LOBBY WATCH

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Rural Electrification: **September 15, 2010**

Hill Country Electric Lines Spark New Power Struggle

- ***Sen. Fraser, FPL & LCRA Press the Public Utility Commission***

Recoiling from rattlesnake resistance in the Hill Country, the Public Utility Commission (PUC) could axe *two* massive transmission-line proposals to help move electricity from windy West Texas to big cities in the Eastern half of the state. How Governor Rick Perry's PUC appointees handle the matter could free up—or bottle up—huge amounts of clean wind power. It also could save—or cost—ratepayers hundreds of millions of dollars.

The PUC awarded a staggering $5 billion in contracts to utilities in March 2009 to build a 2,300-mile network of high-powered transmission lines.[1] Utilities will bankroll the projects and recover their investments from ratepayers. The PUC awarded $750 million in transmission contracts to the Lower Colorado River Authority (LCRA), a public utility also governed by Perry appointees. The LCRA provides power and water to the Hill Country, which is becoming the third rail of transmission-line politics. Wealthy landowners in that area have mobilized unanticipated surges of resistance to building hulking power towers across their scenic horizons.

Under pressure, the PUC repeatedly postponed action on the LCRA's proposed Gillespie-Newton line that would stretch from Fredericksburg to Lampasas. Citing revamped studies by Electric Reliability Council of Texas (ERCOT), which manages most of Texas' electric grid, the PUC said in August that upgrading existing power lines could offer a short-term alternative to the Newton line.

Meanwhile, opponents targeted the LCRA's so-called McCamey D line. This section, which would cross most of the area between San Angelo and San Antonio, is crucial to moving West Texas wind power to market. In fact, the PUC previously identified both the Newton and McCamey D lines as "priority" additions to the grid.

New Braunfels Republican Rep. Doug Miller wrote PUC Chair Barry Smitherman in July, urging him to reconsider the McCamey line. Rep. Miller wrote that a private transmission line that Florida Power and Light (FPL) completed in 2009 could substitute for much of the proposed McCamey D line. Appearing to reject the idea, Chairman Smitherman wrote back, "The Commission has not approved any other new transmission that could substitute, in my opinion, for the west-to-east McCamey D" line.

A more powerful lawmaker, Horseshoe Bay Republican Senator Troy Fraser, made much the same pitch one month later. This time, Smitherman directed ERCOT to assess "the continued need for the McCamey D" line and to study if FPL's line offers a viable substitute. ERCOT's study is pending.

Lobby Watch previously reported that Senator Fraser received $11,000 from FPL's PAC and 15 company executives on a single day in 2008. Fraser later reported receiving *another* same-day FPL bundle worth $10,500 this January. FPL supplied almost one out of every 10 donations that the Fraser campaign received in the first half of 2010 (accounting for 4 percent of the money Fraser raised in that period).

Many people who have not received thousands of dollars from FPL also would love to plug into West Texas winds without spending a fortune to erect menacing towers over some of Texas' prettiest countryside (Rep. Miller did not report FPL contributions, for example). The viability of the FPL line may turn on two key questions:

- To what extent does it have technical capabilities comparable to the proposed McCamey D line?; and
- What would FPL charge to integrate its proprietary line into the Texas grid?

FPL's NextEra Energy operates the 747-megawatt Horse Hollow wind farm West of Abilene. As with the $5 billion grid proposed by the PUC, Texas power lines typically are built by regulated transmission companies, which can pass their costs on to ratepayers and exercise powers of eminent domain. In a maverick move, wholesaler FPL built its own 200-mile, high-voltage line to connect Horse Hollow to the grid outside San Antonio. Unable to condemn land, FPL reportedly paid some owners top dollar for the right to cross their land.[2]

On the map, FPL's line looks like a close *geographic* proxy for the southeasterly half of LCRA's proposed McCamey D line.[3] The two 345-kilovolt lines cover much the same ground from a point East of Junction in Kimble County to Comfort northwest of San Antonio. Yet FPL's line does not reach Fredericksburg nor cover the Western half of the McCamey D route, which extends into Schleicher County south of San Angelo. This point is designed to collect power from wind farms near McCamey, south of Odessa.

LCRA estimates that it will cost $275 million to build the McCamey D line as far as Comfort. Arguing that LCRA's costs would run much higher, FPL estimated that it would cost $146 million to $211 million to upgrade its private line. Yet these estimates exclude a huge cost: The price that FPL would demand to incorporate its line into the Texas grid. Asked about that, FPL spokesman Steven Stengel wrote *Lobby Watch*, "We have not provided any such number."

