and 52 along with a portion of Circuit Y66 at the southwest corner of Section 51 (Potter County, Texas, B.S.& F Survey, Block 9) and ending at a point on the Consensus Route approximately 0.90 miles west of Potter County Substation. SPS agrees to abandon the easement for the portion of Circuit Y66 that is to be removed and promptly record the abandonment of the easement in Potter County. SPS also agrees that it will take all reasonable steps to restore the land disturbed by the easement which is to be abandoned and by the removal of this portion of the Circuit Y66 transmission line and will comply with the landowner's reasonable requests related to those restoration efforts. SPS's agreement to remove Circuit Y66 and abandon the easement, as described in this Section 2, is a non-severable and essential condition to Seewald Enterprises' joining in this Stipulation for approval of the Consensus Route.

Section 3. SPS agrees to offer into evidence the following items and request that they be admitted into the record in this docket:

A. SPS's Application, filed on December 30, 2009;

B. SPS's Affidavit of Proof of Notice filed on January 8, 2010;

C. the direct testimony of SPS witnesses Reené Miranda, Jeffrey B. Stebbins, Kelli D. Boren, Sean L. Fredriksen and Lance Kenedy filed on April 16, 2010;

D. SPS witness, Reené Miranda's Supplemental Testimony filed on July 23, 2010;

E. Letter to the Commission from William L. Price filed on July 23, 2010; and

F. this signed Stipulation and its attached Proposed Order.

The Signatories agree to support SPS's motion to admit the evidence described above and waive their right to cross-examination. The Signatories agree that the evidence described in this Section supports a finding that SPS's Application to amend its CCN should be granted and SPS

be allowed to build Segment I and Segment II of the transmission line as agreed to in this Stipulation.

Section 4. The Signatories request the Commission adopt an order consistent with the terms of this Stipulation and the proposed order attached hereto as *Exhibit A.* The Signatories agree that they will take all reasonable steps to ensure the Commission adopts the Order, or such other order consistent with the terms of the Stipulation.

Section 5. Although the Stipulation represents a settlement among the Signatories with respect to issues presented in this docket, the Stipulation is merely a proposal submitted to the Commission, who has the authority to enter an order resolving this docket. The Stipulation has been drafted by all the Signatories and is the result of negotiation, compromise, settlement, and accommodation. The Signatories agree that the Stipulation is in the public interest and its terms and conditions are interdependent. No provision of the Stipulation shall become fully operative unless the Commission has entered a final order approving the Stipulation.

Section 6. The Stipulation is binding on each Signatory only for the purpose of settling the issues set forth in the Stipulation and for no other purposes. Except to the extent that the Stipulation expressly governs a Signatory's rights and obligations for future periods, the Stipulation shall not be binding or precedential on a Signatory outside of this proceeding or a proceeding to enforce the terms of the Stipulation. The Stipulation shall have no effect on any Signatory's right to raise any issue other than those specifically addressed in the Stipulation. It is acknowledged that a Signatory's support of the matters contained in the Stipulation may differ from the position taken or testimony presented by it in other dockets and jurisdictions.

Section 7. If the Commission does not adopt an order consistent with the terms of the Stipulation, the Signatories will have the right to withdraw from the Stipulation and assume any

position, not inconsistent with any other agreements between the parties, which they deem appropriate with respect to any issue in this docket.

Section 8. The Signatories hereby agree that all of the facts and matters stated in this Stipulation and in the proposed order attached hereto as *Exhibit A*, are true and correct and may be relied upon by the Commission in resolving this Docket.

Section 9. Each person executing this Stipulation represents that he or she is authorized to sign on behalf of the party represented. Facsimile copies of signatures are valid for purposes of evidencing such execution. This Stipulation may be executed in multiple counterparts, each of which is deemed an original but all of which constitute one and the same instrument.

Executed as shown below:

Dated this 23 day of July, 2010.

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: Susan Goodson
Susan Goodson
Attorney of Record

SOUTHWESTERN PUBLIC SERVICE COMPANY

By: _____
Ron Moss
Attorney of Record

Wildcat Bluff Nature Center

By: _____
Rhoda Breeden

Bill Cornett

By: _____
Bill Cornett

G.R. Chapman L.P
Sandra K. Webb
George Chapman Consulting, Inc.

By: _____
Steven Morris
Attorney of Record

Seewald Enterprises, LLC

By: _____
J. Kay Trostle
Attorney of Record

Executed as shown below:

Dated this 23 day of July, 2010.

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: _____
Susan Goodson
Attorney of Record

SOUTHWESTERN PUBLIC SERVICE COMPANY

By: _____
Ron Moss
Attorney of Record

Wildcat Bluff Nature Center

By: _____
Rhoda Breeden

Bill Cornett

By: _____
Bill Cornett

G.R. Chapman L.P
Sandra K. Webb
George Chapman Consulting, Inc.

By: _____
Steven Morris
Attorney of Record

Seewald Enterprises, LLC

By: _____
J. Kay Trostle
Attorney of Record

Executed as shown below:

Dated this 23 day of July, 2010.

