



State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA
Tuesday - April 20, 2010
Immediately Following Agenda Conference
Room 140 - Betty Easley Conference Center

1. Approve April 6, 2010, Internal Affairs Meeting Minutes. (Attachment 1)
2. FPSC Draft Talking Points on Transmission Provisions in the Congressional Energy Bills. Guidance is sought. (Attachment 2)
3. Legislative Update. (No attachment)
4. Other matters, if any.

TD/sa

OUTSIDE PERSONS WISHING TO ADDRESS THE COMMISSION ON
ANY OF THE AGENDAED ITEMS SHOULD CONTACT THE
OFFICE OF THE EXECUTIVE DIRECTOR AT (850) 413-6068.



**State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA**

Tuesday - April 06, 2010

9:45 am – 12:00 pm

Room 140 - Betty Easley Conference Center

COMMISSIONERS PRESENT: Chairman Argenziano (via telephone)
Commissioner Edgar
Commissioner Skop
Commissioner Klement
Commissioner Stevens

STAFF PARTICIPATING: Devlin, Hill, Kiser, Miller, Trapp, Cibula, Harlow, Pennington,

OTHERS PARTICIPATING: Mitchell Ross – FP&L
Paul Lewis – Progress Energy

1. Approve March 16, 2010, Internal Affairs Meeting Minutes.

The minutes were approved.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens

2. FPSC Draft Comments in Response to Florida Power & Light's Petition for Declaratory Order in FERC (Federal Energy Regulatory Commission) Docket No. EL 10-43. Guidance is sought.

The Commissioners approved the draft comments adopting Options 2 and 3, with some minor clarifications.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens

3. Nuclear Waste Litigation at the Nuclear Regulatory Commission. Guidance is sought.

The Commissioners approved Option 4 with an emphasis as to the comments made concerning Option 3.

Commissioner Skop discussed the US Court of Appeals case filed by NARUC vs The United States Department of Energy concerning the continued fee paid by ratepayers into the Nuclear Waste Fund and whether the fees exceed or fall short of the needs of the long term waste repository program. A discussion was held concerning continuing to pay into the Nuclear Waste Fund and the possibility of getting the rate payers money returned to them. Staff was directed to look into limited intervention in this docket as well as additional information requested. This issue is to be brought back to the next Internal Affairs Meeting.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens

4. Legislative Update.

Staff briefed the Commissioners on Legislative matters of interest.

The Executive Director, General Counsel, and Inspector General were asked to conduct an internal review and to determine if there are procedures that can be put in place to prevent the perception of undue influence by the Commissioners over staff.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens

5. Other matters, if any.

Commissioner Skop discussed the Commission's request to take a position on FERC pre-exemption transmission siting and how that might infringe on State rights. This concerns two versions of Federal legislation, House version, Senate Bill 1462 and companion House Resolution 2454. Staff will get information together regarding these major energy bills and bring information back to the next Internal Affairs.

Commissioners participating: Argenziano, Edgar, Skop, Klement, Stevens

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: April 12, 2010

TO: Timothy J. Devlin, Executive Director

FROM: Cindy B. Miller, Senior Attorney, Office of the General Counsel *cm*
 Mark A. Futrell, Public Utilities Supervisor, Division of Regulatory Analysis *SM.C.*
 Judy G. Harlow, Senior Analyst, Division of Regulatory Analysis *JGH*
 Tom Ballinger, Division of Regulatory Analysis *TB*

RE: FPSC Draft Talking Points on Transmission Provisions in the Congressional Energy Bills *WNY*
CRITICAL INFORMATION: Please place on the April 20, 2010 Internal Affairs: Guidance is sought. *RT*

At the April 5, 2010, Internal Affairs, staff was asked to review some materials regarding the transmission provisions in current Congressional energy bills. HR 2454, the American Clean Energy and Security Act, passed the U.S. House of Representatives on June 26, 2009. SB 1462, the American Clean Energy Leadership Act, passed the Senate Committee on Energy and Natural Resources on June 17, 2009. The bill has not yet been sent to the floor of the Senate. The transmission provisions are merely a portion of these voluminous bills.

The two bills take different approaches on transmission planning, cost allocation and siting. In addition, a new Senate draft is anticipated to be released April 22. Staff has prepared FPSC talking points which could be used in letters to the Florida delegation and/or discussions with the members or their staffs.

House Bill Provisions

HR 2454 currently provides for a federal policy on electric grid planning that focuses on the need for new transmission capacity to deploy renewable energy as well as the potential for more efficient operation of the current grid through new technology, demand-side management and storage capacity.

