

P R O C E E D I N G S

(12:30 p.m.)

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2
3 COMMISSIONER BROWNELL: Could everybody sit down,
4 please? We're going to try to stay to a semblance of a
5 schedule here. Thank you.

6 Unfortunately, many people obviously have been
7 snowed out. I do want to take this moment, on a personal
8 level, to thank the many FERC Staff who are here. I sent an
9 e-mail at about 7:00 this morning, saying everybody can stay
10 home; I don't want anyone getting in an accident.

11 I think the fact that they are here, is either a
12 testimony to their commitment or the fear of letting me do
13 this unsupervised.

14 (Laughter.)

15 COMMISSIONER BROWNELL: I choose not to guess
16 which one it might have been, but, in any event, my personal
17 thanks. My thanks to Commissioner Wright. My Vice Chair
18 and Commissioner Schisler didn't arrive. He's probably
19 snowed out on the Eastern Shore.

20 Many people are attending by webcast. One of my
21 Staff members is coming in by webcast, so I'm not doing my
22 homework here; I'm waiting for her to tell me when to send
23 her something.

24 Thank you very much for your participation.

25 As I said before, I think it's the wonderful

1 beginning of a model that I hope will be continued to
2 resolve issues that are thorny and difficult, but because of
3 the shared nature of our jurisdiction, I think it will be
4 increasingly important to use forums like this to address
5 issues that are regional, but obviously have state
6 implications.

7 I'm going to start and talk a little bit about
8 process, because that's what we do as Commissioners; we talk
9 about process a lot. That is, you have before you, a draft
10 that was put together by our Staff, based on the transcript
11 and any comments, although there were few comments that we
12 received after our first Joint Board meeting.

13 It is just that; it is an effort to consolidate
14 the comments and the themes of what they heard. But, going
15 forward, I am going to ask Chairman Schisler and Commissioner
16 Wright to take charge of the drafting, because this is
17 supposed to be a state report, not a FERC report.

18 We will happily offer any technical support
19 that's required, but we really don't want to have a hand in
20 drafting, because I think that defeats the purpose. They've
21 already generously offered to do that, in addition to their
22 day jobs, and I'm very grateful.

23 In terms of process today, today's transcript
24 will be posted. There will be a 21-day comment period, both
25 for Commissioners and outside parties, which will be

1 considered as they are drafting.

2 Then there will be a draft deployment. The goal,
3 as articulated by the Chairman, is to have a final draft
4 ready by May 3rd. If required to do conference calls or
5 anything like that in the interim, we'll certainly organize
6 that as the Vice Chairs ask us to do that.

7 A couple of housekeeping details: Please turn
8 off your cell phones. It's very distracting. If you want
9 to talk on the telephone, please go outside in the hallway
10 to do that.

11 I shouldn't have to say that, but, unfortunately,
12 we do. Please speak into the microphone. We don't have
13 enough, and I apologize, but it's very important for my
14 friend who is doing the transcriptions, in order to get that
15 right.

16 I think you have everybody's name, but it's also
17 helpful if you say your name. At the end, if we have time,
18 we'll take some comments from the floor, but this is really
19 the Commissioners' opportunity to explore exactly what is on
20 the paper, what they'd like to see on the paper, and explore
21 other issues.

22 With that, I'm going to turn it over to the Vice
23 Chair, who is here, Commissioner Kevin Wright.

24 MR. WRIGHT: Thank you, Madam Chairman. Chicago
25 is not under snow, but I do understand that all flights from

1 Chicago, from O'Hare to National, were cancelled today, so
2 those from the Midwest may be having a deeply difficult time
3 getting here, as those from the Mid-Atlantic and New
4 England.

5 Thank you. We will take our task from you, both
6 Chairman Schisler and I, through our staffs, we will work
7 with the Joint Board members and their staffs in developing
8 the final report. A lot of it, most likely, will be done by
9 e-mail, but we will take that charge and meet your deadline
10 of May 3rd.

11 As I look at it then, we will need to develop a
12 timeline for the development of the draft report. We need
13 to take a look at today's recommendations, to see if there
14 is general consensus on those recommendations.

15 Are there gaps and holes in the current draft? I
16 think that's a very good starting point, and I thank the
17 FERC and FERC Staff for the development of that.

18 But are there some areas where we need some
19 further development? If so, is it in the record evidenced
20 now, or do we need to get additional information from the
21 comments that are likely to occur after today, or through
22 data requests or what have you, to adequately shore up areas
23 where there might be come gaps or holes?

24 Then I also note that there are specific issues
25 that have been raised. Mr. Spinner, from the Virginia

1 Commission, has raised several issues, as has Commissioner
2 Craig Jergeson and Commissioner Ervin. I also notice that
3 Commissioner Ken Nickolai has a couple of additional
4 recommendations.

5 All of that needs to be considered and how best
6 we might go about addressing those issues. That, obviously,
7 will be a part of today's discussion. With that, I'll turn
8 it back to our Chair.

9 COMMISSIONER BROWNELL: Thank you. I'd like to
10 just hand the mike for a couple of seconds to Bill Meroney,
11 who is part of the drafting team headed by Bud Earley, who
12 is snowed in in his back yard, just to review, kind of
13 overall, what the report currently says, and perhaps how it
14 was developed.

15 Bill?

16 MR. MERONEY: I just wanted to give you a general
17 overview of the material we put together. It's sometimes
18 called a draft; sometimes it's called study materials, but
19 it's all intended to provide some technical assistance from
20 Staff.

21 There are really three separate things that we
22 provided: One is the general overview of economic dispatch.
23 It's a general statement of a couple of pages.

24 Then for each of the regions, we also provided a
25 fairly short description of how dispatch was done in the

1 regions.

2 Then, finally, we summarized a series of
3 recommendations. The general overview is really just culled
4 largely from the presentation that was given at the initial
5 meeting.

6 Again, it's intended to be a reasonably neutral
7 starting point that the Board is certainly free to alter at
8 this meeting, and the descriptions of the regions are also
9 aimed at trying to give a reasonable starting point from
10 which to continue the report.

11 Finally, the recommendations are culled directly
12 from the record. None of these are Staff recommendations;
13 in fact, we tried extremely hard to be reasonably complete,
14 and, again, neutral.

15 In the case of this region, there's a fairly long
16 list of things, in a fair amount of detail, but we certainly
17 felt that rolling them up and paraphrasing them, was less
18 effective and more likely to misunderstand, so it's very
19 important to remember that what's here is not Staff's
20 opinion or point of view, but really what we hope is this is
21 a place that the Board can start from today in trying to
22 craft the recommendations on their own.

23 COMMISSIONER BROWNELL: Thanks, Bill. Unless
24 people seriously disagree -- and this is a democratic
25 process, so feel free to -- I thought that we would start by

1 letting you ask any questions of Bill in terms of the
2 security-constrained economic dispatch basics or how it is
3 described in the regions, if there are any questions,
4 concerns, or whatever.

5 Then, we'll largely review the recommendations
6 that are there, where there are concerns, where there is
7 disagreement, where people think there are more to be added,
8 and take up what I think are really some good
9 recommendations by various people.

10 If anybody disagrees with that process, feel free
11 to do so.

12 (No response.)

13 COMMISSIONER BROWNELL: We're used to people
14 disagreeing with us. So, with that, are there any questions
15 of Bill in terms of the opening, the basics, anything you
16 feel was not accurately represented?

17 Yes?

18 MS. WEFALD: It's my understanding that the
19 report was written for the PJM-MISO Region. I wondered,
20 when we get to the very final page, 17, recommendations from
21 the DOE for Congress, I wondered whether those
22 recommendations -- how we feel they particularly relate to
23 MISO and PJM, the three recommendations, particularly the
24 first one, *consider conducting in-depth reviews of economic
25 dispatch in investor-owned utilities to determine how they

1 conduct economic dispatch.*

2 Does that particularly relate to PJM-MISO, or
3 does that perhaps relate more to an area that does not have
4 an ISO?

5 COMMISSIONER BROWNELL: If we make it through the
6 day without knocking down the water at this table, I'll be
7 astonished.

8 MR. MERONEY: Or the coffee. We put the DOE
9 recommendations in each region. We stated them the same
10 way.

11 I think that if you look at the first sentence,
12 it focuses on investor-owned utilities, but it was thrown
13 out there as a review. If the Board or any of the RTO
14 regions wanted to correct it in some similar way, this type
15 of similar region, that would probably be appropriate.