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: _____
Susan Goodson
Attorney of Record

SOUTHWESTERN PUBLIC SERVICE COMPANY

By: _____
Ron Moss
Attorney of Record

Wildcat Bluff Nature Center

By: Rhoda Breeden
Rhoda Breeden

Bill Cornett

By: _____
Bill Cornett

G.R. Chapman L.P
Sandra K. Webb
George Chapman Consulting, Inc.

By: _____
Steven Morris
Attorney of Record

Seewald Enterprises, LLC

By: _____
J. Kay Trostle
Attorney of Record

Executed as shown below:

Dated this 23 day of July, 2010.

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: _____
Susan Goodson
Attorney of Record

SOUTHWESTERN PUBLIC SERVICE COMPANY

By: _____
Ron Moss
Attorney of Record

Wildcat Bluff Nature Center

By: _____
Rhoda Breeden

Bill Cornett

By: Bill Cornett
Bill Cornett

G.R. Chapman L.P

By: _____
Wesley D. Lloyd
Attorney of Record

Executed as shown below:

Dated this 23 day of July, 2010.

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: _____
Susan Goodson
Attorney of Record

SOUTHWESTERN PUBLIC SERVICE COMPANY

By: _____
Ron Moss
Attorney of Record

Wildcat Bluff Nature Center

By: _____
Rhoda Breeden

Bill Cornett

By: _____
Bill Cornett

G.R. Chapman L.P
Sandra K. Webb
George Chapman Consulting, Inc.

By: _____
Stephen F. Morris
Attorney of Record

Seewald Enterprises, LLC

By: _____
J. Kay Trostle
Attorney of Record

Executed as shown below:

Dated this 23rd day of July, 2010.

STAFF OF THE PUBLIC UTILITY COMMISSION OF TEXAS

By: _____
Susan Goodson
Attorney of Record

SOUTHWESTERN PUBLIC SERVICE COMPANY

By: _____
Ron Moss
Attorney of Record

Wildcat Bluff Nature Center

By: _____
Rhoda Breeden

Bill Cornett

By: _____
Bill Cornett

G.R. Chapman L.P
Sandra K. Webb
George Chapman Consulting, Inc.

By: _____
Steven Morris
Attorney of Record

Seewald Enterprises, LLC

By: J. Kay Trostle
J. Kay Trostle
Attorney of Record

JP

EXHIBIT A – Proposed Order

This Order addresses Southwestern Public Service Company's (SPS) Application to Amend a Certificate of Convenience and Necessity (CCN) for a proposed transmission line in Dallam, Hartley, Oldham, and Potter Counties, Texas, and amendments/errata to same (Application). The following parties (collectively, Signatories) executed a Stipulation that resolved all issues in this docket: the Staff of the Public Utility Commission of Texas (Staff); SPS; and all Intervenors: Rhoda Breeden on behalf of Wildcat Bluff Nature Center, Bill Cornett, Seewald Enterprises, LLC, Sandra K. Webb, George Chapman Consulting, Inc., and G.R. Chapman Limited Partnership. SPS's Application requests permission to construct two segments of a 230 kV transmission line, operating initially at 115 kV. Segment I would begin at the Dallam County Substation and end at the Channing Substation. Segment II would begin at the Channing Substation and end at the Potter County Substation, as modified by the parties. The Stipulation and SPS's Application are hereby approved. The Commission adopts the following Findings of Fact and Conclusions of Law:

I. Findings of Fact

Procedural History

1. SPS is an investor-owned electric utility providing retail electric service in Texas under CCN No. 30153.

2. On December 30, 2009, under authority of Chapter 37 of the Public Utility Regulatory Act ("PURA"), TEX. UTIL. CODE ANN. Title 2 (Vernon 1998 and Supp. 2009), SPS filed its Application. The proposed transmission line is a 230 kV transmission line, to be initially operated at 115 kV, which consists of two segments. Segment I of the proposed transmission line begins at the Dallam

2

County Substation and ends at the Channing Substation and the Preferred Route is approximately 33.4 miles in length. Segment II of the proposed transmission line begins at the Channing Substation and will end at the Potter County Substation (as modified from the originally Preferred Route and as agreed to by the parties) and the preferred route as modified is approximately 41.7 miles in length.

3. On December 30, 2009, SPS provided, by first class mail, written notice of the Application to (1) each county in which the requested facilities will be located, including Dallam, Hartley, Oldham, and Potter, (2) each neighboring utility within five miles of the requested facilities, including Golden Spread Electric Cooperative (GSEC) and Rita Blanca Electric Cooperative (RBEC), (3) all municipalities located within five miles of the requested facilities, including the Cities of Amarillo, Channing, and Dalhart and (4) each landowner, as stated on current county tax rolls, that will be directly affected by the requested CCN amendment.

4. On January 4, 2010, Order No. 1 was issued, "Requiring Information from Applicant and a Recommendation from Staff on Sufficiency of the Application and Notice, and Addressing Other Procedural Matters."

