



DAVID K. OWENS
Executive Vice President
Business Operations Group

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Mr. Kevin Kolevar
Director
Office of Energy Delivery and Electric Reliability
Department of Energy
Washington, D.C. 20585

Re: DOE National Electric Transmission Congestion Study, August 2006 –
Section 6.1, Request for Comments on Designation of National Corridors

Dear Mr. Kolevar:

On behalf of our member companies, the Edison Electric Institute (EEI) is grateful for the opportunity to provide comments on the first congestion study conducted by the Department of Energy (DOE) under Section 1221(a) of the Energy Policy Act of 2005 (EPAct). In addition to the congestion study, Section 1221(a) authorizes DOE to designate National Interest Electric Transmission Corridors (Corridors), which can be designated on the basis of a congestion study. These comments respond to questions contained in Section 6.1 of this important study, focusing on designation of Corridors.¹

EEI applauds DOE for the timely completion of the congestion study. In light of the strong emphasis on electric infrastructure made by the Congress in enacting EPAct, the congestion study identifies a broad range of critical geographic areas throughout the nation that face potentially serious challenges for ensuring reliable and cost effective electricity delivery. Suppliers and customers will benefit from timely determinations of cost effective solutions to address these needs, thus enhancing the nation's potential for economic growth and energy efficiency, energy independence and security, fuel diversity in electricity supply, and competitive wholesale electricity markets.

SUMMARY RECOMMENDATIONS

EEI strongly believes that the congestion study provides a compelling basis for DOE to consider making three Corridor designations at this time: the eastern section of New York State, the eastern section of the PJM Interconnection, and a proposed transmission

¹ EEI is separately submitting comments today in response to questions contained in Section 6.2 of the congestion study relating to the study approach and methods.

path from Arizona to southern California. However, prior to making such designations, DOE should ensure that it has carefully considered analyses that have been completed more recently and, wherever necessary, confer with affected parties to address substantive technical disagreements. In general, the three Corridor designation areas are depicted in two maps in the congestion study, Figure ES-2 (p. viii) and Figure ES-3 (p. ix).

The congestion study also suggests that DOE should not rule out Corridor designations for the areas described as congestion areas of concern and conditional congestion areas. It is very difficult to categorize geographic areas as ‘critical,’ ‘of concern,’ or ‘conditional’ in an objective way. DOE and the public should not conclude that these other areas present lesser challenges or that only ‘critical’ areas merit Corridor designation. Rather, in consultation with affected parties, DOE could make designations on its own or in response to specific requests.

EEI also recommends that DOE strongly consider various improvements for conducting future congestion studies, making Corridor designations based on specific requests, tailoring the boundaries of designated Corridors as solutions become more clearly identified, and determining how a Corridor designation will expire.

BACKGROUND

As you know, EPAct creates a new Section 216 of the Federal Power Act (FPA), providing a set of critically important siting and permitting provisions to support new transmission investments by improving the efficiency of permitting processes. Under Section 216, DOE or the Federal Energy Regulatory Commission (FERC) will act as lead agency to coordinate all agency actions with respect to any Federal authorizations that are required to site or permit a transmission facility, including coordination with state siting processes. DOE or FERC also will prepare a single consolidated environmental review, which must be used for all Federal decisions related to a proposed project. Federal land agencies will identify energy corridors across Federal lands that will be available for transmission siting through a streamlined process to assist in meeting grid needs.

In addition, Section 216 provides FERC with a new ‘backstop’ siting authority to issue construction permits for transmission projects under certain circumstances, as well as eminent domain authority. The electric industry has long supported this ‘backstop’ siting authority as a means for moving forward significant projects where transmission capacity needs have been established, but lengthy litigation or permitting causes unreasonable and costly delays of formal approval.

Going forward, utilities will continue to strongly support states’ well-established authorities in siting transmission lines, and will work cooperatively with the states to plan and build the nation’s electric transmission infrastructure. Coupled with the DOE lead agency provisions, the nation can look forward to more infrastructure investments to

fulfill societal goals of energy independence and security, expansion of economic opportunities, and stronger assurances of reliable electricity supply and delivery capabilities for the nation's defense and security.