16 COMMISSIONER BROWNELL: Susan, I do recall some
17 discussion at the meeting, that, in fact, there were some
18 differences in and among the RTOs, that ought to get looked
19 at in terms of perhaps using different software with
20 different protocols.

21 I think that is also in the list of
22 recommendations, but I suspect that's what happens to be
23 relevant. But I agree with Bill, that we could make that
24 more tailored to what we want to look at here.

25 There was even some discussion, if I recall, at

1 both this Joint Board and the New York-New England Board,
2 about should all of the software be standardized in terms of
3 criteria and protocols, around the country; one, because it
4 drives down costs, and, two, because it gives more
5 transparency in terms of what is actually happening, because
6 the differences tend to yield different outcomes, some more
7 dramatic than others.

8 That is less true in organized markets than in
9 unorganized markets, but it is, I think, slightly true,
10 although the RTOs may correct me here, but I remember Ben
11 Wiley saying you might want to look at this and standardize
12 it.

13 MS. WEFALD: I have another question. Should I
14 ask it now?

15 COMMISSIONER BROWNELL: The floor is yours.

16 MS. WEFALD: My second question relates to
17 efficient dispatch versus economic dispatch. That's
18 addressed on page 7. Questions are raised about the
19 difference between efficient dispatch versus economic
20 dispatch, but there's quite a difference in how people are
21 viewing those definitions. For example, it was stated in
22 the report that AEP says, one utility, argued that efficient
23 dispatch only considers how well a generator converts the
24 input fuel source into electricity, as measured by heat
25 rate, while economic dispatch improves an efficient dispatch

1 by taking into consideration, not only the heat rate, but
2 also cost of fuel delivered to the plant, the variable cost
3 of operation and maintenance, transmission losses,
4 transmission constraints, et cetera.

5 Then it goes on to say that neither PJM nor MISO
6 distinguished between these concepts. After reading this, I
7 thought that perhaps that issue maybe should be resolved in
8 this paper, but then it got to the end of the discussion, so
9 I don't know whether there is a difference between efficient
10 dispatch versus economic dispatch, or whether there isn't,
11 and whether that's an important concept that needs to be
12 distinguished in this paper.

13 COMMISSIONER BROWNELL: Did you want to comment
14 on this particular issue?

15 MR. SPINNER: No, that had been up there before.

16 COMMISSIONER BROWNELL: Okay, I apologize.

17 I'm open. Although my recollection is that we
18 had a considerable discussion, perhaps more considerable
19 than New York and New England, about the differences between
20 economic dispatch and efficient dispatch, and, in fact, put
21 up one or two studies about the differences, including a
22 study that was done in California by three independent
23 experts in the field, that made a very clear case for this,
24 my question about this is, because I think it was
25 recommended by Commissioner Ervin, what is it more that we

1 want to study?

2 Do we want to include more of the studies that
3 have been done? Do we want to ask PJM and MISO to update
4 those studies, based on their experience, using the economic
5 dispatch model, versus the efficient dispatch model?

6 Do we want to ask DOE, who did comment on this?
7 I think they felt they looked it and felt economic dispatch
8 was, indeed, the better model to use. But I'm not sure
9 exactly what the specific questions are that people would
10 like to have looked at.

11 I think we need to spell that out, and then I
12 think we need to figure out who is best to look at it. I am
13 assuming RTOs, because they have the practical experience.

14 I think there is a feeling that, given the
15 disparity between gas prices now and the other prices, that
16 maybe the model has changed. That's kind of my sense of the
17 conversations, both at the meetings and from people who have
18 asked us recently, but I don't know if anyone else wants to
19 speak to this. Kevin?

20 MS. WEFALD: If the definition of economic
21 dispatch offered by AEP -- is that the one being considered
22 as the basis for this whole study?

23 That's what I need to know. Is economic
24 dispatch, efficient dispatch, by taking into consideration,
25 not only heat rate, but also the cost of fuel to the plant,

1 the variable cost of operation and maintenance, transmission
2 losses, et cetera? Is that the whole concept we're looking
3 at here, and is that the correct definition?

4 MR. MERONEY: It's a little difficult sometimes,
5 to distinguish exactly what people have in mind when they
6 talk about efficient dispatch and exactly how they would do
7 it. I think that's one of the issues that's been raised in
8 the context of some of these discussions.

9 I think that the issue of economic dispatch does
10 raise some of these other issues, as well, in any case. But
11 I think this is more of a general observation, that the
12 Board needs to decide, just the degree to which it's
13 important to consider these two issues.

14 I think the AEP definition looks to me to be
15 pretty close to the standard definition of economic dispatch
16 in that it includes a variety of factors in the basis for
17 the dispatch, rather than just the heat rate. So, to that
18 extent, the AEP is definitely fairly close to what we
19 described as the basic economic dispatch.

20 MS. WEFALD: Thank you.

21 COMMISSIONER BROWNELL: Commissioner Ervin?

22 MR. ERVIN: Madam Chair, I just wanted to
23 reiterate the two questions I raised in my initial comment,
24 directed to a couple of portions of the draft report, which
25 sought clarification of whether comments about unorganized

1 markets within the PJM-MISO region, as it is defined in the
2 order convening this body, or whether we were talking about
3 unorganized markets outside the PJM Region. It seems to me
4 that we ought to be fairly clear about that.

5 I didn't think that the draft probably -- because
6 you can't think of everything -- clarified that, but I've
7 got a problem with talking about other regions. We're
8 talking about conditions within the region that are outside
9 the PJM-MISO areas, and I think that's an appropriate
10 subject for us to talk about, although I wouldn't contribute
11 very much to it, since I recommended that that question be
12 dropped.

13 COMMISSIONER BROWNELL: The intent, clearly, is
14 to bring in our comments, to what is, in fact, occurring in
15 these markets, and, to the extent that they inform other
16 regions, so be it.

17 But that needs clarification, I would agree.

18 MR. ERVIN: The second question I had was, on the
19 specific statement that appears at the bottom of the
20 paragraph in the middle of page 6, separate dispatches will
21 result in higher costs, it may generally be true, but you've
22 got to do some things in order to combine those activities
23 *have cause, *depending on the circumstances within an area,
24 you could get a situation where the cost of combining the
25 dispatches, might outweigh the combined dispatch.

1 *I was a little bit troubled by that statement,
2 just because I'm not sure it's nuanced enough.*

3 MR. MERONEY: I think we can easily agree with
4 that, that the -- this is one of the statements that needs
5 to be qualified, that these separate dispatches will
6 inevitably, other things being equal -- and a lot of things
7 have to be equal -- and there shouldn't be an implication --
8 I don't think there really is -- that the cost of
9 achieving the dispatch might not exceed the savings, from
10 what we save out of combining the dispatch. That's clearly
11 still an issue.

12 COMMISSIONER BROWNELL: I'd like to see some
13 quantification, then, of what those costs are that we
14 consider, when we make a conclusion either way. It's a
15 little bit like a cost/benefit study.

16 I can pretty much make it say anything I want it
17 to. I think we need to understand kind of what we're
18 looking at when we make the statement. Fred, then going
19 around?

20 MR. BUTLER: I just wanted to comment on the
21 question Susan raised, before we got too far. I think Susan
22 has put her finger on something that's been bothering me
23 throughout this draft, and that is, we talk about
24 definitions and we talk about some alternative approaches
25 and interpretations of those definitions.

1 I'm not sure we specify as clearly as we should,
2 what definition we're using or what definitions might be
3 close enough. I think your comment about how you saw the
4 draft, having put it together, indicates to me that we may
5 want to go back and be a little more specific, a little more
6 exhaustive in having that discussion of definitions, because
7 that's central to this discussion.

8 One of the comments I raised in Chicago, was that
9 the whole idea of economic versus other and the impact of
10 it, if we're not talking about the same definition of
11 economic dispatch or efficient dispatch, then we're really
12 talking past each other.

13 This report is too important to have that happen,
14 so we probably need to spend more time refining it.

15 MR. MERONEY: That's probably a very good idea.
16 The section on the basics was pretty much followup from the
17 initial discussion that we had. In a lot of ways, it's very
18 close to what DOE did, which people generally said, yes,
19 it's fine, as far as it goes, but it may not go far enough
20 for the purposes of -- particularly for the purpose of when
21 we craft recommendations.