It emphasizes a regional transmission planning process. It charges the Federal Energy Regulatory Commission (FERC) with supporting, coordinating, and integrating regional planning efforts. It limits the existing federal back-stop siting authority under section 216 of the Federal Power Act to the Eastern interconnection and to interstate lines and intrastate segments that are integral to a proposed interstate line. Back-stop siting authority is the authority of the

FERC to site transmission in certain situations where a state has not acted within a timeline or has denied the application.¹

The bill does not address transmission cost allocation.

HR 2454 establishes federal back-stop siting authority for the Western interconnection for multistate lines that emerge from the regional planning process with no conflicts between relevant regional plans. The lines must be identified in the plans as needed in significant measure to meet demand for renewable energy. The Eastern interconnection back-stop authority would remain as current law.

The Senate Bill Provisions

SB 1462 establishes the policy that the U.S. transmission infrastructure should be based on goals, such as: support for development of renewable generation; opportunities for reduced emissions; cost savings resulting from reduced congestion; enhanced fuel diversity; reliability benefits; diversification of risk; enhancement of competition; the needs of load serving entities; and the contribution of demand response, energy efficiency and distributed generation.

The bill creates a category of “high-priority national transmission projects” which are overhead or underground transmission facilities that operate at or above 345 kilovolts, very high current conduct or superconducting cable, or a renewable feeder line. These projects may cross multiple utilities, Regional Transmission Organizations, or Independent System Operators. It is unclear whether intrastate facilities may be considered to be high-priority national transmission projects.

It requires the FERC to coordinate development of an interconnection-wide plan that achieves the policy goals, from plans developed by current planning entities. The transmission plan must be updated every three years. FERC must promulgate a rule to embody the policy goals and develop a schedule to implement those policies within one year.

Transmission planning entities must develop regional plans and submit them to FERC within two years. FERC will encourage joint submissions and submission of interconnection-wide plans. FERC may require modification of submitted plans to ensure conformance to planning principles.

FERC must periodically evaluate whether these high-priority national transmission projects in the plan are being developed, and if not, take actions to address those obstacles.

¹ Currently, the law already provides for some back-stop siting. Sec. 1221 of the Energy Policy Act (16 U.S.C. 824p) provides that the FERC may issue permits for construction or modification of electric transmission facilities in a national interests electric transmission corridor if the FERC finds that: a State in which the transmission facilities are to be constructed or modified does not have authority to approve the siting, or consider the interstate benefits; the applicant does not qualify for the proposed project because it does not serve end-use customers; or a state commission has: (1) withheld approval for more than 1 year after the filing of an application or 1 year after the designation of the relevant national interest electric transmission corridor; or (2) the state has conditioned its approval in such a manner that the construction or modification will not significantly reduce transmission congestion in interstate commerce or is not economically feasible. The transmission facilities in Florida have not been designated as national interest electric transmission corridors, so this back-stop siting does not apply at this time.

FERC is required to make recommendations to Congress for further actions or authority needed to ensure development of timely projects.

The bill allows States one year from the time of filing of a proposal to site a high priority national transmission project. Then it gives FERC jurisdiction over siting a high priority national transmission project when States have either been unable to site the facility or have denied the application. FERC's jurisdiction is over facilities 345 kilovolts and above that are included in the transmission plan.

FERC must establish, by rule, appropriate methodologies for allocation of costs of high priority national transmission projects. The cost allocation must be just and reasonable and not unduly discriminatory or preferential.

Letters Regarding the Congressional Bills

The Eastern and Atlantic States Governors' Letter (Attachment A)

This letter, which has not yet been sent, takes a strong position against transmission provisions in the Senate bill and supports the provisions in the House bill. It states that the Senate bill would hurt regional efforts to boost local renewable energy generation, curtail efforts to create clean energy jobs in our states, force ratepayers to bear an unfair economic burden and usurp states' current authority on resource planning and transmission siting. Also, it states that the legislation would "crush development of the country's most significant renewable resource – wind power off the Atlantic coast."

The letter reports that the Senate bill, while intended to benefit distant wind resources on the Great Plains, would seriously undercut onshore and offshore wind energy development planned for the Northeast and mid-Atlantic states.

Specifically, the letter criticizes the provisions that would give the FERC new resource planning and preemptive authority on transmission intended to promote renewable energy in America. "This new authority would override long established state and local decision making on the siting of transmission lines, destabilize the competitive electricity market structures in the East, and require that FERC allocate transmission costs to ratepayers rather than, as would typically be the case, to the generation facility owners and developers who stand to benefit the greatest from the construction of interstate transmission."