To qualify for a FERC construction permit, a project proposal must be located within a Corridor designated by DOE. DOE is required to periodically conduct studies and issue reports on transmission constraints and congestion, and to make Corridor designations, considering national security and energy policy and the need for energy independence, economic growth and development, and fuel supply diversity.

EEI considers the most important aspect of Corridor designation to be the spotlight that DOE places on areas where such designations are made. Through designation, DOE will be saying that a state or region could face potentially serious problems within the long-term planning horizon and timely determinations of cost effective solutions are needed. Since electric infrastructure investment is capital intensive, and planning and investment decisionmaking must accommodate a wide range of alternative future economic and energy market conditions, a DOE designation should serve as a sign of support for and encouragement of state regulatory agencies and industry participants to move forward with decisive actions to address long-term needs.

ANSWERS TO SPECIFIC QUESTIONS

Would designation of one or more National Corridors in these areas be appropriate and in the public interest?

Does a major transmission congestion problem exist?

Are key transmission constraints creating the transmission congestion?

What is the magnitude of the problem?

What are the relevant transmission or non-transmission solutions?

In response to these questions, EEI believes that the congestion study provides a compelling basis for DOE to consider making three Corridor designations: the eastern section of New York state, the eastern section of the PJM Interconnection, and a proposed transmission path in southern California.

EEI strongly believes that the nation should not be required to wait until major problems exist for there to be recognition through Corridor designation of potentially serious future needs. As stated previously, the long-term, capital intensive nature of electricity infrastructure clearly demands a long-term view, including the need to accommodate a broad range of planning assumptions regarding future system configurations, prospective capital additions of both generation and transmission, fuel prices and availability, costs of

capital, economic conditions, technology innovation, demographic trends, changing industry structure, federal and state environmental regulation, and security needs. The industry's collective experience counsels that waiting until the last-minute is far more expensive and inefficient. EEI urges DOE to maintain a high-level long-term view and not to dwell on seeking to achieve the unachievable goal of technical precision in the congestion study process, or to wait until a critical problem reveals itself, before making Corridor designations.

The Eastern Interconnection

As the congestion study points out, 55 million people live in the region that includes New York City and Long Island, Philadelphia, Baltimore, Washington, and the Delmarva peninsula. Economic activity in the region provides 18% of gross national product. The region contains the nation's capital and a high concentration of facilities critical to national security, as well as a hub for global financial and electronic commerce. Within this region, the metropolitan New York City – Long Island area is the most densely populated area in the country.

Over the long-term planning horizon, electricity demand in the region will continue to grow. It is likely that several retirements of older, less efficient fossil-fired generation facilities will take place. Even in the near term, metropolitan Baltimore-Washington anticipates significant transmission reliability constraints without investments in generation or transmission to remedy those constraints. The PJM Regional Transmission Expansion Planning (RTEP) process has clearly identified these problems. Absent the implementation of solutions, within eight years the region can anticipate dramatically higher economic congestion costs and reliability problems. In addition, during the past year there have been serious problems with the reliability of coal delivery out of the Powder River Basin, which raises yet one more potentially serious long-term challenge that puts upward pressure on costs and adds another layer of planning uncertainties.

If these problems, including untimely or delayed decisions for deciding on long-term solutions, are not addressed, the result will likely be higher wholesale prices than would otherwise occur. End-use customers will bear this burden. Limits on transmission transfer capabilities would lead eventually to the use of established emergency operating procedures, including voltage reductions and localized service curtailments. Since such curtailments would most likely occur during either extremely cold or hot weather conditions, local public services would need to be provided to address the needs of highly vulnerable individuals and families. Electricity-dependent public transportation would also need to anticipate potential service reliability problems.