22 Then we need to be very clear about how you want
23 it. It really is just a starting point and certainly if we
24 keep it at that level, any further things that need to be
25 defined better, that's good, but remember also that from

1 this point, it's more your report than our report. We're
2 happy to give technical assistance, but the calls that need
3 to be made are yours.

4 COMMISSIONER BROWNELL: As you're having this
5 discussion to refine it, I would also look at the language
6 in EAct, as well as the DOE report. The EAct language
7 would suggest that AEP's definition is correct, but this is
8 your report.

9 What we don't do is deviate, I think,
10 considerably from accepted definitions had have definitions
11 that are in the eye of the beholder, because I think that
12 will add too much confusion.

13 Commissioner Hardy?

14 MR. HARDY: I was one of those in the trenches a
15 number of years ago, and I did a number of drafts. I
16 appreciate the draft. Thank you for doing that work.

17 We'll kick the draft, but you still did a good
18 job and I thank you for getting started. I continue to have
19 concerns that we are launching into a variety of theoretical
20 benefits, without the anchor of figuring out what it costs.

21 I know there's a section on page 8 that mentions
22 the need to establish the cost of these benefits. I know
23 it's an initial effort that the RTOs had up and running for
24 a long, long time, but I still fear we'll get to the end of
25 the trail and decide that while a number of useful things,

1 in the abstract, have been done, it is something that was
2 done at a greater cost than warranted the effort.

3 I think a fundamental virtue of this examination
4 will be able to enable us to go back to our states, our
5 consumers, and our Governors, and say, yes, this was worth
6 the candle. We have got a net benefit and it hasn't all
7 been exercised.

8 I would continue to emphasize our need to create
9 that conclusion and support that conclusion, in order to
10 judge whether we have done something useful.

11 COMMISSIONER BROWNELL: Chairman Hardy, just for
12 my own purposes, to clarify, are you suggesting that one of
13 the recommendations of this study, be to do a cost/benefit
14 study of economic dispatch or of the RTOs themselves? I do
15 know that MISO has chartered someone, an independent
16 consultant, to do some work in that regard. I have no
17 details.

18 I just want to be sure, because it's a
19 frustration to all of us, candidly, that they haven't done a
20 good job of articulating what that balance has been.

21 MR. HARDY: There are really two answers: One,
22 what is appropriate to this proceeding, which I believe is
23 narrower? I would not be reluctant to see a conclusion on a
24 broader study of RTOs, but I believe that exceeds or goes
25 beyond the mandate of this group.

1 Perhaps you can conclude the virtue of the whole
2 and extrapolate it to one of these specific functions from a
3 larger study, but consistent with what I understand this
4 group to be doing, it would be confined to economic
5 dispatch.

6 COMMISSIONER BROWNELL: Thank you. Commissioner
7 Spinner?

8 MR. SPINNER: Thank you. Let me see if I can
9 take a shot at this business of economic versus efficient
10 dispatch. For me, I've heard a lot about this. I did take
11 some time and study a report that was put out by the Public
12 Service Commission staff in Louisiana, which is on point to
13 this issue of economic versus efficient dispatch, as I see
14 it.

15 In simplest terms, the load-serving entity or the
16 RTO or the integrated utility, whoever is responsible for
17 serving the load, has a load obligation for a particular
18 hour. They have a stack of units to choose from.

19 Each of those units has some costs, some
20 operating constraints, and there may be transmission
21 constraints associated with serving that load. In my mind,
22 having been in the industry for a long time and just being
23 more of an analyst, the economic dispatch takes into
24 account, these constraints and provides a least-cost
25 dispatch, given these constraints.

1 Now, in proceedings at FERC, I have brought up
2 this issue of bids versus costs, and whether or not you're
3 producing this at the least resource cost. That's what I'm
4 talking about in my letter.

5 Not to talk about that just yet, but as I
6 understand this efficient dispatch -- and I may be wrong,
7 there are some other units that may be made available to the
8 entity charged with minimizing costs. If those units are
9 included in the dispatch, if they can be safely included,
10 according to, in a secure fashion, keeping in mind the
11 physical constraints with dispatching those units, it's
12 possible there will be a lower operating cost, if these
13 other units are included, versus what the integrated utility
14 might have.

15 But, to me, the whole question is, how much is
16 the owner of this other set of units, going to charge the
17 ratepayer for the privilege of including those other units,
18 those alternative units in that dispatch? If the charge for
19 the privilege outweighs the fuel cost savings, then
20 whoever's paying the tab is going to be worse off. That's
21 what I'm looking to do about this, if that makes sense.

22 MR. MERONEY: Just keeping it within the
23 tacticals here, that's a much more nuanced definition of
24 efficient dispatch than I thought we heard.

25 The problem I think we had, in part, was, when it

1 was a little bit early, how do you define it? And if you
2 try to define it generally, it would say you, as was
3 characterized here, you dispatch, based solely on technical
4 efficiency.

5 That would be a broad-based change in that whole
6 dispatch map, rather than simply including other units,
7 based on some minimal characterization or cost, which would
8 be less than they would be willing to supply to the market,
9 actually.

10 It's a slight different form of economic
11 dispatch, because it's cost-based, not efficiency-based.
12 One of the problems here, though, is that if you're going to
13 try to tackle this question, as far as the Board, you have
14 to decide how you want to characterize efficient dispatch.
15 I don't think you can characterized it well enough to really
16 tee the question up, unless someone is willing to sort of do
17 that. I don't think we've had enough of a record to do it
18 ourselves.

19 MR. SPINNER: I think I agree with that. I think
20 I know what economic dispatch is; I don't know what
21 efficient dispatch is.

22 COMMISSIONER BROWNELL: Could I suggest, in terms
23 of building the record, I'm not sure if the Louisiana
24 Commission study is in, but we should get that in the
25 record. I would also suggest that there is considerable

1 debate in Louisiana, and I'm respectful of the concern that
2 we take information from other markets.

3 But to the extent you wish to do that, that's
4 fine, but I think we need to get, then, all of the studies
5 that have been done in Louisiana, because the customers, the
6 coops, the munis, the industrials, I think chartered a study
7 by Louisiana State, which takes issue, I think, with some of
8 the interpretations.

9 They are duly studied. I will only say that, but
10 I think we ought to look to what other relevant information
11 is out there in terms of refining the definition to just
12 make sure we're not taking only one kind of perspective,
13 particularly in places where there has been some discussion.

14 I don't want to confuse it, but there is not
15 consensus within that state, of what is the definition of
16 either economic dispatch or efficient dispatch.

17 MR. SPINNER: If I could just respond, one thing
18 I forgot to mention was, like I said, I think I know what
19 economic dispatch is. PJM does that. I don't know, but I
20 would dispute whether or not it is done at least cost,
21 because of the bid versus cost issue. I talked about that
22 in the letter.

23 For PJM, I don't know that there is some other
24 way to carry out -- I don't know if there's efficient
25 dispatch results, because as I understand the way PJM works,

1 all the units that physically reside in the PJM control
2 area, are available for dispatch.

3 PJM minimizes that hourly cost of the
4 constraints, based on the bids.

5 COMMISSIONER BROWNELL: I think one of the tools
6 that is available, is to do any number of data requests to
7 PJM or MISO that we need to do. If you'd like to recommend
8 more data information, and have they looked at these side-
9 by-side and how do they look at them, feel free to do so.

10 Also remember that we've chosen the option of
11 considerable mitigation in all of these markets, so you're
12 never going to get a pure picture. Commissioner Wefald?

13 MS. WEFALD: I have another question that I'd
14 like the group to consider as we move forward with our
15 report, and that is, are we looking at this from the
16 perspective of the generation owners or are we looking at
17 this from the perspective of the customers of the
18 generation?

19 I think there's two different perspectives that
20 need to be enunciated in our report, perhaps. That could be
21 because -- now this is back to an old argument, but it bears
22 repeating, just so that we can understand the stakes here --
23 that is, locational marginal pricing, as we've talked about
24 on page 4 at the bottom here, the most expensive unit
25 operates and sets the market clearing price for energy; all

1 sellers receive this price and all buyers pay this price.

2 So, when we're looking at the cost/benefit ratio,
3 we have a cost/benefit study here. I'm sure you noticed it,
4 too, in your regions. You know, we see the generation
5 coming online and we look at the charge, and we see that at
6 certain times, generation is put on.

