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BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF: :  
CONSENT MARKETS, TARIFFS AND RATES - ELECTRIC :  
CONSENT MARKETS, TARIFFS AND RATES - GAS :  
CONSENT ENERGY PROJECTS - HYDRO :  
CONSENT ENERGY PROJECTS - CERTIFICATES :  
DISCUSSION ITEMS :  
STRUCK ITEMS :  
- - - - -x

894TH COMMISSION MEETING  
OPEN MEETING

Commission Meeting Room  
Federal Energy Regulatory  
Commission  
888 First Street, N.E.  
Washington, D.C.

Thursday, July 21, 2005  
10:05 a.m.

1 APPEARANCES :

2 COMMISSIONERS PRESENT :

3 CHAIRMAN JOSEPH T. KELLIHER

4 COMMISSIONER NORA MEAD BROWNELL

5 COMMISSIONER SUEDEEN G. KELLY

6 SECRETARY MAGALIE R. SALAS

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18 ALSO PRESENT :

19 JANE W. BEACH, Reporter

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## P R O C E E D I N G S

(10:05 a.m.)

(Gavel sounds, applause.)

CHAIRMAN KELLIHER: Thanks. I have to say that I enjoyed that.

(Laughter.)

CHAIRMAN KELLIHER: I've been practicing, late at night at home.

(Laughter.)

CHAIRMAN KELLIHER: Good morning and welcome to my first meeting as Chairman of the Federal Energy Regulatory Commission.

This open meeting of the Federal Energy Regulatory Commission will come to order to consider the matters which have been duly posted in accordance with the Government in the Sunshine Act.

Before we turn to the Pledge of Allegiance, I'd like to make one small announcement. Using my executive powers, I'd like to reintroduce the pause between the words, "one nation," and "under God," in the Pledge of Allegiance.

(Laughter.)

CHAIRMAN KELLIHER: I am a product of the public schools, and that pause, even though it's grammatically incorrect, and there is no comma, it was drilled into me, and I've never been able to adjust under Pat.

1           So I know I'll get a letter from the same school  
2 teacher in Texas who instructed him, but I would like to  
3 reintroduce the pledge, and I know that will help me and that  
4 I'll not stumble over the Pledge.

5           And I'd also like to invite a special guest to  
6 help me do the Pledge, my son, Aidan. We have been  
7 practicing, and he has it down better than I, so, he will  
8 help me, in case I miss a few words.

9           (Pledge of Allegiance recited.)

10          CHAIRMAN KELLIHER: Thank you.

11          (Applause.)

12          CHAIRMAN KELLIHER: It's fun to involve family  
13 members in these ceremonies. I don't know if you noticed,  
14 but Aidan was the gavel-bearer. He brought the gavel into  
15 the room, and he did that very well.

16          I also want to take this opportunity to introduce  
17 my family. I know some of you have met my family members  
18 before.

19          My son, Aidan and daughter, Nora, have been  
20 visitors at FERC, and they love FERC, and they actually keep  
21 track of how many times each other has been here, and if one  
22 has come here fewer times than the other, they get a little  
23 anxious.

24          So my daughter, Nora, is here today, and she's  
25 helping. The kids have a rough understanding of what we do

1 here. They have asked what a Commissioner does and what a  
2 Chairman does, and I've tried to explain that we set rules,  
3 and when people don't follow the rules, they get in trouble.

4 And that's kind of the way I've tried to explain  
5 what we do. Then Nora -- I had a birthday party in January,  
6 and Nora -- we were in the Commissioners' Library, which is  
7 full of the U.S. Code and the Federal Reporters.

8 And Nora looked around the walls and saw all the  
9 books, and said, dadda, those are a lot of rules.

10 (Laughter.)

11 CHAIRMAN KELLIHER: So she knows what we do here.  
12 And when we told her about the job, her only question was,  
13 dadda, mama says your office is going to be bigger.

14 (Laughter.)

15 CHAIRMAN KELLIHER: So, she saw it this morning  
16 and I hope she's satisfied.

17 Also, I want to recognize my wife, Karen. She  
18 is, as you can probably see, expecting our third and final  
19 child.

20 (Laughter.)

21 CHAIRMAN KELLIHER: It's due in exactly two  
22 weeks, hopefully. I may come earlier, and if she taps me on  
23 the shoulder and I leave quickly, it doesn't mean I'm  
24 fleeing my responsibilities; it means I'm running to the  
25 hospital.

1                   We have a lot going on right now. We, of course,  
2                   have a new job, a baby on the way, and we are putting an  
3                   addition on our house. I delegated all of the  
4                   decisionmaking on the house to Karen, and I have no idea  
5                   what it's going to look like when it's done.

6                   And I have to say I was a little nervous the  
7                   other day when she said she was looking at leopard skin  
8                   carpet for the bedroom.

9                   (Laughter.)

10                  But I smiled and nodded, because I had delegated  
11                  decisionmaking to her. So, you probably will see more of  
12                  Karen, at least for the FERC employees, in the future, and  
13                  she will probably have stroller with her, visiting here at  
14                  FERC.

15                  Now, one last comment: President Bush gave me  
16                  this job, but my wife, Karen, let me take it.

17                  (Laughter.)

18                  CHAIRMAN KELLIHER: And, for that, I am grateful,  
19                  because she's let me do something that I truly love, making  
20                  policy, and, hopefully, good policy.

21                  (Applause.)

22                  CHAIRMAN KELLIHER: Now, I want to recognize some  
23                  other people who are important to me, although certainly a  
24                  less familiar relationship: Dan Larcamp, he's not a blood  
25                  relative, but --

1 (Laughter.)

2 CHAIRMAN KELLIHER: -- but we will be spending a  
3 lot of time together. He's the Commission's new Chief of  
4 Staff, and I'm going to rely on him greatly in the future.

5 And I also want to reintroduce some people, who I  
6 don't think need introduction: My personal staff, all of  
7 whom have come with me from the Commissioner's Office to the  
8 Chairman's Office. You know them, but I'll introduce them,  
9 nonetheless: Len Tao stand up please; Niles Nichols; Larry  
10 Gaspeiger; Cathy Tripodi; Dante Collier; and Gloria -- is  
11 Gloria here? And Gloria worked for Chairman Wood, and she  
12 is staying and helping us out in the Chairman's Office, and  
13 I thank her for that.

14 So these are people who helped me be a successful  
15 Commissioner, and I hope they will do the same in my new  
16 role. I rely on them very much, and I think they have  
17 provided me a lot of excellent counsel in the past two  
18 years, and I expect they will do so in the future, at least  
19 I hope they will.

20 I also want to thank the Commission Staff. I'd  
21 like to -- I have a quote. I occasionally throw in quotes,  
22 and, for those of you who know me, I like history, so they  
23 may sometimes be obscure quotes, but, hopefully, they won't.