5. On January 6, 2010, SPS published notice of the Application in the Amarillo Globe-News, a newspaper of general circulation in Dallam, Hartley, Oldham and Potter Counties.

6. On January 14, 2010, SPS filed an affidavit attesting to the publication in the Amarillo Globe-News.

7. On January 21, 2010, Staff filed its Response to Order No. 1, recommending that both the application and notice be deemed sufficient. Staff also proposed a procedural schedule.

8. On February 2, 2010, the Commission issued Order No. 3 which deemed SPS's Application and notice sufficient and set the deadline to intervene as February 15, 2010.

9. On January 12, 2010, Bill Cornett intervened in this proceeding; on January 29, 2010, Rhoda Breeden on behalf of Wildcat Bluff Nature Center intervened in this proceeding; on February 12, 2010, Seewald Enterprises, LLC, George Chapman Consulting, Inc., Sandra K. Webb, and G.R. Chapman Limited Partnership intervened in this proceeding; and on February 16, 2010 Walter and Sherolyn Henson intervened in this proceeding.

10. On February 24, 2010, this matter was referred to the State Office of Administrative Hearings (SOAH).

11. On March 12, 2010, the Texas Parks and Wildlife Department (TPWD) filed a letter containing comments and recommendations regarding the proposed transmission line.

12. On April 8, 2010, Walter and Sherolyn Henson filed a Motion to Withdraw their intervention. On April 12, 2010, the ALJ granted the Hensons' Motion to Withdraw.

13. On April 16, 2010, SPS filed the direct testimony of Reené Miranda, Jeffrey B. Stebbins, Kelli D. Boren, Sean L. Fredriksen and Lance Kenedy, and its 1st Errata to the Application.

23

14. On May 14, 2010, Staff filed its Statement on Adequacy of Routes.

15. On June 15, 2010, SPS filed an Unopposed Motion to Abate the Procedural Schedule until June 30, 2010 so that the parties could pursue settlement negotiations.

16. On June 17, 2010, the parties met to discuss settlement options

17. On June 17, 2010, the ALJ issued an order granting SPS's Unopposed Motion to Abate the Procedural Schedule.

18. On June 30, 2010, SPS filed an Unopposed Motion for a Second Abatement of the Procedural Schedule until July 23, 2010, so that the parties could finalize settlement documents.

19. On July 23, 2010, the Staff, SPS and the Intervenors filed a Stipulation resolving all issues in this docket and SPS filed the Supplemental Testimony of Reené Miranda supporting the Stipulation, a Motion to Admit Evidence, and a Joint Motion for Approval and to Remand this case from SOAH to the Commission.

Description of SPS's Proposed Transmission Line and Cost

20. The proposed 230 kV transmission line, initially operating at 115 kV, consists of two segments. Segment I of the proposed transmission line will begin at the Dallam County Substation and end at the Channing Substation and is approximately 33.4 miles in length. Segment II of the proposed transmission line will begin at the Channing Substation and end at the Potter County Substation and is approximately 41.7 miles in length.

21. SPS filed three alternate routes for Segment I. SPS's Preferred Route and the route agreed to by the parties in the Stipulation is Route 3, comprised of Links QQ-LL-K-

34

M-II-HH-P-SS-UU-W-FF-H-OO-Y-B. The length of the Preferred Route for Segment I is approximately 33.4 miles.

22. Segment I of this line will be built using primarily two-pole steel H-frame structures with a few single-pole steel structures.

23. SPS filed five alternate routes for Segment II. The parties agreed in the Stipulation to SPS's Preferred Route, Route 1 with modifications (Consensus Route). The Consensus Route is described as follows:

- the Consensus Route begins at the Channing Substation and uses Links A-C-L-P-N-D and part of Link I as originally proposed for Route 1;
- on Link I, the Consensus Route turns south at a point approximately 0.2 miles south of the northwest corner of Section 19 (Potter County, Texas, B.S.& F Survey, Block 6);
- the line then proceeds south for approximately 9,366 feet inside Sections 19 and 20 (Potter County, Texas, B.S.& F Survey, Block 6) and Section 85 (Potter County, Texas, B.S.& F Survey, Block 9), paralleling the west section lines to a point at the southwest corner of Section 85;
- the line then continues east for approximately 14,763 feet inside Sections 85, 52, and 51 (Potter County, Texas, B.S.& F Survey, Block 9), along the southern section lines, terminating at the Potter County Substation;
- the Consensus Route does not use Links R or J that were originally used in Route 1.

The length of the Consensus Route for Segment II is approximately 41.7 miles.

24. Segment II of the proposed transmission line will be built using primarily single-pole steel structures with a few two-pole steel H-frame structures.

25. The cost of the Preferred Route for Segment I is approximately $21,437,220. The cost for the Consensus Route for Segment II is approximately $26,276,675. The total cost of both Segment I and Segment II is approximately $47,713,895, which includes the costs for both transmission and substation facilities. The estimated cost of the proposed transmission line is reasonable when compared to similar projects.