Rapidly evolving wholesale and retail electricity markets should – with improved electricity delivery infrastructure – facilitate broader access to a diverse array of competitive generation resources, which should significantly increase benefits to consumers in the region. Significant additions to transmission transfer capability could

also result in the deployment of new electricity generation resources with better thermal and environmental efficiencies, where competitive markets would have greater access to such generation – clean coal, natural gas, renewable, and nuclear. In addition, expanded electricity delivery infrastructure would support states with renewable energy requirements.

In light of these facts and circumstances, DOE has a strong basis for finding that the criteria in Section 216(a)(4) have been satisfied and should proceed to making Corridor designations for eastern New York State and eastern PJM. The recommendation to split the designation of New York and PJM is based on the fact that the areas involve two FERC-approved wholesale electricity markets, which contain planning processes to determine alternative solutions for future needs.

However, DOE should ensure that it has developed a complete record and provided some due process for making its decisions on Corridor designations. DOE has appropriately requested stakeholder comments on the congestion study to ensure that the information and analyses are up to date. EEI anticipates that other parties will make sure that DOE has a complete and accurate record on which to make final designations. For example, DOE could consider new and updated information pertaining to New York. In addition, wherever necessary DOE should confer with affected parties on the accumulated record prior to making a Corridor designation to address any substantive technical disagreements.

DOE should not overlook other potentially critical constraints in the east. As pointed out in the congestion study, these constraints are generally well known. (Congestion Study, p. 21) In the upper Midwestern states, there are plans to add new thermal and renewable generation resources in areas with almost no significant transmission infrastructure to facilitate delivery. As a result, even though this area has not been characterized as a ‘critical congestion area,’ DOE should not rule out consideration of a Corridor designation.

The Western Interconnection

As stated in the congestion study, southern California has approximately 25 million people and continues to grow at a rate far faster than the national average. Statewide, California is the sixth largest economy in the world. Growth in the region continues to move into areas with very high summer season cooling needs. Strong local opposition to power plant construction undermines the confidence that utilities and customers can place in any plans for building large amounts of generation close to this very large and fast-growing load center. In addition, California utilities seeking to satisfy statewide renewable energy requirements must have the capability to access other regions’ renewable electricity generation resources. DOE also notes that the California ISO has concluded that extreme peak demands, high generation unavailability, or unexpected losses of critical transmission facilities could require the ISO to curtail firm loads to

maintain reliability. (Congestion Study, p. 45) Also, as the study explains, the Pacific Northwest region has become a summer peaking area, putting additional pressure on generation resources throughout the western states. (Congestion Study, p. 47) Thus, DOE concludes that a “strong commitment to identify and implement sound solutions” is needed as quickly as possible. (Congestion Study, p. 47) EEI strongly supports this recommendation.

DOE points to transmission infrastructure as a critical element for addressing the region’s long-term needs. The congestion study points to four transmission projects that are needed in the near future; Palo Verde – Devers No. 2 (DPV2), Sunrise Powerlink, Tehachapi Transmission Phase I, and Imperial Valley Transmission upgrade. EEI supports this assessment and strongly recommends that DOE designate DPV2 as a Corridor. DPV2 is an interstate transmission facility in the siting process state in both Arizona and California.

DOE should not overlook other potentially critical constraints in the west. The congestion study describes significant challenges in three areas: Seattle-Portland, San Francisco Bay, and Phoenix-Tucson. While the broad range of challenges in these areas is being addressed, DOE should continue to carefully monitor progress. The western states have an aggressive plan for developing thermal and renewable generation resources in areas that have almost no transmission infrastructure and are located far from load centers. Population growth in the west is higher than the national average. Figure 4-7 depicts 20 potentially major transmission constraints that may develop within the next ten years. Figures 5-7 and 5-8 depict an extraordinary long-term need to balance the region’s future generation resource development with transmission delivery infrastructure. Thus, Corridor designation should not be ruled out simply because DOE has not chosen to characterize these areas as ‘critical.’

How and where should DOE establish the geographic boundaries for a National Corridor?