24

25 But I came across this quote about two years ago,

1 and I really liked it, so I'll use it again. It was  
2 something the great reformer, Teddy Roosevelt said. He  
3 said, quote, "Far and away, the best prize that life offers,  
4 is the chance to work hard at work worth doing."

5 And that, I think, is exactly what we do here at  
6 the Commission. We have important responsibility, and we  
7 certainly have an opportunity to work hard at it.

8 We worked very hard at it last month, and also  
9 this month. I think we have very significant  
10 responsibilities, and I am proud to be the Chairman of FERC.  
11 I know I'll be working hard, as will the Staff and my  
12 colleagues, as long as I'm Chairman.

13 So, I just wanted to thank the Staff for all of  
14 their efforts, recently and in the future.

15 Now, I think it's time -- we issued a number of  
16 notationals in the past week and a half, and I'd just like  
17 to highlight two of them: One is the SMD Termination Order  
18 that we issued on Tuesday. That was an important Order. It  
19 got some attention.

20 And I'd just like to explain why we did that, and  
21 it was basically for very pragmatic reasons. The SMD  
22 proposal was issued three years ago, and, at this point,  
23 it's largely been overtaken by events.

24 The Order proved to be very controversial. There  
25 certainly were concerns in Congress about the Order, and we

1 have recently decided to take a different tact, that our  
2 focus is going to be on reforming transmission policy with  
3 the goal of preventing undue discrimination in transmission  
4 service.

5 So we're refocusing and pursuing a slightly  
6 different policy goal than the SMD proposed rule. And it  
7 just seemed, for practical reasons, to make sense. It made  
8 sense to terminate the rulemaking, since it was clear that  
9 it was not going to advance.

10 Also, the CTRANS Order, we terminated the CTRANS  
11 docket. That was one where it was clear that the sponsors  
12 of CTRANS were not going to pursue formation of an RTO in  
13 the Southeast.

14 The Commission's policy is voluntary RTO  
15 formation. It seemed clear that a voluntary RTO was not  
16 going to be established in the Southeast, so since the  
17 sponsors had indicated that they were not pursuing it any  
18 longer, it made sense to close out the docket, and so we did  
19 and acted accordingly.

20 Now, I'm trying to get my script down. Consent  
21 Agenda, Madam Secretary?

22 SECRETARY SALAS: Good morning, Mr. Chairman, and  
23 good morning, Commissioners. The following items have been  
24 struck from the agenda since the issuance of the Sunshine  
25 Notice on July 14th. They are: E-13, E-30, E-51, and G-11.

1           Your consent agenda for this morning is as  
2 follows: Electric Items - E-3, 4, 5, 6, 7, 16, 17, 18, 19,  
3 20, 24, 25, 26, 28, 29, 31, 32, 33, 35, 37, 38, 41, 44, 46,  
4 47, 49, and 50.

5           Gas Items: G-1, 2, 3, 5, 6, 7, 8, and 9.

6           Hydro Items: H-1, 2, 3, 4, 5, and 7.

7           Certificates: C-1, 2, 3, 5, 6, and 9.

8           Specific votes for some of the items on the  
9 Consent Agenda are as follows: Commissioner Kelly is  
10 dissenting, in part, with a separate statement, on the  
11 following items: E-3, E-28, E-33, and E-49.

12           On G-2, Commissioner Brownell, dissenting, with a  
13 separate statement. On H-4, Commissioner Kelly concurring,  
14 with a separate statement.

15           C-1, Commissioner Brownell dissenting, with a  
16 separate statement, and Commissioner Kelly votes first this  
17 morning.

18           COMMISSIONER KELLY: Noting my dissents and my  
19 concurrence, as stated by the Secretary, I otherwise vote  
20 aye.

21           COMMISSIONER BROWNELL: Aye, noting my dissent,  
22 in part, on G-2 and my dissent on C-1.

23           CHAIRMAN KELLIHER: Aye.

24           SECRETARY SALAS: The first item on the  
25 discussion agenda this morning, is A-3. This is the

1 Investigation of Supply Offer into MISO during April and  
2 May, 2005. It is a presentation by David Tobenkin, William  
3 Meroney.

4 CHAIRMAN KELLIHER: While Staff is coming up to  
5 the table, I'd like to give my colleagues an opportunity to  
6 comment on the notationals that I discussed. I should have  
7 done that in the proper order, but if you had any comments  
8 you wanted to make on notationals, this is a good  
9 opportunity.

10 COMMISSIONER BROWNELL: First of all, I like the  
11 idea that we will begin to do more work by notationals, and  
12 I know that we'll organize it in a way that we're  
13 communicating effectively, both to the participants and to  
14 the media.

15 On the SMD Order, I just want kind of to clarify  
16 what I think you mean, and that is that we will continue to  
17 support and give full support to the RTOs that have, in  
18 fact, implemented SMD or some variation of it, and that this  
19 is not an abandonment of a policy for markets that have  
20 already developed it.

21 This is simply a recognition that there are  
22 alternative ways to get there and we'll be working on that.  
23 I think that's an important message, and it's caused, I  
24 think, a little confusion out in the real world, about what  
25 it is that we mean.

1                   So I think it was time. I certainly think we  
2 worked very hard, but reality is reality, and we've moved  
3 on. But I think we're seeing some really positive  
4 developments, and I'll talk a little bit about that later.

5                   CHAIRMAN KELLIHER: I agree exactly with what you  
6 said. A number of the existing RTOs have proposed to  
7 incorporate elements of SMD, and particularly in New  
8 England, and we have supported that.

9                   COMMISSIONER BROWNELL: Right.

10                  COMMISSIONER KELLY: I would also like to add to  
11 your comments, Joe and Nora. I think that pulling the NOPR  
12 on SMD is important, particularly for the people in the  
13 West.

14                  The viewed it as mandating RTOs, and, as you  
15 know, they are very interested in developing regional  
16 approaches to transmission organization, but not necessarily  
17 an RTO.

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1           Although I said when I visited there that we were  
2 not interested in forcing RTOs, still, having our actions  
3 speak as loud as my words is important.

4           COMMISSIONER BROWNELL: Can I just add, though,  
5 that I am in full support of your initiative to really focus  
6 on ending discrimination. Because I think the longer we've  
7 been at this and with the development of more effective  
8 monitoring tools, it's pretty clear to me that reformation  
9 of 888 is critical, particularly where we do not have  
10 organized markets and the transparency and independence that  
11 they bring. So I'm looking forward to that. I think that's  
12 critical to shape the nation's future in a way that brings  
13 the value that customers need and deserve.

