

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

IN THE MATTER OF THE PETITION)	
OF PLAINS AND EASTERN CLEAN)	
LINE LLC FOR A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY)	Docket No. 14-00036
APPROVING A PLAN TO)	
CONSTRUCT A TRANSMISSION LINE)	
AND TO OPERATE AS AN ELECTRIC)	
TRANSMISSION PUBLIC UTILITY)	

**POST HEARING BRIEF OF
PLAINS AND EASTERN CLEAN LINE LLC**

Following the hearing in this Docket on November 4, 2014, Plains and Eastern Clean Line LLC (“Plains and Eastern” or “Petitioner”) submits this Post Hearing Brief in support of the relief requested in its *Petition for Certificate of Public Convenience and Necessity* (the “Petition”). For the reasons set forth below, the Tennessee Regulatory Authority (“Authority”) should grant the relief requested in the Petition. Plains and Eastern has presented compelling evidence showing (i) that the Project (defined below) serves the public interest, (ii) that the Proposed Right-of-Way attached as Exhibit C to the Petition is a reasonable and appropriate route; (iii) that Plains and Eastern has the necessary managerial, technical and financial ability to construct and operate the Project; and (iv) that the other relief requested in the Petition is appropriate.

I. OVERVIEW OF THE PETITION AND THE TRAVEL OF THE CASE

A. Plains and Eastern’s Petition

On April 4, 2014, Plains and Eastern filed its Petition in this Docket requesting an Order from the Tennessee Regulatory Authority (“Authority”) (1) granting Plains and Eastern a

Certificate of Public Convenience and Necessity (“CCN”) pursuant to Tenn. Code Ann. § 65-4-208 approving its plan to construct electric transmission facilities in Tennessee along the Proposed Right-of-Way attached as Exhibit C to its Petition (the “Project”); (2) granting Plains and Eastern a CCN pursuant to Tenn. Code Ann. § 65-4-201 to operate as a public utility providing electric transmission services in Tennessee; (3) confirming that Plains and Eastern is not subject to the rate-making authority of the Authority because its rates will be subject to regulation by FERC; (4) to the extent necessary, waiving the applicability of Rule 1220-04-01-.11 to Plains and Eastern so long as Plains and Eastern maintains its books and records in accordance with FERC’s Uniform System of Accounts; (5) granting proprietary and confidential treatment to the information designated by Plains and Eastern as proprietary and confidential in the testimony and exhibits submitted in this proceeding; and (6) granting such other and further relief as Plains and Eastern may be entitled.

In support of its Petition, Plains and Eastern submitted the testimony and associated exhibits of five witnesses:

- Michael Skelly, President of the Petitioner in this proceeding, Plains and Eastern, and President and Chief Executive Officer of Clean Line Energy Partners LLC (“Clean Line”).
- Mario Hurtado, Executive Vice President – Development of Clean Line.
- Dr. Wayne Galli, Executive Vice President – Transmission and Technical Services of Clean Line.
- Jason Thomas, Environmental Director of Clean Line.
- David Berry, Executive Vice President – Strategy and Finance of Clean Line.

B. Description of Plains and Eastern and of the Project

Plains and Eastern is an Arkansas limited liability company and is qualified to do business in Tennessee. Plains and Eastern is a wholly owned subsidiary of Plains and Eastern

Clean Line Holdings LLC, a Delaware limited liability company, which is in turn a wholly owned subsidiary of Clean Line, also a Delaware limited liability company. (Petition ¶¶ 1, 2 and 3).

The owners of Clean Line are GridAmerica Holdings Inc., Clean Line Investor Corp., Michael Zilkha, and Clean Line Investment LLC. (Petition ¶ 2). GridAmerica Holdings Inc. is a subsidiary of National Grid USA, a major owner and operator of electric transmission and distribution facilities and natural gas distribution systems in New York, Massachusetts, and Rhode Island.¹ National Grid USA is a subsidiary of National Grid plc, which owns and operates the high voltage electric transmission system in England and Wales and natural gas transportation and distribution systems in Great Britain and is part owner of high voltage direct current (“HVDC”) transmission links in Europe.² Clean Line Investor Corp. is a subsidiary of ZAM Ventures, which is the principal investment vehicle for ZBI Ventures, a subsidiary of Ziff Brothers Investments, L.L.C. Michael Zilkha is an energy industry investor and was a primary investor in Horizon Wind Energy, one of the leading U.S. wind energy companies, during its initial growth. (Skelly PF³ at 7-9). Finally, Clean Line Investment LLC is owned by Clean Line employees and service providers. (*Id.* at 9).