EEI agrees with DOE that Section 216 provides for potentially broad interpretations of the “geographic area” that could comprise a Corridor. (Congestion Study, p. 60) To facilitate such interpretations, EEI recommends that DOE establish a two-track approach for setting Corridor boundaries. For designations made by DOE on the basis of its congestion study where specific project solutions have not been approved or advanced far along in development and construction, Corridor boundaries should be set in a manner that recognizes a potentially broad range of solutions that could resolve the long-term issues in that region. Figure ES-2 in the congestion study provides an example of such a designation. Such Corridors could be determined to be as wide as 200 miles.

The second track would designate more geographically tailored Corridors, either as a refinement to an earlier geographic area designation where specific solutions have been more clearly identified, or where DOE has made a designation on the basis of a specific

request. The DPV2 transmission path in Arizona and California provides this example, where the Corridor could be as narrow as several miles wide. Other potential examples could be the Trans-Allegheny project, the proposed American Electric Power I-765 project, or other projects now being studied in the PJM RTEP process.

EEI strongly recommends that DOE provide a process whereby a Corridor designation can be made on the basis of a specific request. The congestion study provides some general suggestions for such a process. (Congestion Study, p. 60) EEI encourages DOE to define this process in greater detail, including provisions for timely consideration and decisionmaking. For all Corridor designations, DOE should ensure that it will provide a mechanism whereby a Corridor designation can be revised as time passes as needed to address any changes that might arise.

Should the Corridor designation be effective for a fixed number of years, or should it be effective only until appropriate mitigation of the identified congestion or constraint is in place?

EEI recommends that DOE establish a mechanism that would provide for determining whether and when to remove a Corridor designation. DOE should not set a fixed number of years or identify a date specific at the time of designation. Since Corridor designations are based on potentially critical long-term needs, it is difficult to determine at the time of designation whether solutions will be in place by a certain date. Rather, DOE should include in its future congestion studies a review and analysis of then-existing Corridors, taking into consideration the recommendations of industry participants. DOE should ensure that it does not remove a Corridor designation in cases where specific projects are moving through the FERC backstop siting process or are under construction based on a FERC backstop permit.

What happens after DOE designates a Corridor?

In the congestion study, DOE states that it may participate in regional meetings or regulatory proceedings related to consideration and identification of solutions in designated Corridors, and may host such meetings. (Congestion study, pp. 61-62) Such participation could provide some benefit to reaching timely, cost effective solutions. Nevertheless, EEI strongly recommends that DOE recognize and support existing formal state and regional processes that incorporate stakeholder comments and not inadvertently 'reinvent the wheel' by creating another planning forum. Rather, it may serve the nation more efficiently if DOE were to concentrate its efforts on using these existing processes to inform its triennial congestion study requirements and Corridor designations. That is, DOE should focus on the potential long-term needs. Solutions are more appropriately considered by state resource planning and siting processes, regional transmission planning, FERC backstop siting, and competitive wholesale markets.

It is also appropriate that DOE communicate its findings more broadly to the public. Both suppliers and consumers should be aware of these issues and their implications. DOE is the appropriate forum for delivering the message.

How should the costs of a proposed transmission facility be allocated?

EEI urges DOE to avoid any consideration of cost allocation issues in its congestion study and Corridor designation activities. Cost allocation issues are under the explicit jurisdiction of FERC and the states, where extensive discussion and formal consideration are taking place. To the extent DOE has an interest in the issues as stated in the congestion study (Congestion study, pp. 61-62), it should monitor the various proceedings at FERC and the discussions within regional transmission organizations and independent system operators. Virtually all documents are publicly available and all meetings are open to the public. Cost allocation issues should in no way influence DOE decisions regarding Corridor designations.

In closing, EEI appreciates the opportunity to provide these comments and supports DOE's designation of Corridors in the very near future. As transmission infrastructure is a centerpiece for successful implementation of EPCa, EEI and its member companies look forward to working with DOE staff to facilitate and advance this significant initiative. Please contact me if you have any questions or need additional information. You may also wish to contact Meg Hunt (mhunt@eei.org, 202-508-5634), David Dworzak (ddworzak@eei.org, 202-508-5684), or Henri Bartholomot (hbartholomot@eei.org, 202-508-5622).

Sincerely,



David K. Owens