

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

Interconnection Queuing Practices	Docket No. AD08-2-000
Midwest Independent Transmission System Operator	ER07-1375-000
Midwest Independent Transmission System Operator	ER07-970-000
Southwest Power Pool	ER07-1311-000
PacifiCorp	OA07-54-000
United States Department of Energy Bonneville Power Administration	NJ08-2-000

**STATEMENT OF DON FURMAN
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I. INTRODUCTION

Good morning. I appreciate the Federal Energy Regulatory Commission's (FERC's or Commission's) invitation to participate in today's Technical Conference. My name is Don Furman. I am a Senior Vice President with PPM Energy, Inc. (PPM Energy) and am responsible for the Company's transmission, regulatory and policy business units. PPM Energy is engaged, directly and through its subsidiaries, in the nationwide marketing and development of wind, thermal, and solar energy facilities, natural gas marketing, storage and hub services, and in providing other energy services. We are the second largest wind energy generator and marketer in the United States with approximately 1,800 MW of operating wind power capacity across the major wind-producing areas of the country and plan to add a significant amount of new wind capacity over the next several years. PPM Energy's parent company was recently acquired by Iberdrola, a global energy company headquartered in Spain. Iberdrola is the world's largest wind energy generator, with over 7,000 MW of existing capacity.

Electric utility demand for renewable energy continues to accelerate at a rapid rate. As mandatory Federal, regional and state limits on greenhouse gases loom, utilities are increasingly turning to low- and zero-emissions generation technologies. Moreover, twenty-five states and the District of Columbia have now adopted renewable portfolio

standards (RPS) that require their utilities to acquire increasing amounts of renewable energy. Additional states are considering adopting their own RPS programs and Congress is expected to eventually enact a national RPS requirement. Wind power, in particular, because it can be constructed quickly and it is cost competitive with conventional electric generation resources is an attractive resource for utilities seeking to comply with renewable energy and greenhouse gas requirements.

The Midwest is a particularly important region because there are a number of areas with significant potential for wind power development. This is true for the portions of the region served by the Midwest Independent System Operator (MISO) and the Southwest Power Pool (SPP), as well as those portions of the region not served by an independent grid operator. Interconnection queues throughout the region have become log-jammed primarily due to the exploding demand for wind power. According to MISO, of the 68,000 MW of new generation in its queue, 51,000 MW are associated with proposed new wind projects.¹ PPM Energy is itself responsible for nearly 3,000 MW of new wind projects in the MISO interconnection queue.² The entirety of the proposed projects is stressing the region's interconnection processes.

Interconnection queue reforms can help to facilitate the development of wind and other generation facilities in the Midwest. However, we must not lose sight of the fact that interconnection reform is only one piece of the puzzle. The main source of the problems we face today is that transmission investments are not keeping up with demand. Many of the issues affecting the interconnection queue (such as long study times and high incremental costs) become much less difficult to resolve if there is sufficient transmission capacity. This is particularly relevant for wind energy facilities that can only be sited where a sufficient wind resource exists. Often, these locations are in remote areas without significant levels of backbone transmission capacity. The Commission, Congress, and the state regulators, as well as industry, all need to act to ensure that the grid is expanded to accommodate the growing demand for electricity and alternative generation technologies.

In addition, the allocation of network upgrade costs is a critical issue for wind power project developers as well as other generation facilities. FERC's Order No. 2003³, which established the rules for large generator interconnections, requires transmission providers to reimburse 100% of the contributions generators make for transmission upgrades necessary to accommodate new generation facilities. However, the Commission permits RTOs and ISOs to develop different cost allocation formulas. In 2006 the Commission permitted MISO to implement its Regional Expansion and Criteria Benefit (RECB) proposal which only permits generators to receive 50% reimbursement of their network upgrade costs.⁴ This cost burden imposed on generators acts both to delay and

¹ MISO letter to Midwest Governors at p. 2 (November 9, 2007).

² MISO presentation – “Proposed Modifications to Generation Interconnect Queue Process” at p. 16 (June 19, 2007).

³ *Standardization of Generator Interconnection Agreements and Procedures*, 104 FERC 61,103 (2003).

