

## Plainsandeastern

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**From:** Patrick.Burchette@hklaw.com  
**Sent:** Tuesday, June 09, 2015 4:17 PM  
**To:** Plainsandeastern  
**Subject:** 1222 Comments  
**Attachments:** East Texas\_1222 Final.pdf

Attached are comments from the East Texas Cooperatives on Section 1222 and Plains & Eastern.

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## **East Texas Electric Cooperative, Inc.**

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June 9, 2015

U.S. Department of Energy  
Office of Electricity Delivery and Energy Reliability (OE-20)  
1222 Program  
1000 Independence Avenue SW  
Washington, DC 20585

RE: Plains & Eastern Clean Line Transmission Line and 1222 Review

Dear Secretary Moniz:

The East Texas Cooperatives support the development of the Plains & Eastern Clean Line Transmission Line ("Plains & Eastern" or "Project") and urge the Department of Energy ("DOE") to approve DOE and Southwestern Power Administration ("SWPA") participation in the project pursuant to Section 1222 of the Energy Policy Act of 2005.

Collectively, the East Texas Cooperatives are a family of ten (10) not-for-profit distribution cooperatives, and four (4) not-for-profit generation and transmission cooperatives ("G&Ts") -- East Texas Electric Cooperative, Inc., Northeast Texas Electric Cooperative, Inc., ("NTEC"), Sam Rayburn G&T Electric Cooperative, Inc. ("SRG&T"), and Tex-La Electric Cooperative of Texas, Inc. ("Tex-La") -- serving approximately 330,000 retail member-consumers in 46 counties ranging from just east of Dallas, to just north of Houston. The G&Ts own over 1,270 MW (net) of generation assets valued at approximately \$1.5 billion in three states—Texas, Arkansas, and Louisiana—partially serving total member requirements of 7,000 GWh and 1,850 megawatts ("MWs").

NTEC, SRG&T and Tex-La represent three of SWPA's largest preference customers of federally marketed hydroelectric power (approximately 210 MWs).

On April 8, 2015, the East Texas Cooperatives executed a Project Development and Option Agreement with Clean Line ("the Agreement") that provides the cooperatives with an option to own up to 50 MW of capacity on the Plains & Eastern and an undivided interest in a portion of the transmission facilities in Oklahoma. Given today's increasingly uncertain, complex and costly regulatory environment, the Agreement gives the cooperatives an optionality that is particularly valuable going forward.



The East Texas Cooperatives believe the Clean Line application for the Plains & Eastern satisfies both the statutory and Federal Register requirements for Section 1222 participation, and should be approved as being in the public interest for the additional reasons set forth below:

- Assuming the Plains & Eastern obtains all necessary regulatory approvals, including Section 1222 approval, the East Texas Cooperatives believe the Project has the potential to be a valuable revenue-producing asset over the long-term, and we could in turn use capacity revenue to lower our members' power costs.
  - The demand from wind developers throughout the Oklahoma panhandle region, as well as from load serving entities throughout the Mid-South and Southeast is unquestionably strong today.<sup>1</sup> The Project meets a clear actual and projected increase in demand for new transmission capacity to connect the nation's cheapest wind resources to markets throughout the Southeast that lack low-cost clean power. It is important to note the load serving entities in the Southeast will likely require much more low-cost renewable power in the near future given the Administration's Clean Power Plan<sup>2</sup> and changing regulatory landscape.
  - The price of wind energy continues to decline as technology improves.
  - Large amounts of liquidity exist in the capital markets to invest in the construction and operation of transmission projects like the Plains & Eastern.
  - The Administration's proposed Clean Power Plan, along with other Federal environmental regulations, will substantially increase the demand for low-cost wind energy, thereby making the Plains & Eastern a more valuable revenue-producing asset. It would be illogical and hypocritical for the current Administration to propose a costly new GHG regulatory regime that requires greater renewable generation in the Mid-South and Southeastern states, while simultaneously rejecting a 1222 Application for a new HVDC transmission line to supply low-cost wind to the very states that require it the most.
- The nation needs new transmission infrastructure. As we can attest in the West of the Atchafalaya Basin ("WOTAB") region of MISO South, the existing transmission grid is inadequate, congested, costly and in need of significant investment, expansion and modernization. The current state of the transmission grid makes it difficult and costly for the East Texas Cooperatives, particularly those G&Ts in the southern end of our service territory, to access the cheap wind energy from the Oklahoma panhandle (capacity factors

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<sup>1</sup> Clean Line's open solicitation for transmission service last year resulted in requests for 17,091 MW of transmission service, approximately four times more than the Project's total transfer capacity.

<sup>2</sup> Although the requirements for each state are different, Building Block 3 of the Clean Power Plan requires a substantial increase in overall renewable power generation in each state and such a requirement will be challenging for utilities in the Mid-South and Southeast that lack the geographical and meteorological conditions to cost-effectively site wind and solar resources, as well as the infrastructure to affordably import these resources.



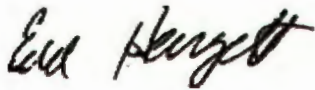
are improving each year due to advancements in wind turbine technology). For this reason, the Agreement gives the East Texas Cooperatives the potential option of using the capacity to access this cheap wind energy.

- The Plains & Eastern could serve as a financial hedge against rising prices from other sources of energy, including future high natural gas prices or natural gas price spikes.<sup>3</sup> Although it is impossible to fully hedge against such potential price increases, the optionality to own and benefit from the energy delivered by the Plains & Eastern provides a benefit to our ratepayers
- As three of SWPA's largest preference customers, the East Texas Cooperatives support DOE and SWPA's participation in the Project pursuant to Section 1222. Although we share some of the liability concerns expressed by Southwestern Power Resources Association and some other SWPA customers, it is our understanding that DOE, SWPA and Clean Line are committed to, and capable of, resolving these issues contractually so the customers are protected from any liability or cost.

In conclusion, the East Texas Cooperatives support the Plains & Eastern Clean Line for the reasons set forth above, and we urge DOE to approve DOE and SWPA participation in the Project pursuant to Section 1222 of the Energy Policy Act of 2005.

Thank you for your consideration.

Sincerely,



Edd Hargett  
CEO and General Manager  
East Texas Electric Cooperative, Inc.

cc: Chris Turner, Administrator, Southwestern Power Administration  
Nicki Fuller, Executive Director, Southwestern Power Resources Association  
Southwestern Power Resources Association Executive Committee  
Southwestern Power Resources Association Board of Directors  
Kirk Johnson, National Rural Electric Cooperative Association  
Pam Silberstein, National Rural Electric Cooperative Association

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<sup>3</sup> Higher natural gas prices or natural gas price spikes could become more commonplace in a post-Clean Power Plan world.