26. The cost of the Consensus Route is approximately $2,720,035 more than SPS's original preferred route. However, this is primarily due to the cost of a transformer and 115 kV breaker that SPS will relocate within the next two to five years. Factoring in the relocation of the transformer and breaker, the long-term cost difference is approximately $698,035.

Need for the Proposed Transmission Line

27. SPS is a member of, and its entire transmission system is located within the Southwest Power Pool (SPP). The SPP is an organization that meets the requirements of PURA § 39.151 as an independent system operator. The SPP determined that there is a need and recommended that SPS construct the proposed transmission line.

28. The proposed transmission line is needed to provide and sustain reliable service to the growing load-base of Channing, Texas and the surrounding rural areas between Channing and the communities of Dalhart and Dumas, Texas.

29. The Cliffside, Tascosa and Channing Substations are currently served by 69kV Circuit Y66 which is a radial line. When that line is out of service, those

substations are left without an electrical source, creating a "Lights-Out" condition. The proposed transmission line will provide an alternate electrical source that will help prevent the "Lights-Out" condition.

30. The proposed transmission line will provide for a more reliable system and additional transmission capacity to the counties of Dallam, Hartley, and Moore necessary to serve the agricultural, gas, and oil industries, while improving system intact voltage conditions during periods of peak load.

31. The proposed transmission line will improve the service to the Bureau of Land Management Helium Plant served from the Cliffside Substation in Amarillo, Texas.

32. The proposed line will eliminate approximately 34 miles of line exposure from the existing 69 kV Circuit Y66 line.

33. SPS demonstrated a reasonable need for the proposed project in order to provide more adequate and reliable service. The need for the proposed project was not disputed in this docket.

Resolution of Landowner Concerns.

34. There were no landowner concerns with the Preferred Route for Segment I. As stated in the Stipulation, the Consensus Route for Segment II resolves all issues raised by the Intervenors and those landowners that filed protests or comments.

35. One landowner, William L. Price, is not a party to this proceeding even though he did receive proper notice from SPS. A portion of the Consensus Route for Segment II of the proposed transmission line will be located along the western boundary of Section 85 of Mr. Price's property (Potter County, Texas, B.S.& F Survey, Block 9); and then along the southern boundary of Sections 85 and 52 of Mr. Price's

27

property (Potter County, Texas, B.S.& F Survey, Block 9). SPS has provided Mr. Price a map that shows the location of Consensus Route. In a letter to the Commission, Mr. Price indicated that he did not wish to protest or object to the location of the proposed transmission line on his property.

36. In addition, the Stipulation provides that SPS will remove and relocate a portion of the 69 kV Circuit Y66 transmission line. As soon as reasonably possible, but in no event more than 60 days, after Segment II of the proposed transmission line is energized, SPS will physically remove several miles of the existing Circuit Y66 transmission line and all related structures beginning at a point approximately 0.2 miles south of the northwest corner of Section 19 (Potter County, Texas, B.S.& F Survey, Block 6) along the original portion of Link I that transects Sections 19, 20, 13 and 52 along with a portion of Circuit Y66 at the southwest corner of Section 51 (Potter County, Texas, B.S.& F Survey, Block 9) and ending at a point on the Consensus Route approximately 0.90 miles west of Potter County Substation. SPS will abandon the easement for the portion of Circuit Y66 that is to be removed and promptly record the abandonment of the easement in Potter County. SPS will take all reasonable steps to restore the land disturbed by the easement which is to be abandoned and by the removal of this portion of the Circuit Y66 transmission line and will comply with the landowner's reasonable requests related to those restoration efforts. The existing 69 kV Circuit Y66 sited for removal and relocation, transects property owned by Seewald Enterprises LLC, G.R. Chapman Limited Partnership and William L. Price. This line will be rerouted to double circuit the proposed transmission line.

Project Alternatives

37. SPS considered distribution, transmission, and distributed generation alternatives to the proposed transmission line.

38. SPS considered re-conductoring sections of the existing 69kV Circuit Y66 with larger size conductor. However, the existing transmission structures were not designed to withstand the weight and wind loading with the larger size conductor and SPS cannot change out the conductor while the line is energized, therefore this is not a viable alternative.

39. SPS considered upgrading existing 69kV transmission line Circuit Y66 to 115 kV with 397.5 kcMIL ACSR conductor. However, the existing transmission structures were not designed to withstand the weight and wind loading with the larger size conductor and SPS cannot conduct the voltage upgrade to the line while it is energized; therefore, this is not a viable alternative.

40. SPS also considered a distributed generation alternative using 200 kW micro-turbine generators grouped together at appropriate locations to mitigate overload and low voltage conditions. However, this alternative is not adaptable to large increases in load and is therefore not a viable alternative.

41. SPS also considered a distribution alternative. However, the Dalhart Substation is currently serving the maximum load and the distribution system would be unable to serve all Channing Substation and Tascosa Substation loads from such a distance because of low voltage, undesirable operating characteristics and degradation of reliability. Therefore the distribution alternative is not viable.