The letter states that federal integrated resource planning or siting preemption is not needed to meet renewable energy goals. It opposes "codifying an unfair market advantage in the form of free transmission over thousands of miles to any potential resource." Regional renewable energy projects must not be put at a competitive disadvantage due to subsidies from federal planning or cost allocation determinations.

Support is offered for the House bill framework because it "provides sufficient incentives to develop needed transmission infrastructure, without creating a framework for federal integrated resource planning or transmission subsidization." The House bill encourages regional transmission organization planning. The letter also supports Interior Secretary Salazar's efforts to

promote offshore wind industry by expediting the permitting, providing tax incentives, and assisting regional efforts to build offshore wind infrastructure.

NARUC's Letter (Attachment B)

The March 16, 2010, NARUC letter warns against “any dramatic shift by Congress in the current balance between State and federal jurisdiction over transmission line permitting and cost allocation.” This would undermine the just-initiated interconnection-wide transmission planning efforts. Rather than expedite a State-federal partnership on modernizing the nation’s transmission system, it would instead create gridlock.

NARUC states that while it supports federal action to mitigate climate change, the language in the Senate bill, which may be incorporated into a broader “vehicle,” includes provisions that greatly expand the federal government’s jurisdiction over siting and approving transmission lines. Taking action now to disrupt the existing planning process contravenes the intent of the American Recovery and Reinvestment Act to give the States \$27 million to coordinate transmission planning efforts across the country’s three grids. Each of the 40 states in the Eastern Interconnection are participating in the Eastern Interconnection States Planning Council (EISPC).

If Congress addresses transmission policy, it must leave the States as the primary authority, according to NARUC. It also expresses concerns with a one-size-fits-all cost allocation scheme for the entire country.

NARUC concludes, “No one better than us knows that transmission projects are controversial and expensive; our members deal with this issue every day. But we also know that expanded federal transmission authority will disrupt the current, federally funded efforts being undertaken to find workable solutions that will benefit consumers rather than a small portion of interested stakeholders.”

Northeast and Mid-Atlantic States' Letter from 2009 (Attachment C)

These states warn that while they support the development of wind resources, the current proposals for ratepayer-funded revenue for land-based wind and other generation resources in the Great Plains would have significant negative consequences for their region. They urge regional solutions, and also recommend that Congress create strong federal energy efficiency and renewable energy incentives that are simple, transparent and technology-neutral. Also, the letter supports consideration of new market mechanisms such as regional procurements for renewable energy in the form of long-term power purchase agreements. The letter urges support for availability of onshore wind resources and urges establishing an offshore wind transmission regime.

The letter supports an approach within regional transmission organizations that provides and promotes local renewable resources integration and preserves local oversight and review.

Lastly, it suggests an approach with the federal Investment Tax Credit as a more effective, simpler and technology neutral mechanism for promoting renewable energy development across the country rather than a focus on transmission.

Florida Investor-Owned Utilities' Positions on the Provisions

Progress Energy has supported the principles adopted by the Coalition for Fair Transmission and Planning. (Attachment D) Those principles are:

Transmission Planning Principles

- Any effort to improve transmission planning must build on existing successful, coordinated, open, and transparent regional processes, and be inclusive of all stakeholders.
- Transmission planning must be initiated at the local and regional level based on the needs of the customers who bear the burden and benefits of the decisions driven by the planning processes.
- Transmission must be planned to ensure cost-effective compliance with National Electric Reliability Council (NERC) reliability standards.
- Voluntary interconnection-wide coordination should be a complement to, and not a substitute for, local and regional processes.
- Alternative transmission solutions must be considered as part of the planning process.

Transmission Cost Allocation Principles

- Costs for new transmission investments required to meet NERC reliability standards must be allocated to the planning area(s) where the investments are required to meet the standards.
- Costs for new transmission investments not otherwise required to meet NERC reliability standards must be allocated to the parties (generation and/or load) in a manner that clearly aligns cost responsibility with cost causation.
- Deference should be provided to consensus regional cost allocation solutions developed through open and collaborative processes.

In general, Progress supports the House language on transmission planning. The Senate language extends FERC's reach and diminishes the utilities' planning ability. On siting, Progress favors the House language. They don't want the FERC to have the additional authority. On cost allocation, they support the House language. They do not want the FERC to have the additional authority and are concerned they will pay for transmission that does not benefit their customers. Also, on transmission back-stop siting, Progress believes no additional authority is needed by FERC.