7 Let's say that it's a gas peaking plant and it
8 drives the price up, well, that's a definite plus, I
9 concede, to all the generators, because they are the most
10 expensive units that comes to the market clearing price for
11 energy and all sellers receive this price and all buyers pay
12 this price.

13 It relates to what Craig Jergeson had said
14 earlier, for the extra power that customers need to buy that
15 that time, that means they anticipate it in the day-ahead
16 markets and the real-time market price they're having to
17 pay. It could be higher than it was when it was just a
18 regional market.

19 For example, in the upper Midwest, North Dakota
20 and some of the states there, we do not have as much gas-
21 fired generation that we're using on a regular basis, but
22 because -- I'm saying there's not too many constraints
23 across the whole system.

24 Let's say we need to put on the highest-price
25 unit that comes on in the eastern part of the MISO region.

1 That drives up the price that customers in our region are
2 having to pay for electricity in the real-time market, and
3 so I can see that this study that we're doing about economic
4 dispatch -- I want to make sure that the lowest-cost unit is
5 going on at each time, based on the criterion of economic
6 dispatch.

7 But when we do a cost/benefit analysis, I think
8 we have to look at it from knowing what perspective we're
9 looking at it in making that determination of the benefits
10 that are being realized.

11 COMMISSIONER BROWNELL: Let me just play back and
12 just add an observation. One of the issues that has been
13 brought out is, is the clearing price option the best model?
14 That's the underlying question that you have; fair enough.

15 And if people want to look at that, I think we
16 did put, as I said, a study into the record that was done by
17 Alfred Kahn, that also looked at this. But I also think, in
18 MISO, we'll need to be careful, because I just spent some
19 time looking at this and visiting with commissions, and one
20 of the issues, I think, is that at the start of the market,
21 people behave oddly.

22 There's been a lot of very, very conservative
23 activity, both on behalf of MISO, but also the companies,
24 something that I think we need to look at. So those gas
25 peakers coming in, when it does not make any sense, I think,

1 is a separate issue.

2 But the fundamental issue of what kind of a model
3 do you want to use, and is it impacted now, as I said
4 earlier, by this disparity in gas prices, you know, may be
5 worth looking at. I think, once again, the question is,
6 teeing up the question, teeing up enough data requests from
7 MISO and PJM, because you might get the benefit of a more
8 mature market and what happened over time, as well as kind
9 of what's going on in MISO, so that you can ask that one
10 question -- not what's happening in MISO at this period of
11 time, but which model is actually better, if I understand
12 it.

13 Commissioner Hardy -- Chairman Hardy, I'll get it
14 right -- King Hardy?

15 MR. HARDY: Yes, that's what my wife says.

16 (Laughter.)

17 MR. HARDY: She doesn't say it much anymore.

18 COMMISSIONER BROWNELL: And not when you're out
19 of the room, sir.

20 (Laughter.)

21 MR. HARDY: I think you're dead-on with your
22 observation, but it seems to me that we run the danger of
23 the dreaded docket creep, because I think your second
24 question and observation are absolutely accurate and one
25 that I share, perhaps not one that's encompassed within this

1 docket.

2 And if that is, in fact, a fair question, are we
3 the ones that determine the scope of this docket, or do we
4 have something that guides us, that will be interpreted by
5 someone on the staff or by the management of this docket,
6 that will let us say this is a great question, but perhaps
7 not here.

8 COMMISSIONER BROWNELL: Staff can jump in and
9 correct me if I'm wrong, but actually that is, I think, a
10 good point. The bottom line is, Congress did not ask us to
11 look at 4,000 things; they asked us to look at economic
12 dispatch, and I think we ought to be disciplined on that.

13 On the other hand, if this is an issue that
14 Commissioners do want to look at, I think there should be
15 another day. I don't know whether this is a topic that DOE
16 at some point is planning to look at, or whether there are
17 some people who think the question has been asked and
18 answered, but I agree with you; I think it's really
19 important not to use this vehicle as a chance to revisit
20 everything we now would like to revisit.

21 That is not to say that we shouldn't always be
22 challenging what we do, but I think that's a good point,
23 because this could get hijacked and have no meaning at the
24 end. So, I appreciate that.

25 Staff -- I'm sorry, Commissioner Wefald?

1 MS. WEFALD: If I could just follow up on that, I
2 want you to help me understand the focus. That is, the
3 focus is on when you do a cost/benefit analysis of economic
4 dispatch, you're only looking at the economic benefit to the
5 generators who are involved; is that our focus?

6 COMMISSIONER BROWNELL: My own view is --

7 MS. WEFALD: Because you're wanting to make sure
8 that the most efficient dispatch goes on in a timely manner,
9 and when you do a cost/benefit analysis of that, you're only
10 doing it on the basis of assuming the principles of
11 locational marginal pricing and looking at it on the basis
12 of, is everyone -- are the costs -- what the cost/benefit
13 analysis that is only based on what -- because we're talking
14 about cost/benefit analysis studies here.

15 What is the benefit that the generators are
16 getting? Do they have their own costs covered; is that the
17 benefit?

18 COMMISSIONER BROWNELL: My own view is, not,
19 because the studies I read are that although it seems
20 counterintuitive -- and I know we had this debate in our
21 office forever -- the benefit to the customers of this model
22 are borne out by experiences in the markets and in other
23 markets, as well, is that, over time, the benefit to
24 customers is a lower cost, overall.

25 But that's just a conclusion of the studies that

1 have been done. If people want to do another one, that's
2 fine, but I don't think Congress asked us, nor did we ever
3 approach anything with what's best for the generators or the
4 transmission owners or whatever part of the sector.

5 I think it's what, overall, delivers the best
6 price, over time, to the customer. If anybody disagrees
7 with that, I can't imagine doing a study of what's best for
8 the generators, because I don't think that's our job.

9 Chairman Hardy?

10 MR. HARDY: That's well thought and well stated,
11 but it still seems to me that while it does come sort of
12 backing into cost/benefit, we're still a smaller task here.
13 That's simply dispatching the system.

14 If we want to argue about how the energy is
15 priced, then I think that's a different concept, although
16 certainly it's related. But I don't think it quite fits
17 here, at least as I understand that.

18 MS. WEFALD: I understand the difference, versus
19 the cost of what's the most economic dispatch versus the
20 final price that people pay for that. I understand your
21 distinction, that there was a difference there. Thank you.

22 COMMISSIONER BROWNELL: David Sapper, who, by the
23 way, is one of the unsung heros of the Midwest Market.

24 MR. SAPPER: Thank you.

25 COMMISSIONER BROWNELL: You had better be well-

1 behaved here.

2 (Laughter.)

3 MR. SAPPER: I'm nowhere in the upper echelon
4 where Mike Proctor resides, but I appreciate that.

5 I think I see a connection, although I think it
6 would be useful to do studies, gather data from both MISO
7 and the PJM, the same sorts of data to take advantage of the
8 methods and the more nascent markets. But I don't know if
9 that's absolutely necessary to get into Commissioner
10 Wefald's objective that she's throwing out here, to examine
11 SCED operations from the perspective of the producer and the
12 customer.

13 I think that one approach that does that, is the
14 one offered by Mr. Spinner, to some extent. It tells you a
15 lot about what the producers -- how they fare, as it relates
16 to the SCED and the day-ahead markets.

17 All we have is the market clearing price, where
18 the demand and supply curve intersected, but we don't know
19 much about the demand curve, so we couldn't get to a really
20 complete picture of the benefits to customers, but I think
21 it's a nice start towards not killing two birds with one
22 stone, but only seeing the extent to which SCED has operated
23 in MISO/PJM and achieves at least, it seems to me, the
24 definition that Congress adopted and also get at least half
25 the picture of the different points of view.

1 COMMISSIONER BROWNELL: Help me explain -- I
2 thought what I heard you describe, is, look at it in terms
3 of the impact of the producer, which I don't think that's
4 the whole picture. So help me, I don't know how that would
5 be of value, because you're getting -- you're only getting
6 half the picture.

7 I think that could be misconstrued in a whole
8 bunch of different ways.

9 MR. SAPPER: In my mind, you would seek the data
10 that Mr. Spinner has suggested, then you would construct
11 different scenarios making different assumptions about
12 basically the demand curve. Then you can get various
13 estimates of consumer surplus in economic speech, and then
14 the rest of the data would be basically various estimates of
15 producer surplus.

