



**Federal Energy Regulatory Commission  
December 21, 2006  
Open Commission Meeting  
Statement of  
Commissioner Philip D. Moeller**

**Item E-1: Promoting Transmission Investment through Pricing Reform (RM06-4-001)**

"Even though I was not here when this final rule promoting transmission investment through pricing reform was issued, I support the decisions, as modified today, made in this proceeding. As I have repeatedly stated, this nation is in desperate need of transmission infrastructure. The decline in transmission investment is threatening reliability and imposing billions of dollars in congestion costs on consumers. Congress' recognition of this fact led to its enactment of statutory provisions that promote investment in transmission infrastructure. Per Congress' mandate, FERC has worked hard to get Order No. 679 in place to establish incentive-based (including performance-based) rate treatments for the transmission of electric energy in interstate commerce by public utilities for the purpose of benefiting consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion.

On rehearing, we attempted to balance the concerns expressed by the various entities--including state commissions, consumer groups, investor-owned utilities, consumer-owned utilities and investors--with the need to develop transmission infrastructure and have consequently modified our final rule in key respects.

As discussed by staff, these modifications include our decision to not grant a rebuttable presumption for projects that are located in national interest electric transmission corridors because we find that such location does not necessarily ensure reliability or reduce congestion. Another change in the rule requires applicants to demonstrate that the total package of incentives is tailored to address demonstrable risks or challenges faced by the applicant in undertaking the project. For example, if some incentives reduce the risks of the project, that fact will be taken into account in establishing a Return on Equity (ROE). Finally, the order clarifies that each applicant will be required to justify a higher ROE under the revised nexus test and justify where in the zone of reasonableness that return should be set. This, we believe, will address the concern that the Commission "will routinely grant ROEs at the top end of the zone of reasonableness."