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U.S. DEPARTMENT OF ENERGY

TRANSMISSION GRID STUDY WORKSHOP

DETROIT, MICHIGAN

LOCATION: HQ Global Workplaces  
Laurel Park Center  
17672 Laurel Park Drive North  
Suite 400 East  
Livonia, Michigan 48152

DATE: September 24, 2001

TIME: 9:10 a.m. to 11:30 a.m.

REPORTER: Diana Ramos, Certified Shorthand Reporter

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1 P R O C E E D I N G S

2 September 24, 2001

3 (9:10 a.m.)

4

5 MR. CARRIER: Okay. We'll get  
6 started. I want to welcome you all to the Department  
7 of Energy's first workshop on the National  
8 Transmission Grid Study. My name is Paul Carrier and  
9 I will be moderating today's conference.

10 This workshop is being conducted by  
11 both video and teleconference, and I hope that you  
12 will all find this format convenient.

13 Before we begin, I'd like to provide  
14 some instructions so that we can run this event  
15 smoothly and efficiently. First, I ask that you keep  
16 your audio connections on mute until you are asked to  
17 provide comment. I hear some -- I hear some noise  
18 out there now, so please check your mute buttons.  
19 Thank you.

20 We have set up a trouble number. If  
21 you have connection problems, please call (202)  
22 586-0895 and we will try to get you reconnected.

23 If anyone went to the Detroit Airport  
24 Marriott Hotel this morning and had to take a cab to  
25 our Detroit videoconferencing facility at HQ Global

1 Workplace, we would like to reimburse you for your  
2 cab fare. Please save your receipts and send an  
3 e-mail to paul.carrier -- C-A-R-R-I-E-R --  
4 @hq.doe.gov. And in that e-mail, please provide your  
5 name and phone number and we'll arrange to reimburse  
6 you.

7                   This meeting is being transcribed so  
8 there will be an accurate record of your comments to  
9 assist those conducting the study.

10                   Let me describe how I intend to  
11 conduct the meeting. We will start with some brief  
12 introductory remarks from Jimmy Glotfelty from the  
13 DOE Office of the Secretary, then we will go to  
14 Detroit, where we have DOE's Peter Dreyfuss, who will  
15 introduce Laura Chappelle, chair of the Michigan  
16 Public Service Commission, with some introductory  
17 remarks from a state prospective.

18                   We will then proceed to take comments  
19 from stakeholders on the study. As you know, we have  
20 identified six issues that we believe should be  
21 addressed in the National Transmission Grid Study.  
22 There are, of course, additional issues that cut  
23 across the six issues, and we hope that you will help  
24 us identify these as well.

25                   Our six issues are: Alternative --

1 one, alternative business models for transmission  
2 investment and operation; two, transmission planning  
3 and the need for new capacity; three, transmission  
4 siting and permitting; four, reliability management  
5 and oversight; five, transmission system operation  
6 and interconnection; and, six, new transmission  
7 technologies.

8                   At this meeting, we have  
9 representatives of DOE's contractors who will be  
10 authoring each of the six issue papers and will be  
11 working closely with DOE as we prepare our final  
12 report due by the end of December.

13                   These individuals are: Joe Eto of  
14 Lawrence Berkeley National Laboratory; Brendan Kirby,  
15 Oak Ridge National Laboratory; Dave Meyer,  
16 consultant; George Gross, University of Illinois at  
17 Champaign, Urbana; John Hauer, Pacific Northwest  
18 National Laboratory; Rich Sedano, Regulatory  
19 Assistance.

20                   I will recognize speakers first in the  
21 order that they registered on our website and then we  
22 will recognize others who may wish to speak. Each  
23 speaker should summarize their comments and is  
24 encouraged to submit more detailed comments on our  
25 website, which is [www.ntgf.doe.gov](http://www.ntgf.doe.gov).

1                   Each speaker should identify up front  
2 the issue or issues that they intend to address. And  
3 since we don't have too many people on the  
4 conference, I will -- we will address all six issues  
5 together. We won't break them up into a morning and  
6 afternoon session.

7                   After each speaker, I will ask each of  
8 the authors -- each of the study authors if they have  
9 any questions they would like to ask the speaker.  
10 We'll get a dialogue going with the speaker.

11                   Let me go through the order of the  
12 registrations, and thus the speakers. And as I go  
13 through this list, please indicate, if you are  
14 present on this call, whether you intend to speak.  
15 That way we'll get a -- an idea of how many speakers  
16 we have and whether we need to limit the time or  
17 not.

18                   (Brief interruption)

19                   MR. CARRIER: Anna Bousouris, Ecostar  
20 Power Conversion System, are you on the line? Anna  
21 Bousouris?

22                   Ted Hollinger, Ecostar Power  
23 Conversion Systems, are you on the line?

24                   Guy Zito, Northeast Power for --  
25 Northeast Power Coordinating Council, are you on the

1 line?

2 MR. ZITO: Yes, I'm on the line.

3 MR. CARRIER: Thank you. And do you  
4 intend to make some comments?

5 MR. ZITO: Well, I'm not sure if I  
6 have any comments as of yet. I just wanted to see  
7 the scope of the study and -- to ensure that we're  
8 not duplicating anything at the regional level, so  
9 I'd reserve the right to make a comment later on in  
10 the discussion.

11 MR. CARRIER: We'll give you that  
12 opportunity.

13 MR. ZITO: Thank you.

14 MR. CARRIER: Eric Laverty,  
15 International Transmission Company, DTE Energy?

16 MR. LAVERTY: Yes, I'm on the line.

17 MR. CARRIER: And do you wish to make  
18 comments?

19 MR. LAVERTY: Not at this time. I'll  
20 be supporting the other DTE employees here.

21 MR. CARRIER: Okay. Jim Byron,  
22 Detroit Edison, are you on the line?

23 MR. BYRON: Yes, I'm on the line.

24 MR. CARRIER: And, Jim, do you intend  
25 to make comments?

1 MR. BYRON: Not at this time.

2 MR. CARRIER: Anne Jinks,  
3 International Transmission Company, DTE Energy?

4 MS. JINKS: Yes, I'm here. I was --

5 MR. CARRIER: Are you --

6 MS. JINKS: I was going to speak this  
7 morning, but Ray Sturdy, our attorney, will be making  
8 our presentation. That's International --

9 MR. CARRIER: Okay.

10 MS. JINKS: -- Transmission Company,  
11 DTE Energy.

12 MR. CARRIER: Okay. And that name  
13 again is Ray?

14 MS. JINKS: Ray Sturdy, S as in Sam, T  
15 as in Tom, U-R, D as in David, Y.

16 MR. CARRIER: Okay. Thank you.

17 MS. JINKS: Thank you.

18 MR. CARRIER: Thomas Vitez, the  
19 International Transmission Company, DTE Energy?

20 MR. VITEZ: Yes, I'm here. I don't  
21 plan on making comments at this time.

22 MR. CARRIER: I'm sorry. I didn't  
23 hear the last part of your comment.

24 MR. VITEZ: I do not have any prepared  
25 comments to make.

1                   MR. CARRIER: Okay. Thank you.  
2 Richard Schultz, International Transmission Company,  
3 DTE Energy?  
4                   MR. STURDY: Richard Schultz is not  
5 here at this time. We expect him later.  
6                   MR. CARRIER: Okay. Masheed  
7 Rosenqvist, National Grid USA?  
8                   MS. ROSENQVIST: Yes, I'm here.  
9                   MR. CARRIER: And do you intend to  
10 make comments?  
11                   MS. ROSENQVIST: Yes.  
12                   MR. CARRIER: Thank you.  
13                   MS. ROSENQVIST: Sure.  
14                   MR. CARRIER: Timothy Sparks, Michigan  
15 Electric Transmission Company?  
16                   MR. SPARKS: Yes, I'm here.  
17                   MR. CARRIER: And do you intend to  
18 make comments?  
19                   MR. SPARKS: Not at this time.  
20                   MR. CARRIER: Chuck Roteck, First  
21 Energy Corp?  
22                   MR. ROTECK: I'm here, and I don't  
23 plan to make any comments at this time.  
24                   MR. CARRIER: Thank you. David  
25 Hudson, Xcel Energy Services?

1 MR. HUDSON: Yes, I'm present, and we  
2 do not plan on making comments today.

3 What is the dead -- deadline for  
4 filing written comments?

5 MR. CARRIER: October 10.

6 MR. HUDSON: Thank you.

7 MR. CARRIER: Denis DesRosiers,  
8 Detroit Edison?

9 MR. DesROSIERS: I'm here, and I will  
10 be waiting for Ray to make our comments.

11 MR. CARRIER: Thank you. Ron Diaz,  
12 EPRI?

13 MR. DIAZ: I'm here. I do not plan to  
14 make comments.

15 MR. CARRIER: Thank you.

16 Let me identify now those others that  
17 are on the -- on the conference call. And if you  
18 could one at a time, please, state your name and your  
19 organization and whether you intend to make  
20 comments.

21 I'll ask Vernellia, who's with us  
22 here, to go down the list that she's already  
23 collected. We'll follow that and then open it up for  
24 any others that we might not have the name of yet.  
25 Vernellia?

1 MS. JOHNSON: The names that I  
2 currently have is Robert Neust, Consumer Energy  
3 Group. I have --

4 MR. CARRIER: Rob -- Robert, are you  
5 on the line? Robert -- Robert Neust?

6 MS. JOHNSON: N-U -- N-E-U-S-T.

7 MR. NEUSTISTER: It's  
8 N-E-U-S-T-I-S-T-E-R.

9 MS. JOHNSON: Please forgive me.

10 MR. CARRIER: And, Robert, do you  
11 intend to make comments?

12 MR. NEUSTISTER: Not at this time.

13 MR. CARRIER: Next?

14 MS. JOHNSON: Ron Sheer?

15 MR. CARRIER: Ron, are you on the  
16 line?

17 MR. SNEED: This is Ron Sneed and  
18 maybe you got my name wrong.

19 MS. JOHNSON: I sure did. I  
20 apologize.

21 MR. SNEED: I have no plans at this  
22 time to make comments.

23 MR. CARRIER: You said "no plans"?

24 MR. SNEED: That's right.

25 MR. CARRIER: Thank you.

1 MS. JOHNSON: David Becker?

2 MR. CARRIER: David, are you on the  
3 line? David Becker?

4 MS. JOHNSON: Anyone similar? Don  
5 Miller?

6 MR. MILLER: I'm on the line, and I'm  
7 not planning to make any comments.

8 MR. CARRIER: Thank you, Don.

9 MS. JOHNSON: Tim Sparks, Consumer  
10 Energy?

11 MR. SPARKS: Yes, I'm on the line. I  
12 mentioned earlier I don't have any comments at this  
13 time.

14 MR. CARRIER: Thank you.  
15 Okay. And do we have any other people  
16 on the line that we haven't identified yet?

17 MR. RANA: This is Raj Rana from  
18 American Electric Power.

19 MR. CARRIER: You want to spell your  
20 name, please?

21 MR. RANA: R-A-J.

22 MR. CARRIER: R-A-J?

23 MR. RANA: And the last name is Rana,  
24 R-A-N-A.

25 MR. CARRIER: And you said American

1 Electric Power?

2 MR. RANA: Yes.

3 MR. CARRIER: And do you intend to  
4 make any comments?

5 MR. RANA: Yes. We want to give the  
6 salient points of our comments and we are preparing  
7 our write-up that we'll file with the Department on  
8 the website.

9 MR. CARRIER: Okay. We'll give you an  
10 opportunity to comment.

11 Anybody else on the line?

12 MS. JENSON: Betty Jenson, Public  
13 Service Electric & Gas Company.

14 MR. CARRIER: Betty Jenson? Okay.  
15 And, Betty, do you intend to make  
16 comments?

17 MS. JENSON: No, I do not.

18 MR. CARRIER: Next? Anybody else?

19 MR. RUSHNOK: Andrew Rushnok, First  
20 Energy Corporation.

21 MR. CARRIER: Andrew Rush -- you want  
22 to spell that, please?

23 MR. RUSHNOK: Yes. R-U-S-H-N-O-K.  
24 And I will not be -- I don't expect to make any  
25 comments yet.

1 MR. CARRIER: Okay.

2 MR. KITTS: My name is Gary --

3 MR. CARRIER: Anybody else?

4 MR. KITTS: Yes. My name is Gary

5 Kitts --

6 UNIDENTIFIED SPEAKER: He's on the

7 phone.

8 MR. CARRIER: I'm sorry. Gary Kip,

9 K-I-P?

10 MR. KITTS: K-I-T-T-S. I'm with the

11 Michigan Public Service Commission. I won't be

12 making any comments.

13 MR. CARRIER: Okay. Anybody else on

14 the line?

15 MR. WRENBECK: Tom Wrenbeck, spelled

16 W-R-E-N, B as in boy, E-C-K from DTE Energy, and I

17 would not -- I will not be making any comments.

18 MR. CARRIER: Okay.

19 UNIDENTIFIED SPEAKER: Sorry. You --

20 MR. CARRIER: I'm sorry. Did I hear

21 another name? Anybody else on the line?

22 Okay. You all will have, you know,

23 the opportunity -- we'll give you another opportunity

24 later on to -- to address maybe any comments here.

25 We will also -- we do encourage you all to submit

1 written comments on our website by October 10.

2                   Okay. I'd like to get started then  
3 and I'll ask Jimmy Glotfelty, from the Secretary's  
4 Office, to make some introductory remarks.

5                   MR. GLOTFELTY: Thank you, Paul, and  
6 thank you all for being here. This is a new format  
7 for us but one, if it works, that hopefully we might  
8 be able to use in the future.

9                   It may be a test today, but it could  
10 bring us a lot closer to our constituency groups out  
11 there in opening a dialogue on these issues, so we  
12 hope this works as -- and is beneficial to you all  
13 who are joining us as well.

14                   As you all know, the National  
15 Transmission Grid Study was one of the -- was one of  
16 the recommendations in the President's National  
17 Energy Policy. It suggested that the Secretary would  
18 develop a National Transmission Grid Study by  
19 December 31st of this year. We have been working  
20 towards that end for the last two and a half months.

21                   One part that we think is absolutely  
22 essential is getting input and comments from our  
23 stakeholder groups who are out there, both utilities,  
24 consumer groups, environmental groups, ratepayer  
25 organizations. Everybody who has a stake in the

1 transmission and electrical systems we think ought to  
2 have a role in this process.

3                   As you've seen on our web page, we  
4 have divided this into six categories. Our goal is  
5 to develop white papers, which our consultants are  
6 developing, and then, from those, draw a set of  
7 recommendations that we will submit to the  
8 President.

9                   We are looking for outside-the-box  
10 thinking on ways to improve transmission capacity,  
11 upgrade lines, make it easier for transmission-owning  
12 companies to develop and build transmission lines.  
13 We are looking at technology as ways to making the  
14 grid act like a single national grid.

15                   If you all have comments on actually  
16 creating a national grid, we would like your input  
17 there. Anything that you all can give us on your  
18 views here would be very beneficial to our process.

