



FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

February 19, 2009

Docket No. ER09-432-000 and ER09-433-000

Item No. E-15

Commissioner Marc Spitzer

**Statement of
Commissioner Marc Spitzer
on
Chinook Power Transmission, LLC and Zephyr Power Transmission, LLC**

"I thank Staff for their presentation and hard work on this item.

This Commission's responsibility is to ensure the Nation's consumers reliable supplies of energy at just and reasonable rates. Robust transmission and delivery of power is critical to this mission. Several months ago the Commission convened a technical conference to assess whether any of our rules or procedures hinder the full development of the electric transmission grid. That conference was helpful because it illustrated that some of our rules and regulations, designed for a market structure different than we have today, may impede the development of a robust transmission grid. The conference also graphically depicted the "chicken and egg" problem: the transmission provider is reluctant to build absent pre-existing generation and the developers will not site resources absent a constructed transmission path to the market.

The Gordian Knot of who goes first is resolved in this case by simultaneity. Chinook Power Transmission, LLC (Chinook) and Zephyr Power Transmission, LLC (Zephyr) propose to resolve the "chicken and egg" problem by signing-up "anchor customers" for a portion of the new capacity and holding an open season for the remainder. The "anchor customers" will assure commercial viability of the project while the open season affords non-party developers a fair shot at obtaining capacity. And all of the investment is recovered under a merchant-based rate design so captive customers will not be stuck with any costs if the projects ultimately do not go forward. This win-win approach is an elegant solution and I support the Order.

I also note that in today's Order the Commission does more than authorize the Chinook and Zephyr proposals. We take this opportunity to refine the 10-criteria test by which this Commission previously evaluated negotiated rate authority for merchant transmission projects. The refined analysis reflects the policy upon which the 10 criteria were originally based, but adds flexibility. The Order is more reflective of the financing realities and other issues faced by merchant transmission and renewable electricity developers, and is applicable to projects both within and outside RTO/ISO regions.

The financing, siting and construction of high voltage transmission is incredibly difficult. Even before the credit crisis, construction of backbone transmission was often arduous, lengthy and controversial. Merchant transmission lines bear the prospect of increased investment from non-utility resources. Merchant transmission can play an important role in filling gaps in transmission development by assuming full market and regulatory risk at no risk to consumers. Accordingly, I support the draft order's reevaluation of the criteria by which to evaluate merchant transmission. I hope that the Order we issue today sends the signal to other developers also to design innovative transmission proposals for us to consider as we continue our efforts to ensure a robust market at just and reasonable rates."

