

COMMITTEE REPORTS

ELECTRICAL COALITION

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Electrical Coalition

Commenced August 21, 2013

Initial Coalition meeting held July 2, 2014

Coalition Goals:

- To improve customer service and transparency with the utilities in the Permian Basin
- To ensure the Permian Basin has the appropriate transmission and distribution capacity to serve the producers' needs long term.

Following up on our Q1 meeting with the Public Utility Commission (PUC) to discuss improved electricity demand forecasts for the Permian Basin, we have had a number of significant meetings and conference calls with the PUC and the Electric Reliability Council of Texas (ERCOT) in Q2 to address improved electricity demand forecasts and more importantly improved service from Oncor and Texas New Mexico Power (TNMP) on the delivery of electricity to Permian Basin producers.

PUC Chairman Walker appointed Keith Rogas, Director of Infrastructure and Reliability for PUC, to specifically work electricity issues in the Permian Basin. In April, Rogas met with us in Midland. He heard very specific service problems from our members and toured the area. He then held meetings with Oncor and TNMP regarding the issues raised in our meeting. As a result, Oncor and TNMP have each developed an action item list to address the service issues. In addition, PBPA is having bi-monthly calls with Rogas to resolve service-related issues and the implementation of the Oncor and TNMP action items, which are an example of improved service in the Permian Basin.

In June we met with ERCOT's Warren Lasher, ERCOT's senior director of System Planning, to discuss Permian Basin current electricity supply, future needs for electricity and how we can provide better data for ERCOT's demand forecast. It appears we have sufficient transmission supply for the near term. As noted above, the current problem is getting it from the 345 kV and 138kV lines to your projects. Issues discussed included: 1) location of transmission lines is almost as important as the amount of electricity due to line loss and voltage; 2) our business model is totally different than the ERCOT model of stationary demand (refineries, chemical plants, cities) because we continue to expand quickly over a large geographical area; 3) the current demand forecast process does not give an accurate picture of what is needed because anticipated projects and the location of those projects are not included in current demand forecast process; and 4) the demand of smaller independent producers, in contrast to some of the larger producers, is not being captured in the forecast.

We are working on a number of solutions to address these issues. For instance, having one-on-one meetings with ERCOT and Permian Basin producers. We get better confidentiality of our data under the ERCOT protocols and ERCOT gets a better understanding of current needs, future needs and general (not a specific) understanding of where those future needs may be located. Another is looking at production and water disposal to determine electricity demand. Converting production to electricity demand via a formula that addresses horsepower to produce a barrel of oil or water and the electricity needed for that horsepower.