



N A R U C
National Association of Regulatory Utility Commissioners

March 16, 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

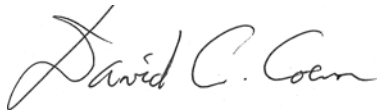
We are also concerned about proposed federal legislative language imposing a one-size-fits-all cost-allocation scheme for the entire country. NARUC staunchly opposes such an approach, as the nation's transmission grids are regional in nature. A top-down methodology will not result in the best or most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

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

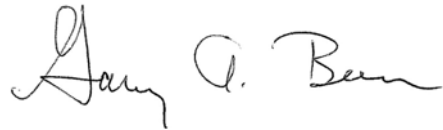
No one better than us knows that transmission projects are controversial and expensive; our members deal with this issue every day. But we also know that expanded federal transmission authority will disrupt the current, federally funded efforts being undertaken to find workable solutions that will benefit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

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

Sincerely,



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



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

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