Plains and Eastern seeks authority to construct, operate, and maintain the Tennessee portion of the Project. The Project will consist of a ±600 kilovolt (“kV”) HVDC electric transmission line that will extend approximately 700 miles from the Oklahoma Panhandle region

¹ National Grid USA’s electric transmission and distribution facilities serve approximately 3.4 million customers and its natural gas distribution systems serve approximately 3.5 million customers. National Grid’s subsidiaries own and operate over 8,600 miles of high voltage transmission facilities. Skelly PF at 7.

² National Grid plc has \$75 billion in assets and over \$22 billion in annual revenues. *Id.* at 8. National Grid USA and National Grid plc will be referred to collectively as “National Grid” unless the context requires reference to a specific company.

³ References to pre-filed testimony will be identified as Witness PF at ____.

to DC-to-alternating current (“AC”) converter station in Shelby County, Tennessee, where it will interconnect with the 500 kV transmission system of the Tennessee Valley Authority (“TVA”) at TVA’s Shelby Substation and deliver power in Tennessee. (Petition ¶ 6). The Project will have the capacity to deliver 3,500 megawatts (“MW”) to the Shelby Substation. (Petition ¶ 6). Additionally, an intermediate delivery converter station has been proposed in central Arkansas that would have the capacity to deliver up to 500 MW to the Entergy transmission system. (Petition ¶ 7). The route proposed by Plains and Eastern for the Project in Tennessee (referred to as the “Proposed Right-of-Way”) crosses the Mississippi River and consists of an approximately 17-mile HVDC transmission line and associated facilities in southern Tipton County and northern Shelby County, Tennessee. A map showing the Proposed Right-of-Way is attached as Exhibit C to the Petition. (Petition ¶ 7).

Plains and Eastern is proposing to construct and operate the Project in order to connect wind generation facilities that will be built in the Oklahoma Panhandle region (referred to in this case as the “Resource Area”) with electricity markets in Tennessee and elsewhere in the Southeast. The Resource Area has some of the best wind resources in the U.S. and can support construction of thousands of MW of new, high-capacity wind generation facilities; however, there is presently inadequate transmission capacity between the Resource Area and more populated, electricity-consuming areas such as Tennessee and the Southeast to justify the construction of significant new wind generating facilities in the Resource Area. (Petition ¶¶ 16 and 17).

Plains and Eastern’s primary objective in constructing the Project is to provide a direct transmission connection between the Resource Area and Tennessee and to thereby provide a basis for the development and construction of high capacity factor wind generation facilities in

the Resource Area that can serve Tennessee and other parts of the Southeast. (Petition ¶ 17). The Project will provide the electricity markets in Tennessee, the Mid-South and the Southeast with access to more than 4,000 MW of wind facilities in the Resource Area. The new, high capacity factor wind generation in the Resource Area enabled by the Project will be a cost-effective resource for meeting the increasing demand for electricity from renewable resources in Tennessee and the Southeast, and the generation will be competitive with other sources of power. TVA and other utilities in the Mid-South and Southeast have an increasing demand for electricity from renewable resources and a need for clean energy sources to replace retiring fossil-fueled generation. For example, TVA's 2011 Integrated Resource Plan recommends that TVA increase its renewable energy capacity to 2,500 MW by 2020 (Petition ¶ 14), and since 2009, TVA and other Southern utilities connected to the TVA system have added over 3,600 MW of wind power to their electric generation portfolios. (Berry PF at 6).

In addition to providing access to low-cost, clean energy, Plains and Eastern identified several additional substantial public benefits in Paragraph 18 of the Petition, including:

- Cleaner air and water for Tennessee and the region by reducing the use of fossil fuel generation.
- Over \$300 million of direct investment in infrastructure in Shelby County and Tipton County, Tennessee.
- New construction and operations jobs in Tennessee, Arkansas, and Oklahoma.
- Substantial investment in new renewable energy projects, which will bring increased opportunities in the manufacturing sector for wind turbines, components, and related facilities that will be constructed as a result of the Project.
- Property tax and other revenue for local communities and schools.
- Payments to landowners for the easements needed to construct and operate the Project.

Plains and Eastern will recover its costs of construction and operation through the revenues it receives from the specific transmission customers that purchase capacity and take transmission service on the Project. Plains and Eastern expects to finance construction of the Project using a project finance approach, which has been frequently employed for energy and infrastructure projects including electric generation plants, electric transmission facilities, and natural gas pipelines. After obtaining the necessary regulatory approvals for the Project and completing the necessary pre-construction development activities, Plains and Eastern will enter into long-term transmission capacity and service contracts with customers of the line and at that time will raise equity and debt capital for construction based on the revenue streams from the contracts.

