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| Reliant appreciates the rigor and effort ERCOT Staff has taken in their evaluation of the Bearkat Area Transmission Improvement.  Reliant believes:  1) RPG endorsement of the project should be conditional based upon the project costs matching the estimated project costs used to do the analysis to support this economic project, and  2) The long-term net societal benefit methodology used by ERCOT to select project options should consider the full cost of each option, not just the estimated capital cost of the project. Reliant supports a cost benefit analysis of each option; however, Reliant disagrees with the current methodology used by ERCOT to determine the option with the best long-term net societal benefit.  To determine the selected option ERCOT describes a model in which the production cost savings benefits of the line options are modeled using a Net Present Value (NPV) methodology.  ERCOT then subtracts the project capital costs in 2022 dollars from the discounted NPV of the production costs to determine the “net societal benefit” of each option.  This method fails to account for the full cost of each option to determine an accurate net societal benefit.  Using only the estimated project capital costs in the analysis disregards other important transmission costs including operation & maintenance, depreciation and amortization, taxes, and return on rate base associated with the project.  All of these inputs impact the actual cost of the line to society.  The net societal benefit model should include the cost of the transmission line over the same time period of the projected production cost savings to do a true long term net societal benefit test. Moreover, the model should be published for stakeholder review during the RPG evaluation process.  Reliant agrees that in this instance, the RPG recommended option (Option 3) would likely be the same option selected if the net societal benefit analysis included option costs due to the small variance in capital costs and the difference in projected production costs of Option 2 vs. Option 3. However, prospectively transmission line costs should be modeled for ERCOT’s selection of an option that produces the greatest net societal benefit.  Reliant asks that the RPG net societal benefit process be reformed to include the cost of transmission line options and that ERCOT state that the RPG endorsement of the Bearkat Area Transmission Improvement is contingent upon the project cost estimates included in the study. |