⁴ *Midwest Independent Transmission System Operator, Inc.*, 114 FERC 61,106 (2006), *order on reh'g*, 118 FERC 61,208 (2007).

permanently impede the development of generation resources, especially in remote areas and ignores the benefits provided by wind and other renewable generation facilities. Other parts of the country, such as the ERCOT portion of Texas, that employ broader network upgrade cost allocation methodologies seem to experience fewer problems both in terms of interconnection queue delays and investments in generation. The Commission, MISO and the region's stakeholders all need to reassess the RECB cost allocation approach. The status quo may not enable the states and utilities to meet their renewable energy targets. Moreover, it does not satisfy the Federal Power Act's requirement that rates and practices be just and reasonable and not unduly discriminatory.⁵

As the Commission recently witnessed with the American Transmission Company (ATC) and Independent Transmission Company (ITC) filings for Wisconsin and Michigan⁶, where ATC and ITC sought and received permission to excuse renewable generators from having to pay for upgrades associated with the interconnection process, more creative cost allocation methodologies facilitate the development of new generation capacity more quickly.

II. SUMMARY OF POSITION

Before specifically answering the questions raised by the Commission, I want to briefly summarize PPM Energy's views on interconnection queue reform:

- Order No. 2003 has successfully provided wind generators with the opportunity to compete for transmission capacity pursuant to a fair and equitable process. Although interconnection process reforms are needed, we should not “throw the baby out with the bathwater”. Instead, the process reforms should be incremental.
- The following reforms would improve the interconnection queue process:
 - Additional resources (including engineers and consultants) need to be employed to process interconnection queue requests in a timely manner.
 - The option provided in Order No. 2003 to cluster proposed generation projects for the purpose of performing interconnection studies should be limited only to projects in the same geographic location (as opposed to overly large clusters) in order to improve the efficiency of the process.
 - Increased financial requirements, under certain circumstances, are an appropriate incentive to encourage generators to only request interconnection capacity they need to build their projects.
 - Developers should only be responsible for network upgrades to accommodate a new generation facility. Reliability upgrades should not be part of this process. Where reliability benefits occur, the costs should be allocated based on the cost sharing methodology of the applicable tariff.

⁵ 16 U.S.C. 824d and 16 U.S.C. 824e.

⁶ See, e.g., *Independent Transmission Company*, 120 FERC 61,220 (2007).

- The first-come, first-served approach for the interconnection queue should be retained.
- The Commission should not lose focus of the main barrier to the development of wind and other generation sources in the Midwest -- the lack of adequate transmission capacity and a transmission cost allocation methodology that doesn't deter investment in new generation.

III. RESPONSE TO QUESTIONS

I'd like to take a few minutes to respond directly to the questions posed in the Commission's Notice of this Technical Conference:

1. *What is the current queue situation in your region?*

Due to strong demand for renewable generation, the interconnection queue is too long. Modifications to the queue process will help generators interconnect to the grid more quickly, but by far, the most significant thing we can do to facilitate the development of renewable generation in the region is to add backbone transmission. While tweaking the queue process is certainly warranted, it will not solve the problem.

2. *What queue management improvements would be most effective and which could be implemented most quickly? What changes if any could be implemented within the transmission provider's current tariff and which would require a change in the tariff? What changes are already accommodated by the flexibility provided in Order No. 2003?*

The Commission should consider several modifications to the queue process. First, transmission owners and RTOs need to deploy additional resources need to be employed to process interconnection requests more expeditiously. Additional transmission planning engineers are needed to aid the completion of interconnection studies within the time frames outlined in the Large Generator Interconnection Procedure milestones. This could be accomplished either by the transmission provider adding staff or by contracting with outside consultants. Unfortunately, at the same time demand is increasing, there is a growing shortage of electrical engineers throughout the country to perform these studies. It is important that, as an industry, we all work to encourage students to enter this field before this shortage becomes a crisis.

Second, to the extent a transmission provider utilizes the clustering option, authorized in Order No. 2003, the clustering of projects must be based on geographic location as opposed to the queue filing date and it must be done in a way that is not overly complex or time-consuming. For instance, the analysis of MISO's Queue 5 group of projects has taken over 18 months because the generation facilities being considered are not geographically aligned and the analysis is so complex. If projects being

clustered for purposes of interconnection review are located in geographically disparate areas, the interconnection study results may not be very meaningful and the overall interconnection process could be delayed, rather than expedited. Clearly, this is a judgment call for the experts to make, but it should be done with the overall goal of producing a useful product in a reasonable amount of time.

Third, it is important to separate out network upgrades directly associated with the interconnection of generation facilities to the grid from network upgrades for the purposes of enhancing system reliability. Generators should not be responsible for reliability upgrades. They need to be addressed as part of the regional transmission planning process, not the interconnection process.

Finally, the interconnection queue process can be improved by attempting to ensure developers only add projects to the queue to the extent they truly intend to develop the project. Increased financial commitment requirements as well as ensuring that the transmission provider is able to demonstrate site control could help. However, the main objective of the queue process should be to ensure new generation being added does not degrade the overall reliability of the interconnected grid. A transmission provider should be determining which projects are “real” based on some predetermined set of criteria which have nothing to do with the reliability of a proposed interconnection.