19                   I'm sorry for the change in format,  
20 but there -- the events of a week and a half ago have  
21 slightly altered our focus here and we appreciate you  
22 being here.

23                   And I want to thank Chairman Chappelle  
24 for her help and the help of the Michigan Public  
25 Service Commission. We hope to get up there again

1     sometime in person so that we can -- can thank you  
2     all for your help, but we appreciate you  
3     participating in this format.

4                     The Secretary is -- this is very high  
5     on his agenda, like it is the President, and we hope  
6     to put together a very first-class report and  
7     first-class recommendations to the President. So  
8     your input -- your input does not have to stop here,  
9     but your input is key.

10                    As we go through this process, there  
11    might be opportunities for more comment. And if you  
12    have comments that strike you in the middle of the  
13    night that -- that would be beneficial for us to  
14    know, please feel free to submit those.

15                    We are trying to get, as Paul has  
16    said, all of our comments in by October 10th so that  
17    our consultants have an opportunity to -- opportunity  
18    to review them. However, if you do have other  
19    comments in the future, please feel free to send  
20    them.

21                    As much information as we can have,  
22    the better off we are. So with that, thank you all  
23    for being here. I think the majority of the  
24    questions will come from our consultants. I might  
25    have a few, Paul might have a few, but we look

1 forward to your presentations today. Thank you.

2 MR. CARRIER: Okay. I'd like to go to  
3 Detroit to Peter -- Peter Dreyfuss, who is a DOE  
4 representative in Detroit, for some introductory  
5 remarks by the chair of the Michigan Public Service  
6 Commission. Thank you.

7 MR. DREYFUSS: Thank you very much,  
8 and I appreciate us having this teleconference. And  
9 as we just indicated, the opportunity to be together  
10 in this electronic means is very good.

11 One thing that -- two weeks ago, a  
12 number of us in this room were together at a  
13 microgeneration conference near here and the  
14 Secretary was with us, and it was the unfortunate  
15 events of the next day that even heightened the  
16 interest in what we were talking about two weeks  
17 ago.

18 And Chairman Chappelle was at that  
19 conference, and we were delighted to have her there,  
20 as well as the Secretary, to discuss some of the  
21 technology that's available.

22 This transmission issue has become  
23 even more important and we, in the Chicago region and  
24 those of us here in Detroit, are particularly  
25 appreciative of you folks in headquarters holding

1 this first meeting in conjunction with us here in  
2 this region because we've been very focused on it.

3                   With that, I would like to turn it  
4 over to Chairman Chappelle, who has been gracious to  
5 be a host of this meeting here, and let her make the  
6 opening comments for this hearing.

7                   MS. CHAPPELLE: Thank you, Peter.

8                   I want to echo those comments as well  
9 and thank, especially, the Secretary of Energy and  
10 his key staff for putting this together. Governor  
11 Engler looks forward to the ability to work with the  
12 Department on -- of Energy on this and other very  
13 important energy issues, and we look forward for the  
14 opportunity to comment today.

15                   I just have some very brief over --  
16 overview remarks of many of the transmission issues  
17 that Michigan is facing right now. Certainly the  
18 need for transmission improvements in Michigan and  
19 elsewhere appears to be unquestionable.

20                   Michigan, like many states, has  
21 recently passed into law an Electric Restructuring  
22 Act. The Customer Choice and Electricity Reliability  
23 Act was a culmination of a six-year endeavor by  
24 Governor John Engler to assure that Michigan  
25 customers not only had a reliable, trustworthy

1 electric system, but also that all classes of  
2 customers could choose their generation provider in  
3 order to lower costs and take advantage of new,  
4 innovative electric options such as green power.

5           As a direct result of this new law,  
6 Michigan has numerous new generation providers that  
7 so far have increased our generation capacity by 835  
8 megawatts. There are a thousand additional -- over  
9 6,000 additional megawatts under construction with  
10 over 7,000 in the proposal stage.

11           Of course, we know that not all of  
12 these plants will be built, but what we do know for  
13 sure is that these additional megawatts will require  
14 an enhanced transmission system.

15           It's a direct reflection of the fact  
16 that generation and transmission will continue to go  
17 hand in hand. As many have said, our transmission  
18 system was not built or is structured for this new  
19 competitive world that we are entering.

20           Michigan also has unique concerns due  
21 to the fact that it is a peninsula state. Our import  
22 capability has traditionally been strained.  
23 Certainly the addition of new instate generation  
24 power goes a long way to making Michigan  
25 self-sufficient, but we also need to address our

1 historic import limitations.

2                   That is why our new law called for the  
3 development of a plan to expand import capability by  
4 2,000 megawatts, which is about approximately 50  
5 percent, by July 2002. This plan has been developed  
6 by upgrading existing lines rather than building new  
7 ones at this point.

8                   Obviously another major change  
9 affecting transmission is a federal calling, through  
10 FERC, of streamlined Regional Transmission  
11 Organizations. These RTOs, numbering no more than  
12 four, will ensure nondiscriminatory, efficient  
13 delivery of electricity along broader lines.

14                   In Michigan, we support FERC's calling  
15 for a single RTO in the Midwest and we're working  
16 closely with the Alliance and Midwest RTOs to  
17 accomplish this goal, but it has not been easy.

18                   Certainly this new electric framework  
19 has created new transmission issues and enhanced  
20 several old ones. Pancaked rates, seams, loop flows  
21 and other issues mandate states' attention and  
22 involvement.

23                   Certainly, because of the important  
24 changes to our transmission system, the issues of  
25 transmission siting will become ever more important.

1 That is why Michigan supports the National Governor's  
2 Association's position that states should be given  
3 first opportunity to expedite transmission expansion  
4 and that the federal, through FERC, role should be  
5 implemented only if states are unable to accomplish  
6 this task.

7                   As an example, the last attempt to  
8 build a major transmission line in Michigan was in  
9 the early 1990s. In 1993, the PSC issued a decision  
10 finding that a line was needed and should be built.  
11 However, a local circuit judge found otherwise and  
12 prevented that construction.

13                   In 1995, Michigan passed into law the  
14 Electric Transmission Line Certification Act, which  
15 gives a certificate of need issued by the PSC  
16 precedence over conflicting local decisions. This  
17 process is a reasonable balancing of potentially  
18 conflicting interests of local citizens and the  
19 broader need for major infrastructure improvements  
20 throughout the state.

21                   To date, no one has tried to use the  
22 1995 act to build a new transmission line, so it is  
23 not known whether or not it will be effective at this  
24 time. Hence, it's too early to say whether federal  
25 involvement is needed since stakeholders have not

1 attempted to utilize existing procedures at the state  
2 level.

3                   On a similar note, the Michigan Public  
4 Service Commission is excited to see the partnership  
5 of the National Governor's Association and the  
6 Department of Energy in the formation of a -- of a  
7 task force on national electricity infrastructure.

8                   This task force, recently announced by  
9 Governor John Engler and Secretary of Energy Spencer  
10 Abraham, will streamline generation siting policies,  
11 consistent with sound environmental policy and  
12 identify regulatory and institutional barriers to  
13 siting new transmission infrastructure.

14                   At the very least, Michigan's new  
15 Electric Restructuring Act, its active involvement in  
16 the development of a single RTO, its 1995 siting act  
17 and the newly-formed NGA/DOE Infrastructure Task  
18 Force demonstrate that transmission issues are best  
19 solved giving deference -- reasonable deference to  
20 states.

21                   Certainly there is a need for both  
22 state and federal involvement on these and other  
23 important energy issues. We look forward to working  
24 with NGA and DOE during this important transition  
25 stage and beyond.

1                   Thank you again for the opportunity to  
2 comment.

3                   MR. CARRIER: Thank you very much. Is  
4 there anyone --

5                   MR. GLOTFELTY: Can I say something  
6 real quick?

7                   MR. CARRIER: Sure.

8                   MR. GLOTFELTY: I'd like to say  
9 that -- to Chairman Chappelle that I appreciate the  
10 comments on our partnership and echo those.  
11 Secretary Abraham is very high on this partnership  
12 and we intend to do more.

13                   We have funded studies and  
14 partnerships with the Western Governor's, the  
15 National Governor's. We're working on ones with NCSL  
16 and other groups, and I think that's going to be our  
17 mode of operation in the future.

18                   We cannot do it all by ourselves and  
19 we don't intend to try. So these partnerships are --  
20 we're just beginning on a number of partnerships that  
21 we're going to have. We'll have a lot more in the  
22 future, and we're very excited to get the first ones  
23 that we've been -- asked kicked off and successful as  
24 we reform this whole industry.

25                   So I want to echo your comments and

1 thank you very much for bringing them up.

2 MR. CARRIER: Is there anyone else in  
3 the study group who would like to ask any questions  
4 of Chairman Chappelle?

5 Thank you very much.

6 What I'd like to do is go then to our  
7 first speaker -- stakeholder speaker, and that will  
8 be Ray Sturdy, International Transmission Company,  
9 DTE.

10 MR. STURDY: Thank you very much. I'd  
11 like to present comments on behalf of DTE Energy  
12 Company, Detroit Edison and International  
13 Transmission Company.

14 Electricity is a critical component in  
15 the daily lives of our country and our economy. It's  
16 imperative that the reliability and security of North  
17 America's transmission facilities, the backbone of  
18 our nation's electric energy system, remain healthy  
19 and robust.

20 DTE Energy Company, on behalf of its  
21 two public utility affiliates, the Detroit Edison  
22 Company and the International Transmission Company,  
23 appreciates the opportunity to present these comments  
24 in connection with the Department's National  
25 Transmission Grid Study.

1 Detroit Edison is a public utility  
2 operating company that is exclusively engaged in the  
3 generation and distribution of electric energy in the  
4 State of Michigan. Detroit Edison provides retail  
5 electric service to approximately 2.1 million  
6 customers located throughout portions of southeastern  
7 Michigan.

8 Detroit Edison's retail operations are  
9 subject to the jurisdiction of the Michigan Public  
10 Service Commission. Detroit Edison is a member of  
11 the Midwest ISO.

12 International Transmission Company is  
13 a unique transmission enterprise established for the  
14 purpose of owning and operating electric transmission  
15 facilities in the format of an independent  
16 transmission organization.

17 ITC was formed when Detroit Edison  
18 transferred virtually all of its transmission  
19 facilities to ITC -- ITC on January 1st, 2001. DTE  
20 Energy is committed to divesting International  
21 Transmission Company to an entity free of affiliation  
22 with any entity engaged in electric market  
23 participation.

24 ITC's transmission facilities are  
25 located in southeastern Michigan and, pursuant to

1 arrangements authorized by the Department, have been  
2 interconnected with transmission facilities in the  
3 province of Ontario, Canada since 1953.

4 In addition, ITC's transmission  
5 facilities are interconnected with those of CMS  
6 Energy's transmission affiliate, the Michigan  
7 Independent Transmission Company and, for the last  
8 five years, these DTE and CMS facilities have  
9 provided unpancaked, nondiscriminatory, open access  
10 transmission service throughout Michigan's lower  
11 peninsula.

12 ITC is seeking to become a member of  
13 the Midwest ISO pursuant to the MISO's open  
14 architecture arrangements for independent  
15 transmission companies.

16 DTE Energy's current interests and  
17 concerns focus primarily on two topics identified for  
18 public discussion in the Department's workshops:  
19 One, the commitment to evaluate and foster  
20 appropriate alternative business models for  
21 transmission investment and operations; and, two,  
22 examination of the operation of interconnected  
23 transmission systems with particular concerns related  
24 to the potential for increased costs and significant  
25 impairment of current levels of electric reliability

1 within the State of Michigan.

2                   Let me first address our comments with  
3 respect to alternative business models for  
4 transmission investment and operations.

5                   In Order 2000, the FERC formally  
6 recognized that significant regulatory changes and  
7 incentives were needed to encourage the transfer or  
8 divestiture of electric transmission facilities from  
9 vertically-integrated investor-owned utilities to  
10 stand-alone transmission businesses.

11                   It also recognized that regional  
12 transmission organization formation required that  
13 RTOs and their members have sufficient flexibility to  
14 improve their organizations in terms of structure,  
15 geographic scope, market support and operations to  
16 meet market needs.

17                   Detroit Edison believes in the view  
18 expressed in the Awerbuch-Hyman-Vessey Blueprint for  
19 Transmission that private, for-profit, truly  
20 independent transmission companies that own and  
21 operate transmission facilities, working within a  
22 regulatory structure that gears profits to  
23 performance, will create a more efficient, more  
24 dynamic and more customer-oriented system than other  
25 alternatives.

1                   As the FERC, the Federal Trade  
2 Commission and others have recognized, true  
3 independence is critical. The electric transmission  
4 network is vital to a competitive electricity  
5 market. The network needs to be controlled by  
6 entities that are completely disinterested in  
7 generation of market outcomes.

8                   Transmission also needs to be  
9 controlled by its owners, who will regard further  
10 investments in the grid to be conducive to their  
11 business success. Under conventional arrangements,  
12 even with some evolving ISO structures, passive  
13 ownership and control of transmission facilities  
14 discourages investment and grid expansion.

15                   Independent arrangements, with  
16 appropriate transmission market incentives for  
17 effective operations, can unlock the value of  
18 transmission assets.

19                   International Transmission Company is  
20 working aggressively to assist in the effective  
21 operation of competitive wholesale markets that will  
22 provide reliable energy at lower prices. There are  
23 various opinions in the industry as to how to get a  
24 competitive -- to a competitive market through a  
25 number of different business structures.

1 ITC believes that market-driven  
2 approaches that bring business solutions to  
3 transmission issues inherently provide the physical,  
4 technical and economic results needed for our energy  
5 infrastructure.

6 ITC believes that the independent  
7 for-profit business model provides the necessary  
8 foundation to build a transmission superhighway. We  
9 need an interstate highway transmission system with  
10 enough on/off ramps like our existing highway system.

11 To build this interstate transmission  
12 highway, we need -- we need investment in  
13 transmission. It is the first step in solving the  
14 problem with congestion, constraints and  
15 reliability.

16 The key to getting more transmission  
17 built is to get investors to invest capital in the  
18 new transmission projects. Today, investors hesitate  
19 to invest money in new transmission because there's  
20 just too much uncertainty on siting of transmission,  
21 uncertainty in how much regulation will be imposed on  
22 transmission, and, most critically, whether the  
23 investment will provide adequate returns. We need  
24 regulation that will encourage investment in  
25 transmission.

1                   The FERC has recognized that the  
2                   creation of appropriate incentives for adequate  
3                   investment in the transmission system begins with  
4                   transmission pricing. Innovating -- innovative  
5                   pricing is imperative for transmission to become and  
6                   remain a viable standard in our business.

7                   We need flexibility to obtain rates  
8                   that will provide adequate returns on investment.  
9                   This will provide for transmission grid expansion to  
10                  accommodate the increase of transactions. Generation  
11                  will be more readily built because the infrastructure  
12                  necessary to interconnect will be in place.

13                  The marketplace will send the right  
14                  signals and solutions, such as the effective  
15                  resolution of bottlenecks, and will be funded by  
16                  private investors.

