
Presidential Permit

Sharyland Utilities, L.P.

Order No. PP-285



January 21, 2005

United States Department of Energy
Office of Fossil Energy

PRESIDENTIAL PERMIT
SHARYLAND UTILITIES, L.P.

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I. BACKGROUND

The Office of Fossil Energy (FE) of the Department of Energy (DOE) has the responsibility for implementing Executive Order (EO) 10485, as amended by EO 12038, which requires the issuance of Presidential permits for the construction, operation, maintenance, and connection of electric transmission facilities at the United States international border.

On September 11, 2003, Sharyland Utilities, L.P. (Sharyland) applied to FE for a Presidential permit to construct, operate, maintain, and connect an electric transmission line across the U.S.-Mexico border. Sharyland proposes to develop a single-circuit 138-kV transmission interconnection with Mexico in two phases. In the first phase Sharyland would tap an existing 138-kV transmission facility also owned by Sharyland, construct a 150-megawatt (MW) back-to-back alternating current/direct current/alternating current (High-voltage, Direct Current; HVDC) converter station in the immediate vicinity of the tap, and construct approximately one mile of 138-kV transmission line to the U.S.-Mexico border near the City of Mission, Texas. At the border the facilities would interconnect with similar facilities owned by Comision Federal de Electricidad (CFE), the national electric utility of Mexico, and continue an additional five miles to CFE's Cumbres substation located approximately six miles from the City of Reynosa, Tamaulipas, Mexico. In the second phase, Sharyland would expand the converter facility to a capacity of 300 MW.

Sharyland is requesting that a Presidential permit be granted for the ultimate 300-MW development of the project.

Notice of Sharyland's application for a Presidential permit was published in the *Federal Register* on October 2, 2003, (68 FR 56825) requesting that comments, protests, and petitions to intervene be submitted to DOE by November 3, 2003. A timely motion to intervene and comment was received from American Electric Power-Texas Central Company (AEP-TCC). No oppositions were received.

The Secretary of State and the Secretary of Defense have concurred in the issuance of a Presidential permit to Sharyland for the proposed facilities.

II. DISCUSSION

In its comment, AEP-TCC did not oppose construction of the facilities proposed by Sharyland. Rather, AEP-TCC noted that Sharyland had followed the reliability procedures established by the Electric Reliability Council of Texas (ERCOT)¹ and directed DOE to the CFE/ERCOT Interconnection Study of December 19, 2003, which included a study of the reliability impacts of the proposed 138-kV transmission line.

The main CFE electrical grid and the U.S. electrical grid are not synchronized in the area of the proposed project² and, therefore, cannot be operated in parallel. As discussed in greater detail in the Sharyland application, one component of Sharyland's proposed project is construction of an HVDC converter to create an asynchronous connection between the ERCOT electric system and CFE. This would permit parallel operation of the ERCOT and CFE systems. The converter station would consist of a device to convert 138-kV AC power to DC, a connecting length of DC buswork, and a device to convert the DC to 138-kV AC.

Sharyland has submitted technical studies, including the CFE/ERCOT Interconnection Study, demonstrating operation of the U.S. electric system with the proposed international transmission facilities in service and operating at the 300-MW level. The results of those studies indicate that the proposed 138-kV transmission line and its operation at up to 300 MW would not adversely impact reliability of the U.S. electric system as long as it is operated consistent with the operating procedures established by ERCOT. Specifically, the amount of electric power that can be reliably imported from or exported to Mexico over the proposed facilities is dependent upon the level of generation in the Mission area of Texas. Therefore, DOE has placed a condition in this permit requiring that the facilities authorized herein be operated consistent with the reliability limits established by ERCOT with respect to the generation scheduled in the Mission area.

The reliability information submitted by Sharyland also indicates that the reliable operation of the international interconnection at up to 300 MW is dependent upon the installation of an additional 150-MW converter and upon implementation of certain improvements to the 138-kV transmission line connecting the West McAllen and South McAllen substations. DOE has placed a condition in this permit requiring Sharyland to certify to DOE that the second 150-MW converter has been installed and that the required improvements to the West McAllen-South McAllen 138-kV line are completed.

DOE has consistently expressed its expectation that owners of international transmission facilities provide access across the border in accordance with the principles

¹ The Electric Reliability Council of Texas (ERCOT) is one of the ten regional reliability councils of the North American Electric Reliability Council. ERCOT is responsible for establishing the reliability planning and operating guidelines and standards for the member electric systems in Texas and for scheduling the delivery of transactions over the transmission systems within its jurisdiction.

² On the date of this Order, the electricity transmission systems of the United States and Mexico are synchronized only at the border region between California and Mexico's State of Baja California.

of comparable open access and non-discrimination contained in the Federal Power Act and articulated in the Federal Power Commission's Order No. 888 (Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; FERC; Stats. & Regs. ¶31,036 (1996)), as amended. In a related proceeding, FE Docket No. 99-1 (64 FR 40580, July 27, 1999), DOE indicated its intention to amend certain Presidential permits to require permit holders to provide non-discriminatory open access transmission services over their international transmission lines. This proceeding has not yet been concluded. However, in its permit application, Sharyland asserts that it intends to operate the proposed transmission facilities in an "open access" mode making them available for use by other parties, including CFE, to transfer electric power between the United States and Mexico.

III. FINDING AND DECISION

DOE has assessed the impact that the construction and operation of the proposed international transmission facilities would have on the reliability of the U.S. electric power supply system. Based on the information in the docket and the above discussion, DOE has determined that the installation and operation of the proposed international transmission facilities by Sharyland, as conditioned herein, would not adversely impact the reliability of the U.S. electric power supply system.