14           CHAIRMAN KELLIHER: Great. Thank you.

15           SECRETARY SALAS: So now we are back on the  
16 record for A-3 and the presentation.

17           MR. TOBENKIN: Thank you.

18           Good morning, Mr. Chairman and Commissioners. I  
19 am David Tobenkin with the Office of Market Oversight and  
20 Investigations and with me today, to my right, is William  
21 Meroney, also from OMOI. Other OMOI staff members that  
22 participated in this investigation are Ted Gerarden, Mark  
23 Higgins, Melanie Devoe, Mary Kipp, Dave Fishel and Helen  
24 Shepherd.

25           Last year the Commission approved the MISO tariff

1 to commence market operations on April 1st, 2005. There are  
2 approximately 70 generators participating in the market with  
3 slightly more than 1100 generating units. To provide a  
4 transition to fully operating markets, the Commission  
5 approved a proposal by MISOs independent market monitor that  
6 market participants be required to make their offers at cost  
7 for April and May.

8 The market monitor determined cost-based  
9 reference levels for each generating units against which  
10 day-ahead and real-time supply offers were compared. The  
11 Commission instructed the market monitor to refer offers  
12 exceeding such reference levels by more than 10 percent to  
13 the Commission for enforcement action. After the two-month  
14 transition period, reference levels were calculated  
15 primarily from accepted offers during the April and May  
16 cost-based period and tariff-prescribed mitigation began.

17 OMOI monitored the start of the MISO market  
18 carefully, and received data from the market monitor that  
19 indicated that many market participants' generation offers  
20 were in excess of the thresholds for referral to the  
21 Commission. OMOI immediately opened an expedited fact-  
22 finding preliminary investigation to determine whether any  
23 market participants were willfully violating the MISO tariff  
24 or were manipulating MISO markets and, if so, whether  
25 enforcement action against market participants was

1 warranted.

2 OMOI evaluated voluminous data responses from 45  
3 MISO members, held one or more follow-up calls with  
4 representatives of each of the 45 companies, held extended  
5 conferences with three market participants with particularly  
6 large numbers of offers in excess of the thresholds,  
7 screened MISO data to examine patterns of offers made by  
8 market participants, and studied the effects of the April  
9 and May period offers upon reference levels governing  
10 mitigation that took effect June 1st.

11 Based upon the evidence gathered, Staff reached  
12 the following conclusions regarding offers in excess of the  
13 thresholds referred to the Commission: first, that they  
14 were mainly the result of a number of practical problems  
15 confronting participants in the new market, including  
16 difficulties establishing accurate reference levels and  
17 communications problems. Second, that they were not willful  
18 violations of the MISO tariff. Third, that they were not an  
19 attempt to manipulate the market. Fourth, that they  
20 represented a relatively small component of overall supply.  
21 Less than 6 percent of all energy offers were referred to  
22 the Commission, and only about one-third of those offers  
23 were scheduled by the MISO. Fifth, that only a small  
24 percentage of the supply offered above thresholds were  
25 likely to have affected the market. This category

1 represented only 2/10ths of 1 percent of real-time energy  
2 offers during this period. And finally, that such offers  
3 did not harm competition in the MISO marketplace.

4           During the two-month cost-based period, MISO  
5 members worked in good faith with the market monitor to  
6 adjust the reference levels for their generating units and  
7 to make their offers consistent with correct reference  
8 levels. Offers over the thresholds did decline very  
9 substantially. However, Staff found that shortcomings by  
10 both the market monitor and market participants complicated  
11 and delayed this process.

12           The market monitor provided insufficient staff  
13 resources to address reference level calculation and supply  
14 offer issues for the number of market participants involved.  
15 At the outset, the market monitor also failed to provide  
16 timely notice to market participants when their offers  
17 exceeded reference levels by more than 10 percent, and the  
18 notices lacked details needed to determine why the offers  
19 were referred to the Commission. In addition, early in the  
20 cost-based offer period, the market monitor made offers and  
21 certain reference level calculations that led to flags for  
22 generation units that had, in fact, been offered properly.  
23 This was quickly discovered and corrected, however.

24           For their part, many market participants devoted  
25 insufficient resources to documenting their generation costs

1 to the market monitor and to examining and implementing  
2 reference level information and supply offer instructions  
3 available on a MISO computer interface.

4 Staff recommends that the preliminary fact-  
5 finding investigation be closed. The investigation did  
6 yield useful information on the practical problems  
7 encountered by the MISO, the market participants and the  
8 market monitor that will be helpful in structuring future  
9 market launches.

10 Among the lessons are that a cost-based system is  
11 a demanding one for market participants and the market  
12 monitor. Market participants and the market monitor must  
13 dedicate sufficient time and personnel resources to such  
14 efforts. In particular, sufficient time must be provided  
15 for trial-and-error efforts to reconcile market monitor and  
16 market participant estimates of generation costs and for  
17 market participants to learn how to accurately model costs  
18 and supply offers.

19 The market monitor should also work more  
20 aggressively to implement improved analytical processes and  
21 communications technologies that would help it and the  
22 market participants communicate more effectively with one  
23 another. The market monitor should also take steps to more  
24 accurately distinguish possibly problematic offers to be  
25 reported to OMOI from offers merely reflecting unexpected

1 problems that accompany the launch of a new market.

2 The Commission may also wish to consider a higher  
3 threshold for reporting or graduated set of thresholds that  
4 allows for reasonable divergence between offers and cost-  
5 based reference levels at the outset of the market.

6 That concludes my presentation.

7 CHAIRMAN KELLIHER: I want to thank Staff for  
8 that presentation. I just wanted to explain why we've  
9 called it a discussion item, and I think for good reasons:  
10 there were a lot of concerns about some of the bids  
11 exceeding reference price thresholds during the start-up of  
12 MISO markets, and so Staff conducted this inquiry, this  
13 investigation, and it was a timely and thorough  
14 investigation into the bids -- there were actually a pretty  
15 large number of bids that exceeded the reference price  
16 thresholds. But the Staff ultimately found that there were  
17 no tariff violations and no evidence of market manipulation.

18

19 For that reason, it's important to bring the  
20 investigation to a close and inform the public and the  
21 industry of the results of the Commission's investigation,  
22 and we will be releasing a public report highlighting the  
23 investigation, the results of the investigation. The report  
24 does also highlight there were some problems in the  
25 calculations of reference prices by the independent market

1 monitor, and it's useful for us to look at that and see what  
2 lessons we can learn from that experience.

3 So I want to thank you for your investigation and  
4 for the summary you've provided today, and I'll see if my  
5 colleagues have comments.