Routes

42. SPS retained PBS&J to prepare an Environmental Assessment and Alternative Route Analysis for the proposed transmission line.

43. SPS considered and submitted a sufficient number of geographically diverse routes for the proposed transmission line.

44. The proposed transmission line complies with all aspects of PURA §37.056 and P.U.C. SUBST. R. 25.101.

45. Consistent with the Application and amendments/errata to same as modified by the Stipulation, Segment I of the proposed transmission line shall be constructed along SPS's Preferred Route, Route 3 comprised of Links QQ-LL-K-M-II-HH-P-SS-UU-W-FF-H-OO-Y-B. Segment II of the proposed transmission line shall be constructed along the Consensus Route, which is SPS's new Preferred Route as modified by the Stipulation.

46. SPS's Preferred Routes for Segment I and Segment II (as modified) complies with all aspects of PURA § 37.056 and P.U.C. SUBST. R. 25.101 and are the best alternatives weighing the factors contained therein.

47. Of the three alternatives for Segment I of the proposed transmission line, SPS's Preferred Route is the second shortest of the alternative routes, has the second lowest number of habitable structures (the other route only had one less), the greatest length that parallels or uses existing transmission lines, and has the least amount of route across cropland.

48. Of the five original alternatives for Segment II of the proposed transmission line, the Consensus Route has the least amount of visual foreground impact to US and State Highways, least amount of riparian woodlands, and is the shortest route. The

portion of the Consensus Route that is a modification of the original preferred route for Segment II minimizes the transecting of landowners' property and closely parallels property and section lines.

49. No party to this docket contests SPS's Preferred Route for Segment I or the Consensus Route for Segment II.

Community Values

50. SPS and PBS&J conducted two public open-house meetings. The first was held for Segment I at the Hartley School Cafeteria in Hartley, Texas, on June 23, 2008. The second meeting addressed Segment II of the proposed transmission line and was held at Boys Ranch in Dobkins Fine Arts/Ned O. Miller Auditorium in Boys Ranch, Texas on July 10, 2008.

51. Information received from the public open-house meetings and from local, state and federal agencies was considered and incorporated into both PBS&J's routing analysis and SPS's selection of preferred and alternative routes.

52. Staff recommends that SPS cooperate with directly affected landowners to implement minor deviations in the approved route to minimize the impact of the proposed transmission line.

53. There are fifteen habitable structures located within 300 feet of the proposed transmission line along SPS's Preferred Route for Segment I. There are thirty-seven habitable structures located within 300 feet of the proposed transmission line along the Consensus Route for Segment II.

31

54. There is a single AM radio tower (KXIT) located within 10,000 feet of SPS's Preferred Route for Segment I of the proposed transmission line. There are no AM radio towers within 10,000 feet of the Consensus Route for Segment II.

55. There are three electronic communication towers located within 2,000 feet of SPS's Preferred Route for Segment I of the proposed transmission line. There are three electronic communication towers within 2,000 feet of the Consensus Route for Segment II.

56. There is one FAA registered airfield within 20,000 feet of the existing Dallam County substation and the centerline of SPS's Preferred Route for Segment I of the proposed transmission line. There are no known heliports within 5,000 feet of the routes for either Segment. No known private airstrips are within 10,000 feet of the Preferred Route for Segment I. There are three known private airstrips within 10,000 feet of the Consensus Route for Segment II.

57. A portion of each alternative route for Segment I of the proposed transmission line crosses cropland irrigated by a center pivot irrigation system. The Preferred Route for Segment I will not interfere with any of the existing center pivot sprinkler systems and no rolling type irrigation systems exist near the Preferred Route for Segment I. No cropland irrigated by circle-pivot or other above-ground mechanical means will be crossed by the Consensus Route for Segment II of the proposed transmission line. Where the sprinklers overlap the potential easement location, SPS will design the line in such a manner as to span the length of the sprinkler overlap areas.

58. Neither Segment of the proposed transmission line will have adverse impacts on community values.

Park and Recreational Areas

BV

59. The Preferred Route for Segment I crosses over the City of Dalhart Conservation District for approximately 16,221 feet. The City of Dalhart sent SPS a letter outlining its requested mitigation measures related to construction of the transmission line over the Conservation District. Finding of fact 80 addresses the City of Dalhart's requests. There are no parks or recreational areas owned by a governmental body or an organized group, club, or church within 1,000 feet of the centerline of the Consensus Route for Segment II of the proposed transmission line.

60. The proposed transmission line will have no adverse impact on parks and recreational areas.

Historical and Archeological Areas

61. There are two newly recorded historical or archeological sites located within 1,000 feet of the centerline of the Preferred Route for Segment I. It is the opinion of PBS&J archeologists that these sites do not meet the criteria for National Register of Historic Places (NRHP) Listing or State Archeological Landmark designation.

62. The Consensus Route for Segment II of the proposed transmission line crosses two previously recorded sites and is within 1,000 feet of six additional cultural resources sites.