17                  Let me next turn to comments on the  
18                  topic of the operation of interconnected transmission  
19                  systems. The cost and reliability of electric  
20                  transmission operations in Michigan's lower peninsula  
21                  has begun to suffer degradation, and that degradation  
22                  can be expected to increase unless appropriate  
23                  measures are taken to mitigate or reform current  
24                  transmission reservation and scheduling practices in  
25                  portions of the Eastern Interconnection.

1                   The Department of Energy is uniquely  
2 equipped to address the primary cause of this  
3 difficulty because an effective solution requires  
4 coincident modifications of electric utility  
5 transmission scheduling practices in both the United  
6 States and Canada.

7                   In 1998, Detroit Edison brought to the  
8 Department's attention the introduction of local  
9 adverse reliability consequences resulting from  
10 expanded wholesale electricity trade that followed  
11 the introduction of open access transmission,  
12 market-based ratemaking and growth in the utilization  
13 of new financial instruments to facilitate  
14 transactions.

15                   Those consequences result from  
16 substantial and serious increases in unscheduled  
17 parallel path energy flows through the transmission  
18 systems in Michigan and Ontario. Unnecessary local  
19 cost increases have resulted because of the increased  
20 loss -- because of increased losses and impaired  
21 interface import capability.

22                   Reliability has been diminished  
23 because of the coincident implementation of the North  
24 American Electric Reliability Council's transmission  
25 loading relief procedures, which force the

1 interruption of properly-scheduled energy and  
2 transmission transactions because of bottleneck  
3 congestion at both ends of Lake Erie caused by huge  
4 unscheduled parallel path flows through the Michigan  
5 and Ontario systems.

6                   Earlier this year, the Department  
7 permitted the installation of control devices at the  
8 international border to help mitigate adverse  
9 unscheduled parallel flows and directed that the  
10 protocol for facility operation be premised on the  
11 concept that real energy flow should be controlled to  
12 match flow that is actually scheduled across the  
13 interface.

14                   Unfortunately, the Department was  
15 unable, in that limited proceeding, to address the  
16 primary cause of the problem, which would require the  
17 compulsory implementation of new scheduling protocols  
18 in certain areas of the Eastern Interconnection in  
19 order to align transmission -- transmission  
20 reservations and energy schedules with actual energy  
21 flows.

22                   The continuation and increase of large  
23 and unscheduled energy flow on the Michigan  
24 transmission systems have both physical and economic  
25 ramifications. The problem of large amounts of

1    unscheduled Lake Erie circulation must be addressed.  
2    With recent technological advances, the industry is  
3    now able to identify the source and extent of  
4    unscheduled parallel flow on any particular  
5    transmission system.

6                    Security coordinators and the North  
7    American Electric Reliability Council routinely use  
8    tools, such as the interchange distribution  
9    calculator and the flow impact study tool, for  
10   curtailing transmission transactions when systems are  
11   overloaded. These tools are available and can be  
12   used to facilitate the development of flow-based  
13   scheduling procedures.

14                   In Order 2000, the FERC directed that  
15   issues relating to parallel path flows should be  
16   internalized and addressed by regional transmission  
17   organizations. Unfortunately, resolution of the  
18   problem for transmission facilities in Michigan  
19   involves the implementation of solutions not only in  
20   the United States, but also in Ontario, legally  
21   beyond the jurisdiction of the FERC and  
22   geographically far beyond the ability of any RTOs  
23   currently proposed to date.

24                   Nonetheless, as long as the disconnect  
25   between fictional contract path transactions and

1 actual energy flow is perpetuated, continued  
2 increases in the scope and scale of wholesale market  
3 trading between areas east and west of Michigan and  
4 Ontario will exacerbate the degradation of  
5 reliability and cost of transmission operations in  
6 Michigan.

7                   Development and implementation of  
8 effective flow-based scheduling procedures for  
9 application in certain areas of the Eastern  
10 Interconnection are critically needed and needed at  
11 this time.

12                   DTE Energy strongly encourages the  
13 Department to become actively involved in fostering  
14 the establishment of these procedures that are so  
15 vital to the maintenance and reliability of the  
16 electric systems in our state. Thank you.

17                   MR. CARRIER: Thank you very much.  
18 What I'd like to do now is give some of the DOE  
19 consultants an opportunity to ask some questions.

20                   I'll go first to Joe Eto. Do you have  
21 any questions you want to ask?

22                   MR. ETO: I have no questions at this  
23 time.

24                   MR. CARRIER: Brendan?

25                   MR. KIRBY: No questions right now.

1 MR. CARRIER: Okay.

2 MR. GROSS: Can I ask a question?

3 It's George Gross.

4 MR. CARRIER: Oh, George, thank you  
5 for joining us.

6 MR. GROSS: University of Illinois.

7 In terms of the model that you  
8 proposed for -- for the transmission, you basically  
9 came out very strongly for performance-based  
10 regulations and you talked a little bit about the  
11 pricing.

12 I'd like to know if you have any  
13 concrete measures in terms of pricing which would be  
14 sufficient to ensure that there will be investment in  
15 transmission to ensure adequate availability or  
16 transfer capability for the transactions to take  
17 place.

18 MR. STURDY: The International  
19 Transmission Company applied to the FERC about a year  
20 ago for the implementation of innovative transmission  
21 rates that would be sufficient to provide an adequate  
22 rate of return to attempt to induce increased  
23 transmission investment.

24 In our recent withdrawal of the  
25 Alliance and in connection with our application in

1 the Midwest ISO, we have withdrawn those innovative  
2 rates and are asking the Midwest ISO to refile them  
3 on our behalf.

4 The key is providing a sufficient  
5 level of revenues to produce an effective rate of  
6 return that will induce investment in transmission  
7 activity and effectively it's as simple as that.

8 MR. GROSS: The second question I  
9 have, is it --

10 MR. STURDY: I'm sorry. I only heard  
11 you say "the second question," and then heard nothing  
12 else.

13 MR. DREYFUSS: Can you hear us in  
14 Washington?

15 MR. CARRIER: Yeah, I -- George, we're  
16 hearing you here in Washington. Are you hear --  
17 you're not hearing George Gross --

18 MR. DREYFUSS: No. We --

19 MR. CARRIER: -- in Detroit?

20 MR. DREYFUSS: No. It was just  
21 silent.

22 MR. CARRIER: Okay. Go ahead. Let's  
23 try again.

24 MR. GROSS: Okay. Can you hear me  
25 now?

1 MR. STURDY: Yes.

2 MR. GROSS: Okay. Good. My question  
3 about TLR, transmission loading relief, is whether  
4 you believe that the implementation of financial  
5 aspects of this transaction would be an effective  
6 tool to help with some of the shortcomings that have  
7 been discussed about TLR.

8 MR. STURDY: I think financial hedging  
9 is fine so long as there is a physical element  
10 accompanying that financial scheduling. Financial  
11 scheduling, of course, doesn't deal directly with the  
12 fundamental problem, which is the actual physical  
13 situation of overloading or congesting constrained  
14 interfaces.

15 Certainly financial arrangements can  
16 make sense, but I -- but our position is that they  
17 need to be accompanied by some sort of physical  
18 arrangements so that when congestion occurs you can  
19 address the specific congestion on a physical basis.

20 MR. GROSS: I'm not sure you -- I  
21 articulated correctly. I did not talk about  
22 financial hedging.

23 My question was, at this point when  
24 you -- when NERC invokes TLR actions, basically  
25 there's no attention being paid to the financial

1 aspects of the transactions. All megawatt -- all  
2 megawatt hours are created equal as far as they're  
3 concerned. Certain transactions have a higher value  
4 that would be willing to pay more not to have their  
5 transactions interrupted than others.

6                   But my question is, if such aspects  
7 were to be implemented, would that be sufficient to  
8 stop some of the major shortcomings? I'm not trying  
9 to divorce this in any way from physical  
10 transactions.

11                   MR. STURDY: As I understand your  
12 question, I believe that setting a hierarchy of -- of  
13 financial responses would be helpful so long as there  
14 is a -- there is a physical -- there is a recognition  
15 of the physical flows so that those flows can  
16 actually be addressed as well.

17                   Currently our circumstance is that  
18 with unscheduled parallel path flows, what gets  
19 addressed are the scheduled flows and what gets  
20 ignored are the unscheduled flows, leaving this --  
21 the primary source of the congestion unaddressed.

22                   MR. GROSS: I think that clarifies  
23 it. Another question I have is in terms of from --  
24 from the point of view of, say, an operating company  
25 like IDC. What would be the size of an RTO that will

1 be sufficient to handle the transmission in that  
2 region?

3 MR. STURDY: I think it depends --

4 MR. GROSS: You guys have belonged to  
5 more than one RTO at different times. We're  
6 interested in some sort of -- writing this part of  
7 the report. What kind of site considerations are  
8 going to play from the point of your operating  
9 companies?

10 MR. STURDY: I think that depends on  
11 the nature of the architecture of the particular RTO  
12 region you're working in. One of the things that was  
13 critical in Michigan was the elimination of pancaked  
14 transmission charges for both Detroit Edison and  
15 consumers.

16 And the fundamental objective of RTOs,  
17 as I understand them from an economic perspective and  
18 from the perspective of market participants, is to do  
19 one-stop shopping with one-stop charges.

20 That means that the scope doesn't --  
21 needs to encompass the areas in which trading wants  
22 to -- you know, needs to occur and provide for single  
23 charges within areas in which that trading is  
24 expected to occur.

25 The open architecture provisions

1 within both the Order 2000 regulations and in the  
2 manner in which the President's energy study has  
3 addressed that I think recognizes the flexibility  
4 associated with different areas.

5                   But to get back directly to what you  
6 said, I think the critical thing is to preserve  
7 unpancaked transmission where it's been developed and  
8 to expand the concept of being able to transmit over  
9 longer areas in an -- with unpancaked charges.

10                   MR. GROSS: Thank you.

11                   MR. CARRIER: Thank you, George.

12                   Any questions from David Meyer?

13                   MR. MEYER: No, not at this time.

14                   MR. DREYFUSS: Paul --

15                   MR. CARRIER: Yes. Jimmy Glotfelty  
16 had some questions.

17                   MR. DREYFUSS: Paul, just to -- just  
18 to comment, would people, when -- after they've asked  
19 their question, mute their phone because we're  
20 getting a lot of feedback, I believe. And it would  
21 also be helpful, for some of the folks here, if  
22 people would identify what the lab person is, what  
23 they're working on, because they were asking on the  
24 side so they know who they are.

25                   MR. CARRIER: Okay. Thank you. Jimmy

1 Glotfelty?

2 MR. GLOTFELTY: I'm from the  
3 Secretary's office. What do you think the impacts of  
4 postage stamp transmission rates for a single RTO  
5 would have on a company like ITC?

6 MR. STURDY: I think if the rate  
7 levels were appropriate, they should be fine. That's  
8 what -- that's specifically what we proposed and  
9 that's what we hope we're able to continue with.

10 MR. CARRIER: Is that it?

11 MR. GLOTFELTY: That was it.

12 MS. CHAPPELLE: Can I --

13 MR. CARRIER: Okay.

14 MS. CHAPPELLE: Can I -- this is Laura  
15 Chappelle. I just wanted to make one comment before  
16 we -- we get off this particular topic.

17 I think Ray has brought up many good  
18 issues with regards to transmission. We certainly,  
19 at the Public Service Commission, are real interested  
20 in this loop flow issue that he's been describing  
21 and, for our part, want to continue to work with them  
22 and the other Michigan utilities on that issue.

23 I do want to just caution, though, the  
24 innovative rate, just for the record, the PSC was  
25 opposed to a particular filing that ITC made at

1 FERC.

2                   One thing again, as my comment said,  
3 we need to continue to look at transmission in the  
4 context also of our electric generation choice  
5 programs.

6                   And in order for customers to choose,  
7 those overall rates really have to be at a level that  
8 makes it advantageous for them to choose, so we tend  
9 to look at this not only from the good point he's  
10 making on making transmission investment worthwhile  
11 and available, but also in the greater bigger picture  
12 context of making sure that our electric choice  
13 program ultimately is successful.

14                   MR. CARRIER: That's a very good  
15 point. Thank you. Thank you.

16                   Any other questions?

17                   What I'd like to do then is go on to  
18 our next speaker, who will be Masheed Rosenqvist,  
19 National Grid USA, and that speaker will be followed  
20 by Raj Rana.

21                   MS. ROSENQVIST: Good morning. I  
22 would like to thank you for giving me an opportunity  
23 to speak. I'm the director of transmission strategy  
24 for National Grid USA.

25                   Before I start, I'd like to just give

1 a brief description of National Grid and who we are  
2 since much of what I'm going to say relies on our  
3 experiences both in the US and elsewhere.

4                   National Grid owns and operates 8800  
5 miles of transmission network in England and Wales,  
6 as well as interconnectors with France and Scotland.  
7 National Grid is (unintelligible) and a system  
8 operator in England and Wales. In addition, it also  
9 just developed and implemented the new energy trading  
10 element in the UK.

11                   In the United States, National Grid is  
12 likewise actively engaged in acquiring or partnering  
13 with US utilities who seek to become or create  
14 independent transmission businesses. As a  
15 consequence, Grid has been an active participant in  
16 RTO formation efforts not only in -- in New England  
17 and throughout the Northeast, but also with the  
18 Alliance companies in the Midwest.

19                   National Grid also operates the  
20 transmission system in Argentina. I believe our  
21 experience in transmission operations, an industry  
22 restructuring elsewhere, may qualify us to speak on  
23 issues before us today.

24                   I will limit my comments to three  
25 areas, planning and expansion, siting and utilization

1 of new technology, although it may cover overall  
2 business model through our discussion.

3                   First, on the transmission planning  
4 and the need for new capacity, the NERC data on  
5 recent and expected trends for generation, demand and  
6 transmission in the continental US indicates a flat  
7 curve for new transmission while the generation and  
8 demand continues to grow. Similarly, the national  
9 energy policy report expects demand to increase by 25  
10 percent, matched by only a four percent expansion in  
11 transmission over the next ten years.

12                   Some of you may still remember FERC  
13 Orders 888 and 889, which resulted in encouraging  
14 some utilities to divest generation. It has happened  
15 in New England and one or more other -- other places,  
16 but generally most utilities are still vertically  
17 integrated and each perform planning for their own  
18 system needs.

19                   In England -- in New England,  
20 utilities such as National Grid, who have divested  
21 their generation, work with our local ISOs to plan  
22 the transmission system.

23                   With the -- with the proposed large,  
24 super-regional RTOs intended to ensure forward  
25 coordination between markets and transmission, the

1 planning process is changing.

2                   There are new pressures on planners  
3 that we need to recognize. There are items such as  
4 the system is being used differently in response to  
5 changing market conditions. Greater flexibility is  
6 needed to accommodate new generation  
7 interconnections. Processes need to be put in place  
8 to promote efficient markets. Transmission can  
9 help.

10                   We need to become more flexible to  
11 respond to the ever-changing system through advance  
12 probabilistic analysis. We need to provide timely  
13 information to market participants with respect to  
14 transmission congestion and good and bad locations  
15 for new generation.

