley Project; and

THEREFORE, BE IT RESOLVED, that the ERCOT Board endorses and deems critical to reliability of the ERCOT system the Laredo to Lower Rio Grande Valley Project.

CORPORATE SECRETARY'S CERTIFICATE

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its September 20, 2011 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of September, 2011.

_____
Bill Magness
Corporate Secretary