6 COMMISSIONER BROWNELL: Go ahead, you first.

7 COMMISSIONER KELLY: I'd also like to thank you  
8 for the report and for the investigation. I think that this  
9 was obviously an historic event, the opening of this market,  
10 and our first job is to protect customers and that on  
11 occasion requires us to look at market activities.  
12 Sometimes there's a tension between zealous oversight and  
13 overzealous interference. And this investigation was --  
14 drew the appropriate balance between the two. I think that  
15 the investigation was thorough, in-depth, and, as a result  
16 of this investigation, I believe that the customers of MISO  
17 can have more confidence than ever in the marketplace and in  
18 our ability to oversee the marketplace to ensure that it's  
19 operating in the way you want a competitive market to work.

20

21 I hesitate to raise the specter of California,  
22 but I'm committed to never having a California-type  
23 implosion occur. And I think that our oversight in this  
24 case at the beginning probably should have happened in  
25 California, which maybe we would have been able to head

1 things off. So I appreciate the work that you've done and I  
2 appreciate the Chairman's support for it.

3 COMMISSIONER BROWNELL: I have a couple of  
4 questions, because I think there are some lessons to be  
5 learned here. These investigations cost a lot of money for  
6 market participants and others, money well worth spending  
7 but I think it's important that we take the lessons and now  
8 get very specific. For example, what is a sufficient amount  
9 of time for training and trials?

10 MR. TOBENKIN: I think it would depend.  
11 Certainly they had a period of trials -- there were various  
12 levels of information exchanges that went between the market  
13 monitor and the market participants. Certainly the month  
14 before the market actually commenced, there was a couple  
15 tests that occurred. And, as a result of those, I think the  
16 number of generation units that were being flagged fell  
17 from, I think, 260 or so to 111. And I think had that, you  
18 know -- it's difficult to say exactly how much more  
19 additional time would have further resulted in a decline in  
20 the number of units being flagged; certainly perhaps another  
21 month would have helped. But it's difficult to pin a  
22 precise number on that.

23 And certainly there's certain occurrences that  
24 happened subsequent to that that presumably even such trials  
25 would not have assisted. For instance, you know, at the

1 beginning of May there was a switch -- many market  
2 participants assumed that they could switch to summer prices  
3 whereas in fact the market monitor began summer prices in  
4 June. So that might not have even come up even had there  
5 been market trials.

6 So I think additional market trials would have  
7 helped, but it wouldn't have solved all the problems.

8 COMMISSIONER BROWNELL: So that's one of the  
9 communications issue, the communication between -- how about  
10 analytics? You say we need better analytics, something we  
11 talk around here a lot about, what are the analytics we  
12 should be looking at. Do we have any idea of what those  
13 should be? Are we going to make recommendations specific to  
14 the market monitor and to the participants?

15 MR. TOBENKIN: I think that the market monitor  
16 and the market participants became aware of those, and it's  
17 not only the existence of analytics but it's also the  
18 implementation of them and the fine-tuning of them and the  
19 testing of them to make sure that they're functioning  
20 appropriately when they need to be.

21 For instance, the MISO portal that was used to  
22 exchange information regarding reference levels and also  
23 supply offers was difficult, there were some issues in terms  
24 of being able to place enough information on there, being  
25 able to check it appropriately and quickly on a daily basis

1 and for large companies for many, many generation units.

2 There was software that was proposed initially  
3 and that was implemented by many market participants, both  
4 to populate the MISO portal with information for their bid,  
5 for their supply offers, and also to retrieve reference-  
6 level information, but that really only happened with trial  
7 and error and in some cases with the use of proprietary  
8 third-party software. And even then, some parties said it  
9 was an incomplete answer.

10 So I think there needs to be greater focus by  
11 both market participants and the IMM or the market monitor  
12 and it's not an independent one on testing, looking for that  
13 kind of software initially and testing it ahead of time and  
14 also testing the portal of whatever ISO is involved or RTO  
15 is involved.

16 COMMISSIONER BROWNELL: Mr. Chairman, I'd like to  
17 suggest that we take this report, we get comments and  
18 specific recommendations and maybe start a working group  
19 with MISO and our Staff to really fine-tune this. Because I  
20 think it would be a shame to have gone through this effort  
21 and not be able to translate it into here's how we could do  
22 business differently -- I mean, I could ask about 50  
23 questions and I'm sure the market participants could, too.  
24 But to the extent that whatever model they use, people are  
25 going to go to markets at some point. I think it's

1 important we take this.

2 My recollection, for example, is reference prices  
3 were an issue in the New York market. So let's, you know,  
4 even though every region is different and I think every  
5 block in this country is different, it would be nice to be  
6 able to translate our experience.

7 The other thing I just want to say is I just got  
8 back from a couple of days at MISO -- and I want to put this  
9 in context. A year ago when we went to MISO -- and Dan and  
10 Mike remember this -- it was pretty grim for everybody. And  
11 today they're focused on nuanced fine-tuning, security-  
12 constrained dispatch is much more effective, much more  
13 efficient, much more economic than TLRs. The virtual  
14 bidding markets are robust. A whole lot of people are  
15 making a whole lot of money so we don't have that many  
16 complaints any more. I think the market, MISO is much more  
17 responsive to its customers, better ability and quicker  
18 ability to call up reactive power -- which was an issue in  
19 the blackout.

20 So I do want to say, and I told the market  
21 participants, for all the tough work we did, we ought to  
22 kind of be looking around declaring victory because there  
23 were some grim moments when we weren't sure that was going  
24 to happen. And while continuous improvement is what we want  
25 from these organizations, we got to where we thought we'd be

1 and now it's just a question of getting better.

2 COMMISSIONER KELLY: I'd just like to clarify,  
3 Nora, when you said a whole lot of people are making a whole  
4 lot of money, that also consumers are seeing the benefits in  
5 lower costs.

6 COMMISSIONER BROWNELL: Yes. Yes, absolutely  
7 they are. They're seeing the benefits in lower costs in a  
8 variety of ways, Suedeen, and in many cases -- it's been a  
9 miserably hot summer out there as it has been here, and the  
10 greater efficiency of security-constrained dispatch has  
11 eliminated the need for TLRs. We've called the TLRs the  
12 blunt instrument which you exercise and it takes out a lot,  
13 as opposed to this, which is pretty surgical.

14 So yes, I didn't -- I wanted to say it's okay for  
15 people to make money as long as they do it legally. There  
16 was a perception at one point that this would interfere with  
17 business models, whether they be co-ops or IOUs and that  
18 simply has not been the case.

19 COMMISSIONER KELLY: I agree with you. And I  
20 understand one of our Staff members went to a CERA workshop  
21 on a report that they're working on to see what the benefits  
22 of restructuring have been and although that report hasn't  
23 been issued yet that they are finding preliminarily that  
24 there's been significant savings to consumers in the  
25 Midwest.