16                   The new planning process could be  
17 defined in three phases: First, the needs assessment  
18 phase which will consider input from customers and  
19 other stakeholders. In this phase, several factors  
20 that change system configurations will have to be  
21 considered.

22                   They include: Generation dispatch  
23 scenarios, load forecast, existing and potential new  
24 generation, and other market projects and service  
25 requests, such as (unintelligible) transmission and

1 for -- new requests for (unintelligible). We also  
2 need to consider potential retirement for older  
3 generation.

4                   The second phase is the development  
5 phase of options, and they should be done  
6 predominantly by independent transmission companies  
7 or their independent transmission managing member.  
8 They should be done with input with market  
9 participants, after which a plan would be produced.

10                   The last phase would be the efficient  
11 approval process which needs to be implemented in  
12 order to avoid delays. On the issue of transmission  
13 expansion, once planning is -- is done, not all  
14 generators or merchant transmission developers may  
15 welcome new transmission investment by the regulated  
16 utilities that form an RTO, especially when they may  
17 gain economic benefits from congestion rents.

18                   Recently, a few in the ongoing RTO  
19 debate have taken the position that those who own  
20 transmission assets can never be truly independent,  
21 even if they are totally divorced from affiliated  
22 market participants. They argue that transmission  
23 owners cannot be entrusted to operate their own  
24 assets for fear that they will overbuild the  
25 transmission grid and disadvantage generators or

1 other market participants.

2                   In our view, and certainly in recent  
3 experience, the danger of underinvestment in  
4 transmission is real while the possibility of  
5 overinvestment is hypothetical, nor does building new  
6 transmission, even too much transmission,  
7 disadvantage generators or other market  
8 participants.

9                   In reality, transmission doesn't  
10 compete with generation. The true competitor is the  
11 cheaper and more efficient generation that new  
12 transmission can deliver to customers. In truth,  
13 those who purport to worry about too much new  
14 transmission are, in actuality, worried about too  
15 much new generation and too much competition.

16                   Furthermore, as FERC has recognized,  
17 any perceived threat of overinvestment can be  
18 addressed through the open planning process and  
19 appropriate incentive rate design.

20                   In summary, customers will benefit if  
21 transmission provides sufficient capability for  
22 feasible transactions between those who wish to trade  
23 in electricity markets. Conversely, insufficient  
24 transmission capability leads to congestion and to  
25 suboptimal access to economic supplies at best, and

1 may even threaten the security of supply with  
2 consequences that are always serious.

3                   On the issue of new transmission  
4 technology, use of new technology to increase system  
5 capability has been promoted by adopting incentive  
6 rates.

7                   I will give you a few examples of our  
8 experiences in the UK. It is increasingly hard to  
9 build new transmission lines. It's not just in  
10 the -- in the US. It's also UK and elsewhere that we  
11 operate transmission.

12                   Much of the increase across important  
13 interfaces come from new investment in new devices,  
14 such as phase-angled regulators, static var  
15 compensator and some FACTS devices or reconductoring  
16 of existing lines, which led to substantial increase  
17 to transfer capability across several interfaces in  
18 the UK, all without constructing any new circuits.

19                   Approximately 25,000 megawatts of new  
20 generation replaced about the same amount of  
21 generation in the UK of old coal and oil generation,  
22 and they usually retire units with less than six  
23 months' notice. This means that transmission must  
24 react to system configuration changes with a very  
25 short notice where construction of new circuits are

1 not feasible.

2                   Operational efficiencies also  
3 increased with congestion costs reduced by roughly \$1  
4 billion over a six-year period, using targeted  
5 investment, improved asset management and a whole  
6 raft of operational techniques that produce real  
7 benefits.

8                   We also managed to significantly  
9 reduce transmission costs while improving system  
10 availability and reliability. Targeted investment in  
11 new technology, such as using Gap Type Conductor and  
12 other new devices were a big factor in achieving  
13 those major, and often conflicting, in  
14 implementation.

15                   On transmission siting and permitting,  
16 no single entity has overall jurisdiction over  
17 transmission. Currently, as we all know, there is a  
18 disconnect between state responsibilities for siting  
19 and federal authority for tariffs. The ownership of  
20 transmission by public power makes even this simple  
21 distinction more complicated.

22                   I agree with Chairman Chappelle that  
23 federal siting jurisdictions should be  
24 (unintelligible) to states' authority to ensure  
25 larger RTOs can provide the benefits they promise.

1                   In summary, as can be witnessed  
2 through rising congestion costs, underinvestment in  
3 transmission is real. Transmission is a necessary  
4 service for all generators and other market  
5 participants. The regulatory and political barriers  
6 to building transmission make it more likely that the  
7 US will continue to underinvest in transmission than  
8 overinvest.

9                   Our experience in the UK and elsewhere  
10 strongly suggest that a properly incentivized  
11 independent transmission company can attract new  
12 investment, best employ new technology, as well as  
13 apply new techniques that upgrade the grid while  
14 providing reliable service and promoting efficient  
15 market. Thank you.

16                   MR. CARRIER: Thank you very much.  
17 What I'd like to do is go to questions by DOE's study  
18 consultants first and then open it up for questions  
19 by others.

20                   Joe Eto?

21                   MR. ETO: No -- no questions at this  
22 time.

23                   MR. CARRIER: Brendan Kirby?

24                   MR. KIRBY: None right now. Thanks.

25                   MR. CARRIER: Dave Meyer?

1 MR. MEYER: No questions.

2 MR. CARRIER: George Gross?

3 MR. GROSS: Well, I guess I'm -- I'm  
4 left with the questions then.

5 UNIDENTIFIED SPEAKER: You don't have  
6 to.

7 MR. HAUER: John Hauer is on the line,  
8 too.

9 MR. GROSS: Pardon?

10 MR. HAUER: I said John Hauer's on the  
11 line, too.

12 MR. GROSS: Oh, hi, John. How are  
13 you?

14 MR. HAUER: Okay.

15 MR. GROSS: Let me -- let me start  
16 asking you some questions. You mentioned the NGC  
17 incentives.

18 MS. ROSENQVIST: Yes.

19 MR. GROSS: And you also mentioned  
20 that the National Grid Company also runs Transener in  
21 Argentina.

22 MS. ROSENQVIST: Yes.

23 MR. GROSS: Perhaps you can contrast  
24 that for us because there are some incentives in --  
25 through the new law which -- which came in last year

1 in England, Wales, and I guess Scotland, to an extent  
2 to Northern Ireland, but we did not find any  
3 incentives, for example, in Argentina.

4                   So how does NGC behave differently  
5 with respect to Transener as opposed to the grid in  
6 England?

7                   MS. ROSENQVIST: I'm not as familiar  
8 with the Transener operations, but I'm going to try  
9 because I am aware of at least the reliability and  
10 availability incentives in Argentina. There are  
11 definitely financial incentives on National Grid to  
12 improve their reliability.

13                   Maybe they don't quite match exactly  
14 the incentive package that the UK has, but that's  
15 mainly because -- because of a different regulatory  
16 environment, but National Grid does not behave  
17 differently in -- in Argentina than it does in the UK  
18 as far as incentives are concerned.

19                   MR. GROSS: The second question,  
20 coming back then to England, is in terms of looking  
21 at the new arrangements which have come into effect,  
22 and how they were effective in changing the  
23 investment behavior of NGC versus what existed at the  
24 time of investing in 1990, at which point, because of  
25 the regulation that existed basically, it was not

1 effective for the company to invest in improving the  
2 congestion situations.

3 MS. ROSENQVIST: The new -- the new  
4 trading arrangement just got implemented in late  
5 March. It's a little too soon to see how it would  
6 affect the investment behavior.

7 It may have affected the operations  
8 because with the new trading arrangement that was put  
9 in place, it is expected that congestion will  
10 increase, so I suspect we have to work even harder in  
11 reducing the congestion.

12 Whether it's through new investment or  
13 other innovative technology or operating practices,  
14 the pressure is -- has increased on reducing  
15 congestion.

16 MR. GROSS: Do you -- can you please  
17 be specific and explain to us what -- what means are  
18 available for NGC to recoup -- recover its investment  
19 in the type of resources you mentioned like FACTS  
20 devices --

21 MS. ROSENQVIST: Right.

22 MR. GROSS: -- transformers and so  
23 forth? How is that investment being now recovered  
24 effectively?

25 MS. ROSENQVIST: Okay. NGC goes

1 through a regulatory review every five years. If --  
2 the results of the review is that the rates for --  
3 the fixed rates for transmission assets are actually  
4 fixed at a fixed amount, and that puts incentive on  
5 NGC to -- to look for innovation.

6                   Whether it's system operations or new  
7 investment and new technology that might increase  
8 capacity at a less expensive cost, the incentive is  
9 on NGC to look for them actively.

10                   So what it -- how it does recover its  
11 costs is through its set fixed rates. That -- that  
12 includes allowance for new investment.

13                   MR. GROSS: So this is the RPI-X  
14 regulation, which is employed --

15                   MS. ROSENQVIST: Yes. Yes, it is.

16                   MR. GROSS: Because -- okay.

17                   MS. ROSENQVIST: But we also -- you  
18 also apply -- the RPI-X regulation applies not just  
19 to existing facilities, but it also has allowances  
20 for new investment for -- for the needs of the  
21 transmission system.

22                   MR. GROSS: I'm not sure that I -- I  
23 was able to determine what changed because that RPI-X  
24 type of regulation existed in 1990, at which point my  
25 understanding was that it was basically not effective

1 for a company like NGC to invest in improving its  
2 facilities because that would be taken out from  
3 essentially its returns, so everything was socialized  
4 in terms of the uplift --

5 MS. ROSENQVIST: What --

6 MR. GROSS: -- so I'm --

7 MS. ROSENQVIST: What changed was in  
8 the mid '90s, I want to say 1996 or so, the incentive  
9 package changed to also apply a congestion incentive  
10 on NGC.

11 It basically imposed a fixed -- a  
12 fixed amount of dollars on (unintelligible) on NGC,  
13 which then gave -- gave the NGC incentive to invest  
14 additional dollars to reduce congestion. So it was  
15 the congestion incentive that got added to the RPI-X.

16 MR. GROSS: Okay. Thank you.

17 MS. ROSENQVIST: Sure.

18 MR. GROSS: I think I -- I will  
19 defer the other questions to a later point when we  
20 will have some joint discussion.

21 MR. CARRIER: Thank you, George.

22 John Hauer, did you have some  
23 questions?

24 MR. HAUER: Yes. I would be  
25 interested in hearing any details on the FACTS

1 equipment with which May has experienced and what her  
2 overall view is on particular types that she's had in  
3 association with their operation.

4 MS. ROSENQVIST: I will have to  
5 give -- put you in touch with the right people on  
6 that one. So if you'll give me an e-mail address,  
7 I'll make sure someone will get back with you.

8 MR. HAUER: Thank you very much.  
9 Actually Paul Carrier is the central point for  
10 information, I believe.

11 MS. ROSENQVIST: Okay.

12 MR. CARRIER: You can send it to me.  
13 Okay?

14 MS. ROSENQVIST: All right.

15 MR. CARRIER: Or put it into your  
16 comments on your -- on our website.

17 MS. ROSENQVIST: Oh, we might do  
18 that. Okay.

19 MR. CARRIER: I have a question as  
20 well. And, in fact, the chair -- chairman of the  
21 Public Service Commission, Chappelle, might also want  
22 to address the questions that I'm going to raise.

23 When -- when a transmission need is  
24 identified, how much time is a reasonable time frame  
25 before that transmission actually gets constructed?

1                   And from the perspective of, you know,  
2 state jurisdiction versus a federal backup flow, how  
3 much of that time should be given to the state to  
4 resolve the transmission need issue before it is  
5 referred to a federal entity for resolution of that?

6                   MS. ROSENQVIST: Well, that's a tough  
7 question because each -- each project is different.  
8 When we go through the planning process, there are  
9 some solutions that are easy to implement, require a  
10 little regulatory process for siting. Not -- not all  
11 siting requirements are the same.

12                   Generally we -- I mean, my -- my  
13 experience has been that when new lines are in the  
14 plan, we look very hard to see if there are other  
15 alternatives, especially if the lines are going to be  
16 on virgin right-of-ways, you need -- you need to  
17 start over and get land and so forth.

18                   So planners usually shy away from  
19 brand new circuits because they re -- they think it  
20 is very difficult to build new circuits. Well, our  
21 last experience was in the '80s where we tried to --  
22 to build a line in Rhode Island and we couldn't get  
23 all the -- all the siting agreements.

24                   Now, I can't remember if it was at the  
25 state or more a local town issue, but we ended up

1 basically re -- rebuilding a generating plant to  
2 solve some of the transmission problems, which we  
3 then later on sold the plant.

4                   So it's difficult to answer your  
5 question on how much time is reasonable because each  
6 project is different.

7                   MR. CARRIER: Do you see a need to  
8 better integrate the planning process that the  
9 transmission entity conducts, integrate that better  
10 with the siting process that the state siting agency  
11 would conduct?

12                   MS. ROSENQVIST: I think when I talked  
13 about the stakeholder process, like the customers and  
14 other -- other stakeholders, I think it's very  
15 important that the siting authorities be present at  
16 the stakeholders.

17                   When -- when a transmission company  
18 drafts a plan, preliminary as it might be, it would  
19 really help if the siting authority gives input right  
20 at that early stage, whether -- whether it's a  
21 practical solution or not, so that the transmission  
22 company can look at other solutions if possible.

23                   MR. CARRIER: Thank you.

24                   Chair Chappelle, would you like to  
25 address that question?

1 MS. CHAPPELLE: I agree that it's  
2 going to be a delicate balancing act, in large part,  
3 it does depend on the project, but certainly I think  
4 there is a need for coordination, definitely better  
5 coordination. Other -- other than that, I don't have  
6 anything to add.

7 MR. CARRIER: Thank you. I have a  
8 question from David Meyer.

9 MR. MEYER: I'd like to go to the  
10 question of alternatives. Would you agree that a lot  
11 of careful effort on a wide range of alternatives in  
12 the planning stage would accelerate decisions once  
13 you get to the point of determining need and -- and  
14 deciding the permitting part of the process?

15 It -- I'm thinking of other projects  
16 where people have worked through on a very protracted  
17 serial basis from alternative to alternative to  
18 alternative before they found the one that worked,  
19 and so the question is, can we do this earlier and  
20 with more success?

21 MS. ROSENQVIST: I think you will find  
22 that the planning groups generally do look at  
23 alternatives as they are doing the study. It may  
24 have been -- the experiences you referred to may have  
25 been that the -- maybe they didn't have as good a

1 judgment as to what is practical from a siting point  
2 of view, and then they -- they may have looked at  
3 other options later, but a part of that -- at least  
4 in our company when we plan the system, we -- a part  
5 of it is an analysis of siting issues.

6                   Is it -- is it practical? Is it easy  
7 to get? So we kind of weigh different options,  
8 depending on their practicalities and -- and the  
9 feasibilities of getting siting approval.

10                   MR. MEYER: Thank you.

11                   MR. CARRIER: Are there any other  
12 questions or comments that others would like to make  
13 on -- you know, to the speaker?