C. The November 4, 2014 Hearing

On November 4, 2014, the panel in this Docket held a hearing and accepted public comments relating to the Project. All three public comments made at the hearing supported the Project. At the hearing, Plains and Eastern presented five witnesses, each of whom was available for questions from the participating Directors and Authority staff. No other parties intervened in the Docket or presented witnesses at the hearing.

Plains and Eastern's first witness was Michael Skelly, President of Plains and Eastern and President and CEO of Clean Line. In Mr. Skelly's pre-filed testimony, Mr. Skelly provided an overview of the business objectives, corporate organization and ownership structure of Clean Line and Plains and Eastern (Skelly PF at 1-2). In his oral testimony, Mr. Skelly focused on Clean Line and its business objectives, and he provided an overview of the Project (T. at 18-19; *See*, Skelly PF at 10-12). He then updated the Authority on TVA's interest in the Project and introduced a Letter of Interest dated November 3, 2014 that Plains and Eastern received from

TVA President and Chief Executive Officer William D. Johnson⁴ (T. at 21-23). In this letter, TVA's Mr. Johnson provided an overview of TVA's interest in the Project and described TVA's interest in seeing the Project's regulatory reviews advance. (Hearing Exhibit 1). Mr. Skelly then more broadly addressed the public interest benefits that will flow from the Project (T. at 23-25). He summarized Plains and Eastern's managerial, technical and financial ability to construct and operate the Project (T. at 25-28) and concluded his testimony with a forward-looking summary of the importance of the Project for the future of Tennessee's economy and energy resources (T. at 28-29).

Plains and Eastern then called as its second witness Mario Hurtado, Executive Vice President – Development of Clean Line and Project Manager of the Project. In his pre-filed testimony, Mr. Hurtado provided a detailed description of the Project (Hurtado PF at 2-3) and provided an update on its development activities (Hurtado PF at 4-10). He then addressed Plains and Eastern's stakeholder outreach process (Hurtado PF at 11-19) and reviewed the easements that Plains and Eastern will need in Tennessee to construct the Project (Hurtado PF at 19-20). He then explained Plains and Eastern's approach to negotiations with landowners and described Plains and Eastern's Code of Conduct and its proposed landowner compensation package (Hurtado PF at 20-23).

In Mr. Hurtado's oral testimony, Mr. Hurtado provided the Authority with a summary of the Project development activities to date (T. at 37-39) and also summarized Plains and Eastern's stakeholder outreach efforts (T. at 39-41). In the course of his summary, he provided an overview of the support letters⁵ that Plains and Eastern has received from landowners and others

⁴ References to the Hearing Transcript will be identified as T. at ____.

⁵ In addition to the support letters referenced in his oral testimony, Mr. Hurtado attached support letters from several more stakeholders and landowners in Tennessee. Those letters included support letters from Congressman Steve Cohen, Chairman Ron Lollar, Chairman Steve McManus and House Energy Task Force Vice Chairman John Ragan,

in Tennessee, which included support letters or resolutions from the Memphis City Council, Memphis Mayor AC Wharton, the Shelby County Commission, the Shelby County Alliance, several chambers of commerce, including the Black Business Association of Memphis, the Greater Memphis Chamber, and the Tennessee State Chamber (T. at 40-41).

Although outside the scope of the Petition and the matters before the Authority in this Docket, Mr. Hurtado acknowledged that the Authority had received letters from certain landowners and others in Arkansas that have expressed concerns about the Plains and Eastern Project in Arkansas (T. at 41). Mr. Hurtado addressed Plains and Eastern's approach to the Project in Arkansas, and he also provided an overview of the support that Plains and Eastern has received for this Project in Arkansas, which included over 170 letters of support (T. at 43-45; Hearing Exhibit 2). He gave an overview of Plains and Eastern's approach to siting the Project in Arkansas and explained how Section 1222 of the Energy Policy Act of 2005 can provide the necessary authorization for the Department of Energy and the Southwestern Power Administration to site the line in Arkansas (T. at 45-46).

Mr. Hurtado concluded his oral testimony with a summary of Plains and Eastern's approach to landowner negotiations in Tennessee (T. at 46-49). He testified that Plains and Eastern has now acquired easements across 40 of the 50 parcels that are located on the Proposed Right-of-Way and has acquired an exclusive option for the converter station site in Shelby County (T. at 49).

Plains and Eastern's third witness was Dr. Wayne Galli, Executive Vice President – Transmission and Technical Services for Clean Line. In his pre-filed testimony, Dr. Galli provided an overview of the process by which Plains and Eastern will interconnect its facilities

all of the Tennessee General Assembly and a supporting resolution from the Board of Commissioners of Memphis Light, Gas and Water. See Hurtado PF, Exhibits MH-3 and MH-4, as supplemented.

with TVA's bulk transmission system in Tennessee (Galli PF at 4-8). He addressed the managerial and technical abilities of Plains and Eastern to construct and operate the Project (Galli PF at 9-16), and he concluded with a detailed description of the Project facilities (Galli PF at 16-23).

