

BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

-----x

IN THE MATTER OF: :

CONSENT MARKETS, TARIFFS AND RATES - ELECTRIC :

MISCELLANEOUS ITEMS :

CONSENT MARKETS, TARIFFS AND RATES - GAS :

CONSENT ENERGY PROJECTS - HYDRO :

CONSENT ENERGY PROJECTS - CERTIFICATES :

DISCUSSION ITEMS :

STRUCK ITEMS :

-----x

821ST COMMISSION MEETING

OPEN MEETING

Commission Meeting Room

Federal Energy Regulatory

Commission

888 First Street, N.E.

Washington, D.C.

Wednesday, March 12, 2003

10:10 a.m.

APPEARANCES:

COMMISSIONERS PRESENT:

CHAIRMAN PAT WOOD, III, Presiding

COMMISSIONER NORA MEAD BROWNELL

COMMISSIONER WILLIAM L. MASSEY

ALSO PRESENT:

DAVID HOFFMAN, Court Reporter

P R O C E E D I N G S

(10:10 a.m.)

CHAIRMAN WOOD: This open meeting of the Federal Energy Regulatory Commission will come to order to consider the matters which have been posted in accordance with the Government in the Sunshine Act for this time and place. Please join us in the Pledge to the Flag.

(Pledge of Allegiance recited.)

CHAIRMAN WOOD: All right, in the category of news, I'd like to bring to public awareness, if it's not already there, that two different groups of folks that we interact with have been engaging in some voluntary coordinating efforts outside the FERC.

I wanted to publicly recognize those and indicate our interest in seeing those efforts bear fruit. The first is the NAESB/NERC/ISO/RTO Council's proposed memorandum that's been posted on the web pages, that I was made aware of a couple of weeks ago, which is really the fruition of an effort that began in the Fall of 01.

We began the efforts to talk about the giga-NOPR. We knew that at the end of the day, when the policy cuts that we were asked to make are made, those have to be translated into some very workable business protocols and commercial practice standards, much as we saw in the gas industry through much of the '90s.

That is an effort that continues on today's agenda, even today. I know that that effort is in progress, and is subject to being ratified by the three independent groups, but I just want to say that, from our perspective, we really appreciate the fine work that the parties have gone through to get to the point where their respective boards can consider that and look forward to seeing that and getting the three of us and our staff briefed on exactly how that process is going to work to make sure of what the appropriate group is doing with the definition of the protocols and standards that follow from that.

In a similar matter, as we've known and as is one of the issues we dealt with on the October 25th Gas Conference, the concern about new uses of the electric generators replacing on the overall gas delivery system in the country.

And the concern that crops up, as I think we see a number of certificates -- I don't think any of them are on today's agenda -- but a number of certificates over the past couple of years in which Intervenors have raised these issues.

The AGA and INGAA Boards have both taken this, at our request, very personally and have tried to at least get a consensus approach to how to deal with the new customers on the system. I met with the AGA Board last week and got a

general briefing that that process is actually coming to fruition in the last couple of weeks.

So, again, I look forward to the three of us and our staff getting briefed on those efforts to try to address issues while they are issues and before they become problems.

I think that if we can be an agency that does that, then we'll be doing the right thing, so I appreciate the independent work of those two groups for what they're doing.

There is a lot of RTO developments on today's agenda, and I want to mention one. It's not an agenda item, but as we have seen in our recent decision about several months ago, to FERC Staff and the California ISO, I'd like to announce today, the appointment of two senior Staff members to be stationed at the Midwest ISO's headquarters in Carmel, Indiana on a going forward basis.

This is an issue that a lot of the market participants were very interested in seeing action on. When I had the opportunity to visit with the Board and the market participants and the state commissioners out there in early December, I was really pleased that Chris Miller and Patrick Leary from OMTR have agreed to serve as FERC's technical liaisons to the Midwest Region, starting on May 1st of this year.