14                   Thank you. Then we'll move on to Raj  
15 Rana.

16                   MR. RANA: Good morning. This is Raj  
17 Rana. I'm the director of transmission policies at  
18 American Electric Power, and the AEP appreciates the  
19 opportunity to comment to this National Transmission  
20 Grid Study.

21                   We are preparing our written comments  
22 and we will be filing it on the website, but I would  
23 like to go over some of the salient points that we  
24 will be including as a part of this -- our written  
25 comments.

1                   AEP is the largest transmission  
2 provider in terms of serving 11 states and in owning  
3 and operating the largest length of transmission  
4 lines in the country. Also, AEP operates at the  
5 highest voltage level, which would be 765 kV.

6                   And now I'd like to go over some of  
7 the salient points of our comments. On the  
8 transmission planning and the need for new capacity,  
9 we believe that the AE -- the transmission as it  
10 exists (unintelligible) now is not planned or  
11 designed for the inter-regional transfers.

12                   And there is like a 500 to 1,000  
13 percent increase on the transmission on what the AEP  
14 network of the inter-regional transfer has increased  
15 as compared to what it used to be the last five  
16 years.

17                   And in light of that, and also a lot  
18 of new generation is coming in the country, but there  
19 is very little transmission expansion in the country,  
20 so we believe that there is a dire need for new  
21 transmission in the country to address the  
22 reliability issues as well as to posture energy  
23 market on a regional or inter-regional basis.

24                   Adequate transmission construction  
25 will not occur, regardless of who owns it, until

1 regulatory disincentives are eliminated. There are a  
2 lot of regulatory layers that a transmission owner  
3 has to go through to get the approval.

4                   The good example is for AEP's 765 kV  
5 line, which we have been trying to build since 1990  
6 for the 1990 incentive date. And so far, we have  
7 spent like over \$35 million to go to get the approval  
8 from two states and multi-federal agencies, and still  
9 we have not got the approval to build this  
10 transmission line. And because of that, the  
11 reliability of the transmission effort in Southern  
12 ECAR has considerably deteriorated.

13                   So this is a good example in that it  
14 shows what happens when multi-states and  
15 multi-agencies are involved and how long it takes and  
16 how much resources the transmission owners are to  
17 stand and feel there are uncertainties when we will  
18 get the permit and then build the line, but there  
19 is -- other uncertainties are involved on the  
20 regulatory side as to the approval process. And  
21 because of that, new transmission is not coming in --  
22 in a timely fashion.

23                   So we believe there should be some  
24 sort of a coordination with a federal oversight or  
25 with the state regulatory process to ensure that the

1 new expansion of transmission takes place in a timely  
2 fashion without risking other resources.

3                   On the issue of business models for  
4 regional transmission organization, the AEP believes  
5 that we should have a for-profit transmission  
6 organization, RTO maybe, and that they should be  
7 allowed -- including the managing partner, should be  
8 allowed to own and operate a transmission network.

9                   We think that will increase the  
10 efficiency of the operation, that will reduce the  
11 cost for the customers, as well as there will be  
12 incentives for new transmission expansion and the  
13 application of new technologies by one that the RTO  
14 owns and operates the transmission network.

15                   It's also critical that the RTOs  
16 should have the flexibility to -- flexibility to  
17 evolve as the market evolves. The RTOs should have  
18 the option to develop its own market design and then  
19 (unintelligible) for developments with the  
20 neighboring RTO to take care of the seams issue  
21 rather than going for the standardized market design  
22 all over the country.

23                   On the reliability management and  
24 oversight, we believe that FERC should have the  
25 authority to develop the reliability standards and

1 they should pass it on to our (unintelligible)  
2 entities, such as NERC or NAERO, which are -- which  
3 would look after and post the (phone beep)  
4 reliability standards.

5                   On the new transmission technologies,  
6 we believe that there is a very good need for new  
7 technologies. AEP is (unintelligible) applying new  
8 technologies. We do have a wish to control reduced  
9 capacity from the system. We are one of the first  
10 ones, I think it's the next few years, to apply the  
11 first development (unintelligible), which is  
12 operational now, but this has been done through  
13 the -- private funding in association with the EPRI.

14                   We believe that there should be  
15 federal funding to enter these new technologies and  
16 its applications, as other fundings would be there,  
17 not only to -- as for the new technology on an  
18 (unintelligible), but it should be applied to the  
19 existing system.

20                   This will increase the applicability  
21 of these new devices, as well as it will increase the  
22 interests among the IOUs and other transmission  
23 operators to apply those new technologies, which will  
24 increase the volume and, therefore, decrease the cost  
25 of application of the new technologies.

1                   In the -- in summary, the US  
2 transmission grid should be expanded through  
3 careful -- carefully planned methodology for the  
4 greatest cost-benefit ratio for all market  
5 participants, including transmission owners as well  
6 as consumers.

7                   Critical to the health of the grid is  
8 the maintenance of underlying flexibility in all RTO  
9 business models. Reliability is the first and  
10 foremost political issue. Commercial considerations  
11 and ability to evolve through the new technologies  
12 and creative business solutions also bear inclusion  
13 in the ongoing dialogue.

14                   And last but not the least, I believe  
15 in this National Transmission Grid Study. I  
16 understand that the -- that five federal labs are  
17 involved as well as some universities.

18                   We believe there should be a strong  
19 and active participation from the investor-owned  
20 utilities to provide the -- the technical aspect of  
21 how the new proposed methodologies will work in  
22 reality. I think more utilities should be allowed to  
23 participate in this study. Thank you.

24                   MR. CARRIER: Thank you very much.

25                   MR. GLOTFELTY: Let me go to that

1 point. I think I would -- I would throw that last  
2 comment back to you all and say that it really is up  
3 to the industry to get involved in this effort.

4                   It is a public process and we are open  
5 to all comments and all suggestions, especially from  
6 the transmission owners, and would hope that -- that  
7 EEI and EPRI and the other organizations that own or  
8 do research on the transmission grid do get involved,  
9 as well as merchant transmission owners.

10                   So I would say it really is up to them  
11 to submit comments to us, but we definitely do want  
12 their input.

13                   MR. RANA: Well, in relation to the  
14 input, I found -- I was -- AEP is ready to  
15 participate in this study as an active member along  
16 with those five labs and 11 universities. That's  
17 what I meant.

18                   I think the big -- not necessarily  
19 big, but the IOUs should be allowed to participate, I  
20 think, in -- in the study and just limit the study  
21 group to five labs and 11 universities.

22                   MR. CARRIER: I would note that that  
23 is, you know, one of the primary purposes of these  
24 workshops that we're having, is to permit not only  
25 the IOUs to participate in our study but all

1 stakeholders, you know, to have an equal ability to  
2 participate and provide us guidance on our study.

3 MR. GLOTFELTY: What other comments  
4 are you -- or what other participation do you think  
5 you'd like to have?

6 MR. RANA: I'm sorry. I'm sorry. Can  
7 you elaborate on that question?

8 MR. GLOTFELTY: Well, you say that  
9 you'd like to have more inputs, like the five labs  
10 and universities are. Can you explain a little bit  
11 more?

12 MR. RANA: Well, we'd like to -- for  
13 example, the AEP would like to volunteer ourselves to  
14 participate in this study and deal with -- just not  
15 only as a part of the forum like in Detroit and  
16 Atlanta and Phoenix, but I'm sure these will -- there  
17 will be -- some meetings will be going on to take  
18 this input and then the -- this study group will  
19 develop some solution.

20 And as they -- as they ran the  
21 solution, we thought it will be a good idea to have  
22 the stakes -- the input on an active basis while they  
23 discuss the solution from the IOUs.

24 MR. GLOTFELTY: I see what you're  
25 saying. Well, we will take that into consideration

1 as we move forward. Thank you.

2 MR. RANA: Yes.

3 MR. CARRIER: Okay. I'd like to open  
4 it up for questions by the DOE study consultants  
5 first and then we'll open it up for others.

6 Again, do you -- Joe? Joe Eto?

7 MR. ETO: Yes, I do have a question.

8 I think several of the speakers have  
9 spoken to the federal government playing a backstop  
10 role in resolving transmission siting issues. And  
11 the question has been asked so far in the context of  
12 whether there should be a time to trigger that  
13 involvement.

14 I'm wondering if the speakers could  
15 also speak to whether there should be other  
16 considerations, such as the inter-regional nature of  
17 the lines that are under discussion, or economic  
18 considerations that should be a factor in invoking  
19 some -- a greater federal involvement.

20 MR. RANA: That's a very good  
21 question. We believe that the -- one, the planning  
22 of the transmission line is conductory to be open and  
23 transfer and process, with the stakeholders' input,  
24 and when the -- when the RTO does the planning, the  
25 commissions and (unintelligible) regulatory agencies

1 and federal, everybody should be participating in an  
2 active manner, and some of it with a right solution  
3 that is -- that is the best on a -- on a regional  
4 basis.

5                   Now, once that plan is -- kind of  
6 going through the planning process and the RTO then  
7 seeks the approval, most of the things we're having  
8 done on the part of the planning should not take that  
9 long to get the process -- to get the approval of  
10 the -- of the proposed plan.

11                   But in any case, we believe that you  
12 should not take, from the state's regulatory  
13 agencies, more than six to 12 months to get the  
14 approval. And if that doesn't work, I think  
15 federal -- federal agencies, therefore, should have  
16 the authority to take over and provide the -- provide  
17 the help in getting the transmission expansions in  
18 service.

19                   MR. ETO: But then your --- your  
20 suggestion is really it solely should be triggered by  
21 a time limit, not by any other considerations?

22                   MR. RANA: That's what we believe,  
23 yes.

24                   MR. ETO: Thank you.

25                   MR. RANA: Most of the things, we

1 think, will be taken care of at the planning  
2 process.

3 MR. CARRIER: Brendan Kirby?

4 MR. KIRBY: Thank you, Paul. Yes.  
5 You mentioned the need for FERC authority to be  
6 passed to NERC or NAERO.

7 MR. RANA: Right.

8 MR. KIRBY: I wonder, how do you see  
9 the regional differences being handled there when you  
10 see that authority being fully passed on to the  
11 region? And, also, at what level would you seek FERC  
12 needing to reconfirm this authority? Would you see  
13 having a rule change, having to go back up for  
14 confirmation from FERC?

15 MR. RANA: On the technical  
16 reliability standard, I think NAERO should -- should  
17 have all the authority to develop those standards  
18 with an input from the stakeholders and then get  
19 necessary approval.

20 I don't think FERC has the technical  
21 capability as it exists today to look at each and  
22 every nuts and bolts of the technical standards, so  
23 FERC should rely more on the independent entities,  
24 such as NERC or NAERO, and then NAERO should have  
25 some sort of regional offices to take into account

1 the economics and the geographical and the  
2 characteristics of these different regions.

3                   So basically what -- it will evolve  
4 into what we have right now, is the Reliability  
5 Council, should be considered as the regional  
6 offices, if you will, but it should not create  
7 additional layers of this regional reliability  
8 council and between the NAERO and the -- and the RTOs  
9 because that increases more bureaucratic layers. We  
10 think NAERO should open the regional offices. It's  
11 required to conduct their business.

12                   MR. CARRIER: Brendan, do you have  
13 anything further?

14                   MR. KIRBY: No. That -- that's fine.

15                   MR. CARRIER: Okay. Dave Meyer?

16                   MR. MEYER: You mentioned some of your  
17 siting difficulties you've had with certain  
18 applications. Some of these have -- have extended  
19 over a long period of time.

20                   How -- how do you conduct your  
21 planning and siting activities differently now on the  
22 basis of that experience?

23                   MR. RANA: Based on what we learned  
24 from the so-called (unintelligible) over the 765 kV  
25 line, our new transmission expansion programs are --

1 are discussed with our customers as well as with  
2 the -- with the commission -- state commission on  
3 a -- on a regular basis.

4 Also, we are required, as a part of  
5 the Reliability Council requirement or the  
6 (unintelligible) state commission's requirement to  
7 provide them input on our five-year or ten-year  
8 long-range plans.

9 And so we have increased our (phone  
10 beep) with the state and local authorities as well as  
11 with the customers to provide input well in advance  
12 as to what AEP is thinking about the new transmission  
13 expansion plan.

14 MR. MEYER: Are you getting the  
15 responses that you think you need from state  
16 officials on the acceptability of alternatives before  
17 you get to the point of submitting the formal  
18 applications?

19 MR. RANA: That is the one option that  
20 we have -- we are -- we have been exploring and we  
21 are discussing on a regular basis as our transmission  
22 plan develops is to provide them with the -- with the  
23 options that are being considered and receive the  
24 least cost and provide the best bang for the buck.

25 MR. MEYER: Thank you.

1 MR. CARRIER: George Gross?

2 MR. GROSS: Yes. Let me -- let me  
3 pick up a little bit on -- on this -- we've heard  
4 about some of the regulatory disincentives in terms  
5 of multiple bites at the apple by different  
6 regulatory commissions.

7 Can you propose some specific  
8 incentives which would make a company like AEP build  
9 more transmission?

10 MR. RANA: Well, the first thing I  
11 think what you need to do is to coordinate the  
12 process between the multi-regulatory agencies who  
13 will make it as efficient as possible in terms of  
14 resources that -- that the IOU or FERC authority  
15 (unintelligible) transmission has to spend in terms  
16 of time as well as money.

17 And the coordination could be done in  
18 the name of like sort of a multi-state agreement; for  
19 example, that could suggest (unintelligible) would be  
20 one way to do it. The other way would be to have --  
21 change the law at the federal level where FERC has  
22 the authority to take over after a certain time limit  
23 expires.

24 Those kind of incentives, along with  
25 some other economic incentives, like better rate of

1 return, accelerated depreciation and whatnot, would  
2 certainly have to bring in new transmission where  
3 it -- where it is needed.

4 MR. GROSS: Are you capable of  
5 assessing what specific economic incentives would  
6 encourage or incentivize a company like AEP to  
7 reinforce the transmission or the building of  
8 transmission lines?

9 MR. RANA: We will be including those  
10 details in the -- in the -- in the written comments,  
11 but to name -- to name a few will be like a  
12 performance-based rate of return, like ITC mentioned  
13 earlier, a better rate of -- return on equity,  
14 depreciation, expiration.

15 Those kind of things would certainly  
16 have -- and also -- and then also expediting the  
17 regulatory process, where there will be more  
18 confidence among the investors that -- yes, to -- to  
19 believe the uncertainties as well as to have a better  
20 rate of return would allow the transmission investors  
21 to -- to invest money and effort in building new  
22 transmission.

23 MR. GROSS: You -- you have addressed  
24 the issue of -- of structure by -- by advocating that  
25 the managing partners should be able to own and

1 manage the RTO.

2 MR. RANA: That's right. AEP is  
3 participating in the Alliance RTO and the business  
4 model that we have proposed is the RTO will be like a  
5 transfer.

6 And what we have proposed as a FERC  
7 finding is that National Grid to come in as a  
8 managing partner and that they should be allowed to  
9 own and operate a transmission. We think that would  
10 increase the efficiency.

