

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D. C. 20426

February 7, 2005

OFFICE OF THE COMMISSIONER

The Honorable John D. Dingell  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515-6115

Dear Congressman Dingell:

Thank you for your letter of January 24, 2005, asking for comments to add to those that Chairman Wood is providing about the Federal Energy Regulatory Commission's recent initiatives and the need for changes in federal energy laws. Working together is paramount to ensuring a comprehensive energy policy is advanced expeditiously. The economic and environmental future of our country is dependent upon the certainty of a clear and inclusive energy bill.

As you are aware, we need an energy blueprint for our future as we see the decaying effects of delay. I strongly support Chairman Wood's comments and wanted to underscore the dire need for increased infrastructure investment to support the nation's ever-growing demand for energy. Investments are needed for new, innovative technologies that not only expand transmission miles, but also expand transmission capacity. The current picture for the electricity sector is stark:

- \$50-\$150 billion a year is needed to mitigate power quality disturbances;
- \$4-\$10 billion is the purported economic consequence of the August 14, 2004 blackout, which excludes social costs of the event (e.g., public inconvenience/hassle costs, health and safety impacts, etc.);
- according to the Electric Power Research Institute, infrastructure investment has been deferred for at least two decades and this investment deficit is now on the order of \$20 billion per year.

Investment is also needed to support new technologies that are environmentally friendly, spur energy efficiency, and rely on alternative generation sources; thereby, bringing a broader range of choices to customers.

I would also echo Chairman Wood's observation on transmission siting authority. If we are to succeed in repairing and building sufficient infrastructure, we must revise the way in which transmission facilities are sited. State-by-state siting of such transmission superhighways is an anachronism that impedes transmission investment and slows transmission construction. Transmission is interstate commerce, and therefore, I strongly support H.R. 6's provision for granting the Commission with backstop transmission siting authority.

Additionally, Congress needs to impart stringent reliability requirements on the energy industries; in particular, we need mandatory standards developed and administered by an agency independent of the industry. We need reliability standards that prevent, detect, respond, and modernize the transmission grid. These rules would serve customers well and assure them that the highest performance is sought on behalf of their economic and social well-being. These requirements would give the industry certainty in terms of expectations and expenditures.

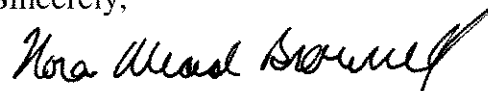
One acute problem within the family of reliability standards is vegetation management. As you may recall, last April this Commission issued an order requiring all transmission owners, operators and controllers, located in the lower 48 states, to report on the vegetation management practices used for those transmission lines and rights-of-ways. Our review of the vegetation management filings found that it appears transmission owners and operators have performed extensive vegetation management along the nation's high-voltage transmission network, which should produce better grid reliability during the summer. However, there is a wide range of vegetation management practices and procedures among the reporting transmission owners. Very little uniformity appears to exist in regard to right-of-way width, vertical line clearance, inspection frequency, and vegetation management guidelines used. This lack of uniformity is further aggravated by the panoply of local, state, and federal permitting processes. As a result of our analysis, the Commission recommended Congress enact legislation to make reliability standards mandatory and enforceable under federal oversight. I urge you today to endorse and include language in the energy bill that will, first, remove the ambiguity and disparity in vegetation management systems, and second, mandate adherence to vegetation management standards.

I would add one legislative proposal to Chairman Wood's response -- section 203 of the Federal Power Act should be expanded to apply to transactions where no transmission facilities are involved but they do involve generation facilities used for wholesale sales. Currently, section 203 only applies to transactions that include transmission facilities. While this gap has not been a major problem in the past, we are now beginning to see public utilities using this gap to avoid regulatory scrutiny. Since the

only statutory criterion under section 203 is to ensure that transactions are “consistent with the public interest,” applying this requirement to transactions involving multi-million dollar generating facilities is reasonable - - and more importantly, it is what customers expect of their regulators.

I hope this information is helpful. If I can be of further assistance, do not hesitate to contact me. Thank you for your leadership.

Sincerely,



Nora Mead Brownell  
Commissioner

cc: The Honorable Joe Barton, Chairman  
Committee on Energy and Commerce

The Honorable Ralph M. Hall, Chairman  
Subcommittee on Energy and Air Quality

The Honorable Rick Boucher, Ranking Member  
Subcommittee on Energy and Air Quality