

**FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON DC**

Office of the Chairman

December 10, 2001

Re: Docket Nos. RT01-2-001, RT01-2-002, RT01-86-001, RT01-95-001, RT01-99-000, RT01-99-001, and RT01-99-002

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 Northeast, 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 January 18, 2002. Please send your responses by overnight delivery to Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426, 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 formats– would most efficiently administer the transmission system and facilitate electric power trading to meet the needs of customers over the entire Northeast?
2. If you think more than one RTO is appropriate in the Northeast, (a) how should market interface and reliability issues at the seams be resolved, and (b) what should be the scope of the RTO that would include the electric utilities in your state?
3. Order No. 2000 permits hybrid RTO organizations.
 - a) If the functions specified in Order No. 2000 are shared or coordinated between an ISO and an independent transmission company (ITC), how would you suggest that those functions be apportioned? For example, which organization should perform planning and expansion, tariff administration, OASIS administration, market monitoring, security coordination, and interregional coordination? What role do you believe an ITC could or should play in the Northeast?
 - b) If an ITC is appropriate for your region, is it necessary for an umbrella independent board to have ultimate responsibility for RTO functions?
 - c) Does an ITC need to provide RTO functions to be a viable business, or can it own and invest in transmission with agreements on revenue requirements with the ISO or RTO umbrella organization?

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 structure currently proposed in the Northeast region?
6. Based on the recent 45-day mediation effort undertaken by parties to the various Northeastern RTO proceedings, is there a need for the Commission to provide guidance at this time on particular RTO issues in the Northeast?
7. Please provide your views on Board composition. For example, should there be equal representation from the existing ISOs and, if so, how should such representation be allocated?
8. Please provide your ideas on ways in which state commissions can contribute to RTO decisions.
9. Are there elements of the rules, programs or structure of the existing ISO in your state that you believe are best practices and should be maintained in a larger Northeast RTO? If so, please explain.
10. Are there issues regarding cost allocation in a possible Northeast RTO? Do you have any suggestions as to what would be the most efficient process for resolving such concerns?
11. Do you have any other suggestions or advice as to how the FERC should proceed in its efforts to complete RTO formation in the Northeast?

The Commission will initiate a conference call with Northeast Commissioners concerning the questions raised in this letter during the second week of January. This will be the first meeting of the State-Federal Panel that was created pursuant to our order issued November 9, 2001 in Docket No. RTO2-2-000, et al. Details on how to participate in the conference call will be sent to you next week.

Thank you very much for your assistance.

On behalf of my colleagues, we appreciate your consideration and input. Thank you, and we look forward to your responses.

Best regards,

Pat Wood, III
Chairman