Tampa Electric Company concurs with NARUC's letter. Tampa Electric has not taken a position on the House and Senate bills. They have worked with EEI and are generally supportive of EEI's comments. On cost allocation, EEI has filed comments regarding variable energy resources (VERs), such as resources powered by wind and solar energy, which state:

- While some uniformity in regulations across regions may be warranted, integration solutions for VERs should be determined primarily on a regional basis. Regions are therefore in a good position to determine how to most effectively integrate VERs into the transmission grid and wholesale electric markets;
- All generation resources should be treated in a non-discriminatory manner in any new integration regulations.
- All costs of VER should be assigned to market participants on a cost-causation basis to ensure that no costs are unfairly assigned to other market participants. Rates applicable to VERs for transmission and ancillary services should reflect the true cost of that service.

Florida Power & Light has not taken a position on the House and Senate bills. However, Florida Power & Light believes that there is a need for effective federal transmission siting for the nation to build out backbone transmission that delivers regional benefits. However, they do not believe that states should be divested of transmission siting authority and believe that states do a good job with certain types of transmission projects, particularly facilities that are built by vertically integrated utilities whose benefits are limited to the siting state, like Florida.

The **Southern Company** (Southern) supports the continued use of "bottom-up" transmission planning processes. In their view, both the Senate and House bills would allow for the continued use of the existing processes, although the Senate bill would allow FERC to order certain modifications to such plans. Southern does not support that aspect of the Senate bill. On cost allocation issues, Southern believes that the costs should be allocated to those causing the costs to be incurred. As to transmission siting, Southern opposes a push to transfer transmission siting authority from the States to FERC. In opposition to this complete transfer, Southern has supported providing additional back-stop siting authority to FERC for the lines to integrate renewables should State authorization not be provided within a year. However, any such additional back-stop siting authority to FERC should also provide a right of first refusal to the incumbent transmission provider to construct any such line.

FPSC Draft Transmission Talking Points

If the FPSC wants to adopt talking points for future letters to the Florida Congressional delegation and/or information provided to interested persons, here are some possible points.

- Florida continues to support the transmission provisions in the HR 2454, which incorporates existing law. These provisions allow FERC to have back-stop authority over interstate transmission siting under limited conditions.

- FERC’s back-stop authority must allow for states to have the first “bite at the apple” over siting and cost allocation for new interstate transmission facilities. States should continue to have the authority to work out siting, as well as cost allocation agreements for facilities that cross state boundaries.
- *Option: The Commission would support a limited expansion of FERC’s backstop siting authority for interstate transmission in the case where a single state or multiple states along a multi-state route denies approval, if FERC (with input from the affected states) finds the project to be in the national interest.*
- Intrastate siting and construction permitting should remain under the exclusive jurisdiction of the states.
- Cost allocation methodologies for new transmission facilities should assign costs to the “cost causer.”
- Florida is a unique region, due to its peninsular nature. Florida’s current transmission planning processes ensure adequate, reliable power for Florida’s ratepayers, and appropriate interregional planning. Therefore, the Commission does not support giving the FERC authority to order modifications to transmission plans that have been approved at the state, regional, and inter-regional levels.
- In general, states should be allowed to work out regional transmission needs prior to the FERC stepping in.

In conclusion, staff seeks guidance regarding actions to take on the transmission provisions in the energy bills. Talking points could be approved for future letters and calls to Congressional staff, the Commission could endorse other letters, the Commission could send its own letter, or the Commission could take no action at this time, and continue actively monitoring the legislation.

Attachments:

- The Eastern and Atlantic States Governors’ Letter (Attachment A)
- The NARUC letter (Attachment B)
- The Northeast and Mid-Atlantic States’ Letter (Attachment C)
- The Coalition for Fair Transmission and Planning Letter (Attachment D)

March XX, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington D.C. 20510

Dear Senator Reid and Senator McConnell:

As Governors representing (XX) states in the Northeast and along the Atlantic Coast, we write to express our continued opposition to the approach to new national transmission policy encompassed in the Senate Energy and Natural Resources Committee-passed American Clean Energy Leadership Act (S. 1462). We believe this legislation would hurt regional efforts to boost local renewable energy generation, curtail efforts to create clean energy jobs in our states, force our ratepayers to bear an unfair economic burden, and usurp states' current authority on resource planning and transmission siting. Far from enabling the most robust response to the challenge of climate change, the legislation would crush development of the country's most significant renewable resource—wind power off the Atlantic coast.

Intended to benefit distant wind resources on the Great Plains, this proposal would seriously undercut onshore and especially offshore wind energy development proposed or planned for Northeast and Mid-Atlantic states. Several of our states already have significant land-based wind projects installed or underway and have established aggressive wind development goals. Moreover, according to DOE's National Renewable Energy Laboratory, the offshore wind energy potential off the Atlantic coast is estimated to be 620,000 megawatts, enough generation to meet the region's total electricity demand.