16 Put those two together, and you get the overall
17 benefits of the SCED through the markets that we see today.
18 So, I appreciate the point.

19 The data request would only be half of the
20 information, but I think we can put the rest together
21 through different scenarios.

22 COMMISSIONER BROWNELL: It's up to you. I just
23 want to be representative. I'm going to turn this over to
24 my Vice Chairman, but first, I'm going to ask the Staff to
25 speak on the issue of what Congress intended and the scope,

1 and what options there are for the report to address things
2 that might not be outside the scope.

3 I think Chairman Hardy has reminded us that we
4 were charged with a specific task here, so, to the extent
5 that you guys have spent a lot of time thinking about this,
6 do you want to make a comment? This would be Mary Orton,
7 who tells me what to do on a daily basis.

8 MS. ORTON: I'll observe that certainly those of
9 you who are participating or sat in on the Chairman's Joint
10 Board this morning, he raised a number of times -- he
11 essentially urged his Joint Board members to kind of think
12 hard about what was Congress's intent in terms of the scope.

13 The issue of sort of what is within the scope, is
14 kind of at two levels: Step one, clearly, is the Joint
15 Board's report, and that means it's up to all the Joint
16 Board members to kind of decide what they think Congress was
17 asking in terms of scope.

18 Then once the report comes to FERC and FERC is
19 handing it over to Congress, if FERC felt that something was
20 beyond the scope, it would have the option of reporting in
21 its report on the Joint Board reports that somebody maybe
22 was beyond the scope. But I think the first step, as I
23 think the Chairman was kind of working up this morning, was
24 for all of the Joint Board members to kind of decide what
25 Congress intended you to take a look at.

1 MR. WRIGHT: Thank you, Mary. I think that's
2 right. I certainly don't claim to corner the market on what
3 it was Congress intended, although certainly we can look at
4 that language and try to divine what it is that Congress
5 wants in addition to what the Joint Board members here have
6 described.

7 I would just caution, not in an effort to derail
8 or minimize certain concerns that have been raised, but to
9 understand that we do have a reporting deadline that is
10 around May, that we try to keep confined to what it is
11 Congress charged us to do.

12 While there have been a number of issues raised
13 that may fall outside the scope of the meeting here, perhaps
14 those are things that are next steps after this report is
15 issued and FERC issues it to Congress, that we could pursue.

16 But I'm -- while we want to give attention to
17 these issues, I'm a little concerned about the undertaking
18 that is being described here. Perhaps through some
19 selective data requests to the MISO and to PJM, that
20 describes benefits and detriments of the bid-based approach
21 or cost-based or whatever, perhaps we can get at some of
22 that.

23 But I would caution this Board on undertaking a
24 huge study, by which we may not be able to ascertain the
25 information to meet our deadline. It may very well be

1 outside the scope of what we're charged to do, at least at
2 this point. Perhaps we can put that on a list of things
3 that need to be studied in the future.

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1 For our immediate focus let's try to stay focused
2 and disciplined and do what we need to do to put in the
3 basic report, which we can build on later.

4 COMMISSIONER BROWNELL: I would also offer this
5 observation: Mary is correct. We could as part of our
6 review of your report say 'We think these things need to be
7 studied.' Obviously, so can you.

8 The second thing, I think, just in the 'why not'
9 category, ask PJM and MISO, to the extent they have data
10 that they would like to put in the record on this issue,
11 certainly they're welcome to do so, encouraged to do so.
12 Then you can draw your own conclusions as to whether that
13 fits your needs or further work has been done.

14 Commissioner Ervin.

15 MR. ERVIN: Essentially you said what I was going
16 to say. But I think one thing we do need to think about is
17 if we are attempting to try to determine what is our scope
18 -- and this was somewhat in the e-mail that included, too;
19 I'll go ahead and say it now since we've gotten to this
20 point.

21 It seems to me that we are talking about security
22 constrained economic dispatch. Essentially the security
23 constraint is, generally speaking, the existing
24 infrastructure that you've got, what are the limits on the
25 transmission system, what are the congestion points, things

1 like that, and in a way to try to cut off converting this
2 process into a how would you fix the world if we could kind
3 of an exercise. We maybe could bring the recommendation for
4 the purpose of recommendations that would accommodate the
5 existing infrastructure because that change would improve
6 the infrastructure. It's very important and it needs to be
7 looked at by somebody in some capacity.

8 COMMISSIONER BROWNELL: Build transmission.
9 Jimmy, I love ya. But let me make sure I understand.

10 That is, as perhaps part of the report, you would
11 suggest this is the state of the art as it exists today.
12 These are the barriers to a more efficient, or better --
13 more opportunity created for this model if we had, for
14 example, the elimination of transmission constraints or
15 consistent software or whatever.

16 MR. ERVIN: Madam Chair, that's essentially the
17 way I've been looking at it. I would agree with that
18 because as I understand the genesis of this whole process
19 was DOE and this Joint Board. There were concerns that
20 dispatch was not being done economically. And what we've
21 been asked to do is to try to ascertain whether those
22 concerns are legitimate or not. I think that's the core
23 charge that we've been given.

24 COMMISSIONER BROWNELL: That's my understanding.
25 Thank you. Yes.

1 Chairman Jergeson.

2 MR. JERGESON: I guess my question kind of
3 follows on the questions that Commissioner Wefald has been
4 raising, and that is the attention that this report should
5 be paying to the outcome for consumers. I don't think
6 that's going beyond the scope of what was anticipated by
7 Congress to say that's something we need to look at and
8 determine whether or not the implementation of various
9 strategies is in the interest of ultimately the consumers
10 out there who end up having to pay these bills.

11 I remember when I first got involved with all
12 this going to a workshop in Chicago and there were all sorts
13 of representations being made about what various things were
14 going to happen. And finally I said, 'well, but to this
15 layman, what does this mean to the widows and orphans in
16 Montana.' And nobody could give me an answer. That's still
17 the question that needs to be answered on any of this.

18 And I can't imagine the Congress would expect us
19 to answer any other question. All of this is so much
20 tactics and strategy to arrive at that. It's coming up with
21 something that provides us first, apparently, to consider
22 how such a mode of operating an electric energy system
23 affects or enhances -- and there are two words in there --
24 reliability and affordability of service to customers.

25 I don't think focusing on the customer outcome is

1 an expansion beyond what Congress anticipated for this
2 Board.

3 COMMISSIONER BROWNELL: And I certainly would
4 agree. The only response I would have is that this is not
5 what FERC said. This is a reflection of what was in the
6 transcript. This is FERC's summary of what was discussed;
7 not what FERC thinks. I want to just hold that thought.

8 Bill.

9 MR. MERONEY: The reliability and affordability
10 language is out of the legislation. In general, that's
11 there.

12 COMMISSIONER BROWNELL: Commissioner Nickolai.

13 MR. NICKOLAI: Thank you, Madam Chair.

14 I hesitate to get into this discussion, but I'll
15 offer up this for purposes of our report. We got into this
16 discussion because Susan and others felt that the report was
17 implying that we already knew that there were plenty of
18 benefits relative to cost. Maybe what we just need to do
19 is, as we draft this early on, we need to make it clear that
20 some of the cost-benefit issues really are outstanding and
21 there are questions out there that need to be further
22 explored.

23 I think we need to analyze it just a little bit
24 differently. We've got the one issue of what are the
25 benefits that are accruing in the current system, which is

1 the market bid system; and then there's the other question
2 about would there be more consumer benefits if in fact we
3 used more of a cost-based approach.

4 But then there's another factor to this. And
5 this gets back to a point that Susan and Greg are making.
6 If we're trying to look at the ultimate consumers we have to
7 keep in mind that each of us is, as state regulators, are
8 really responsible for another layer of this. How much of
9 this and in what way are the customers in our states going
10 to see these costs. Let me give you an example.

11 In each one of our states there are base rates.
12 Some states have automatic adjustment clauses. Well, in
13 base rates now some of the costs associated with the buying
14 and purchasing of power, trading from the old system are
15 still on those base rates. So we can't go too far in doing
16 some sort of cost-benefit analysis to say what the actual
17 impact on the customer is unless you look at it on a state
18 by state basis.

19 It's our responsibility to make sure that
20 whatever those wholesale level costs and benefits end up
21 being that we also then look into the level in the states
22 and what we do with it. We don't want to go there other
23 than just mention that those are things that will need
24 further exploration for purposes of this report.