1                   COMMISSIONER BROWNELL: Thank you.

2                   CHAIRMAN KELLIHER: Just to answer Nora's  
3 comment, I think that suggestion is a good one. To the  
4 extent there's lessons that we can learn from this  
5 experience, we shouldn't just learn the lessons but we  
6 should try to apply them perhaps -- well, certainly in MISO  
7 but perhaps elsewhere.

8                   I did have one or two questions about reference  
9 prices in MISO. Typically reference prices can be  
10 calculated in a number of different ways, one of which is  
11 based on prior bids. Now that obviously couldn't be the  
12 mechanism during the start-up period. But when there were  
13 problems with calculating reference prices, was it instances  
14 where the market monitor -- typically the market monitor had  
15 estimated the costs? I can't remember how it works in MISO,  
16 but a lot of times the reference price can be established  
17 through higher bidding -- that doesn't apply here -- through  
18 some kind of basically an agreement between the market  
19 monitor and the generator, and also in some instances the  
20 IMMs independent estimate of the cost of the generator.

21                   When there are problems with establishing  
22 reference prices, was it the manner of establishing the  
23 reference price that was the problem or was it the speed and  
24 change in the reference price, or both?

25                   MR. TOBENKIN: It was both. And, frankly, there

1        were -- there are problems in a number of levels and one was  
2        that some market participants didn't have clear and precise  
3        estimates of their own costs. They needed to calculate  
4        those internally and then, you know, verify -- get those  
5        validated by the market monitor.

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1           In other cases, there were difficulties with the  
2 model being used by the market monitor. It might not  
3 accommodate all the different variations in costs for a  
4 given unit, if it was using multiple types of fuels.

5           And there are also other types of problems  
6 dealing with changes. For instance, you know, it wouldn't -  
7 - the market monitors' model would not accommodate last-  
8 minute changes in fuel prices, so you would also have  
9 inaccuracies through that aspect, too.

10           So there was a combination of different factors,  
11 some of which would be very difficult to correct, some of  
12 which just needed more time, and, of course, the presumption  
13 was that the market monitors' prices were the right ones  
14 until someone validated, and some of these units just took a  
15 long time to validate.

16           CHAIRMAN KELLIHER: Thank you.

17           COMMISSIONER KELLY: Did FERC approve the model,  
18 the models that were used?

19           MR. TOBENKIN: Yes, it did. It's in the tariff.

20

21           COMMISSIONER KELLY: Okay. Are we going to look  
22 at the model? Does the model need to be adjusted?

23           MR. TOBENKIN: You know, I think that it's  
24 difficult to say. I would say one thing that could be said  
25 here is, you know, the standard here was so much higher than

1 is the case for typical market mitigation, that it's a  
2 question of whether it merits the change in the model or  
3 simply we're paying particularly close attention to it at  
4 the launch of a market, for understandable reasons.

5 So, I think that's a broader policy issue that  
6 the Commission may want to look at, but should also  
7 understand that, you know, we're looking at extremely fine  
8 detail, compared to what we usually look at for market  
9 mitigation purposes.

10 COMMISSIONER KELLY: Thank you. I think that  
11 ties into Nora's suggestion that we look at lessons learned  
12 and evaluate whether or not we want to make changes, based  
13 on what we learned in the investigation.

14 COMMISSIONER BROWNELL: Was there any difference  
15 in responses, or communication differences that would  
16 reflect the difference in training? Were the big players  
17 more equipped than the small players?

18 Did we learn anything there? I know that was an  
19 issue in the run up to the marketplace.

20 MR. TOBENKIN: You know, we learned a lot about  
21 responses of different companies, and it really was all over  
22 the map.

23 COMMISSIONER BROWNELL: Okay.

24 MR. TOBENKIN: There were varying levels of  
25 diligence that were applied to this process, and varying

1 levels of speed, and, you know, some companies clearly had  
2 internal problems reconciling the people who were providing  
3 information to IMM with those making supply offers.

4 And there were a whole bunch of other factors  
5 that differed from company to company.

6 COMMISSIONER BROWNELL: Okay, well, then, it's  
7 specifics that we can discuss with the participants.  
8 Thanks. Good job.

9 CHAIRMAN KELLIHER: Would you like to make a  
10 comment?

11 MR. BARDEE: The only thing I was going to  
12 mention, Chairman Kelliher, is that the Commission, several  
13 months ago, put out a Notice for Comments on reference  
14 prices, generically, not specifically as to MISO.

15 And we've gotten those comments, and those  
16 comments will be summarized and analyzed for your  
17 consideration, soon. I say that not in the sense of  
18 supplanting what Commissioner Brownell has suggested, but  
19 just as background to where we are on that issue.

20 COMMISSIONER BROWNELL: Thank you.

21 CHAIRMAN KELLIHER: How can we post the report  
22 and seek comment? How do we do that, mechanically?

23 MS. MARLETTE: I think we could issue -- have the  
24 Secretary issue a notice with a report attached, asking for  
25 comments.

1                   CHAIRMAN KELLIHER:  What's a reasonable time?  
2   Thirty days?

3                   MS. MARLETTE:  I think so.

4                   CHAIRMAN KELLIHER:  Okay.

5                   COMMISSIONER BROWNELL:  It works for me.

6                   CHAIRMAN KELLIHER:  Great, well, let's do it.  
7   Thank you very much.

8                   SECRETARY SALAS:  The next item for discussion  
9   this morning is E-52.  This is Trans Bay Cable, LLC, and  
10  it's a presentation by Amina Mirza, Shawn Bennett, and  
11  Travis McGee.

12                  CHAIRMAN KELLIHER:  As the Staff is coming up for  
13  this, I'd like to make a -- I want to compliment the FERC  
14  Staff.

15                  The filing on Friday was very much honored this  
16  time around.  We had very few late Orders and that made this  
17  meeting -- that helped make this meeting go very smoothly,  
18  so I just wanted to compliment the Staff.  There were very,  
19  very few late Orders file.  I should have noted that  
20  earlier, but wanted to note it now.  Thank you.

21                  MR. BENNETT:  Good morning, Mr. Chairman and  
22  Commissioners.  The draft Order before you approves an  
23  operating memorandum proposed by Trans Bay Cable, which will  
24  allow a new transmission construction project into the City  
25  of San Francisco, to move forward.

1                   On May 19, 2005, Trans Bay Cable, a wholly-owned  
2 subsidiary of Babcock and Brown, filed an operating  
3 memorandum among Trans Bay, the City of Pittsburg,  
4 California, and Pittsburg Power Company.

5                   The operating memorandum sets forth the rate  
6 principles and operational responsibilities, pursuant to  
7 which the parties will pursue the development of a \$300  
8 million high-voltage direct current line underneath the San  
9 Francisco Bay, that will transmit electric power to the City  
10 of San Francisco. Once built, the line will be operated by  
11 the California Independent System Operator.