63. Both Segments of the proposed transmission line will have little or no impact on historical or archeological values.

Aesthetic Values

64. The aesthetic impacts of the proposed transmission line have been considered and minimized to the extent possible. Approximately 85 percent of the Preferred Route for Segment I will be located within the foreground visual zone of the study area's US and State highways. Because the Consensus Route for Segment II will primarily replace an existing transmission line and follow along property and section lines, the change in the foreground visual zone will be minimal. The new construction for this project will have minimal impact on aesthetic values.

Effect of granting the CCN on other utilities

65. The proposed transmission line will not adversely affect service by other utilities in the area and will result in SPS being able to provide reliable service.

Environmental Impact

66. SPS contracted with PBS&J to perform an Environmental Assessment and Alternative Route Analysis of the proposed transmission line.

67. Construction of both segments of the proposed transmission line will not have a significant effect on the geologic or physiographic features of the area.

68. Both segments of the proposed transmission line will cause only short-term impacts to soil, water and ecological resources.

69. The land uses in the area are primarily farming, open rangeland, and natural gas and oil exploration and drilling. No significant adverse effects on land use by either segment of the proposed transmission line are anticipated.

70. The Preferred Route for Segment I and the Consensus Route for Segment II do not cross wetlands, lakes, ponds or open waters and will span all streams. During construction of the proposed transmission line, SPS will use existing bridges and culverts whenever possible, and will use best management practices to avoid destruction of inert microhabitats.

71. For both Segment I and Segment II, impacts on prime farmland will be insignificant and limited to the physical occupation of small areas at the base of support structures.

72. Construction of both segments of the proposed transmission line should have little adverse impact on the surface or ground water resources of the area. Although it is possible that transmission line structures will be located within a floodplain, careful siting should eliminate the possible impacts and should not significantly affect flooding.

34

73. The main impact of both segments of the proposed transmission line on vegetation will be the removal of herbaceous vegetation along the proposed right of way.

74. Both segments of the proposed transmission line will have only a minor impact on Aquatic/hydric habitat.

75. Both segments of the proposed transmission line will have only a minor impact on local wildlife.

76. Neither segment of the proposed transmission line is located within the boundaries of the Texas Coastal Management Program Boundary.

77. No federally and/or state-listed endangered or threatened plant species occur in Dallam, Hartley, Oldham, or Potter Counties.

78. Construction of the proposed transmission line could result in some temporary erosion or short term disturbance, but impacts will be minimal because of the intermittent nature of the majority of any crossed streams.

79. There are eight federal and/or state-listed endangered and threatened species that potentially occur in Dallam, Hartley, Oldham and Potter Counties. However, two of the eight no longer occur in Texas and five of the eight are unlikely to reside in the area of the proposed transmission line. The Texas horned lizard occurs in the area of the proposed transmission line and is a state-listed threatened species. There is no evidence that either segment of the proposed transmission line is likely to adversely affect the species.

80. SPS will comply with the mitigation measures for the City of Dalhart's Conservation District as requested by the city, including closing gates in cattle grazing areas during construction, and restoring any disturbed land after construction of the line by replanting and establishing grass in the affected area.

81. SPS has conducted an adequate evaluation of potential environmental impacts of both segments of the proposed transmission line in the impacted area.

35

Prudent Avoidance

82. The proposed transmission line has been routed in accordance with the Commission's policy of prudent avoidance.

Route Modifications

83. Staff, SPS, Rhoda Breeden on behalf of Wildcat Bluff Nature Center, Bill Cornett, G.R. Chapman, Limited Partnership, George Chapman Consulting, Inc., Sandra K. Webb, and Seewald Enterprises, LLC have agreed to a Consensus Route that is a modification of SPS's Preferred Route for Segment II of the proposed transmission line. The modifications are reflected in the Stipulation filed by the parties on July 23, 2010.

84. No landowners would be directly affected by the Consensus Route for Segment II who were not previously provided notice of this proceeding.

85. A portion of the Consensus Route for Segment II will follow William L. Price's western and southern property lines. William L. Price is not a party to this proceeding, but did receive proper notice. Mr. Price indicated in a letter to the Commission that he does not want to intervene or file a protest or comments objecting to the location of the proposed transmission line along the Consensus Route.

86. Staff, SPS, Rhoda Breeden on behalf of Wildcat Bluff Nature Center, Bill Cornett, G.R. Chapman, Limited Partnership, George Chapman Consulting, Inc., Sandra K. Webb, and Seewald Enterprises, LLC support the Consensus Route, SPS's Preferred Route for Segment II, as modified by the Stipulation, as being a reasonable route for SPS to construct.

TPWD Written Comments and Recommendations

87. TPWD recommended that SPS verify the location of the City-owned conservation area surrounding Rita Blanca Lake and avoid impacts to this property during siting and construction. If the line would cross the conservation area, TPWD recommended that SPS consult with the City of Dalhart concerning specific mitigation measures. Finding of fact 80 and ordering paragraphs 4, 8 and 9 address this recommendation.