25 MR. SPINNER: The issue about bids versus costs,

1 let me just try and set forth my position a little more
2 clearly, if I could.

3 Again, I'm not a lawyer, but reading the law,
4 this is about affordability and lowest cost to reliably
5 serve consumers. I think Congress is -- It would be
6 reasonable to look into whether bids are a cost-based system
7 to best serve customers. But if you determine that the bid-
8 based system was not performing as well as it could, it
9 doesn't mean that you necessarily scrap that. Again, it's
10 just a way to try and inform one about how the mitigation
11 procedures are working in these RTOs.

12 Whether or not now is the time to change the
13 capacity ratio, whether or not generators need more money in
14 a capacity payment, in an RPM or LICAP, I know these are
15 issues before the Commission now. To me, looking at bid
16 versus cost is really about how the market is working. It's
17 not to argue for, hey, a big system, or it's not to argue
18 for a return to cost-based regulation. It's how the market
19 is working.

20 Unfortunately, because I know a lot of these
21 people, this means you have to ask different kinds of
22 economists and others -- but essentially economists -- their
23 opinions about some outcomes. And that could lead to a hell
24 of a lot of debate. I'm sorry for that, but that's what my
25 interest is in this: Seeing how well the markets are

1 working for the purpose of trying to improve them if they're
2 not working as well as they could be.

3 COMMISSIONER BROWNELL: Mr. Spinner, I actually
4 have a greater concern about -- sorry to the economists of
5 the world now -- asking the economists -- we have a lot of
6 theory, but I think the benefit to the development of
7 markets is we also now have some facts. So we can ask the
8 economists their opinion based on the facts that are in the
9 record.

10 But I think one of the issues that I hear raised
11 around the country is, okay, theory told us to do this. Is
12 the theory working? I don't want to get in the debate of
13 the economists. What I want to do is take a look at what
14 you -- What has been discussed is what is the impact of the
15 regime that we have on the customer; what are the barriers
16 that would get in the way of delivering more benefit. And
17 to the extent that the record leads you to conclude that
18 alternative regimes need to be considered, that's up to you.

19 I would encourage you: let's get away from the
20 theory and look at the actual reality of the markets because
21 I think it's the theory that some people are now saying,
22 well, wait a minute; it doesn't work. We've been test-
23 driving. Let's look at the outcome.

24 Commissioner Wefald.

25 MS. WEFALD: I'd like to move on to a more

1 specific issue included in this report on page ten. It
2 talks about -- This is issues that people brought up earlier
3 and that we may want to comment on.

4 Under Section B, Specific Dispatch Issues, and
5 you go and you find one is sufficient transmission
6 infrastructure needed to realize the full potential of SCED,
7 and two is transmission planning process and how that is
8 working. And the third is the possible topic of
9 transmission investment, transmission pricing and cost
10 allocation.

11 We've made significant advances since we met in
12 November because we have filed a cost recovery plan for new
13 transmission investments with FERC. And the FERC ruled
14 recently on that transmission pricing plan for the
15 transmission. And they said it's going to be rehearing one
16 particular issue. But most of it was accepted by the FERC;
17 at least that's my understanding.

18 Perhaps we want to comment on the fact in our
19 report that we have made progress on this cost allocation,
20 cost recovery for transmission investment issue and what has
21 happened since we met together in November with regard to
22 this matter.

23 COMMISSIONER BROWNELL: Good.

24 Any disagreement?

25 MS. WEFALD: Maybe that's a recommendation and

1 you wanted to cover that later.

2 COMMISSIONER BROWNELL: I think we want to finish
3 here would be my -- I think we've teed up the issues around
4 a couple of big issues at least, I think. I'm going to
5 leave it to my vice-chair to make sure that discussion is
6 fully developed. I think any comments on the kind of body
7 of the report -- and we all have a list of the specific
8 recommendations, some of which have been covered, some of
9 which haven't.

10 But I'd like to move there, and then also get to
11 the additional recommendations, unless there's any
12 disagreement out there.

13 (No response.)

14 COMMISSIONER BROWNELL: At any given moment if
15 the group wants to take a break, we're scheduled to go until
16 three. And, as I've said, Michelle will be beating me about
17 the face, but if you want to take a break about two o'clock,
18 we can do that. I think everyone has the discipline to not
19 get captured in hallway conversations.

20 Any other comments on the body of the report?
21 Can we move on to the specific recommendations that are on
22 the sheets?

23 Mr. Spinner.

24 MR. SPINNER: Sorry. Just the specific -- This
25 part of the meeting was opened by an opportunity to ask Mr.

1 Meroney some questions.

2 While sitting at my desk one day I received an e-
3 mail. Somebody said take a look at the Public Utility
4 Spark, an on-line publication. In that publication someone
5 had written a summary of the November 7th DOE report. Part
6 of that summary talked about the recommendations. Those
7 recommendations are the ones that you've listed in this
8 report at the end on page 17, minus one of the
9 recommendations that was in the DOE report which didn't make
10 it into the list.

11 On page 17 was that recommendation, if you will,
12 that I included in my letter about what one party or one
13 industry observer proposed, is a study of an area that if
14 one did have economic dispatch in real time markets, it
15 compared the market clearing price outcomes and total cost
16 against the true production costs of actual units
17 dispatched. I was wondering why that wasn't included.

18 MR. MERONEY: I think if we left that one out it
19 was probably largely -- it seemed not so much outside of the
20 scope in terms of being technically relevant, but just that
21 doing that study itself seemed beyond the scope of what the
22 Board could accomplish in the time allotted.

23 MR. SPINNER: Thank you.

24 COMMISSIONER BROWNELL: And, Mr. Spinner, I think
25 it gets back to the point I think that Chairman Hardy made

1 and others made. To the extent that the charge here and the
2 record here does not lead you to answer all of the questions
3 you have about the marketplace the Board can if they wish
4 include recommendations for further study, as can the FERC
5 itself. So I think that's an option.

6 You have certainly made clear what your
7 preference is, and that's subject to further conversation
8 with the Board.

9 MR. SPINNER: Thank you.

10 COMMISSIONER BROWNELL: Any other comments on the
11 body of the report?

12 I'm sorry, Commissioner Ervin.

13 MR. ERVIN: Based on what you've just said, I was
14 essentially going to say I think there's a difference
15 between what Howard is recommending and the kind of stuff I
16 was expressing concern about earlier in that if we are
17 supposed to look at the issue of are we in fact doing
18 security constrained economic dispatch within the PJM/MISO
19 area, the answer to that is either yes or no given the
20 statutory definition, depending on the relationship between
21 the bids and the cost.

22 I believe this was the reason I had supported it
23 in my e-mail. I think his study, proposed study goes to the
24 heart of whether security constrained economic dispatch is
25 in fact resulting from the operation of the market. That

1 would be a different question than looking at the markets
2 overall and asking are they a good or bad thing.

3 COMMISSIONER BROWNELL: And it would be my hope
4 that MISO and PJM are prepared to submit data for you that
5 may answer some of these fundamental questions. It may
6 require further study, to be sure. But once again, I know
7 that we have representatives of PJM and MISO in the room.

8 It would be great if you could make sure that to
9 the extent that data can be made available expeditiously --
10 you don't have to wait the 21 days to facilitate the work of
11 the Joint Board -- we would appreciate that, understanding
12 that whatever you submit, of course, 47 people will also
13 disagree with. But that's part of the Lord's work.

14 Commissioner Wefald.

15 MS. WEFALD: Sorry.

16 COMMISSIONER BROWNELL: Are we ready to move on
17 to the specific recommendations?

18 (No response.)

19 COMMISSIONER BROWNELL: All right. Then I'm
20 going to hand this over to Commissioner Wright because I'm
21 tired of my own voice.

22 MR. WRIGHT: I'm not. It's actually a bit of a
23 surprise. I thought I was just another name up here.

24 I think the task for the group now, with this
25 Attachment C and the recommendations that were found in the

1 record, is to go through and see if there is a general
2 comfort level in including these recommendations in our
3 report or what other steps need to be taken. There are
4 several here listed on Attachment C, on pages one and two
5 and three and four, some of which I note are some that I
6 suggested, which I will designate where so it accurately
7 covers or covers in part because some of this may need to be
8 scratched out because the report was done in 1983. I'll be
9 addressing some of those.