The transmission approach in S. 1462 threatens to undermine this significant renewable energy potential along the East Coast through a mandated subsidy for distant terrestrial wind resources at a critical time for development and commercialization of our offshore wind potential. S. 1462 would give the Federal Energy Regulatory Commission (FERC) new resource planning and preemptive authority on transmission intended to promote renewable energy in America. This new authority would override long established state and local decision making on the siting of transmission lines, destabilize the competitive electricity market structures in the East, and require that FERC allocate transmission costs to ratepayers, rather than, as would typically be the case, to the generation facility owners and developers who stand to benefit the greatest from the construction of interstate transmission.

In addition, we fail to see the purpose in such a dramatic reorganization of state and federal markets and authorities. In our regions of the country, we are all currently on track to meet, and in some cases exceed, state or potential federal renewable energy standards well into the future. Therefore, federal integrated resource planning or siting preemption simply is not needed to meet our renewable energy goals.

We are opposed to codifying an unfair market advantage in the form of free transmission over thousands of miles to any potential resource. Such a build-out of a national transmission corridor is estimated to cost \$XXX billion, the majority of which would be paid for by East Coast states, averaging an additional cost to ratepayers of \$XXX per year. Resource outcomes need to be disciplined by the requirement that they meet our carbon and renewable goals at the lowest possible cost, based on the delivered price of electricity to retail customers. Regional renewable energy projects including offshore wind projects, which have higher construction costs but lower transmission costs due to their proximity to load, must not be put at a competitive disadvantage due to subsidies from federal planning or cost allocation determinations.

In our view, legislation to promote renewable energy resources on a fair, equitable, and efficient basis should, at a minimum:

- Create strong federal energy efficiency and renewable energy incentives that are simple, transparent, and technology neutral;
- Encourage FERC to support and facilitate robust planning within regional transmission organizations that provides and promotes local renewable resource integration and preserves local oversight and review;
- Support Interior Secretary Salazar's efforts to promote America's offshore wind industry by expediting the permitting of offshore wind projects, provide tax incentives to enable the industry to create clean energy jobs and become cost competitive, and assist regional efforts to build offshore wind infrastructure, including vessels and port facilities.

We support the House passed American Clean Energy and Security Act's (H.R. 2454) framework on transmission because it maintains market competition in electricity markets, encourages collaboration and coordination in cross-regional transmission planning and integration in the eastern interconnection, and provides sufficient incentives to develop needed transmission infrastructure, without creating a framework for federal integrated resource planning or transmission subsidization.

Thank you for your attention to this critical issue.

Sincerely,



N A R U C
National Association of Regulatory Utility Commissioners

March 16, 2010

Sen. Harry Reid
Majority Leader
United States Senate
Office: S-221
Washington, D.C. 20510

Sen. Mitch McConnell
Minority Leader
United States Senate
Office: S-231
Washington, D.C. 20510

Sen. Jeff Bingaman
Chairman
Committee on Energy & Nat. Resources
United States Senate
Office: SH-703
Washington, D.C. 20510

Sen. Lisa Murkowski
Ranking Member
Committee on Energy & Nat. Resources
United States Senate
Office: SH-709
Washington, D.C. 20510

Dear Majority Leader Reid, Senators McConnell, Bingaman, and Murkowski:

On behalf of the National Association of Regulatory Utility Commissioners (NARUC), we are writing to address the various transmission planning, permitting, and cost-allocation proposals pending in Congress. NARUC is the national association representing the State Public Service Commissioners who regulate essential utility services, such as energy, telecommunications, and water. Our members are responsible for assuring reliable utility service at fair, just, and reasonable rates.

NARUC members support the modernization of the country's transmission grid, particularly with regard to carrying additional renewable resources, ensuring reliability, and decreasing congestion. State commissioners have taken a leadership role in working with the federal government, utilities, and stakeholders in the new interconnection-wide transmission planning efforts funded under federal stimulus monies. Our members and sister agencies at the State-level have permitted a record number of new transmission lines in recent years, working to ensure that the lines are needed, provide benefits to those who pay for the lines, and meet environmental laws. Any dramatic shift by Congress in the current balance between State and federal jurisdiction over transmission line permitting and cost allocation will, we believe, undermine significantly the just-initiated interconnection-wide transmission planning efforts, and rather than expedite a State-federal partnership on modernizing the nation's transmission system, it will instead produce gridlock.

Our Association supports federal action to mitigate climate change to remove existing uncertainties that are hampering investment in the nation's utility infrastructure. We recognize that increased access to renewable resources is an important component of any climate policy. However, language in the American Clean Energy Leadership Act of 2009, passed by the Senate Energy and Natural Resources Committee last year and may be incorporated into a broader "vehicle," includes provisions that greatly expand the federal government's jurisdiction over siting

and approving transmission lines. While the bill is substantially improved over earlier versions, we remain unconvinced that additional federal authority over transmission is needed.