12                   The draft Order finds that the operating  
13 memorandum is appropriate, given that Trans Bay is a new  
14 independent entity and that the project's benefits include a  
15 new source of electricity for San Francisco, enhanced  
16 reliability, and reduced congestion costs.

17                   Moreover, the draft finds that the proposed rate  
18 treatment is consistent with what was applied to TransElect  
19 in California's Path 15 upgrade.

20                   In conclusion, the draft Order, as a preliminary  
21 step that allows Trans Bay to move forward, accepts for  
22 filing, the operating memorandum and the rate principles  
23 contained therein. Thank you.

24                   CHAIRMAN KELLIHER: Any comments?

25                   COMMISSIONER KELLY: Thanks for this

1 presentation. I wanted to emphasize that this presents a  
2 wonderful alternative for the City of San Francisco.

3 San Francisco currently does not generate enough  
4 power for its own residents and its businesses and must rely  
5 on outside transmission lines to get their power. So this  
6 transmission line will increase the alternatives available  
7 to them, and it's 400 megawatts, which will increase the  
8 capacity available to them.

9 Residents of the City have also expressed their  
10 unhappiness with a number of the older plants that exist in  
11 San Francisco at the moment. They are old and they are  
12 polluting, and the residents of the City of San Francisco  
13 would like to eliminate them, and this will be a means to  
14 allow them to achieve that.

15 There are also reliability benefits that are  
16 presented by this cable. The California Independent System  
17 Operator has indicated that the project could provide a  
18 reasonable long-term alternative to solving reliability  
19 concerns that the ISO has found in the San Francisco area:  
20 Elimination of radial electric service to San Francisco  
21 through the Peninsula Corridor, the resultant reduction in  
22 power flow in that corridor, and anticipated reduction in  
23 generation requirements within the City.

24 In addition, Trans Bay will provide more  
25 reliability, or it appears that it will provide more

1 reliability than a generator. It's very secure, and the  
2 environmental impact of laying the cable, appears to be  
3 relatively small. In fact, the actual impact of putting the  
4 cable, burying the cable in the Bay, is anticipated to have  
5 less impact than the tidal flow differences on a daily  
6 basis, in the Bay.

7 I think -- the other thing that I wanted to  
8 mention is, what we have here, again, is a transmission  
9 project brought to us by an independent transmission  
10 company.

11 In addition, it's interesting because it's a  
12 consortium with public power. The City of Pittsburg in  
13 California, is working together with Trans Bay, LLC, to  
14 bring this project to California.

15 As we think about crafting a new transmission  
16 policy, again, it's important to see that the facts are that  
17 independent transmission companies are viable and vibrant in  
18 this area, and we need to ensure that, to the extent we are  
19 able, we can eliminate barriers that they might otherwise  
20 face in developing their projects.

21 Along those lines, I think that we do a very good  
22 thing today by approving in advance, the operating  
23 memorandum that the project participants have entered into.

24 It gives them certainty as they go into the  
25 marketplace to obtain financing for this project. I know

1 that the California Public Utilities Commission was  
2 concerned about the rate of return on equity that the  
3 project has asked for, and that in this Order, we are going  
4 to approve.

5 We are approving a post-tax, 13.5 percent ROE. I  
6 believe that that's appropriate. Putting a transmission  
7 project like this into place, is riskier than a standard  
8 transmission line. It requires a lot of up-front work,  
9 without any true certainty that the project is going to be  
10 in place.

11 I think that our Order, in setting the ROE,  
12 recognizes that. We also allow the company to work with a  
13 targeted 50-percent debt/50-percent equity capital  
14 structure.

15 I think it is, again, appropriate for us to do  
16 that now, rather than wait until after the project is  
17 finished, because it gives the certainty that the project  
18 developers need as they go into the financing arena.

19 And then, finally, we will put in place, a three-  
20 year rate moratorium from the initial transmission revenue  
21 requirement, and I, again, think that's appropriate. It  
22 adds certainty, and I see no downside for consumers.

23 In fact, ratepayers are likely to benefit from  
24 this project because it also provides the potential for more  
25 economic dispatch into the San Francisco area. So I'm very

1 pleased to be able to vote for this order.

2 COMMISSIONER BROWNELL: I would certainly  
3 associate myself with what was a great and detailed  
4 description of this project, and I would just like to add  
5 two things:

6 One, the independence aspect, I think we've seen  
7 value-added in Path 15, to be sure, in a number of the other  
8 ITCs, and I was a little disappointed that that is not fully  
9 understood, apparently, by some of the Intervenors who think  
10 that this is premature.

11 The second point I would make is that allocation  
12 of risk, that California, as every other part of the  
13 country, has choices as to whether they want to return to an  
14 era where the ratepayer is exposed to all of the risk,  
15 without much of a vote, or you look towards a model where  
16 it's shared between investors and ratepayers.

17 And as California moves towards resolution of  
18 some of its issues, infrastructure is the key to all of the  
19 other parts. And so I think it's important that the states  
20 and the other participants be a little more open in creating  
21 opportunities for investment in the state, because,  
22 ultimately, that is the best opportunity for customers and  
23 is the best opportunity for the economic development of the  
24 state, which is growing again.

25 We're pleased to see that, but it cannot sustain

1 that growth without additional infrastructure. So I'm  
2 hoping that this approval today, sends a signal that perhaps  
3 all of the parties -- and I think the CEC commented on how  
4 important it is -- get together and resolve that they are  
5 open to new models, and the most important thing is the well  
6 being of California and not some parochial business models  
7 that, frankly, would benefit from a little competitive  
8 investment in the state.

9 So I'm really pleased with this. I thank you for  
10 your hard work. I think it also sends a signal that we are  
11 consistent in our willingness and application of things that  
12 we've offered to previous independent transmission projects,  
13 and I feel good about that.

14 COMMISSIONER KELLY: Thanks, Nora. And I wanted  
15 to add -- you were talking about new ways of approaching it,  
16 that some innovation has also been shown in this project.  
17 There will be a telecommunications line laid with the  
18 electricity cable, and, of course, that will also help San  
19 Francisco.

20 CHAIRMAN KELLIHER: Let me make a few comments.  
21 As both my colleagues have pointed out, the Order does  
22 support the development of badly needed infrastructure in  
23 California and will increase the access of San Francisco to  
24 additional electricity supplies, a pretty significant  
25 amount, 400 megawatts.

1           It is discouraging that five years after the  
2 California crisis, we're still worried about the adequacy of  
3 electricity supply in the state.