DOE has also determined that the issuance of this Presidential permit clearly would not constitute a major Federal action which could significantly affect the quality of the human environment within the meaning of the National Environmental Protection Act of 1969. DOE has documented the rationale supporting this finding in a Finding of No Significant Impact dated January 14, 2005.

IV. ORDER

Pursuant to the provision of EO 10485, as amended by EO 12038, and the Rules and Regulations issued there under (Title 10, Code of Federal Regulations, section 205.320 et. Seq.), permission is granted to Sharyland to construct, operate, maintain, and connect electric transmission facilities at the international border of the United States and Mexico, as further described in Article 2 below, upon the following conditions:

Article 1. The facilities herein described shall be subject to all conditions, provisions and requirements of this permit. This permit may be modified or revoked by the President of the United States without notice, or by DOE after public notice, and may be amended by DOE after proper application thereto.

Article 2. The facilities covered by and subject to this permit shall include the following facilities and all supporting structures within the right-of-way occupied by such facilities:

One 138,000-volt electric transmission line connected to a HVDC converter installed adjacent to the Railroad Substation near McAllen, Texas, and extending approximately 1 mile south from that substation to the U.S. international border.

These facilities are more specifically shown and described in the application filed in this docket.

Article 3. The facilities described in Article 2 above shall be designed and operated in accordance with the applicable criteria established by the Electric Reliability Council of Texas and consistent with that of the North American Electric Reliability Council or its successor. Sharyland shall coordinate the operation of the subject facilities such that the instantaneous rate of transmission of electric energy in the import and export modes is consistent with ERCOT requirements for the corresponding level of generation in the Mission area.

The maximum instantaneous rate of transmission of electric energy over the facilities authorized herein shall be limited to 150 MW until Sharyland demonstrates to DOE that the second 150-MW converter has been installed and that the required improvements to the West McAllen-South McAllen 138-kV transmission line have been accomplished.

Article 4. No change shall be made in the facilities covered by this permit or in the authorized operation of these facilities unless such change has been approved by DOE.

Article 5. Sharyland shall at all times maintain the facilities covered by this permit in a satisfactory condition so that all requirements of the National Electric Safety Code in effect at the time of construction are fully met.

Article 6. The operation and maintenance of the facilities covered by this permit shall be subject to the inspection and approval of a properly designated representative of DOE, who shall be an authorized representative of the United States for such purposes. Sharyland shall allow officers or employees of the United States, with written authorization, free and unrestricted access into, through, and across any lands occupied by these facilities in the performance of their duties.

Article 7. Sharyland shall investigate any complaints from nearby residents of radio or television interference identifiably caused by the operation of the facilities covered by this permit. Sharyland shall take appropriate action as necessary to mitigate such situations. Complaints from individuals residing within one-half mile of the center of the transmission circuit are the only ones which must be resolved. Sharyland shall maintain written records of all complaints received and of the corrective actions taken.

Article 8. The United States shall not be responsible or liable: for damages to or loss of the property of, or injuries to, persons; for damages to, or loss of the facilities covered by this permit; or for damages to, or loss of the property of, or injuries to the

person of Sharyland officers, agents, servants or employees or of others who may be on said premises; any of which may arise from or be incident to the exercise of the privileges granted herein; and Sharyland shall hold the United States harmless from any and all such claims.

Article 9. Sharyland shall arrange for the installation and maintenance of appropriate metering equipment to record permanently the hourly flow of all electric energy transmitted between the United States and Mexico over the facilities authorized herein. Sharyland shall make and preserve full and complete records with respect to the electric energy transactions between the United States and Mexico. Sharyland shall furnish annual reports to DOE, by the 15th of February each year, detailing for each month of the previous year: (1) the gross amount of electricity imported into the U.S., in kilowatt hours; (2) the consideration associated with the import; and (3) the maximum hourly rate of transmission, in kilowatts. Annual reports must be filed regardless of current activity and whether or not deliveries of electric energy have been made. If no transactions have been made, a one-sentence report indicating "no activity" for the previous year is sufficient.

Reports shall be submitted to the U.S. Department of Energy, Office of Fossil Energy, FE-27, 1000 Independence Avenue, SW, Washington, DC 20585-0305. Properly identified reports will also be accepted via facsimile at (202) 287-5736 to meet time requirements, but original copies should still be filed at the above address.

Article 10. Neither this permit nor the facilities covered by this permit, or any part thereof, shall be transferable or assignable, except in the event of the involuntary transfer of the facilities by the operation of law. In the case of such an involuntary transfer, this permit shall continue in effect for a period of 60 days and then shall terminate unless an application for a new permit pursuant to Title 10, Code of Federal Regulations, section 205.323, as been received by DOE. Upon receipt by DOE of such an application, this existing permit shall continue in effect pending a decision on the new application. During this decision period, the facilities authorized herein shall remain substantially the same as before the transfer.

Article 11. Upon the termination, revocation or surrender of this permit, the 138-kV transmission facilities which are owned, operated, maintained, and connected by Sharyland and described in Article 2 of this permit, shall be removed and the land restored to its original condition within such time as DOE may specify and at the expense of Sharyland. If Sharyland fails to remove such facilities and/or any portion thereof authorized by this permit, DOE may direct that such actions be taken for the removal of the facilities or the restoration of the land associated with the facilities at the expense of Sharyland. Sharyland shall have no claim for damages by reason of such possession, removal or repair. However, if certain facilities authorized herein are useful for other utility operations within the bounds of the United States, DOE will not require that those

facilities be removed and the land restored to its original condition upon termination of the international interconnection.

Issued in Washington, D.C. on January 21, 2005.

A handwritten signature in blue ink, appearing to read "Anthony J. Como", is written over a horizontal line.

Anthony J. Como
Deputy Director
Electric Power Regulation
Office of Fossil Energy