The record of State commissions and agencies speaks for itself. In Wisconsin, since 2001, the total value of transmission construction and upgrades that are in-service or approved by the State's Public Service Commission for future construction is approximately \$2.7 billion. In the last three years, the California Public Utilities Commission has approved more than \$4.5 billion of new transmission infrastructure. These lines are being built with the exception of projects that are awaiting federal land-use permits. Arizona's Corporation Commission sited 14 high-voltage transmission projects covering 430 miles and costing \$610 million since 2007. These are just a few of many examples.

Moreover, taking action now to disrupt the existing planning process actually contradicts the congressional intent of the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA directed the U.S. Department of Energy to give the States \$27 million to coordinate transmission planning efforts across the country's three grids—the Eastern Interconnection, the Western Interconnection, and the Electric Reliability Council of Texas (ERCOT). NARUC members and relevant State agencies are already working expeditiously to meet ARRA's requirements by securing the grant funding and creating unprecedented partnerships to conduct this work.

Each of the 40 States in the Eastern Interconnection are participating in the Eastern Interconnection States Planning Council (EISPC). This group has held initial meetings and taken a leadership role in these interconnection-wide transmission studies. This process, along with similar efforts in the West and ERCOT, should be given an opportunity to thrive without being undermined by premature federal action. Congress has already committed substantial taxpayer funds for these projects, so it only makes sense that they be given the opportunity to succeed before changing the rules midstream.

If Congress addresses transmission policy in a larger energy and/or carbon-reduction bill, it must leave the States as the primary authority. Since the purpose of the ARRA transmission planning process is to identify needed transmission expansions that will be endorsed by States and other stakeholders, the States should be given the opportunity to implement those expansions with their permitting authority, rather than legislating a separate, federal approval process that circumvents this process.

We are also concerned about proposed federal legislative language imposing a one-size-fits-all cost-allocation scheme for the entire country. NARUC staunchly opposes such an approach, as the nation's transmission grids are regional in nature. A top-down methodology will not result in the best or most cost-effective grid for the nation. Indeed, a single cost-allocation methodology for the transmission system will strongly influence the grid's design, turning the whole point of a deliberate planning process on its head. Broad new federal cost-allocation authority, even if intended to promote greater usage of renewables and carbon emission reductions, could result in construction of unneeded lines and not necessarily reduce carbon emissions. Again, the stakeholder-driven, State-federal partnership in transmission planning

initiated through ARRA is meant to ensure that careful planning – not cost recovery – drives new transmission.

No one better than us knows that transmission projects are controversial and expensive; our members deal with this issue every day. But we also know that expanded federal transmission authority will disrupt the current, federally funded efforts being undertaken to find workable solutions that will benefit consumers rather than a small portion of interested stakeholders. States are successfully finding innovative ways to promote energy efficiency and demand resources to develop both regional and local renewable energy, while focusing clearly on consumer costs. We hope Congress will support these efforts rather than disrupting them in favor of an untried federal scheme.

NARUC looks forward to working with you to address these issues in the 111th Congress.

Sincerely,



David C. Coen
President, NARUC
Member, Vermont Public Service Board



Garry Brown
Chairman, NARUC Committee on
Electricity
Chairman, New York State Public
Service Commission

CC: Members of the U.S. Senate Committee on Energy and Natural Resources



Massachusetts



Rhode Island



Connecticut



Delaware



Maine



Maryland



New Hampshire



New Jersey



New York



Vermont



Virginia

May 11, 2009

The Honorable Harry Reid
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Senator Reid, Senator McConnell, Speaker Pelosi, Representative Boehner,

As Governors from Northeast and Mid-Atlantic states, we applaud your support for renewable energy and its role in enhancing clean energy job creation, increasing our energy security and curbing greenhouse gas emissions.

We write to encourage you to support strong new federal policies to promote wind resources. In addition to recognizing the potential for wind resources in the Midwest, we believe that the wind resources of the Eastern seaboard states – both onshore and offshore wind – represent one of our nation's most promising yet underdeveloped source of renewable energy. At the same time, we must express our concern about the significant risks posed by recent proposals regarding transmission that we believe could jeopardize our states' efforts to develop wind resources and inject federal jurisdiction into an area traditionally handled by states and regions.