In his oral testimony, Dr. Galli provided an overview of the benefits of HVDC technology (T. at 58-60) and provided a summary of the Project's design and technical specifications (T. at 60-61). He provided an update on the status of Plains and Eastern's interconnection process with TVA, explaining that 2 of the 3 phases of this process had been completed (T. at 61-62). He discussed in further detail Plains and Eastern's technical abilities to construct and operate the Project (T. at 63-64).

Dr. Galli answered questions from Authority General Counsel Stone concerning the status of any required upgrades to TVA's transmission system. He explained how Plains and Eastern will be able to interconnect with TVA with certain upgrades and also explained if there are any upgrades required, Plains and Eastern will pay for them. He also explained that Clean Line does not anticipate any upgrades that would cause a delay in the Project (T. at 64-67).

Plains and Eastern called Jason Thomas, Environmental Director for Clean Line, as its fourth witness. In Mr. Thomas' pre-filed testimony, he provided an overview of the Plains and Eastern Route Selection Study (Thomas PF at 2-3) and provided an overview of the routing process for the Project (Thomas PF at 3-11). Mr. Thomas' testimony demonstrated that the Proposed Route was developed through a comprehensive, structured route development process that included extensive outreach to stakeholders, including federal, state, and local governmental authorities and agencies, landowners in the areas studied for possible location of the transmission line, and other members of the public. The route development and selection process was based

on the application of a detailed set of routing criteria for which data were collected and evaluated in order to identify the route that minimizes impacts to homes, businesses, land uses, sensitive areas, environmental concerns, and other relevant considerations. He then identified the Proposed Route in Tennessee and sponsored the Proposed Right-of-Way that is attached as Exhibit C to Plains and Eastern's Petition (Thomas PF at 12-14).

In his oral testimony, Mr. Thomas described the goals of Plains and Eastern's route selection process and provided an overview of that process (T. at 69-73). He then identified the Proposed Route in Tennessee and explained why the Proposed Route is a reasonable and the most appropriate route (T. at 73-75). He concluded by describing and sponsoring the Proposed Right-of-Way in Tennessee (T. at 75; Hearing Exhibit 3).

Plains and Eastern called David Berry, Executive Vice President – Strategy and Finance of Clean Line, as its last witness. In his pre-filed testimony, Mr. Berry addressed the present and future needs for the Project, emphasizing the market and regulatory conditions that support the need for the Project (Berry PF at 3-31). He addressed the cost savings that will result from the Project and explained the environmental and economic development benefits that will flow from the Project. He described Plains and Eastern's financial abilities and its financing plan (Berry PF at 31-46) and concluded with an explanation of the two regulatory matters – ratemaking jurisdiction and accounting requirements – that Plains and Eastern has raised in its Petition (Berry PF at 46-48).

In his oral testimony, Mr. Berry provided two updates to his pre-filed testimony and one update to an answer that he had sponsored to one of Staff's data requests (T. at 78-80). He then provided a general summary of the need for the Project (T. at 81-83; Hearing Exhibit 4). Mr. Berry updated the Authority on Plains and Eastern's work with TVA and explained why the

Project will be beneficial for TVA and end-use residential and business customers of TVA located in Tennessee (T. at 83-84). Mr. Berry then more broadly addressed the benefits of the Project and provided an overview of Plains and Eastern's financial abilities and its financing plan for the Project (T. at 84-85).

Mr. Berry concluded his testimony with an explanation of why now is the appropriate and necessary time for the Project to move forward in Tennessee. (T. at 85-87). In this portion of his testimony, Mr. Berry emphasized that Plains and Eastern is ready, willing and able to continue investing in Tennessee, but needs the relief requested in the Petition to successfully move the Project forward. He explained that several remaining landowners in Tennessee have indicated that they would like to see the approved route before continuing negotiations with Plains and Eastern. He also testified that Plains and Eastern is ready to spend more money on engineering the converter station in Tennessee, but needs assurance where the converter station will be located in order to do so. He testified that the Department of Energy will likely want to review the Authority's approval as part of the pending federal environmental review of the Project, and he explained how Plains and Eastern's customers, investors and lenders are anxious to see these approvals in place as part of the Project's on-going development.

At the close of Mr. Berry's testimony and examination by Directors and staff, Plains and Eastern completed the presentation of its witnesses.