11 When you own and operate, you have  
12 better coordination in terms of operation and  
13 investment decisions, where to put the capital, as  
14 well as a day-to-day operation efficiency.

15 MR. GROSS: How do we ensure and best  
16 accomplish structure independence?

17 MR. RANA: Independence will be  
18 through the independent goal. Of course, they will  
19 have some fiduciary responsibility, but there will be  
20 some agreements and there will be oversight by the  
21 FERC.

22 MR. GROSS: Well, let's take  
23 specifically NGC.

24 MR. RANA: Market monitoring will do  
25 that, too.

1                   MR. GROSS: Let's take -- let's take  
2 specifically NGC, which may own some, let's say,  
3 generation resources in the previous Niagara Mohawk  
4 territory. How do we ensure that NGC, the  
5 transmission company, is not going to favor  
6 transactions which will benefit Niagara Mohawk?

7                   MR. RANA: That's a very good  
8 question, and we do have a concern about that. But  
9 as I understand, there is no (unintelligible)  
10 available in the public.

11                   NGC is going to be -- going to get --  
12 not selecting like (unintelligible), but it's going  
13 to get rid of the generation aspects in a -- in a  
14 short time to -- so that the NGC will be purely a  
15 transmission owning and operating company in this  
16 area.

17                   MR. GROSS: Because I -- if I  
18 understand your model correctly, it would apply also  
19 to AEP, the transmission entity, and you have also  
20 wide generating resources?

21                   MR. RANA: Our (unintelligible)  
22 will -- will have (unintelligible) resources, but we  
23 have filed for the corporate separation with the FERC  
24 and the SEC, which is in (unintelligible).

25                   MR. GROSS: Are we talking functional

1 or are we talking corporate dismantling?

2 MR. RANA: Corporate separation.

3 MR. GROSS: I see. Thank you.

4 MR. RANA: You're welcome.

5 MR. GROSS: Excuse me. One more  
6 question. Specific incentives in terms of investment  
7 in new technology, I heard you mention the feds  
8 should come in and basically incentivize that. Are  
9 you talking in terms of tax credits?

10 MR. RANA: Including tax credits.  
11 Also funding for new technology in terms of providing  
12 dollars for the -- for the manufacturers or the IOUs  
13 who participate in the project to -- to test the  
14 reliability of the technologies in a system operation  
15 environment would be very helpful.

16 That will be more confidence for the  
17 manufacturers and the -- and the industry -- electric  
18 utility industry in general that this technology is  
19 reliable and that also -- it will help increase the  
20 volume of the demand for those sites of new  
21 technology because right now the concern is when you  
22 develop a new technology, it's very expensive when  
23 there is no -- no demand, and then you have an added  
24 resource and development costs added to that.

25 So in order to increase the demand, to

1 provide good reliability confidence into the industry  
2 so that people can buy more of that technology, such  
3 as tax (unintelligible), that will reduce the -- that  
4 will increase the volume and, therefore, it will  
5 reduce the cost, and that's how you increase the  
6 reliability of new applications.

7 MR. GROSS: I'm done, Mr. Chairman.

8 MR. CARRIER: Thank you very much,  
9 George.

10 John Hauer, do you have any  
11 questions?

12 MR. HAUER: Well, I had most of my  
13 questions answered as we went along. There was, you  
14 know, issues that link into this. I think, though,  
15 the speaker put it very bluntly that you have to sell  
16 FACTS devices in order to afford continuing  
17 development, and this has been a matter of some  
18 concern for a long time.

19 Are there any special points you might  
20 want to add to that as to where we're going? Is  
21 there increased momentum with regard to purchase and  
22 deployment of FACTS devices?

23 MR. RANA: We do have a FACTS device  
24 in operation. It is well-proven technology. And a  
25 couple of other utilities are considering it right

1 now, but I think that policy is an issue for these  
2 devices, and that's where I think some sort of a  
3 (unintelligible) is needed to increase the volume and  
4 so the cost will come down for the application  
5 processes.

6                   There is a great need. There are many  
7 transmission constraints (phone beep) can be resolved  
8 using this new technology without building new  
9 transmission, and I think the new technology should  
10 have a higher priority at a federal level in terms of  
11 funding and supporting the project.

12                   MR. CARRIER: Thank you. We have a  
13 question from Jimmy Glotfelty.

14                   MR. GLOTFELTY: Do you think the  
15 transmission interconnection process for new  
16 generation has a detrimental -- the existing process  
17 has a detrimental effect on how you plan for new  
18 transmission?

19                   I'm specifically talking about the  
20 interconnection queue process. Does that have a  
21 negative effect on how you can plan for  
22 transmission?

23                   MR. RANA: Well, I think that's a good  
24 question. And, you know, where the generation is  
25 being installed all over the -- all over the country,

1 you know, with the -- it does not take into account  
2 where the transmission constraints are.

3                   What IPPs are looking for from their  
4 standpoint, you know, and I don't blame them, is  
5 the -- is the resources, where the gas is, where the  
6 pipelines are, where the closest transmission line  
7 is, but that -- but that location may not be an  
8 efficient location from removing the (phone beep)  
9 constraint so there -- there should be a need for  
10 a -- sort of a coordination where the company --  
11 transmission companies should (unintelligible).  
12 (Phone beep). There is a need of transmission for  
13 new generation that could alleviate transmission  
14 constraints. So there are -- to me, the IPPs are  
15 putting power plants from their standpoint on the  
16 (unintelligible) as far as removal of the  
17 transmission constraints (unintelligible).

18                   On the contrary, they are putting at  
19 some places where they -- actually the cost of  
20 transmission is increasing, and that -- that cost of  
21 transmission is being passed on to the transmission  
22 IOUs and the generators are not taking any burden or  
23 responsibility from -- from the installation  
24 standpoint.

25                   So there is no incentive for

1 generators, in the first place, to locate at the  
2 right place and the second one is to make the  
3 transmission installation as efficient as possible  
4 because they do not take the burden off installing  
5 the new transmission.

6 MR. GLOTFELTY: Do you think that can  
7 be resolved by changing the whole queue system and --  
8 which, of course, gets into all sorts of political  
9 issues who -- with those that are already in the  
10 queue system?

11 MR. RANA: The queue system, I think,  
12 should have also a column, if you will, where it will  
13 mention where the transmission concerns are bad and  
14 the -- whenever you study the new generation, I think  
15 if it is going to create any transmission  
16 constraints, that should have a lower priority as  
17 compared to most generator loc -- generation  
18 locations, which will be (unintelligible) countries,  
19 so you need coordinates. That process is a part of  
20 (unintelligible).

21 And as part of that generation,  
22 parties will be made -- made responsible for the  
23 costs so that there will be economic incentives on  
24 their part as well as on the transmission owners'  
25 part to coordinate the process.

1                   MR. GLOTFELTY: What costs do you want  
2 them to bear? The constraint costs?

3                   MR. RANA: Both the constraint as well  
4 as the installa -- the interconnection costs.

5                   MR. GLOTFELTY: Well, aren't they  
6 paying most of the interconnection costs now?

7                   MR. RANA: Well, most of these costs  
8 are -- I view them as a credit, although they pay up  
9 front.

10                  MR. GLOTFELTY: Right.

11                  MR. RANA: There is a credit issue and  
12 the credit is given to those as they use the  
13 transmission. And then -- then you file -- when  
14 you -- as the credit -- when it gets done, you put it  
15 in the rate case.

16                  MR. GLOTFELTY: Right.

17                  MR. RANA: And there are -- there are  
18 uncertainties whether the -- the state and federal  
19 authority or regulatory agencies will approve those  
20 rate cases in a timely fashion. So while that  
21 process moves on, the transmission owners have to  
22 take the burden.

23                  MR. GLOTFELTY: Are there any --  
24 specifically regarding -- you don't need to answer  
25 now, but you might want to submit comments. Are

1 there ways that we can encourage generators to locate  
2 in the right places?

3 MR. RANA: Yeah, we -- we will comment  
4 on that, but I think (unintelligible) addition  
5 factored about two or three years back -- I don't  
6 think they're doing it anymore, but initially they  
7 were posting on the Oasis. We chose the best  
8 location to remove the transmission constraints.

9 And that is the idea that we need to  
10 build upon, I think, so that regulators can know or  
11 look -- and in those case -- in those cases where the  
12 generator locates at sites where -- that removes the  
13 transmission constraints, they should be given the  
14 incentive for the -- for the system upgrade or  
15 interconnection costs that are involved.

16 MR. GLOTFELTY: All right.

17 MR. RANA: There is a need for  
18 watching problems like that.

19 MR. GLOTFELTY: All right. Thank  
20 you.

21 MR. CARRIER: Do we have any other  
22 comments for Mr. Rana? Any other questions?

23 MS. CHAPPELLE: Mr. -- Mr. Carrier,  
24 this is Laura Chappelle again. Just a quick comment  
25 that the independent board issue is a very important

1 one for the Michigan Public Service Commission, and  
2 we and several other states do have pending filings  
3 at the FERC calling for this board to be  
4 established.

5 MR. CARRIER: Thank you.

6 MR. GROSS: Is this with regard to the  
7 Alliance that you're mentioning this?

8 MS. CHAPPELLE: Yes, yes.

9 MR. GROSS: And when you say  
10 "independent," you mean a non-stakeholder board?

11 MS. CHAPPELLE: Yes, yes.

12 MR. CARRIER: Any other questions for  
13 Mr. Rana?

14 MR. SPARKS: I guess -- this is not a  
15 question, just a comment. Tim Sparks from  
16 Consumers.

17 You kind of echo what Raj says. There  
18 is really no incentive for generators to locate in  
19 the right places at this time since FERC has recently  
20 kind of reversed itself and made a crediting back to  
21 generators for the system upgrade costs and things  
22 like that, so basically generators are looking for  
23 just what Raj said, a place where the gas line and  
24 the transmission line and tax incentives are  
25 available at a geographic site which may be one of

1 the worst possible places to be installed  
2 electrically.

3                   And so it does raise the cost to  
4 connect a lot of these generators and then puts the  
5 burden back on the transmission providers since they  
6 have to credit back all this money into the future.

7                   MR. GLOTFELTY: Would it be easier for  
8 you all to put them in your rate case early in the  
9 process?

10                   MR. SPARKS: Well, that would  
11 certainly help, but, as Raj said, there is just a lot  
12 of uncertainty as to the amount of time it would take  
13 to get recovery and if you would get full recovery at  
14 all because there are always those out there that --  
15 that are opposed to what was built and things of that  
16 nature that would oppose you in such rate cases.

17                   MR. GROSS: Would it also be true to  
18 say that such new construction also increases  
19 everybody else's costs which then gets socialized?

20                   MR. SPARKS: Well, that, in essence,  
21 is how it's -- is working today because ultimately  
22 the transmission providers have to somehow get that  
23 money back into the rate base.

24                   And with all of the new construction  
25 going on, one kind of needs to sit back and ask, how

1 much is too much and is there an unwritten checkbook  
2 that in the end, no matter how many new generators  
3 get connected, should -- should, in the end, all of  
4 the ratepayers pay for all of that when there seems  
5 to be no one actually saying enough is too -- you  
6 know, enough is enough, because there are several  
7 thousand megawatts now planned and actually under  
8 construction around the country where there could be  
9 more than what's needed in the near future.

10 MR. GLOTFELTY: Well, one of the  
11 issues with that is transmission is a smaller part of  
12 the consumers' bill than generation costs are, and I  
13 guess I would rather err on more generation to lower  
14 that part of the bill -- if that's 80 percent of your  
15 bill, I'd rather err on the side of too much  
16 generation than too much transmission.

17 There are three or four ways around --  
18 three or four different ways around the country that  
19 generator interconnection costs and system upgrade  
20 costs are borne by the system of ratepayers. And I  
21 think we shouldn't have three or four. We ought to  
22 have one.

23 We ought to figure out the best way to  
24 do it and that might make regions work better and  
25 generations sited in the -- in the most effective

1 places from the transmission point of view, I  
2 suppose, to the gas pipeline or water point of view.

3 MR. RANA: But I -- if it does not  
4 benefit the ratepayers, the native load, then I think  
5 it should be sort of a cost (unintelligible)  
6 approach. I think it should be paid  
7 (unintelligible).

8 If you try to install a generation in  
9 Michigan and if I'm going to send it all the time to  
10 other states, like TV -- Tennessee or Virginia or  
11 other states, if my ratepayers in Michigan are not  
12 going to get any benefit, why should they be paying  
13 for that transmission, even though it's a small  
14 number, but I think --

15 MR. GLOTFELTY: Well, how do you know  
16 they're not going to have any benefit? It might be  
17 on that day -- I mean, I guess, first of all, I think  
18 a transmission and distribution company has no native  
19 load customers. I mean, that's going to be -- if you  
20 separate and one sector --

21 MR. RANA: As long as there is a  
22 retail rate, you have to pass through some houses so  
23 the customer -- they give customers (unintelligible),  
24 either the transmission rate or a distribution.  
25 Somehow the transmission rate has to go through

1 the -- pass through to the retail customers.

2 MR. GLOTFELTY: Correct.

3 MR. RANA: So they -- they will see  
4 the burden. And if they do not benefit, depending  
5 upon the regional or -- characteristics of your  
6 system or whatnot, why should they be paying for it?

7 MR. GLOTFELTY: Well, I think the  
8 hard --

9 MR. RANA: (Unintelligible) should be  
10 socialized.

11 MR. GLOTFELTY: From my point of view,  
12 that is a -- that's a huge debate that should be  
13 going on. I think most regions look at their  
14 transmission and actually new generation investments  
15 by incumbent utilities and say that that is what our  
16 ratepayers should bear.

17 However, they never look at  
18 transmission costs when they go out on the open  
19 market and buy power in times of need. I mean, who  
20 pays for that transmission? Is it somebody from a  
21 different neighboring utility? Probably so.

22 I mean, you can't take a snapshot in  
23 time. There are system costs and then there are  
24 generator costs, and all system costs ought to be  
25 borne by the system and the system of ratepayers as

1 opposed to any individual generator or any individual  
2 transmission owner.

3 MR. GROSS: If I may interject, there  
4 may be ways of providing appropriate economic  
5 signals. For example, in the NGC system, if you  
6 establish a generating plant in the City of London,  
7 then basically the transmission prices, which are  
8 fixed, are negative. You get reimbursed because they  
9 need that support at that point in the system.

10 There may be ways, in terms of  
11 designing the tariffs, which could help you in terms  
12 of giving incentives for plants to establish in the  
13 places where you want them to establish, but we don't  
14 have that freedom today in terms of the FERC tariffs  
15 which -- which exist.

16 MS. ROSENQVIST: Can I make a comment  
17 on this?

18 MR. CARRIER: Yes, please do.

19 MS. ROSENQVIST: This queue issue is  
20 an interesting one, one that -- I think you need to  
21 deal with all issues, all at once.

22 MR. CARRIER: Can I just ask you to  
23 identify yourself again for the benefit of the court  
24 reporter on the telephone?