This represents a continuation of our outreach efforts to RTOs and to the various stakeholders and state commissioners, and this intends to foster and aid in the development of vibrant and robust energy markets across the country.

So, we're going to miss Patrick. I always miss a Patrick, particularly when March 17th draws close, but we'll miss Patrick and Chris, but they've done a heck of a lot of good work here at the Commission. Chris has been here since '93 in a variety of positions, and Patrick has been at the Commission since the creation of OMTR back in '99.

We will miss them here, but they will extend the Commission's effectiveness and presence in a real important part of the country.

COMMISSIONER BROWNELL: And we can visit.

CHAIRMAN WOOD: We'll be out there.

Finally, we do have a departing employee that I would like to recognize today. Perry Brown has just retired. Of course, I watched Lord of the Rings 18,000 times. When you own a DVD and have small children, too small, according to their mother, to be watching that movie, we do think about New Zealand a lot, so I was glad that Perry actually came back so we can give him this plaque of service from New Zealand. But he retired from OMTR after 15 years with the Commission. He was here when I was here last

and, in fact, Perry and his colleagues in the Office of Economic Policy provided a lot of the intellectual heft to Order 636, which, as you all may remember, unbundled the gas industry.

I do remember that those ideas that came out of Perry and his team's memorandum back in 636, seemed so radical, the concept of unbundling, which, as we see, is pretty well accepted in the energy industry, although not so much in the telecom industry, but it has been instrumental, I think, in the hundreds of billions of dollars of savings that stayed in customers' pockets. And a lot of good ideas come and go, but when they are grounded in good, firm, economic policy that makes rational sense in a sober environment, as well as in a frenetic environment, that's doing good things for America.

Perry, you have contributed a lot more than that, I know from the little briefing that I got. You have done in the years that I didn't see you, that I wasn't here, taken on issue in oil pipelines and other gas pipeline issues, and certainly electricity issues.

I just wanted to present you with the Career Service Award, in gratitude and recognition of 25 years of dedicated service on behalf this nation's energy customers. Congratulations, Perry.

(Applause.)

CHAIRMAN WOOD: I think that's it. We had a lot of substantive items on this agenda, and I want to say that although we do look very much forward and we're real pleased with the President's announcement of his intention to nominate Susan Kelly to the Commission for our fourth seat, and Joe's hearing before the Senate Energy Committee. We look forward to being five, but I want to say that we had a lot ahead of the items on today's agenda, and it's with a lot of pleasure that they all got put to bed.

I think, Madam Secretary --

COMMISSIONER MASSEY: Mr. Chairman, we just want to help you.

(Laughter.)

COMMISSIONER MASSEY: We're just here to do your bidding.

(Laughter.)

COMMISSIONER MASSEY: I just wanted you to know that.

COMMISSIONER BROWNELL: Hallelujah.

CHAIRMAN WOOD: Amen. All right, Madam Secretary.

SECRETARY SALAS: Good morning, Mr. Chairman and good morning, Commissioners. For the record, we have struck one item since the issuance of the Sunshine Notice on March 5, 2003. That item is G-19.

CHAIRMAN WOOD: Which I understand will be issued notationally. We'll get that out in between the cycle.

SECRETARY SALAS: Your consent agenda for this morning is as follows: Electric Items E-1, E-2, E-3, E-4, E-5, E-7, E-8, 9, 11, 12, 13, 16, 17, 18, 19, 27, 32, 33, 35, 36, 37, and 39.

Gas Items: G-2, 4, 5, 6, 8, 9, 11, 20, and 26.

Hydro: H-1, 2, and 6.

Certificates: C-1, 2, 3, and 4.

And Commissioner Brownell votes first this morning.

COMMISSIONER BROWNELL: Aye.

COMMISSIONER MASSEY: Aye.

CHAIRMAN WOOD: Aye. We are adjourned.

(Whereupon, at 10:20 a.m., the Commission open meeting was adjourned.)