

November 9, 2001

Re: Docket Nos. RT01-88-000, -001, -002, -003, -004, -005, -006, -007, -008, -009, -010, -011, -012; ER99-3144-000, -001, -002, -003, -004, -005, -006, -007, -008, -009, -010, -011, -012, -013, -014; EC99-80-000, -001, -002, -003, -004, -005, -006, -007, -008, -009, -010, -011, -012, -013, -014; EL01-80-001; RT01-37-000, -001; RT01-84-000, -001; RT01-26-000, -001; ER01-123-000, -001, -002, -003, -004; ER01-2995-000; ER01-2993-000; ER01-2999-000; ER01-2997-000; ER01-2992-000; RT01-87-000, -001, -002; ER01-780-003; ER01-966-002; ER01-3000-000; RT01-101-000; EC01-146-000; ER00-3295-000, -001, -002; EC01-137-000; EL01-116-000; and ER02-108-000

Dear **State Commissioner**:

In light of additional comments made in the past few weeks by state public utility commissioners regarding regional transmission organizations (RTOs) in the Midwest, we would like the benefit of your views on the questions below. In response to your desire to move expeditiously, we would appreciate your input on these questions by November 30, 2001. Please send your responses by overnight delivery to David P. Boergers, Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426, or by fax to (202) 208-2268, or by electronic filing at www.ferc.gov. We will ensure that they are filed in the appropriate dockets.

1. What RTO structure – a single RTO, multiple RTOs with seams agreements, or other – would most efficiently administer the transmission system and facilitate electric power trading to meet the needs of customers over the entire Midwest?
2. How should market interface and reliability issues at the seams be resolved with multiple RTOs?
3. Order No. 2000 permits hybrid RTOs. If the functions specified in Order No. 2000 are shared or coordinated among separate organizations within a hybrid RTO, how would you suggest that those functions be apportioned?

- a) For example, within a hybrid RTO, which type of organization should perform planning and expansion, OASIS administration, market monitoring, security coordination, and interregional coordination?
- b) Is the status of an organization as "for profit" or "not for profit" relevant to the question of which functions it should undertake? Explain.
- c) As we try to evaluate how functions should be apportioned in a hybrid RTO, is it useful to distinguish between functions that relate solely to operating and administering the transmission grid and functions that relate more to operation and oversight of markets for trading wholesale power and energy?
- d) Is Appendix I of the Midwest ISO Agreement a useful model for how functions could be shared among members of a hybrid RTO?

4. Order No. 2000 recognizes that wholesale electricity markets are becoming increasingly regional in nature and that new trading patterns are putting additional stress on the interstate transmission system. However, many of the functions that RTOs will be called upon to perform clearly have both regional and local implications (e.g., planning and expansion decisions which ultimately require the siting approval of one or more states). Do you have suggestions regarding how states can work with one another, with the RTO, and with the FERC to ensure that needed transmission infrastructure is sited and built in a timely manner? With regard to other RTO functions, are additional processes needed to ensure that states have the ability to fulfill their regulatory responsibilities or to adequately protect retail electricity customers?

5. What are your views about the independence of the RTO structures currently proposed in the Midwest region?

6. Do you have any other suggestions or advice as to how the FERC should proceed in its efforts to complete RTO formation in the Midwest?

Thank you very much for your assistance.

Sincerely,

Pat Wood III, Chairman

William L. Massey, Commissioner

Linda Key Breathitt, Commissioner

Nora Mead Brownell, Commissioner