88. TPWD recommended that SPS avoid the removal of native brush and riparian woodlands when possible. TPWD noted that invasive species pose a significant threat to the existence of native plant communities in disturbed landscapes. TPWD recommended that practices be implemented to prevent the establishment of invasive species, particularly during the early stages of re-vegetation. In the areas where the right-of-way (ROW) will be seeded for erosion control, TPWD recommended that SPS seed with native grasses and forbs to create habitat beneficial to wildlife to promote biodiversity. This is especially important in and near the Rita Blanca Lake conservation area. Ordering paragraphs 6 and 9 address this recommendation.

89. TPWD recommended that SPS use existing bridges and culverts whenever possible, in an effort to avoid disturbing stream substrates and riparian vegetation. TPWD recommended that SPS avoid destruction of inert microhabitats, (i.e., snags, brush piles, fallen logs, creek banks, pools and gravel stream bottoms) as these provide habitat for a variety of fish and wildlife species and their food sources. Finding of fact 70 addresses this recommendation.

90. TPWD recommended that SPS avoid placing transmission lines and associated storage and staging areas near water resources. Finding of fact 70 addresses this recommendation

91. TPWD recommended that SPS pay particular attention to the prevention of water quality impacts in the Canadian River. Findings of fact 70 and 72 address this recommendation.

92. TPWD recommended that SPS have a permitted biological monitor present during clearing and construction activities within suitable habitat for the Texas horned lizard. SPS, or a qualified third party employed by SPS, will monitor construction activities and will use best management practices to avoid impacts to the Texas horned lizard. Finding of fact 79 addresses this recommendation.

93. TPWD recommended that SPS avoid impacts to prairie dog towns and the wildlife species that depend on these towns and use non-harmful exclusion methods for removal. SPS, or a qualified third party employed by SPS, will use best management practices to avoid disturbance of prairie dog towns during the construction of the proposed transmission line and, where practical, shall use non-harmful methods to remove prairie dogs. Ordering paragraph 9 addresses this recommendation.

94. TPWD recommended that SPS take precautions to avoid the rare and protected species found in the project area. SPS will take all reasonable precautions to avoid rare and protected species in the project area. Ordering paragraphs 8 and 9 address this recommendation.

95. TPWD recommended that SPS exclude clearing activities during the general bird nesting season, March through August, to avoid adverse impacts to migratory birds, including ground nesting species. SPS, or a qualified third party employed by SPS, will use best management practices during construction to avoid activities that have adverse impacts to migratory birds. This includes avoiding clearing activities during nesting season to the extent practicable. Ordering paragraphs 7 and 9 address this recommendation.

96. TPWD recommended that SPS avoid constructing transmission lines in areas frequently used by migratory birds. If aerial transmission lines would be installed

in the vicinity of playa lakes or Rita Blanca Lake, TPWD recommended that SPS install bird flight diverters to increase the visibility of these lines and reduce the likelihood of birds colliding with the lines. Ordering paragraph 7 addresses this recommendation.

97. TPWD recommended that PBS&J and SPS review TPWD guidance for interpretation of TXNDD data. Potentially impacted areas should be surveyed to determine the length of alternative routes that are located within endangered species habitat. Finding of fact 79 and ordering paragraph 9 address this recommendation.

98. TPWD recommended that of the three alternative routes for Segment I of the proposed transmission line, Route 2 has the fewest impacts to natural resources, is the shortest route, does not cross any streams or documented native grassland and is the only route that does not cross the Rita Blanca lake conservation area. Ordering paragraph 2 addresses this recommendation.

99. TPWD recommended that of the five alternative routes for Segment II of the proposed transmission line, Route 1 would have the least impacts to grassland, riparian, and aquatic habitat. The route crosses the second lowest number of streams and no open water. Route 1 has the fewest impacts to natural resources. Ordering paragraph 2 addresses this recommendation.

100. TPWD recommended that SPS prepare a mitigation plan to provide compensatory mitigation for those habitats where impacts from the transmission line cannot be avoided or minimized. This would include state resource habitat types not covered by state or federal law (riparian areas, native prairies). TPWD recommended a replacement ratio of 1:1 for state resource habitat types. Finding of fact 79 and ordering paragraphs 7 and 9 address this recommendation.

101. TPWD recommended that SPS review the recommendations in the *TPWD Recommendations for Electrical Transmission/Distribution Line Design and Construction* and incorporate the measures into design and construction plans. Ordering paragraph 7 addresses this recommendation.

CONCLUSIONS OF LAW

1. SPS is an electric utility as defined in PURA §§ 11.004 and 31.002(6).

2. SPS is not a participant in the retail competition market under PURA, Chapter 39, Subchapter I.

3. The Commission has jurisdiction over this matter pursuant to PURA §§ 14.001, 32.001, 37.051, 37.053, 37.054 and 37.056.

4. SPS provided proper notice of the Application in compliance with PURA § 37.054 and P.U.C. SUBST. R. 22.52(a).

5. This docket was processed in accordance with the requirements of PURA and Administrative Procedure Act, TEX. GOV'T CODE ANN. Chapter 2001 (Vernon 2008).