II. THE STATUTORY STANDARDS

The relevant statutory standards applicable to the Petition are Tenn. Code Ann. § 65-4-208, relating to certification of interstate transmission line projects, and Tenn. Code Ann. § 65-4-201(a), relating to certification as a public utility.

A. Certification of Interstate Transmission Line. Tenn. Code Ann. § 65-4-208 requires that the Authority approve any plans to construct an interstate electric transmission line

that will deliver power into the State. The statutory standard is a “public interest” standard.

Tenn. Code Ann. § 65-4-208 provides:

(a) Notwithstanding any other provision of law, no person, firm or corporation not engaged on March 22, 1955, in the business of generating, transmitting, distributing, or furnishing electric power shall extend or construct transmission or distribution lines or other works into or within the state, directly or indirectly enter the state, for the purpose of delivering within the state electric power generated at a point or points outside the state, unless such person, firm or corporation shall have first submitted its plans for such extension, construction or entry to the authority and shall have obtained from the authority a certificate of public convenience and necessity covering the same. The authority shall deny such certificate if, after a hearing, the authority cannot affirmatively establish that the granting of such certificate would serve the public interest.

(b) This section shall not apply to the federal government or any federal agency, to the state of Tennessee or any agency or political subdivision of the state, or to any cooperative association organized under the Electric Cooperative Act or the Electric Membership Corporation Act, but shall be fully applicable to any private corporation organized under the laws of this or any other state and to any public corporation of any other state, irrespective of the nature, identity or governmental or other public status of the purchaser, consumer, or other party to whom electric power is to be delivered within the state.

(c) The provisions of this section shall be cumulative and the requirements contained in this section shall be in addition to, and not in substitution for, the requirements contained in any other law.

B. Certification as a Public Utility. Tenn. Code Ann. § 65-4-201(a) provides the standard for granting a certificate of public convenience and necessity to operate as a public utility in Tennessee. That statute provides:

(a) No public utility shall establish or begin the construction of, or operate any line, plant, or system, or route in or into a municipality or other territory already receiving a like service from another public utility, or establish service therein, without first having obtained from the authority, after written application and hearing, a certificate that the present or future public convenience and necessity require or will require such construction, establishment, and operation, and no person or corporation not at the time a public utility shall commence the construction of any plant, line, system, or route to be operated as a public utility, or the operation of which would constitute the same, or the owner or operator thereof, a public utility as defined by law, without having first obtained, in like manner, a similar certificate

This statute does not articulate the specific requirements for certification as a public utility, but the Authority has generally required an applicant for a CCN as a public utility to show that it has the managerial, financial and technical ability to operate the utility and that it will comply with the applicable policies, rules and orders of the Authority:

To determine whether the award of a CCN benefits the present or future public convenience and necessity, the Authority analyzes the evidence to determine if the applicant has the managerial, financial, and technical ability to operate the utility. . . . Therefore, in reviewing an application for a CCN, the Authority must obtain reasonable assurance from evidence presented that the applicant possesses the managerial, financial, and technical ability to operate the utility.

The Authority also looks at evidence of whether the applicant "has demonstrated that it will adhere to all applicable Authority policies, rules and orders" in determining whether to grant or deny a CCN.

Joint Petition of Tennessee American Water Company, the City of Whitwell, Tennessee, and the Town of Powell Crossroads, Tennessee, Order Approving Purchase Agreement, Franchise Water Agreement and Certificate of Public Convenience and Necessity (October 15, 2013).

For the reasons set forth below, Plains and Eastern satisfies these statutory standards.

III. PLAINS AND EASTERN SATISFIES THE STATUTORY STANDARDS UNDER TENN. CODE ANN. 65-4-208 AND 65-4-201

Plains and Eastern respectfully submits that it has demonstrated that its construction and operation of the Project in Tennessee is in the public interest and, therefore, meets the requirements of Tenn. Code Ann. § 65-4-208(a). Plains and Eastern submits that it has further demonstrated that it has the necessary managerial, technical and financial ability to provide electric transmission services in the State and that it will comply with the policies, rules and orders of the Authority. Accordingly, Plains and Eastern submits that it has shown that it meets the statutory requirements under Tenn. Code Ann. § 65-4-201(a) for a certificate of convenience and necessity as a public utility providing electric transmission services in the State of Tennessee.

A. The Project Serves the Public Interest, and the Authority Should Grant a CCN Pursuant to Tenn. Code Ann. § 65-4-208 and Approve the Proposed Right-of-Way.

Based upon the record in this Docket, Plains and Eastern submits that the Project is in the public interest and satisfies the requirements of Tenn. Code Ann. § 65-4-208.