Some may suggest that the Commission modify or eliminate the current three-year suspension right afforded generators. However, this suspension right is absolutely critical to wind regulators to guard against uncertainties surrounding the availability of the renewable production tax credit, permitting requirements and the tightness of the turbine market.

Most of the suggested changes outlined above can be achieved without modifying the transmission provider’s tariff or modifying Order No. 2003.

3. *What experience has been gained with the voluntary clustering permitted by Order No. 2003? Should the Commission require clustering? What methods of clustering and clustering periods have been tried and which have been the most effective?*

Transmission owner clustering of projects included in the interconnection queue should remain voluntary. However, if the transmission owner chooses to cluster projects, it is essential that such clustering actually improve the interconnection process. Clustering can be a more expedient method of moving generation projects through the interconnection process in comparison to sequential studies based on each individual interconnection request. Nevertheless, if the projects that are clustered bear no geographical relationship to each other, there is a risk that the process could take longer than sequential review.

4. *To what extent is queue management hampered by large numbers of requests that are eventually withdrawn? Should the financial and other commitments required to obtain and retain a queue position be increased? If so, what disadvantages does this present transmission and interconnection customers, particularly smaller customers? Could improvements in the availability or transparency of certain information relevant to project siting decisions, such as congestion or ancillary service costs, reduce the number of requests in the queue that are ultimately withdrawn?*

Clearly, the substantial increase in interconnection requests poses problems for efficient queue management. The fact that a significant percentage of the projects in the queue eventually never get built certainly raises the frustration level for project developers that spend several years in the interconnection queue. However, there are not a lot of pure speculative queue positions. Most of the generation projects in the queue are associated with legitimate developers responding to a demand for additional generation capacity. The fact is that legitimate generation projects are not getting built because transmission is not getting built in sufficient quantities. Queue reform is helpful, but it is not a substitute for a robust transmission grid. In fact, the opposite is true. An effective transmission system will reduce the problems we face with the interconnection queue.

Increased financial requirements tied to the interconnection capacity requested would be helpful in encouraging generators to only request the capacity which they reasonably expect to build. As long as the financial commitments are associated with the capacity requests, we believe developers of smaller projects would not be disadvantaged. If the Commission were to conclude that increased financial commitments are not appropriate for smaller generators, it should consider the option of exempting generation facilities of 20MW or less from such increased requirements. Moreover, study deposits should remain refundable.

Sufficient information currently exists for generators to assess the congestion risks and ancillary service costs at most locations on the grid. The fact is that, for wind power projects, facilities are located where the best wind resources are.

5. *Are there alternatives to the first-come, first serviced approach to processing interconnection and transmission service requests that should be considered? For example, would an open season process in which generators with committed buyers are processed in advance of other generators be an improvement or would it be unduly discriminatory for other customers competing to develop new generation or serve load?*

It is essential that the Commission ensures that any particular methodology for processing interconnection requests is based on objective criteria to prevent possible discriminatory behavior. The “first-come, first-serve” approach is attractive because it is a fair approach for treating each applicant for interconnection service. Although this approach is frustrating to a generation project developer that is ready to proceed

quickly but for the fact the project is located towards the back of the queue, a project developer can seek to acquire a higher queued project (and thus, its queue position) from another developer. It is not the job of the Commission to remedy the failure of a developer to secure an essential element to a successful project.

PPM Energy is concerned that a vertically integrated utility conducting an open season process could disadvantage merchant generators. A utility with advanced knowledge of the location of interconnection facilities can use this knowledge along with the ability to demonstrate a committed buyer to disadvantage alternative generation sources. If an open season process is utilized, it must be transparent and must not permit a project to move to the front of the line solely because a power purchased agreement has been signed. Any process which explicitly or implicitly ties the right to interconnect with the need for a “committed buyer” could violate FERC’s open access and competitive wholesale market principles.

6. *Within the footprint of Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs), what is the most efficient and fair division of responsibility between the RTO/ISO and the transmission owners in processing the queues?*

RTOs and ISOs should have the responsibility for completion of interconnection studies and managing the interconnection queue process. Transferring some or all of that responsibility back to the transmission owners would be a major step backwards, and would remove one of the keystone protections against the abuse of vertical market power.

7. *Do current approaches to modeling of system impacts contribute to delays in processing queues, and, if so, how might this be addressed?*

PPM Energy does not believe that system modeling is an impediment to the processing of interconnection requests.