6. SPS is entitled to approval of the Application described in the Findings of Fact, utilizing the Preferred Route for Segment I and the Consensus Route for Segment II, having demonstrated that the proposed transmission line facilities are necessary for the service, accommodation, convenience and safety of the public within the meaning of PURA §37.056(c).

7. SPS's Preferred Route for Segment I and the Consensus Route for Segment II comply with all aspects of PURA §37.056 and P.U.C. SUBST. R. 25.101, as well as the Commission's policy of prudent avoidance.

8. This Application does not constitute a major rate proceeding as defined by P.U.C. PROC R. 22.2.

9. The Stipulation is reasonable, is in the public interest, and should be approved.

III. Ordering Paragraphs

In accordance with these Findings of Fact and Conclusions of Law, the Commission issues the following Orders:

1. The Stipulation and SPS's Application and all amendments and errata to same, as modified by the Stipulation, are **APPROVED**.

2. SPS's CCN No. 30153 is amended to include the construction and operation of the transmission line facilities requested in the Application, with all amendments and errata to same, and as further modified by the Stipulation. For Segment I of the transmission line, SPS will use its Preferred Route, Route 3 comprised of Links QQ-LL-K-M-II-HH-P-SS-UU-W-FF-H-OO-Y-B (approximately 33.4 miles in length), as described in SPS's Application. For Segment II, SPS will use the Consensus Route, which is SPS's Preferred Route, as described in the Application and as modified in the Stipulation (approximately 41.7 miles in length). The Consensus Route is described as follows:

   - the Consensus Route begins at the Channing Substation and uses Links A-C-L-P-N-D and part of Link I as originally proposed for Route 1;
   - on Link I, the route turns south at a point approximately 0.2 miles south of the northwest corner of Section 19 (Potter County, Texas, B.S.& F Survey, Block 6);
   - the Consensus Route then proceeds south for approximately 9,366 feet inside Sections 19 and 20 (Potter County, Texas, B.S.& F Survey, Block 6) and Section 85 (Potter County, Texas, B.S.& F Survey, Block 9), paralleling the west section lines to a point at the southwest corner of Section 85;

- the line then continues east for approximately 14,763 feet inside Sections 85, 52, and 51 (Potter County, Texas, B.S.& F Survey, Block 9), along the southern section lines, terminating at the Potter County Substation;
- the Consensus Route does not use Links R or J that were originally used in Route 1;
- SPS shall remove the portion of the old Circuit Y66 and all related structures that transected several of the intervenors' properties (not following along property lines, section boundaries or other corridors) from a point approximately 0.2 miles south of the northwest corner of Section 19 (Potter County, Texas, B.S.& F Survey, Block 6) along original Link I that transects Sections 19, 20, 13 and 52 along with a portion of Circuit Y66 at the southwest corner of Section 51 (Potter County, Texas, B.S.& F Survey, Block 9) and ending at a point on the Consensus Route approximately 0.90 miles west of Potter County Substation, and abandon the easements for the removed line.

3. Resolution of this docket was the product of negotiation and compromise between the Parties. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Stipulation. Neither shall entry of the Order be regarded as binding precedent as to the appropriateness of any principle underlying the Stipulation.

4. SPS will comply with the mitigation requests of the City of Dalhart when constructing the transmission line through conservation areas.

5. In the event SPS or its contractors encounter any artifacts or other cultural resources during project construction, work shall cease immediately in the vicinity of the

42

resource and the discovery shall be reported to the Texas Historical Commission (THC). In that situation, SPS shall take action as directed by the THC.

6. SPS shall implement erosion control measures as appropriate. Also, SPS shall return each affected landowner's property to its original contours and grades unless otherwise agreed to by the landowner.

7. SPS shall follow the procedures for raptor protection outlined in the *Avian Power Line Interaction Commission (APLIC), Suggested Practices for Raptor Protection on Power Lines: The State of the Art in 2006* (2006); and in the APLIC and United States Fish and Wildlife Service (USFWS) in the *Avian Protection Plan Guidelines* (2005).

8. SPS shall exercise extreme care to avoid affecting non-targeted vegetation or animal life when using chemical herbicides to control vegetation within the ROW.

9. SPS shall minimize the amount of flora and fauna disturbed during construction of the transmission line, except to the extent necessary to establish appropriate ROW clearance for the transmission line. Additionally, SPS shall re-vegetate using native species and shall consider landowner preferences in doing so. Furthermore, to the maximum extent practicable, SPS shall avoid adverse environmental impacts to sensitive plant and animal species and their habitats as identified by TPWD and the USFWS.

10. SPS shall cooperate with directly affected landowners to implement minor deviations in the approved route to minimize the impact of the transmission line. Any minor deviation to the approved route shall only directly affect landowners who received notice of the transmission line in accordance with P.U.C. PROC. R. 22.52(a)(3) and shall directly affect only those landowners that have agreed to the minor deviation.

43

11. SPS shall comply with the reporting requirements of P.U.C. SUBST. R. 25.83.

12. All other motions, applications and requests for relief not granted in this order are hereby **DENIED**.

44