Significant onshore or offshore wind projects have been proposed or planned for almost all of the Northeast and Mid-Atlantic states. Several of our states already have significant land-based wind projects installed or well underway and have established aggressive wind development goals. Moreover, the waters adjacent to the East Coast hold potential for developing some of the most robust wind energy resources in the world – enough wind potential to meet total U.S. electricity demand, as Interior Secretary Ken Salazar has recently pointed out. Congress should put its full support behind the development of these resources.

Current legislative proposals focused on transmission, in contrast, would designate national corridors for transmission of electricity from the Midwest to the East Coast, with the costs for that transmission allocated to all customers. While we support the development of wind resources for the United States wherever they exist, this ratepayer-funded revenue guarantee for land-based wind and other generation resources in the Great Plains would have significant, negative consequences for our region: it would hinder our efforts to meet regional renewable energy goals with regional resources and would establish financial conditions in our electricity markets that would impede development of the vast wind resources onshore and just off our shores for decades to come. In addition, the legislative proposals for selective federal subsidy for certain land-based wind resources paired with the practice of dispatching the lowest cost available generation resource could result in surplus transmission capacity or artificially inflated energy prices for Midwest renewables being paid by east coast ratepayers. Such an outcome would have negative consequences for consumers, regional energy sufficiency and the environment. Moreover, it is well accepted that local generation is more responsive and effective in solving reliability issues than long distance energy inputs.

Land-based wind energy projects, which have already proven themselves economical in the Northeast, must have the chance to move forward. And while offshore wind installation costs currently exceed those of onshore installations, these resources are much closer to our load centers and research and development efforts focused on reducing costs and improving reliability promise to make offshore wind competitive with Midwest wind farms on a delivered cost of power basis. As regional onshore projects move forward and offshore wind moves into commercialization in the United States, they all must have the opportunity to compete on an even playing field with on-shore, yet remote, sources of power from the Midwest and not be disadvantaged by upfront transmission subsidies.

If transmission is to be addressed in energy legislation at all, we believe Congress should focus its attention on regional solutions. In our regions, this means continuing to pursue planned wind and other renewable resources within our competitive energy markets framework. For offshore wind, this means a new offshore wind transmission backbone to facilitate the interconnection of offshore renewable energy resources to major load centers along the East Coast. Development of this offshore network will require the attention of the Department of Energy, the Minerals Management Service (MMS) and the Federal Energy Regulatory Commission (FERC), as part of an Outer Continental Shelf energy resource development plan.

In our view, legislation to promote renewable energy resources on a fair, equitable, and efficient basis should, at a minimum:

- Create strong federal energy efficiency and renewable energy incentives that are simple, transparent and technology neutral – and capitalize on more than a decade of successful direct experience by many states in developing strong efficiency and renewable energy markets;
- Consider new market mechanisms such as regional procurements for renewable energy in the form of long-term power purchase agreements – again, allowing all renewable generation interests to compete on the basis of total cost of power delivered to load centers;

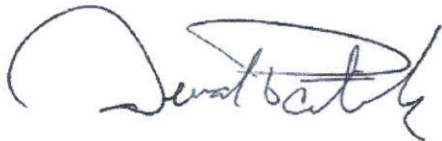
- Encourage that state and regional planners along the Atlantic coast develop a plan within and across regions to accommodate growing availability of onshore wind resources and to establish an offshore wind transmission regime, including new FERC policies tailored to the special circumstances of offshore wind and expedited siting review for offshore lines in federal waters and their interconnection to coastal load centers with appropriate state involvement.

- Encourage FERC and NERC to support and facilitate robust planning within regional transmission organizations that provides and promotes local renewable resources integration and preserves local oversight and review.

- Evaluate whether expanding the federal Investment Tax Credit would be a more effective, simpler, and technology neutral mechanism for promoting renewable energy development across the country than a focus on transmission, which tends to support remote onshore wind, but disadvantage nearby offshore wind.

Thank you for your attention to this critical issue.

Sincerely,



Governor Deval Patrick
Massachusetts



Governor Donald L. Carcieri
Rhode Island



Governor M. Jodi Rell
Connecticut



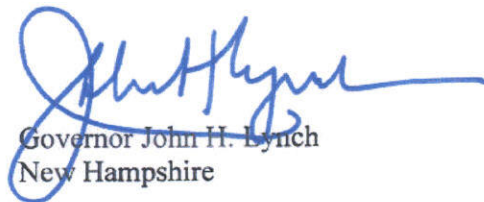
Governor Jack Markell
Delaware



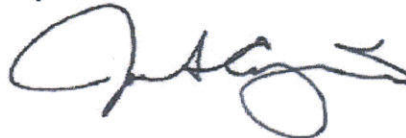
Governor John Baldacci
Maine



Governor Martin O'Malley
Maryland



Governor John H. Lynch
New Hampshire



Governor Jon S. Corzine
New Jersey

David A. Paterson

Governor David A. Paterson
New York

James H. Douglas

Governor James H. Douglas
Vermont

Timothy M. Kaine

Governor Timothy M. Kaine
Virginia

cc: Chairman Jeff Bingaman
Ranking Member Lisa Murkowski
Chairman Henry Waxman
Ranking Member Joe Barton
Secretary Steven Chu
Secretary Ken Salazar
Honorable Carol Browner