10 With that, I will open up the floor for
11 Attachment C, the Recommendations for consideration by the
12 Joint Board for comment in terms of your comfort level and
13 where we need to go from here.

14 Our Chair.

15 COMMISSIONER BROWNELL: Thank you.

16 On the first issue of developing a long-term
17 planning process -- and this is a very selfish request of
18 mine -- I would hope that the Board would consider what
19 criteria you would look at in defining what is an adequate
20 long-term process. By that I mean what are the elements
21 that get looked at, who is included in that decision making
22 process.

23 My own concern, and I hear this in all of the
24 regions of unorganized and organized markets is that it's a
25 limited club that looks at transmission, and in some cases

1 some of the outcomes benefit incumbents and don't
2 necessarily deliver the value to customers that we would
3 like to see from a long-term inclusive process. It also
4 doesn't include new technologies.

5 I had an e-mail from someone last night,
6 actually, after my visit to Minnesota and Missouri that said
7 'part of the reason we're not encouraging and seeing new
8 technologies is that we still are incenting incumbent
9 transmission owners to put as much big honking stuff in rate
10 base as they possibly can as opposed to technologies that
11 may not be as expensive and may bring more efficiencies.
12 That's an observation that I hear increasingly.

13 And then the third aspect of transmission
14 planning that I'm not sure I'm seeing here is some of the
15 short-term fixes that one might look at that are not
16 necessarily that expensive but that would add enormous
17 efficiency to certain congestion points. We looked and
18 raised in some hearings one that would actually facilitate
19 some of the constraints coming into Washington, D.C.

20 So I don't know the answer. It's something that
21 increasingly I'm concerned that we may not in fact get the
22 benefits from economic dispatch because we're not really
23 looking at the right criteria in an inclusive way in the
24 transmission planning process. Candidly, the voluntary
25 nature of how RTOs were developed may limit the RTOs.

1 And I think Commissioner Nickolai is going to
2 speak to this ability to kind of push these. And I think
3 maybe we could have state commissions on a state by state
4 and regional basis perhaps push that more. I would just add
5 that observation. We could do all we can with economic
6 models and then limit the impact by inadequate
7 infrastructure. I mean many different aspects of
8 transmission infrastructure, not just 500 kV lines, although
9 those are nice, too.

10 MR. WRIGHT: Thank you, Commissioner Brownell.

11 Further discussion.

12 Commissioner Wefald.

13 MS. WEFALD: This is supposed to be specific to
14 the PJM/MISO region. And echoes -- I believe Commissioner
15 Ervin had a comment earlier that there are some comments in
16 the report later that talk about what's happening in other
17 parts of the country as well as in PJM/MISO. And so is this
18 specific to PJM/MISO? Because it's my understanding that
19 both PJM and MISO have a long-term transmission planning
20 process that is collaborative and inclusive. I don't know
21 if it involves federal regulators, but I do know it involves
22 state regulators, RTOs, local transmission owners and
23 wholesale customers.

24 So what is the basis for this particular
25 recommendation for our region? To make sure it involves the

1 federal regulators as well? Or are we saying that the
2 process we have in both of those areas we're not happy with?

3 COMMISSIONER BROWNELL: I don't know who made
4 this recommendation. I don't remember who made it.

5 But I would suggest to you that we have had any
6 number of complaints -- from customers, from alternative
7 solution providers, in some cases from the states themselves
8 -- that the process is not working as described. It's one
9 thing to say all those things on paper; it's quite another
10 to say them -- to actually implement them. And so I would
11 suggest in fact it's not that federal regulators be
12 included.

13 The point is that the people who are supposed to
14 be included have responded -- including some state
15 commissions -- in a way that would suggest the process is
16 neither as transparent or inclusive, nor considers the
17 variety of options that they would like to see considered.
18 I don't recall who made the recommendation, but that would
19 be my point and that's based on what I've heard from both
20 PJM and from MISO participants.

21 If somebody's here who made the recommendation,
22 speak up.

23 (No response.)

24 MS. WEFALD: I know the recommendation, and I
25 think it should be a bit more specific about what PJM and

1 MISO would like to see addressed because, if I am reading
2 this, I thought I really had a transmission process --
3 planning process in place. I don't think that a lot of
4 changes are going to occur in it unless you can state a bit
5 more specifically what things need to be addressed on the
6 demand side, whether it is planning, specific groups of
7 people that need to be involved, et cetera.

8 COMMISSIONER BROWNELL: I would encourage
9 comments on that from the people who have been commenting to
10 me. And welcome to Commissioner Chappelle.

11 MR. BUTLER: I did not make this recommendation.
12 But as you are well aware, New Jersey is a state where we
13 need the transmission to get out of the near-term or future
14 problems that might be coming down the road. I would
15 support something like this being here.

16 My next question is: Is it your intention that
17 we should clarify these recommendations, or is it something
18 we can do by writing in the near term? How are we going to
19 proceed with this, I guess is my question.

20 MR. WRIGHT: I haven't necessarily cleared this
21 with my co-vice-chair, but I think our intent would be after
22 today that could be clarified. Both Ken and I are willing
23 to coordinate the final drafts through our staffs with Board
24 members and their staffs. And perhaps this particular
25 recommendation is one where we need to do some e-mailing and

1 some discussion back and forth to firm up what we want this
2 particular recommendation to say.

3 I would agree with Commissioner Wefald. It's
4 very clear that PJM and MISO have long-term transmission
5 planning processes and plans. Folks may not like the
6 outcome of those but they are in place and they appear to be
7 -- at least the MISO one that I'm familiar with -- very open
8 to stakeholder participation and disagreement.

9 But if we can clarify and define, I think that's
10 something that we can begin after today, a process that Ken
11 and I will try to honcho with you all and our staffs.

12 MR. BUTLER: That's fine. And we will comment on
13 this.

14 COMMISSIONER BROWNELL: I think the goal of this
15 process, once again -- if anyone disagrees -- is just to go
16 through these and make sure that where clarification is
17 needed we can identify that; where we may have
18 misinterpreted an interpretation. But obviously all of
19 these -- and the record actually has some clarification --
20 the staff attempted to summarize to make sure that we hit
21 the high points of the information right.

22 With that, then, we'll move on to the next dot
23 point, a series of points. If there are comments or
24 questions Board members may have in terms of the specific
25 recommendations and the need for clarity.

1 Susan. Commissioner Wefald.

2 MS. WEFALD: Thank you.

3 This relates to my earlier comment on the fact
4 that at least in the MISO region our cost allocation methods
5 have been developed for when new transmission is built. I'm
6 not sure where that issue is in PJM; but we perhaps would
7 want to again comment on where we are with those, with both
8 reliability and economic upgrade. And we may want to
9 comment on, for example in the MISO region, we know there's
10 a whole other step in that process that needs to be
11 completed this year.

12 And also the ones that are for regional -- What
13 is the correct word? -- regionally economically beneficial
14 projects or something that still need to be developed. And
15 we're anticipating that that would be filed with the FERC in
16 June. So perhaps we could put a short summary of what has
17 been happening in both regions. We don't want this paper to
18 get exhaustive, but again to show this has developed. And I
19 think we want to go in that area for new transmission that's
20 being built, both PJM and MISO.

21 MR. WRIGHT: Thank you, Susan.

22 Chairman Hardy.

23 MR. HARDY: At the risk of being practical --

24 COMMISSIONER BROWNELL: Oh, please, God, do.

25 MR. HARDY: This is a grassroots movement. We're

1 trying to get it to spread.

2 Realistically -- and a lot of these are great
3 stuff -- I just don't see that given the sixty days,
4 roughly, that we have before we have to file a report -- May
5 the 3rd -- that debating the individual issues really comes
6 down to can we get something useful assembled in the time
7 available that is responsive to the point. Great points.
8 But I think it's more points than we have time for.

9 MS. WEFALD: You don't think we should comment on
10 developing appropriate cost allocation if it has already
11 been done? We should remove it from the list?

12 MR. HARDY: I think someone needs to look at the
13 list and say 'This is doable within the time available' and
14 make that determination solely based on time rather than
15 merit.

16 MR. WRIGHT: Commissioner Wefald.

17 MS. WEFALD: So what you're suggesting is rather
18 than comment on each of these specific recommendations that
19 we would pick and choose which ones of these we felt were
20 most important to comment on, and shorten the list, rather
21 than -- because you're saying that our report does not need
22 to cover these.