As the testimony of Plains and Eastern's witnesses has shown, there is a clear need for transmission service to connect the low cost renewable resources in the Oklahoma Panhandle region with Tennessee. This new transmission line would make a new and needed source of low-cost renewable energy available to TVA and to utilities surrounding the TVA area. As Plains and Eastern's witnesses have testified:

- There is a current and growing demand within the TVA footprint and elsewhere for affordable and reliable renewable energy.
- Wind energy has become the lowest cost source of new electric generation.
- There are abundant wind resources in the Oklahoma Panhandle region, but there is not enough transmission capacity to support the further development of this low-cost source of power.

Mr. Berry explained how the demand for this power exists today and will grow in the future. Utilities in the South have purchased 3,600 MW of wind power from the central United States. However, infrastructure constraints require new transmission lines like the Project to allow TVA and other Southern utilities to continue to buy low-cost wind power. In his testimony, Mr. Berry pointed to the declining cost of wind power, the current policy support for wind power, and the increased environmental regulation of coal power. He acknowledged the country's increasing reliance on natural gas but observed that renewable energy and natural gas can work in tandem to provide the right balance of low cost and low risk to utility customers over the long term. Mr. Berry also demonstrated – based upon the company's RFI and open solicitation process – that there is a robust supply of low-cost renewable energy that will be

available to the State and the Southeast as soon as the Project can be constructed. Plains and Eastern received transmission service requests to Tennessee for over 15,000 MW – more than 4 times the Project’s capacity from Oklahoma to Tennessee.

TVA is one of the primary potential customers for the Project. Since 2009, Plains and Eastern and TVA have been working together to evaluate the benefits of this project for TVA. As Mr. Skelly and Mr. Berry have testified, TVA has adopted an integrated resource plan that calls for up to 2,500 MW of renewable power by 2020 and noted that transmission expansion is particularly necessary for TVA to acquire renewable energy. The TVA Board has set a goal of obtaining 50% of its electricity from carbon free sources by 2025. TVA has also faced regulatory pressure to retire some of its coal fired generation capacity. Therefore, the Project is certainly aligned with TVA’s goals.

On December 10, 2013, Mr. Rob Manning, who was at the time TVA’s Executive Vice President and Chief External Relations Officer, submitted a letter to then Chairman Allison addressing TVA’s support for transmission expansion in general.⁶ In that letter, Mr. Manning observed that TVA had announced significant retirement of coal resources to reduce emissions and also noted that TVA was among the first in the Southeast to contract for wind energy from the Great Plains states and the Midwest wind corridor.

Most recently, TVA President and Chief Executive Officer Johnson has reaffirmed TVA’s on-going interest in this project. On November 3, 2014, Mr. Johnson provided a Letter of Interest to Plains and Eastern.⁷ In this letter, TVA’s Mr. Johnson provided an overview of TVA’s interest in the Project and indicated that “TVA supports the advancement of the Project

⁶ Berry PF, Exhibit DB-1.

⁷ Hearing Exhibit 1.

as a potential option for the future needs of the region and encourages the appropriate authorities to provide the regulatory and other government review needed to move the [Project] forward.”

At the hearing, Mr. Berry testified that he is confident that the project will be a valuable option for TVA in meeting the power supply demands of Tennessee and the TVA region in the future. In his testimony and at the hearing, Mr. Berry discussed his projected levelized cost of energy from the Project, estimating that the levelized cost of energy would be approximately 4.2 cents per kWh, which is substantially less than TVA’s FY2013 cost of 8 cents per kWh.⁸ He also pointed to the independent analysis of the Lazard Frères investment banking firm, which estimated that the levelized cost of energy from strong wind regions like the Resource Area and delivered to TVA would be approximately 4.3 cents per kWh.⁹ To further support his assertion that substantial low cost wind resources are available in the Resource Area, Mr. Berry discussed Plains and Eastern’s RFI process, where wind developers with rights to more than 16,000 MW of potential capacity have expressed interest in the project. Of those developers, those with the most competitive 4,000 MW bid an average of 2.4 cents per kWh as a flat price for generation without escalation over 25 years. Finally, Mr. Berry testified that the cost of power from the Project is still competitive with other sources of power even if federal investment tax credits are not continued. Based upon this, Mr. Berry’s testimony clearly demonstrates that the Project will provide Tennessee with valuable access to a supply of low-cost renewable energy.

Clearly, the Project would bring a valuable supply of low-cost clean power for TVA and other utilities in the Southeast.