4           Now, the Commission has helped in the past. We  
5 are doing what we can do now to help.

6           The Commission supported the development of  
7 infrastructure in Southern California in the Path 15 Order,  
8 and this Order takes the same approach, this time helping  
9 the development of energy infrastructure in Northern  
10 California and in the San Francisco area.

11           But we're following the same approach here as we  
12 took on Path 15. It was challenged in the courts and it  
13 prevailed in the courts, so I would hope that any challenges  
14 this time, would have the same fate.

15           So I think it's a good Order, and I'm happy to  
16 support it. Thanks for the summary.

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1 COMMISSIONER KELLY: Aye.

2 COMMISSIONER BROWNELL: Aye.

3 CHAIRMAN KELLIHER: Aye.

4 SECRETARY SALAS: The final item for discussion  
5 this morning is C-8, Ingleside Energy Center, LLC. It's a  
6 presentation by John Wood, Shannon Dunn, Terry Turpin, Whit  
7 Holden, and Walt McDaniel.

8 MR. WOOD: Good morning, Mr. Chairman and  
9 Commissioners. My name is John Wood and I work in the  
10 Office of Energy Projects. Seated at the table with me are  
11 Shannon Dunn and Terry Turpin from the Office of Energy  
12 Projects, Whit Holden from the Office of General Counsel,  
13 and Walt McDaniel from the Office of Markets, Tariffs and  
14 Rates. Today we're reporting on the draft order in Item C-  
15 8.

16 The draft order in Item C-8 issues authorizations  
17 to Ingleside Energy Center, LLC, and San Patricio Pipeline,  
18 LLC, both affiliates of Occidental Petroleum, to construct  
19 and operate an LNG terminal and related pipeline facilities  
20 near Corpus Christi, Texas.

21 Ingleside will construct and operate an LNG  
22 import terminal on the northeast shoreline of Corpus Christi  
23 Bay near the town of Ingleside adjacent to an existing  
24 chemical facility operated by Occidental Chemical  
25 Corporation. The facilities will be used to import, store

1 and vaporize approximately 1 Bcf per day of LNG. Some of  
2 the key facilities to be constructed include an LNG marine  
3 terminal with a turning basin and one protected berth, two  
4 160,000 cubic meter storage tanks, LNG vaporization and  
5 sendout facilities, as well as other infrastructure and  
6 support systems.

7 Ingleside's proposal will have two design aspects  
8 that are unique to its proposal. First, Ingleside intends  
9 to include a natural gas liquids recovery unit at its  
10 terminal. The ability to remove liquid hydrocarbons will  
11 diversify the range of LNG sources available to Ingleside's  
12 facility, mitigate gas compatibility problems and provide  
13 additional feedstock for the petrochemical industry.

14 The other unique aspect of Ingleside's design is  
15 the use of waste heat from Occidental Chemical's adjacent  
16 facility to vaporize the LNG. Ingleside intends to use a  
17 typical closed-loop water-glycol system but it will be  
18 heated by the waste heat from the chemical facility. This  
19 process will conserve natural gas that otherwise would have  
20 to be burned to generate heat for the vaporization process.  
21 In addition, the cold energy from the LNG facility will be  
22 used for the cooling needs of the Occidental Chemical  
23 facility, which could reduce water usage at the chemical  
24 facility by two million gallons per day.

25 The San Patricio Pipeline will consist of

1 approximately 26 miles of 26-inch diameter pipeline  
2 extending from the tailgate of Ingleside's LNG terminal to  
3 interconnections with nine intra-state and interstate  
4 pipelines in San Patricio County, Texas. San Patricio  
5 Pipeline anticipates placing its pipeline into service in  
6 2008 to coincide with the completion of Ingleside's LNG  
7 terminal. San Patricio has executed precedent agreement  
8 with Occidental Marketing for the entire capacity of the  
9 pipeline for a term of 15 years.

10 Ingleside and San Patricio Pipeline took part in  
11 the Commission's pre-filing process, allowing for expedited  
12 processing of their applications. The Corps of Engineers,  
13 the U.S. Coast Guard, the Fish and Wildlife Service, the  
14 National Marine Fisheries Service, and the U.S. Department  
15 of Transportation participated as cooperating agencies,  
16 assisting with the preparation of the environmental impact  
17 statement.

18 Because of the early participation of affected  
19 stakeholders in the pre-filing process and the fact that the  
20 project was uncontested, Shannon Dunn, the environmental  
21 project manager, and her team were able to prepare and issue  
22 the final environmental impact statement less than eight  
23 months after the filing of the applications in October 2004.  
24 I will now turn over the presentation to Shannon Dunn, who  
25 will highlight some of the safety aspects of the project.

1 MS. DUNN: Good morning. In accordance with the  
2 February 2004 Interagency Agreement, we worked closely with  
3 the Coast Guard in the evaluation of these facilities. The  
4 marine safety sections of the EIS, as well as for the other  
5 projects along this waterway, were written with the  
6 cooperation and assistance of the U.S. Coast Guard Marine  
7 Safety Office in Corpus Christi.

8 Although this project predated the issuance of  
9 the Coast Guard's Navigation and Vessel Inspection Circular  
10 or NVIC, the draft order requires that Ingleside submit a  
11 draft waterway suitability assessment, or WSA, to the  
12 Captain of the Port for review and validation and provide a  
13 copy to the FERC Staff for review.

14 The WSA will address safety and security of the  
15 port, the facility and the vessels transporting the LNG.  
16 Once the draft WSA is submitted, the Coast Guard NVIC  
17 process will be implemented by the Captain of the Port as  
18 appropriate and the Coast Guard will submit a WSA report to  
19 FERC. The findings of this report will be reviewed by the  
20 Director of OEP and implemented by Ingleside. The WSA will  
21 be updated annually thereafter.

22 In addition, we conducted a cryogenic design and  
23 technical review to examine the engineering design and  
24 safety concepts and operational reliability of the proposed  
25 facilities. As part of this process, we reviewed the front-

1 end engineering plans submitted with the application and  
2 convened a technical conference with the company on February  
3 8th, 2005.

4 The draft order has 46 conditions regarding the  
5 proposed design. These requirements will ensure the safety  
6 and operability of the LNG terminal. For example, one  
7 requirement is for the final design to re-evaluate the  
8 proximity of combustion/ventilation air intake equipment to  
9 any possible hydrocarbon release.

10 Another requirement ensures the operability and  
11 shutdown of the vaporizer system to prevent LNG release.

12 All of these final design requirements will be  
13 filed with the Secretary for review and approval by the  
14 Director of OEP. In addition, Staff will review details of  
15 facility operation and emergency response manuals for the  
16 facility prior to operation.