25 MS. ROSENQVIST: Yes. This is Masheed

1 Rosenqvist for National Grid. Someone mentioned  
2 NGC's pricing. In -- in the UK, it is correct that  
3 pricing has been divided into (unintelligible). I  
4 mean, in total, good places, generators pay much less  
5 than they do in bad places.

6                   In New England, however, you mentioned  
7 that you'd rather err on the too much generation side  
8 than too much transmission side, and my comment is in  
9 New England too much generation went in the State of  
10 Maine and not enough transmission exists to get it  
11 out of that base to the rest of New England, even  
12 within the single market, that very shortage of  
13 transmission to get that excess generation out. So I  
14 don't think we should -- we should err on the  
15 shortage of anything, whether it's transmission or  
16 distribution.

17                   On the queue issue, you really need to  
18 deal with the pricing of interconnection process with  
19 a whole lot of other issues. It includes pricing of  
20 other transmission services, whether it's postage  
21 stamp over the whole market or global pricing,  
22 whether generators are entitled to get lots of  
23 security payment if they get this (unintelligible) so  
24 it -- it kind of touches on the issue that -- I think  
25 it's American Transmission Company that had raised

1 on -- on the issue of third-party liabilities, so you  
2 really need to address all of them at once and -- and  
3 put it to bed once and for all. The debate will go  
4 on forever if we talk about pricing in an isolated  
5 situation.

6 MR. CARRIER: Thank you. Any other  
7 comments or questions --

8 MR. STURDY: Yes.

9 MR. CARRIER: -- Mr. Rana?

10 MR. DREYFUSS: Wait.

11 MR. STURDY: Yes. This is Ray Sturdy  
12 in Detroit. I'd like to support what Tim and Raj  
13 were saying in connection with the siting because  
14 we've had a new development in the last several  
15 years. It takes significantly longer now to get  
16 transmission built than it does to get generation  
17 sited.

18 And the result of that is that if  
19 generation ends up being sited at a spot where there  
20 currently is significant congestion, then that  
21 congestion continues and perhaps exacerbates the  
22 situation until the transmission relief is actually  
23 realized, and I think that needs to be reflected in  
24 the economics as Raj and Tim have suggested.

25 MR. CARRIER: Thank you. Any other

1 comments?

2                               What I'd like to -- what I'd like to  
3 do before continuing here a little bit longer, we've  
4 had several -- excuse me. We've had several people  
5 drop on and off the telephone line, I believe, and  
6 what I'd like to do is ask those people who have  
7 joined us since our initial go-around to identify  
8 themselves so that we have a record of who's  
9 participating in this conference call.

10                              MR. DREYFUSS: Paul -- Paul, this is  
11 Peter. One other thing, too, is to remind folks for  
12 the court reporter we have here in Detroit to  
13 identify themselves when they speak because we don't  
14 know everybody's voice.

15                              MR. CARRIER: Yes.

16                              Okay. So can we go to the telephone,  
17 have people identify themselves who have joined us?

18                              MR. PARKER: This is Miles Parker with  
19 the Indiana Department of Commerce Energy Policy  
20 Division.

21                              MR. CARRIER: What's your last name  
22 again so we get it?

23                              MR. PARKER: Parker, P-A-R-K-E-R.

24                              MR. CARRIER: Thank you.

25                              MR. SEDANO: This is Richard Sedano

1 with the National Transmission Grid Study Group.

2 MR. CARRIER: Rich, thank you.

3 Anybody else join us late? How about  
4 in the room there, Peter? Has anybody joined us  
5 late?

6 MR. DREYFUSS: Yes, we had, I think --  
7 can you see us? We had some other people here --  
8 hold on a second -- who came in late afterward.

9 MR. SARVER: I'm Patrick Sarver with  
10 the USDA, Royal Utilities Service.

11 MS. CHAPPELLE: Spell your last name.

12 MR. SARVER: S-A-R-V-E-R.

13 MR. DREYFUSS: Martin?

14 MR. LIN: Martin Lin, L-I-N, with  
15 Enron.

16 MR. DREYFUSS: Klaus?

17 MR. LAMBECK: Klaus Lambeck with the  
18 Public Utilities Commission of Ohio, L-A-M-B-E-C-K.

19 MR. DREYFUSS: And, Kim, you can --

20 MS. WISSMAN: Kim Wissman,  
21 W-I-S-S-M-A-N, with the Ohio Commission.

22 MR. DREYFUSS: That's all we have here  
23 who have joined us.

24 MR. CARRIER: Thank you, Peter.

25 What I'd like to do now, several of

1 you indicated that you, you know, didn't want to put  
2 yourselves in the queue for speaking at the beginning  
3 of the meeting.

4 I'd like to open it up now for general  
5 discussion where, you know, anybody who would like to  
6 contribute at this time is welcome to do so. And,  
7 again, as Peter suggested, please identify yourself.

8 And we'll open it up for that.  
9 Anybody who'd like to make a comment?

10 MR. DREYFUSS: We have -- we have Kim  
11 here from the Ohio Public Utility Commission who  
12 would like to --

13 MR. SPARKS: And I may have a  
14 question, I guess, and this might not be the  
15 appropriate time, but Raj kind of brought it up  
16 earlier.

17 MR. CARRIER: Okay. Let me make --  
18 let me make sure we got -- several people started to  
19 speak at once. We've got Tim Sparks. Is that  
20 correct?

21 MR. SPARKS: That's right.

22 MR. DREYFUSS: Okay.

23 MR. CARRIER: Okay. We'll go with Tim  
24 Sparks and then the other person who started to speak  
25 there.

1                   MR. SPARKS: I've got a question more  
2 than anything, and it might not be the appropriate  
3 time, but Raj sort of brought it up when he was  
4 speaking.

5                   With the study that's going to occur,  
6 I was just wondering how much review has been done  
7 with a lot of the regional and inter-regional studies  
8 that are done typically annually around the United  
9 States, because -- I guess my thoughts are that most  
10 of the transmission providers know where the  
11 bottlenecks are and typically know what to do about  
12 them, and so I'm just wondering how much duplication  
13 may be done, what's going to proceed in the future  
14 here.

15                   MR. CARRIER: Joe, do you want to  
16 address that?

17                   MR. ETO: Yes. My name is Joe Eto.  
18 I'm at the Lawrence Berkeley National Laboratory.

19                   We have had access, and wonderful  
20 access, to many of those studies that have been  
21 conducted around the country, and those are being  
22 figured actively into our deliberations.

23                   I think something that will be very  
24 helpful to us would be to speak to the issue that I  
25 tried to raise earlier, which is people have talked

1 about a time limit, a time certain, to elevate the  
2 status of certain delay transmission products --  
3 projects.

4 I think we're quite interested in  
5 look -- in thinking about that as an option as well  
6 as the additional criteria that one might introduce  
7 in suggesting that a more aggressive federal role  
8 might be appropriate.

9 So I think that kind of input, given  
10 the existence of a large network of existing planning  
11 activities and certain well-known bottlenecks, what  
12 is -- what is the right time and -- and on what --  
13 under what conditions should a greater federal role  
14 be contemplated?

15 MR. CARRIER: I don't know if that  
16 answers your question, but --

17 MR. SPARKS: Well, it at least lets me  
18 know you are out there looking at these studies that  
19 are already done and things of that nature.

20 The whole notion of building  
21 transmission, you -- it always -- it always comes  
22 down to the cost and the ease of doing it. And --  
23 and for a lot of transmission providers where their  
24 system is very peaky, it just becomes very, very  
25 expensive to build large amounts of transmission when

1 you only need it for a few hours during the year or a  
2 few days.

3                   So one of the huge issues out there,  
4 which, again, Raj and others have talked about, is  
5 just the incentive for transmission providers to  
6 build facilities. How are they going to make a rate  
7 of return on that and all of the things that have  
8 been discussed earlier.

9                   MR. CARRIER: I would like to mention  
10 also that, you know, we have been keeping our eyes  
11 and ears open, you know, for the various studies that  
12 others have conducted. And I would like to suggest  
13 that, you know, if you see an important study and  
14 want to assure that we consider it, to please let us  
15 know in your comments on our website.

16                   MR. DREYFUSS: Paul, we have a comment  
17 here from Kim Wissman from the Ohio Public Utility  
18 Commission.

19                   MS. WISSMAN: Hi, Paul.

20                   MR. CARRIER: Go ahead.

21                   MS. WISSMAN: I guess I just wanted to  
22 run down your issues here and just give some -- some  
23 general feelings about comments I've heard so far  
24 and -- and perhaps some direction that this study  
25 ought to take.

1                   The transmission planning and need for  
2 new capacity. Clearly this is the role of the RTOs.  
3 FERC has delineated this to -- to be their  
4 responsibility, and they -- they are going to have to  
5 do transmission planning and then take it to the  
6 appropriate authorities for the necessary approvals.

7                   Now, I -- I believe DOE can help in  
8 this in facilitating and coordinating between and  
9 among RTOs and distributed -- distributing the  
10 necessary information to all the potential regulatory  
11 agencies that need to be involved and stakeholders.

12                   Transmission siting and permitting.  
13 There's been an awful lot of talk about this. And I  
14 know that many of us were on the reliability circuit  
15 that DOE sponsored last year and most of the  
16 discussion in those workshops concentrated on  
17 reliability and siting.

18                   These are regional problems with  
19 regional solutions. The -- most of the states, and  
20 certainly Ohio, does not believe that there's any  
21 role for the feds in -- in the siting issues.

22                   We have a model statute in Ohio. Not  
23 only is it one-stop shopping in the state with  
24 multiple agencies sitting on this independent board,  
25 but our statutory authority allows us to have joint

1 hearings and make joint decisions with other states  
2 and, in fact, also the feds.

3 I really do not, under any  
4 circumstance, want our citizens in Ohio to have to  
5 call the feds, and I use the gas pipeline model to --  
6 to reiterate that it is not ideal. Why should we  
7 make the same mistake, if you will, with -- with  
8 electric transmission?

9 Business models and transmission  
10 investment and operation. I clearly think that DOE  
11 has identified the critical issues here on market  
12 efficiency, system reliability, operational  
13 efficiency, transmission access and interconnection  
14 policies, and governance and regulatory oversight.

15 However, I think the focus of your  
16 question here is really all wrong. I don't think  
17 that the business model is going to drive that. I  
18 think that any -- either business model or any  
19 business model can accomplish this. So I think you  
20 need to refocus the question here and not worry about  
21 the model, just make sure whatever model that's used  
22 for this is right.

23 Operation of interconnected  
24 transmission systems. Two main approaches for  
25 dealing with this, reliability issues. There are

1 prescribed rules and there are market-based  
2 approaches.

3                   The questions that you asked here -- I  
4 don't think that the US grid can be operated as one  
5 market. I do think, however, that there are ways to  
6 work towards market-based approaches. I think that  
7 there are clearly some appropriate market-based  
8 approaches that we can get to; but, in the meantime,  
9 we have to use mandated approaches. The markets  
10 simply aren't there yet.

11                   And just like RTO government  
12 structures and reliability issues, I think we need to  
13 recognize that this is evolutionary and we need to do  
14 what we can with what we have today, and I think that  
15 that's going to require mandated approaches at least  
16 in the short term. And what DOE can perhaps do is  
17 find out what incentives are necessary to try to  
18 facilitate markets in these areas.

19                   Reliability management and oversight.  
20 Clearly, the regional reliability organizations  
21 should have a role there. I think that many of the  
22 RTOs are trying to move to penalty provisions and  
23 implement some pilot programs, if you will.

24                   I think one of the apparent problems  
25 that I've been seeing with at least ECAR's move in

1 this is that they can't incent the non-investor-owned  
2 utilities to play the game. I think we need to find  
3 ways, and DOE can certainly concentrate on this in  
4 their studies, to incent the non-incumbent utilities  
5 to play by these -- these rules.

6                   Until we have legislation that  
7 requires everybody to do this, I'm not sure that the  
8 incentives are there. And I believe that the IOUs  
9 are ready, willing and able to start moving forward,  
10 but those that affect the system are -- at least  
11 they're not -- not apparently ready to move, at least  
12 from the discussions I have had.

13                   I think that reliability decisions are  
14 clearly state and regional in nature. And, again, I  
15 think that we could have ADR process -- processes in  
16 place to help with reliability decisions when we have  
17 disputes arise, and, again, I think that that can be  
18 done on a regional and state basis. For instance, if  
19 there is dispute on an RTO, get the affected states  
20 to participate in an ADR process.

21                   New transmission technologies. I --  
22 I'm not sure that it's not happening. I think it is  
23 happening and I think that National Grid had some  
24 instances where -- where they're moving forward on  
25 things and AEP has done this.

1                   I think it's happening, but I do  
2 recognize it's a public good, and I think that one  
3 very strong role that DOE could play in this is  
4 research and development. You -- you've got the  
5 brain power at DOE and any research and development  
6 role that you could do would help facilitate new  
7 transmission technologies.

8                   The other thing that I think DOE could  
9 serve very well on this front is the dissemination of  
10 information. You need to get what technology -- what  
11 technologies are out there to the siting bodies and  
12 regulatory agencies so that they know what  
13 alternatives are available and in their analysis for  
14 approvals.

15                   I'd like to comment one more time on,  
16 I guess, the federal backstop approach. And Raj  
17 has -- Raj from AEP has indicated that the states  
18 need -- should have no more than six to 12 months for  
19 approvals.

20                   I think that a 12-month approval  
21 process is something that might be reasonable  
22 provided that the applicant has cooperated to the  
23 fullest extent. Sometimes these delays are not due  
24 to the regulatory agencies but other things that  
25 enter the picture, including information exchange.

1                   So I think that -- I think that the  
2 state should, and without a doubt, have full  
3 responsibility for siting approvals of any kind. And  
4 I suppose, if all else fails, we can kick this to the  
5 feds for a backstop, but I'm convinced that the  
6 states can work together to accomplish this task, and  
7 what really DOE ought to do is encourage model siting  
8 statutes that every state can -- can operate under  
9 because in Ohio it certainly has been effective.

10                   I guess that -- that's it. I just  
11 really wanted to run down your issues and comment.

12                   MR. CARRIER: Kim -- Kim, thank you  
13 for your insights there. What I'd like to do -- you  
14 raised a number of issues and some are fresh issues.  
15 I would like to give the DOE study consultants an  
16 opportunity, if they wish, to -- to pose any  
17 questions to you.

18                   Let me just open it up. Is there any  
19 DOE consultants that have any questions?

20                   MR. GROSS: I do. This is George  
21 Gross, University of Illinois.

22                   MR. CARRIER: Yes. Go ahead, George.

23                   MR. GROSS: The transmission is  
24 relatively poor, so I did hear you making the  
25 statement, Focus is all wrong in market structures,

1 but then I didn't hear how it should be focused, so  
2 perhaps you could repeat those.

3 MS. WISSMAN: Well, I -- I was just  
4 stating the fact that you indicated that the  
5 market -- your discussion under the business model  
6 goes to the issue of what business model is going to  
7 be chosen, and my point was that I think that all of  
8 the issues that you've identified are the critical  
9 issues, but I don't think that it matters which  
10 business model you adopt.