⁸ On June 23, 2014, TVA President and Chief Executive Officer William D. Johnson submitted a letter in response to various questions that Senator Lamar Alexander and Congressman Stephen Fincher had raised concerning the Project. In that response, among other things, Mr. Johnson noted that TVA’s cost of off-system wind purchases in FY 2013 was \$80/MWh (or 8 cents per kWh), inclusive of transmission. See response of William D. Johnson at page 2, available at <http://www.tn.gov/tra/orders/2014/1400036p.pdf>.

⁹ Hearing Exhibit 4.

The benefits of the Project go well beyond low cost power. Plains and Eastern's witnesses outlined additional and significant public benefits from the Project, including:

- Cleaner air and water for Tennessee and the region by reducing the use of fossil fuel generation;
- Over \$300 million of direct investment in infrastructure in Shelby County and Tipton County, Tennessee;
- The creation of new construction and operations jobs in Tennessee and elsewhere;
- Enabling extensive investment in new renewable energy projects in the Oklahoma Panhandle, and creating increased opportunities for manufacturers and service providers;
- Property tax and other revenues for local communities and schools in Tennessee; and
- Payments to landowners for the easements needed to construct and operate the Project.

In addition to this impressive list of benefits, Plains and Eastern has also worked to successfully minimize and mitigate any adverse impacts of this project through its methodical, thoughtful and careful routing process. Mr. Jason Thomas testified to the multiple step routing study that has led to the identification of the Proposed Right-of-Way that Plains and Eastern has presented as Exhibit C to its Petition. Mr. Hurtado testified to the extensive stakeholder outreach process that Plains and Eastern utilized. As a result of this process, Plains and Eastern believes that the Proposed Right-of Way best minimizes impacts on the natural and human environments.

Mr. Hurtado's testimony includes numerous positive comments and support letters, and these letters as well as others in the Docket demonstrate that Plains and Eastern has earned the support of many landowners, citizens, businesses, economic development agencies, and State and local elected officials here in Tennessee. Perhaps most importantly, Plains and Eastern has

reached agreements with the owners of 40 of the 50 parcels along the Proposed Right-of-Way, which clearly validates Plains and Eastern's approach to negotiations with landowners.¹⁰

Based upon the record in this Docket, Plains and Eastern submits that the Project is plainly in the public interest and requests that the Authority grant a CCN to Plains and Eastern that approves its plans to construct the portion of the Project that will be located in Tennessee along the Proposed Right-of-Way attached as Exhibit C to the Petition.¹¹

B. The Authority Should Grant Plains and Eastern a CCN To Operate as a Public Utility Providing Electric Transmission Services In Tennessee Because Plains and Eastern Has Demonstrated the Managerial, Technical and Financial Ability To Provide These Services and Has Agreed To Comply With the Policies, Rules and Orders of the Authority.

Plains and Eastern and its parent company Clean Line have assembled a strong team of experienced energy executives. Between Mr. Skelly, Mr. Hurtado, Dr. Galli, Mr. Thomas, Mr. Berry, and others, Plains and Eastern's executives have deep managerial, technical and financial abilities in the energy field and with renewables and transmission in particular.

From a managerial and financial standpoint, Mr. Skelly has testified to his extensive experience in evaluating and developing wind energy resources. He led the growth of Horizon Wind from a two-person company to one of the leading wind energy companies in the U.S. He has also led the development of more than 2,000 MW of wind energy projects that were ultimately constructed. (Skelly PF at 2). Mr. David Berry testified that he has personally worked on renewable energy financings totaling in excess of \$2 billion. Mr. Berry's experience

¹⁰ As noted in Plains and Eastern's response to Staff Data Request 15, Plains and Eastern continues to work on acquiring easements along the rest of the Proposed Right-of-Way. As Mr. Berry testified at the hearing, Plains and Eastern believes that gaining the regulatory approvals requested in the Petition will help Plains and Eastern to complete these negotiations. T. at 86.

¹¹ As noted in Paragraph 7 of the Petition, Plains and Eastern seeks permission to make minor adjustments to the location of its facilities in Tennessee from the description set forth on Exhibit C as a result of issues that arise during surveying, permitting, final engineering, and discussions with landowners. Plains and Eastern's request is limited to permission to make such adjustments on the parcels set forth on Exhibit D to the Petition.

also includes experience in commercial arrangements and power purchase agreements with utilities for hundreds of megawatts of wind energy (T. at 77-78). Mr. Hurtado has developed and managed power plants and other energy infrastructure in the electric power and natural gas industries for over nineteen years. (Petition at ¶ 20). Plains and Eastern's team also includes the former Chief Financial Officer of Horizon Wind, a former senior policy advisor for George W. Bush in his gubernatorial and presidential administrations who focused primarily on electricity markets, and a general counsel who completed transactions ranging in value from \$5 million to over \$4 billion and encompassed many sectors of the renewable energy industry, including wind, solar and geothermal energy. (*Id.*).