February 9, 2010

The Honorable Harry Reid, Majority Leader
The Honorable Mitch McConnell, Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid and Minority Leader McConnell:

As you are aware, the American Clean Energy Leadership Act of 2009 (S. 1462) as passed by the Senate Energy & Natural Resources Committee included provisions impacting both inter-regional transmission planning and transmission system expansion cost allocation. We are writing to make clear our support for Congressional direction on these issues within comprehensive energy legislation, but with certain qualifications on the specifics. On transmission planning, we endorse reliance on the voluntary coordination of successful existing local and regional processes. We are concerned, that the current language of S. 1462 will impose a top-down interconnection-wide plan that would fail to meet local and regional needs and would ultimately undermine the goals of the legislation. On cost allocation, we support the language in S. 1462 that allocates costs based on measurable benefits.

With respect to transmission planning, we believe that it is critical to capitalize on existing open and transparent local and regional processes, rather than placing FERC in the role of national transmission planner. Local and regional planning processes take into account the needs of local and regional customers, the local economic impacts of alternatives, and local and regional circumstances that influence transmission plans. Thus, we think the goals of S. 1462 will best be served by deleting language that would allow FERC to approve or modify a submitted interconnection-wide transmission plan that may be inconsistent, or in conflict, with local or regional plans.

With respect to cost allocation, while our organizations strongly support the development of renewable and other clean energy sources, we believe that national policy should not be biased toward building remote generation resources connected to population centers with long, multi-state transmission lines. Since some regions will find better, less costly ways of getting to the cleaner energy future we all desire, including distributed renewable resources at or near the consuming customer, on-shore and off-shore wind closer to the load centers of the East Coast, carbon-free nuclear and hydro generation, as well as demand-side management and increased efficiency, deference should be provided to consensus regional cost allocation solutions developed through open and collaborative processes.

Decisions about when and where to build new resources involve market choices by resource developers and customers. The only way to ensure that these decisions are made in a cost-effective manner is to provide price signals that show the true economic implications of these decisions. If developers and potential customers of the new resources don't have to pay the costs of transmission associated with their decisions, the price signal is lost and distant resources will have an unwarranted price advantage over local alternatives, including conservation investments or distributed renewable resources. It is therefore critical that transmission cost allocation policy place the costs of transmission on the parties (generation and/or load) that create the need for the new investments, rather than socializing transmission costs across a broad area. In addition, parties being asked to contribute to the recovery of costs should have significant input and involvement in the decision-making process.

In summary, without changes to the planning language of S. 1462, the development of transmission may disregard the critical consideration of local and regional customer needs and economics. In addition, we seek to ensure that general principles of economic efficiency are maintained in transmission cost allocation policy. Absent specific language on cost allocation, broad proclamations that "everyone" benefits from any new transmission investment will create unfair market advantages and will lead to the imposition of high transmission costs on consumers who may experience no tangible benefit.

To ensure that production and delivery of low-carbon electricity will occur in the most cost-effective, consumer-friendly manner possible, we urge you to maintain these important principles in your further consideration of S. 1462, and we pledge our willingness to work with you.

Sincerely,

Alliant Energy Corporation
Ameren Corporation
Arizona Public Service Company
CMS Energy Corporation
ConEdison Inc.
Congoleum Corporation
DTE Energy Company

The Honorable Harry Reid, Majority Leader
The Honorable Mitch McConnell, Minority Leader
Page 3

Entergy Corporation

E.ON U.S.

Georgia Transmission Corporation

Imperial Irrigation District

Indianapolis Power and Light Company

JEA

MEAG Power

Northeast Utilities

OUC

Petra Solar

Platte River Power Authority

PPL Corporation

Princeton HealthCare System

Progress Energy Inc.

Public Service Enterprise Group, Inc.

Salt River Project

Santee Cooper

South Carolina Electric & Gas Company

Southern Company

Sta Seal Asphalt

Trap Rock Industries, Inc

cc: The Honorable Jeff Bingaman, Chairman Energy and Natural Resources Committee
The Honorable Lisa Murkowski, Ranking Member, Energy and Natural Resources
Committee