11 I think that -- that all of these are  
12 critical issues that are accomplished -- could be  
13 accomplished with any business model. You just need  
14 to make sure that the protocols, practices and  
15 implementations are right.

16 MR. GROSS: Thank you.

17 MR. SEDANO: Paul, this is Richard  
18 Sedano. I have a question.

19 MR. CARRIER: Yes, Rich.

20 MR. SEDANO: In the siting process  
21 that you have in Ohio, are there requirements or  
22 expectations for the proponent to advance  
23 alternatives to the primary proposal?

24 MS. WISSMAN: Yes. There -- there are  
25 four generation and transmission applications. There

1 are required to be two viable sites identified or two  
2 viable rights-of-ways.

3                   But relative to technologies, I think  
4 that's what your question went to, yes, the board has  
5 an obligation to determine that this is the best  
6 alternative available with current technologies, so  
7 we do expect the applicant to provide all that  
8 information. The problem is that we don't always  
9 know what else is out there.

10                   MR. CARRIER: Thank you. Kim, I --  
11 this is Paul Carrier. I have a question for you as  
12 well.

13                   Earlier in your comments you  
14 mentioned, you know, your opposition to a federal  
15 involvement in the siting process, and you said that  
16 these are regional problems with regional solutions.  
17 Right now, the siting is occurring at a state level.

18                   And I was wondering how you envision  
19 moving from a state siting process to a regional  
20 siting process if, in fact, that's what you believe  
21 the solution to be or you think it should stay  
22 strictly within the states, and then how would you  
23 coordinate among the states?

24                   MS. WISSMAN: Paul, that's, I guess, a  
25 difficult thing to answer. I mean, clearly we have a

1 state process now and who -- those that do have  
2 siting models have state processes. The -- the  
3 recognition that these regional transmission  
4 organizations are, in fact, that, they're regional in  
5 nature, I think that the siting agencies have to move  
6 beyond state boundaries.

7                   Again, as I said, we've got model  
8 legislation in Ohio, and what I would do is encourage  
9 other states to adopt that so that they are enabled  
10 by their statute to make joint decisions, hold joint  
11 hearings and -- and move forward on a regional basis.

12                   Certainly that is a difficult thing  
13 for states to do. They give up the economy in their  
14 decision-making, but there are projects that -- that  
15 are regional in nature and we simply have to look  
16 beyond our own state boundaries.

17                   MR. CARRIER: Kim, can I ask you to  
18 provide us a site to that legislation or -- or submit  
19 it to our website?

20                   MS. WISSMAN: Sure. It's Ohio Revised  
21 Code, Chapter 4906.

22                   MR. CARRIER: Did you get that? Thank  
23 you.

24                   MS. TRIPODI: And then her model that  
25 was talked about.

1 MR. CARRIER: And Kim --

2 MS. WISSMAN: Yes.

3 MR. CARRIER: That outline, the entire  
4 model that you've described, that will include  
5 everything?

6 MS. TRIPODI: And the timeline --

7 MS. WISSMAN: Well, Chapter 4906 is  
8 the Ohio siting statutes. We will --

9 MR. CARRIER: Are there implementing  
10 regulations that go with that?

11 MS. WISSMAN: There -- there are the  
12 Ohio Administrative Code, which has the attached --  
13 the necessary rules and the filing requirements.

14 We also, Paul, have proposed for  
15 federal legislation some siting statute, and what we  
16 can do is also send that your way.

17 MR. CARRIER: Thank you very much.

18 MS. TRIPODI: Ask if they have a  
19 timeline that they --

20 MR. CARRIER: We have -- we have in  
21 our -- we have in our office here also Cathy Tripodi  
22 who has a question.

23 MS. TRIPODI: Kim, you had discussed  
24 that you have a timeline that you abide by, and I was  
25 wondering if that timeline -- you said sometimes

1 applicants are maybe tardy in their responses and so  
2 forth, and I was wondering if we could get a copy of  
3 the timeline and to see how you do incorporate  
4 applicants not responding in a -- in an appropriate  
5 or timely fashion and then how that's all  
6 incorporated.

7 MS. WISSMAN: We have a flow -- a  
8 flowchart that we can share with you. I think we're  
9 probably going to have to mail that hard copy to  
10 you. I don't think we have that electronically. And  
11 we have very, very strict deadlines on hearing dates  
12 and staff analysis.

13 Now, there -- there is no ultimate  
14 imposition on the -- on the board in their decision  
15 making, but we have, for almost all of our  
16 applications, processed these, and there -- and there  
17 have been some transmission applications as well --  
18 we've processed these in pretty much less than 12  
19 months for -- for the most part.

20 When you run into problems is when the  
21 applicants are not forthcoming in their DADER  
22 responses and there is also a degree of complexity  
23 when you have adversarial intervention. Intervenors  
24 can tend to drag the hearing process out.

25 We have no real contingency plans for

1 those things. Typically, if the applicant simply is  
2 nonresponsive, they're going to get a negative  
3 finding because the board has insufficient  
4 information to make their decision.

5 MS. TRIPODI: Now, intervenors, are  
6 you talking about local, you know, neighborhood  
7 opposition or environmental groups and so forth --

8 MS. WISSMAN: Those are -- those are  
9 some examples. Those are some examples, yes.

10 MS. TRIPODI: But isn't that generally  
11 what holds up the process is these type of  
12 intervenors? And I guess I understood that you had a  
13 model that sort of fast-tracked and incorporated all  
14 facets of the transmission siting process.

15 MS. WISSMAN: It -- our process does.  
16 I don't want to say fast-track because we don't  
17 believe we shortcut the review.

18 MS. TRIPODI: Okay.

19 MS. WISSMAN: But the process is real,  
20 and any intervention that is filed and considered has  
21 to have statutory consequences. I mean, there are --  
22 there are statutory criteria that need to be  
23 reviewed, and that's what the board has to look at.

24 So if -- if these intervenors are --  
25 are strictly there because they don't like the looks

1 of it, for instance, they have -- they have a burden  
2 of proof to show that the board has to find one of  
3 their considerations contrary to the good of the  
4 proposal.

5 MS. TRIPODI: Okay. And assuming that  
6 they can do that and meet all the deadlines and so  
7 forth, you're still finding that you can get  
8 transmission projects approved within a year?

9 MS. WISSMAN: So -- so far. The  
10 problem we're having is the work load is pretty  
11 enormous and the resources are spread pretty thin,  
12 but given -- given the time constraints that we do  
13 have imposed by statute and rules, for the most part  
14 we can't dally much more than a year, if you will.

15 MS. TRIPODI: Okay. Well, we look  
16 forward to reviewing that.

17 MS. WISSMAN: Okay.

18 MR. CARRIER: Thank you. Any other  
19 questions to Kim or comments concerning her  
20 comments?

21 MR. SEDANO: Kim, this is Rich Sedano  
22 again. What I'm wondering is whether there is  
23 incentives that -- that proponents seem to be  
24 interested in to open up their planning process so  
25 that the proposals that you see have been better

1 bedded by a broader spectrum of people aside from  
2 their internal management.

3 MS. WISSMAN: Our process, I guess,  
4 informally tries to account for that. We -- we have  
5 people that are repeat performers in our state. They  
6 really like the Ohio bar -- siting board process.

7 It's very effective. It's very  
8 efficient. They know who we are. They have our  
9 numbers. If they are considering anything, they  
10 come, they talk to us early. We make field visits  
11 with all of our member agencies with the applicants  
12 even before an application is filed to help give  
13 direction and some guidance, if you will.

14 So I think that, again, we're very  
15 fortunate, and I think that our process has led us  
16 there, in that we do have very open communication  
17 with most of the transmission owners as well as the  
18 generation applicants in the state.

19 MR. CARRIER: Anything further for Kim  
20 Wissman?

21 Okay. Is there anybody else who would  
22 like to make comments regarding any aspects of the  
23 study? And, again, you know, don't feel you have to  
24 limit your comments to the six issues that we've  
25 identified, but if you have others that you'd like to

1 raise, that's appropriate at this time.

2 MS. ROSENQVIST: This is Masheed  
3 Rosenqvist for National Grid. Whenever it's  
4 appropriate, I'd like to make a clarification to what  
5 I -- I said to a -- to a question I was asked  
6 regarding investment in the UK.

7 MR. CARRIER: Go ahead. Make your  
8 clarification now.

9 MS. ROSENQVIST: Well, when I -- I  
10 suggested that the added congestion incentives in the  
11 UK and that -- that prompted some investment, some  
12 additional investment, those investments are  
13 generally very short term and quick fixes, not major  
14 lines or major investments.

15 They're targeted quick fixes because  
16 congestion incentives in the UK, the magnitude of it  
17 accepts either one year at a time basis so you really  
18 can't undertake major projects to solve the problem  
19 for a one-year target.

20 MR. CARRIER: Thank you.

21 MR. GROSS: Excuse me. Do you mean  
22 the TNUOS or the BSUS charges --

23 MR. CARRIER: George, can you identify  
24 yourself?

25 MR. GROSS: This is George Gross from

1 the University of Illinois.

2 MR. CARRIER: Thank you.

3 MS. ROSENQVIST: Would you repeat  
4 that, please?

5 MR. GROSS: Are you referring to the  
6 incentives as the TNUOS charges and the BSUS,  
7 transmission usage and balancing services?

8 MS. ROSENQVIST: No. I'm talking  
9 specifically on incentives on congestion uplift.

10 MR. GROSS: Okay.

11 MR. CARRIER: We had some questions a  
12 little bit ago concerning what the Department of  
13 Energy was doing with respect to this study.

14 I think that's fair enough to, you  
15 know, ask, are there any other questions to the  
16 Department of Energy officials that we have  
17 represented in this conference call today, either the  
18 DOE officials or their consultants?

19 I'd like to mention that here in  
20 Washington -- I went to all the other sites to see  
21 who else joined us, but I forgot to mention who  
22 joined us here in Washington. And we have Phil  
23 Overholt. We have Vincent DeVito. We have Vernellia  
24 Johnson as well, and Zead Haddad has been in and out  
25 of the room as well.

1                   So if there are any questions of any  
2 of us, we'd be pleased to try and answer them.

3                   MR. RANA: This is Raj Rana. I have a  
4 clarification to this National Grid study. This  
5 is -- this is not the idea of developing a national  
6 grid, N capital and G capital, is it, like -- like  
7 they used to have in the U -- in the UK?

8                   Here I think clearly the US studies  
9 focuses more on -- on vertically-owned transmission  
10 lines or investor-owned transmission lines other than  
11 federalizing the national grid.

12                  MR. GLOTFELTY: This does not mean  
13 federalizing the grid.

14                  MR. RANA: Okay. I (unintelligible),  
15 but I wanted to clarify.

16                  MR. GLOTFELTY: This means developing  
17 a grid that perhaps functions like a nationalized  
18 grid but is not owned by the federal government.

19                  MR. RANA: Okay.

20                  MR. GLOTFELTY: It's still private  
21 investment and is run by the private markets.

22                  MR. RANA: Thank you.

23                  MR. CARRIER: This will be your last  
24 chance for questions or comments.

25                  MR. DREYFUSS: Paul, this is Peter

1 again, if I -- if I may make a comment on behalf of  
2 our recorder here. Anybody who had testimony, if  
3 they could fax it to her at area code 713-460-2525,  
4 and her name is Diana Ramos, so that would be one  
5 thing.

6                   And then I think, Paul, if you or  
7 Vernellia, whoever has the list of people in  
8 Washington, could also -- if there's a phone number  
9 she could call you just to make sure she's  
10 coordinating this, she would appreciate that.

11                   MR. CARRIER: I'm going to give you  
12 Vernellia's phone number, Vernellia Johnson.

13                   MS. JOHNSON: Sure. She can call me  
14 at area code (202) 586-7701 or she can fax me any  
15 information at area code (202) 586-0146.

16                   MR. DREYFUSS: Thanks, Vernellia.

17                   MS. JOHNSON: You're welcome, Peter.

18                   MR. CARRIER: Okay. I would like to  
19 thank everyone for their participation in this  
20 workshop. I want to apologize for any inconvenience  
21 that any of you might have encountered due to  
22 movement of the format from a physical workshop at  
23 the Marriott Hotel to this video and teleconference.

24                   I would like to repeat, for those who  
25 might have joined you later there in Detroit, Peter,

1 that if you found yourself this morning at the  
2 Marriott ho -- Airport Marriott Hotel, had to take a  
3 cab to the -- to the HQ Global Workplace facility,  
4 then we would like to reimburse you for your cab  
5 fare. Please save your receipt and e-mail me, Paul  
6 Carrier, at paul.carrier@hq.doe.gov and we'll see  
7 that you're reimbursed for that expense.

8 Thank you all.

9 MR. RANA: Paul, I have a question.  
10 What is the format in Atlanta? Is it the same format  
11 or is it going to be a regular conference?

12 MR. CARRIER: Atlanta is still  
13 scheduled to go on as a physical workshop. We'll --  
14 we'll be there and --

15 MR. DREYFUSS: Paul, will there be --  
16 this is Peter again. Will there be a number that  
17 someone might want to -- if they wanted to, could  
18 call in at Atlanta or Phoenix, you know, to -- if  
19 they can't travel? It might be something to think  
20 about.

21 MR. CARRIER: Thank you. We'll --  
22 that's a good suggestion. We'll consider that.  
23 We'll check the availability of that.

24 Jimmy, did you want to make some  
25 closing --

1 MR. DREYFUSS: One --

2 MR. GLOTFELTY: I just wanted to make  
3 it --

4 MS. CHAPPELLE: I --

5 MR. CARRIER: Go ahead.

6 MS. CHAPPELLE: I was just going to  
7 throw in, Paul, that you may want to consider having  
8 a FERC represent -- representative there because so  
9 many of these issues involve FERC. If nothing else,  
10 it's -- it's good to have them hear what various  
11 individuals are -- are saying.

12 MR. CARRIER: That's another good  
13 suggestion. Thank you very much.

14 MS. ROSENQVIST: This is Masheed  
15 Rosenqvist for National Grid. We touched on some of  
16 the pending cases in front of FERC today, and I  
17 caution you, if FERC staff is attending these  
18 meetings, that we need to watch over the topic of  
19 conversation.

20 MR. GLOTFELTY: Let me say that FERC  
21 has been involved in this process as a grid team  
22 participant and we do tread lightly where we -- where  
23 we need to, but they have been involved in this so --  
24 since so many of the issues are ones that they either  
25 are acting upon or might act upon here in the

1 future.

2 I just want to give my thanks to  
3 everybody who took the time to be here today.  
4 Chairman Chappelle especially, we thank you for being  
5 flexible with your schedule and being flexible with  
6 this videoconference.

7 We appreciate all your support and  
8 leadership and look forward to working with you in  
9 the future as we move this process forward.

10 MS. CHAPPELLE: Thank you.

11 MR. CARRIER: Thank you all very  
12 much.

13 (Proceedings concluded at 11:30 a.m.)

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2 COUNTY OF HARRIS :

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4 TRANSCRIPTION OF THE WORKSHOP  
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11 I further certify that I am neither  
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