From a technical standpoint, the Plains and Eastern team, led by Dr. Wayne Galli, has years of hands on experience in design, and construction of projects similar to the project under consideration. Dr. Galli, part of the founding management team at Clean Line, has a Bachelor's of Science and a Master's of Science in electrical engineering and a Ph.D. in electrical engineering. His prior work experience includes employment at Southern Company, Southwest Power Pool, and NextEra Energy Resources in the development of Lone Star Transmission in Texas (T. at 57). National Grid also makes its resources available to Plains and Eastern (T. at 26). As noted in Footnotes 1 and 2, National Grid is an international leader in electric transmission and distribution facilities, and among other things, owns and operates the electric power grid in the northeastern United States and in most of the United Kingdom (T. at 25). Additionally, Plains and Eastern has brought to the project several of the foremost construction and engineering companies in the country, including Fluor and Power Engineers (T. at 27, 63). Fluor is Plains and Eastern's construction management advisor, while Power Engineers is primarily responsible for the detail design of the transmission line structures (T. at 63).

Plains and Eastern has also shown that it has an appropriate financing plan and experience for this Project. As discussed by Mr. Skelly in his oral testimony, in addition to National Grid, a project investor is ZBI Ventures, a fund that invests in long-term development energy efforts. (T. at 25). Mr. Berry has explained the project finance approach that the company will use to finance the project and has showed that project finance approach is a successful model for the development and construction of projects like the Plains and Eastern project. As he has testified, Mr. Berry is confident that the project finance markets will support the construction of the Project.

Finally, Mr. Skelly has testified that Plains and Eastern will comply with the policies, rules and orders of the Authority.

Based upon the foregoing, Plains and Eastern submits that it satisfies the requirements to receive a CCN from the Authority to provide electric transmission services in the State of Tennessee.

IV. THE AUTHORITY SHOULD GRANT THE ADDITIONAL RELIEF REQUESTED IN THE PETITION.

In addition to the requests for a CCN approving the Project pursuant to Tenn. Code Ann. § 65-4-208 and for a CCN certifying Plains and Eastern as a public utility providing electric transmission service in the State, Plains and Eastern has asked that the Authority confirm that the Project will not be subject to the rate-making jurisdiction of the Authority since the Federal Energy Regulatory Commission (or “FERC”) will have jurisdiction over Plains and Eastern’s interstate transmission rates. Plains and Eastern has also asked that the Authority waive the applicability of Rule 1220-04-01-.11 so long as Plains and Eastern maintains its books and records in accordance with FERC’s uniform system of accounts as set forth in 18 C.F.R. Part 101. Both requests are well founded, and the Authority should grant the requested relief.

With respect to FERC's jurisdiction over Plains and Eastern's rates, Plains and Eastern witness David Berry has explained FERC's regulatory oversight over Plains and Eastern's rates. Mr. Berry introduced two FERC Orders addressing Plains and Eastern's application for authorization to sell transmission service at market based rates. (Berry PF at 46-47 and Exhibits DB-9 and DB-10). Because Plains and Eastern will sell transmission service in accordance with these FERC Orders and will be subject to FERC's jurisdiction on an on-going basis, it is not necessary for the Authority to regulate Plains and Eastern's transmission rates.

Similarly, as Mr. Berry explained, Plains and Eastern will be required to maintain its books and records in accordance with FERC's uniform system of accounts. *Id.* at 47. Mr. Berry observed that Plains and Eastern's books and records should provide appropriate, useful and sufficient accounting and financial information for the Authority's regulatory purposes. *Id.*

Accordingly, Plains and Eastern submits that the Authority should grant this additional relief as requested in the Petition.

V. CONCLUSION

Based on the record in this case, the Authority can and should find that construction and operation of the Project in Tennessee is in the public interest and that Plains and Eastern should be issued a CCN to construct and operate the Project. Additionally, the Authority can and should find that Plains and Eastern has the necessary managerial, technical and financial ability to construct and operate the Project and that the public convenience and necessity support the certification of Plains and Eastern as a public utility providing electric transmission services in the State of Tennessee. Finally, Plains and Eastern submits that the Authority should confirm that Plains and Eastern is not subject to the rate-making authority of the Authority because its rates will be subject to regulation by FERC; to the extent necessary, should waive the applicability of Rule 1220-04-01-.11 to Plains and Eastern so long as Plains and Eastern

maintains its books and records in accordance with FERC's Uniform System of Accounts; and should grant proprietary and confidential treatment to the information designated by Plains and Eastern as proprietary and confidential in the testimony and exhibits submitted in this proceeding.

Respectfully submitted,

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