Same-Day FPL Contributions To Sen. Fraser, June 28, 2008

Amount	Contributor	FPL or NextEra Title
$2,000	FPL PAC	PAC
$2,000	James Robo	Chair & CEO
$500	Miguel Arechabala	VP Plant Ops
$500	Scott Cousins	VP & Gen'l Counsel
$500	Mitchell Davidson	President
$500	Robert Garvin	VP – Reg. Affairs
$500	Joseph J. Hayden	VP - Development
$500	Roxanne Kennedy	PGD Gen'l Mgr.
$500	Mark Maistro	President Retail
$500	Michael O'Sullivan	SR VP Development
$500	Manuel Sanchez	VP Wind Operations
$500	Mark Sorensen	CFO
$500	Kevin Suncine	VP - Human Res.
$500	Brian Tobin	Reg'l Business Dir.
$500	TJ Tuscai	SR Vice President
$500	Lawrence Wall	VP Gas Infrastructure
$11,000	**TOTAL**	

Same-Day FPL Contributions To Sen. Fraser, Jan. 12, 2010

Amount	Contributor	FPL or NextEra Title
$2,500	James Robo	President & COO
$1,500	FPL PAC	FPL PAC
$1,000	David Herrick	Exec. Dir. Dev.
$1,000	Matthew Schafer	VP Business Mgmt.
$1,000	Lawrence Silverstein	SVP & Mng. Dir.
$1,000	Lawrence Wall	VP Gas Infra. Dev.
$500	C. Michael Gregg	Dir. Legis. Affairs
$500	Matthew Handel	VP Development
$500	Joseph J.Hayden	VP Development
$500	John Ketchum	VP & Gen'l Counsel
$500	David Markarian	Exec. Dir. Reg. Affairs
$10,500	**TOTAL**	

Not knowing a kilowatt from a kielbasa, *Lobby Watch* spoke to experts who spoke on the condition of anonymity because they consult for such interested parties as FPL, LCRA or ERCOT. They all said that the

technical capacity of the FPL line is inferior to the proposed McCamey route, offering no long-term solution to Texas' wind-power bottlenecks.

FPL built its limited-capacity line to move its own wind power to San Antonio and that same wind power will still need to be transmitted if FPL's line joins the state grid. Investing heavily to soup up FPL's line and link it to the McCamey wind farms could squeeze more out of that existing line. For example, It could uncork transmission space for McCamey juice during times when McCamey has good wind but there's little blowing at FPL's Horse Hollow farm.

Yet even experts sympathetic to this FPL substitution said that retrofitting the line would postpone for perhaps three to five years the politically painful problem of where to erect bigger power towers in the Hill Country. More skeptical experts cautioned that the depressed economy and natural gas prices have dampened demand for LCRA's Newton and McCamey D lines but asked what will happen when one or both of these factors rebound?[4]

The LCRA's two embattled lines service some of the state's fastest growing areas. This extends from the Austin-San Antonio corridor deep into the hills to the west. Some of the need for the huge new power lines can be traced to the sprawling, power-thirsty homes sprouting up between the live oaks in the Hill Country itself. Some experts said that the proposed new power lines ultimately will save Texans money by increasing access to cheap wind power.

Clean-energy advocates, such as Texas Public Citizen's Tom "Smitty" Smith, say the proposed high-voltage lines don't go far enough. Smitty and his green-power lieutenant, David Power, want to push the lines all the way to the Marfa area to develop the state's most promising solar region. This would pick up the slack from West Texas windmills, which produce more at night but can peter out when the sun is shining.

With state unemployment hitting 8.2 percent, this is the time to put Texans to work building critical, long-term infrastructure. Hill Country landowners and their elected representatives have every right to protest the unsightly power lines. At the same time, the PUC commissioners are charged with drawing lines in the sand that can deliver loads of clean wind power to market.

Do it.

Texas Grid Contract Recipients and Partners

Contract (Millions)	Grid Contractor	Contract Partners & Related Companies
$1,340	Oncor	Energy Future Holdings, TXU, Luminant
$789	Electric Trans. TX	Am. Electric Power, MidAmerican Energy, Berkshire Hathaway
$750	LCRA	**Lower Colorado River Authority**
$564	Lone Star Trans.	**Florida Power & Light, FPL Energy, NextEra Energy**
$402	Wind Energy Trans. TX	Brookfield Asset Management, Isolux Corsan Group
$394	Sharyland Utilities	Hunt Consolidated, Hunt Oil, Hunt Transmission, Hunt Realty
$390	Cross TX Trans.	LS Power
$4,629	**TOTAL**	

Notes

[1] The legislature mandated these so-called Competitive Renewable Energy Zones (CREZs) with Senate Bill 20 in 2005.
[2] "FPL Builds Private Transmission Line in Texas," Reuters, October 26, 2009.
[3] An FPL map of its proprietary line is on page 15 of this PDF document; an LCRA map of McCamey D routes is here.
[4] The recession has taken a bite out of electricity demand. Natural gas is a key determinant of electricity prices. When its price goes up, it enhances the relative affordability of wind power.