

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Preventing Undue Discrimination and) Docket Nos. RM05-25-000
Preference in Transmission Service) and RM05-17-000

**STATEMENT OF DON FURMAN
SENIOR VICE PRESIDENT, PPM ENERGY, INC.
OCTOBER 12, 2006 TECHNICAL CONFERENCE
PANEL ON REDISPATCH AND CONDITIONAL FIRM SERVICE**

My name is Don Furman. I am a Senior Vice President with PPM Energy, which among other things, develops, operates and markets power from wind generation facilities located throughout the United States. Prior to joining PPM Energy I was an executive with PacifiCorp, a large vertically-integrated utility in the West. For several years I headed PacifiCorp's transmission business unit. I also have a fair amount of prior experience as a developer and marketer of independent generation, including as a transmission customer of a number of transmission owning utilities. As a result, I come to this panel with the perspective of having both run one of the largest transmission systems in the West, and as a developer of competitive generation that is entirely dependent on a robust, efficient transmission system.

PPM Energy is the second largest developer of wind energy projects in the United States. We currently control approximately 1,600 MW of wind generating capacity throughout the country with a goal of reaching 3,500 MW by 2010. Wind and other renewable energy resources offer substantial benefits by limiting greenhouse gas emissions, helping to clean the air, diversifying the nation's fuel mix, reducing our reliance on foreign energy sources and providing important economic benefits for rural America. Although

non-hydropower renewable energy currently accounts for a small percentage of the nation's electric generating capacity, the potential for growth is significant. In fact, President Bush recently stated that he believes that wind power could eventually supply up to 20% of the nation's electricity.

Because the best wind resources are primarily located in rural areas, some distance away from load centers, the biggest impediment to investment in wind generation is the lack of adequate firm transmission capacity. The Commission's efforts to promote construction of new transmission capacity will help. However, the wind industry, and for that matter the power sector in general, can't wait for new transmission to be built, and should not have to wait when, in fact, the utilization of the existing network could be significantly improved to accommodate more generation.

This capability is not being made available for customers seeking firm transmission service and sits idle most of the time. Many key flowgates are constrained during only a few hours of the year, yet inflexible point to point tariffs limit access to the long-term transmission service that developers need to obtain financing. There are specific examples where new wind development is being delayed for years, or indefinitely, until new transmission projects get out of the planning stages and into construction. But more importantly, there are entire regions of the country where superior wind sites are not being pursued because new transmission investment is so improbable.

Regional Transmission Organizations in the Midwest, the Northeast and Texas are using market structures and rules to provide for the more efficient use of the transmission grid.

However, other regions of the country don't have the benefit of regional markets. I have spent a considerable amount of time working to establish an RTO in the Northwest and can attest that it is highly unlikely that a regional market will be created in that region, or for that matter in any region that does not currently have an operating RTO, in the foreseeable future.

Unless the Commission requires transmission providers to offer products that allow for the more efficient use of existing transmission capacity, the wind industry will wither on the vine. Appropriately designed redispatch and conditional firm services will remove current barriers to much-needed new generating capacity. Redispatch enables a transmission customer to pay other generators to ramp up or ramp down their facilities to relieve congestion on a transmission path. Conditional firm allows for long-term service in cases where capacity exists in all but a small number of hours or in limited situations. The OATT NOPR suggests that the Commission views redispatch and conditional firm as mutually exclusive. We strongly disagree. Both products may, in different ways, help increase available firm transmission capacity.

It is important that redispatch and conditional firm services be structured to provide as much certainty and transparency as possible so that customers can make an informed judgment about future costs. A redispatch product will be meaningless if the transmission customer doesn't have a good sense whether redispatch will be less expensive than transmission upgrades. Likewise, a transmission customer needs to be able to accurately assess when firm transmission won't be available pursuant to conditional firm service.

A number of utilities submitted comments opposing the imposition of a requirement that transmission providers offer expanded redispatch service and/or conditional firm service. They suggest that these services would impair system reliability and come at the expense of their native load customers. Based on my experience leading one of the largest transmission systems in the West, I can tell you that these concerns are unfounded. In fact, utilities already engage in redispatch every day, often at considerable profit. Moreover, utilities don't decline to build a generating resource simply because firm transmission capacity won't be available a few hours of the year. Instead, to the extent redispatch opportunities are unavailable, they provide their generation what in essence is conditional firm service. It is long overdue for the Commission to reform the OATT to ensure that non-affiliated generators have sufficient transmission access as well.

Thank you for inviting me to participate in today's Technical Conference. I'll be glad to respond to questions at the appropriate time.