17 That concludes our presentation.

18 CHAIRMAN KELLIHER: Any comments?

19 COMMISSIONER KELLY: This case presents a number  
20 of interesting aspects. I think, first of all, I'd like to  
21 highlight that it continues our policy which we made clear  
22 at our last open meeting when we rejected the LNG terminal  
23 in Rhode Island, proposed for Rhode Island, that new  
24 facilities must meet or exceed the current highest safety  
25 standards, and I'm pleased, Shannon, to be able to vote for

1 that in this order regarding the pending Coast Guard  
2 requirement.

3 Also, I'd like to comment on the siting of this  
4 facility. Not only is the siting appropriate, it's optimal.  
5 And I think that the developers of this project should be  
6 commended for that. This facility will maximize the  
7 benefits that LNG importation can bring to the country. The  
8 fact that it is going to include an on-site liquids removal  
9 unit is important, because it will add flexibility to the  
10 importer to compete in the global marketplace to bring LNG  
11 to this country from different production areas and to  
12 deliver compatible gas into the domestic gas stream. I  
13 support that.

14 And also in a sense this is a cogen unit, and we  
15 haven't seen an innovation like that and that's very  
16 encouraging. Using the waste heat from Occidental's  
17 chemical facility to vaporize the LNG is estimated that it  
18 will likely conserve about 16,000 MMBtu per day of natural  
19 gas that would otherwise need to be burned to generate the  
20 heat required for the vaporization process and this, in  
21 turn, will avoid the release of about 300 tons per year of  
22 air emissions associated with LNG regasification.

23 And also using the cold energy from the LNG  
24 facility synergistically with the chemical plant to supplant  
25 the fresh water that's ordinarily used by this chemical

1 plant will reduce water usage by about two million gallons  
2 per day. Coming from the Desert Southwest, that's very  
3 significant. So I'm pleased to vote for this order.

4 COMMISSIONER BROWNELL: Thanks. I would just  
5 encourage parties that are interested in LNG -- and there  
6 are a lot of parties and a lot of people have a lot of  
7 things to say, amazingly sometimes without any basis of  
8 fact. I would encourage them to read this order, look at  
9 the environmental conditions, look at the safety conditions,  
10 and look at them in detail and the checks and balances that  
11 are in here in terms of dealing with any deviances and  
12 things like that.

13 Because I think that once you understand the  
14 extent to which the projects office and the parties have  
15 been through to build in not only the efficiencies you talk  
16 about and the value of supply, but to address very  
17 legitimate concerns in a responsible way. I think that  
18 people can begin to get more comfortable with why LNG plants  
19 are a part of our future and are, in fact, consistent with  
20 the safety and well-being of the people in the neighborhood.

21 So I would encourage everyone to spend a little  
22 time with this order because I think it's quite clear and  
23 articulates very well the concerns that all of the parties  
24 have for addressing issues of security and safety and  
25 environment.

1                   CHAIRMAN KELLIHER: All right. I want to thank  
2 Staff for the discussion and presentation. One reason we  
3 had this scheduled a discussion item was to highlight that  
4 the Commission's policy on LNG is unchanged and that our  
5 approach will remain consistent, was it was under Chairman  
6 Wood. And I also want to explain something that is  
7 frequently misunderstood: that the essence of the  
8 Commission's role on LNG import facility approval is that  
9 we're a safety regulator, we are largely not an economic  
10 regulator, we're a safety regulator. And that's sometimes  
11 lost on people. We have very high safety standards, we  
12 apply them consistently, and when projects meet that  
13 standard or they can be conditioned to meet that standard,  
14 they'll be approved. And that's exactly what we did here.

15                   We also acted very quickly. This order was  
16 issued less than eight months after the application came in  
17 -- well, the final EIS was issued less than eight months  
18 after the application came in. And to complete an EIS in  
19 less than eight months, given the strictures of NEPA, is  
20 pretty incredible and I want to commend Staff for their hard  
21 work in that area. I think that shows that we are a very  
22 tough safety regulator but we're also capable of making  
23 rapid decisions. And so I do support the order.

24                   I do want to comment that the Staff did note  
25 there are 46 conditions regarding the proposed design. So

1 we did take a hard look at the project, we did condition it.  
2 But we did approve it quickly. So I support the order and  
3 I'm happy to vote for it.

4 COMMISSIONER KELLY: Aye.

5 COMMISSIONER BROWNELL: Aye.

6 CHAIRMAN KELLIHER: Aye.

7 Now I understand Commission Kelly has an  
8 introduction she'd like to make.

9 COMMISSIONER KELLY: Yes, thank you, Joe. I'd  
10 like to introduce Luwan Nelson. Luwan, would you stand up?  
11 Luwan is a summer intern who has been working for me and  
12 she's just done an excellent job. She has written a number  
13 of my speeches. And for someone to come out of  
14 undergraduate school, walk into FERC and be able to pick up  
15 the technical detail that Luwan has been able to pick up and  
16 turn it into prose that makes sense is truly an  
17 accomplishment. So thank you. I wanted to thank you  
18 publicly, Luwan, and acknowledge your contribution. Thank  
19 you very much.

20 (Applause.)

21 CHAIRMAN KELLIHER: And I'd like to make one last  
22 announcement that certainly the FERC Staff know and the  
23 press know, but other FERC interested parties may not know,  
24 and that's the schedule for open meetings. This meeting is  
25 occurring on the third Thursday of the month and that will

1 be the regular meeting time for the Commission going  
2 forward. We will have monthly meetings the third Thursday  
3 of the month. So for those of you watching this on  
4 television, who started watching at 10:00 yesterday --

5 (Laughter.)

6 CHAIRMAN KELLIHER: -- you can tune in on the  
7 third Thursday of the month.

8 And I want to commend Chairman Wood for moving  
9 from the two week to three week cycle. I had one experience  
10 with the two week cycle last month and it wasn't the most  
11 happy experience; it was hard to do. So I think the three  
12 week cycle is an improvement, but it's just in a regular  
13 sequence. So monthly meetings are more the norm for federal  
14 bodies and I think for state bodies as well and that's what  
15 we'll be going forward.

16 And Nora alluded to this, we may do more work  
17 notationally as a result, either that or open meetings will  
18 get even bigger, which would not be the desirable outcome.  
19 So we may do more work notationally. The Commission right  
20 now issues about 1500 orders a year and a third of those are  
21 issued notationally now. That percent may go up. And we  
22 may do more significant orders notationally. Because if it  
23 involves major policy and we're not quite sure when we will  
24 have a meeting of the minds among the Commission offices,  
25 then the notational route may actually work better sometimes

1 on significant orders. So that's just an announcement about  
2 how things will be in the future. I think most people are  
3 aware of that, but it probably makes sense to make a formal  
4 announcement.

5 And with that, this meeting is adjourned, thank  
6 you for coming.

7 (Whereupon, at 11:07 a.m., the Commission meeting  
8 was adjourned.)

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