23 MR. HARDY: My opinion is that the report can't
24 cover all of these, given what we have available to answer.
25 If we've got three or four general things that we really

1 believe we can offer a useful opinion on, that I think would
2 better serve to do a better job rather than a cursory job on
3 a number of points.

4 MS. WEFALD: And what you're suggesting -- I'm
5 sorry for the back and forth here --

6 COMMISSIONER BROWNELL: No, that's what this is
7 for.

8 MS. WEFALD: If we feel that we've already done
9 some work on appropriate cost allocation for both
10 reliability and economic upgrade, do we scratch that one?

11 MR. HARDY: Yes.

12 MS. WEFALD: Say that is not an important one.

13 COMMISSIONER BROWNELL: No, I wouldn't judge it.
14 I would simply say we don't have time to do this.

15 Could I offer a comment?

16 MR. WRIGHT: Well, let me throw one out. And
17 wasn't really my intent to go bullet point by bullet point,
18 but more to get a discussion if there was a particular
19 bullet point that folks had particular problems with or
20 could not accept, or if there were other recommendations
21 that are not included here that maybe we ought to consider.

22 I do agree with Chairman Hardy that we may want
23 to -- certainly I won't say cut back on, but only identify
24 those that are probably the most prominent. And where we
25 can reach agreement, that's fine today. And that can

1 certainly carry on after today as we communicate back and
2 forth.

3 To narrow this list is something a little more
4 manageable.

5 COMMISSIONER BROWNELL: This comes as a surprise
6 to people that I'm actually going to offer a compromise.
7 But I can appreciate both of your viewpoints.

8 One observation that I would make is we don't
9 have to have -- as we talked about earlier, these are things
10 that may in fact need further work in order to leverage or
11 maximize the benefits of the current model that we're using.
12 You don't necessarily have to spend the time saying 'and
13 here's the right way to do it.'

14 I completely agree: There is no way we will get
15 this done. But in my opinion it might be of some value to
16 provide some guidance as to further work as the OMS and OPSI
17 kind of prioritize what they want to do. That's just my
18 opinion.

19 Commissioner Ervin -- I'm sorry, Commissioner
20 Butler.

21 MR. BUTLER: I want to reiterate: I want to
22 support what you just said. That's what I raised my card to
23 say. We're not expected to do all of the work involved with
24 some of these points that we're going to be raising that
25 need to be considered as we go forward with this report.

1 The report, as is stated on page two of the
2 draft, we're supposed to make recommendations with the
3 commission regarding issues of how the mode of operation of
4 the system affects or enhances reliability and affordability
5 of service. Commissioner Jergeson brought our attention
6 back to this point. We would be I think remiss if we did
7 not highlight -- not do the work, Chairman Hardy -- but
8 highlight some of the areas, as you said, Madam Chair, that
9 need to be attended to going forward that may need more
10 study going forward. I think that's part of our
11 responsibility.

12 MR. WRIGHT: Thank you, Commissioner Butler.
13 Commissioner Ervin.

14 MR. ERVIN: In a slight variant of that, this
15 list of issues really falls into two categories. It goes
16 back to something that I said in the e-mail. I think a
17 number of them -- I'm not going to give you an exhaustive
18 list -- transmission capacity, a lot of that stuff --
19 they're all exceedingly important questions, and I think
20 they're worthy of further study preferably by some body like
21 this. But I've got reservations, as I said earlier, about
22 whether they are within the scope of the charge that's been
23 given to us.

24 Maybe one thing we could do -- and this is a
25 variant of what a couple of speakers have just said. We

1 should say there are two categories of issues that have been
2 raised. One of them -- Some people feel that some of these
3 issues are not really related to security constrained
4 economic dispatch but are important and are worthy of
5 further study. And some others do relate to it. And some
6 of these sub-issues specifically do relate to security
7 constrained economic dispatch, and we will indicate which
8 ones we think are. We haven't attempted to suggest all of
9 them.

10 But there's no way, as Chairman Hardy says, that
11 everybody could go through all the details on these things.
12 I think we can maybe sort them into those two categories, if
13 that would be helpful to try to resolve this discussion
14 after it's over.

15 MR. WRIGHT: Chairman Hardy.

16 MR. HARDY: Well said.

17 We can do two useful things: One, we answer the
18 question we were asked -- which is not often done.

19 (Laughter.)

20 MR. HARDY: I think it's fair for us to say here
21 are other questions that are equally valid and worthy of
22 attention. Either we do them ourselves -- sort of ex
23 officio -- or someone takes the hint and says, 'Yes, you're
24 correct, those are worthy of additional attention,' and we
25 establish, either again with our colleagues in Washington or

1 ad hoc, to look at those. A list of what we don't know is a
2 useful list.

3 COMMISSIONER BROWNELL: Good idea. I also see my
4 friends from DOE in the audience. So we can ask them to do
5 anything because they're great at studying stuff.

6 So, David, do you want to stand up and say,
7 'yeah.'

8 (Laughter.)

9 VOICE: If we have the resources we'll do that.

10 COMMISSIONER BROWNELL: We'll ask Congress to
11 give you more money.

12 MR. WRIGHT: I think reasonable minds are
13 prevailing here. And I think we're coming to the conclusion
14 of dividing this up into two buckets or two areas.

15 Why don't we, unless someone has a better idea,
16 why don't we take a look at these recommendations and see
17 which ones kind of fall into those buckets or categories and
18 then we can kind of go on from there.

19 Susan?

20 MS. WEFALD: Did Commissioner Ervin already make
21 a recommendation on that? I don't remember receiving that
22 communication. Did Commissioner Ervin send out already a
23 draft list dividing this into two?

24 Do you have that with you today?

25 MR. ERVIN: I have some general items. I did go

1 through the list line by line. And I think there are some
2 that are on the margin that could go either way. But I
3 specified that I thought they were probably in the category
4 of beyond the scope, or the expansion planning one, the cost
5 allocation. I think that's sort of questionable. The joint
6 and common market issues, those are the ones that I had
7 confirmed about as not being that important but as being
8 really not very directly related to security constrained
9 economic dispatch. There's some room at the margin for
10 disagreement.

11 MR. WRIGHT: Commissioner Butler.

12 MR. BUTLER: Don't we have to go a little farther
13 than what is related to security constrained economic
14 dispatch? Point two on what I thought was our charge is
15 consider how security constrained economic dispatch serves
16 reliability and affordability. So perhaps we shouldn't be
17 looking at these lists of recommendations as simply do they
18 apply or do they not, but are they important to our
19 understanding of how security constrained economic dispatch
20 affects reliability and affordability.

21 To that end, some of these recommendations -- the
22 first one, for instance, says develop a long-term
23 transmission planning process. Susan points out -- and
24 we're all aware that both MISO and PJM already have one. We
25 don't have to develop one. But maybe we need to have

1 another look at it to see if in fact it is worth doing with
2 regard to the charges that we have been given.

3 Secondly, develop an appropriate cost allocation.
4 I think the key word there is 'appropriate' because we
5 certainly have a cost allocation mechanism and maybe we need
6 to look at the current one and see if it's doing what it's
7 supposed to do vis- -vis security constrained economic
8 dispatch and the effect it's having on reliability and
9 affordability -- maybe not here today. We can have a
10 discussion for a little bit.

11 Maybe we ought to go back and decide which of
12 these apply and which do not; which can be supplementary
13 recommendations, as the chairman had said, and submit that
14 as our recommendation. Then someone could put the list
15 together and see if we can come anywhere near agreeing.

16 MR. WRIGHT: Thank you, Commissioner Butler.
17 Chairman Jergeson.

18 MR. JERGESON: When we contemplate making a
19 report to Congress by May 3rd, I don't know that Congress
20 should expect -- nor should we attempt -- to give them a
21 nice, neat little package and say -- it has the bow on it
22 and all the questions are answered and everything is fine
23 with the world.

24 I think it ought to be sufficient to report to
25 Congress what is going on, what kinds of things that we

1 think are answerable, and answers. And then list those
2 things that are going to be ongoing items of concern and
3 work. I think that this list, you know -- I can agree that
4 we cannot report to Congress an answer to all of these
5 issues.

6 But I don't think we should submit a report that
7 doesn't at least identify what issues are out there that
8 need to have ongoing work to be done on them. And I don't
9 think we can tell them that, well, here it is; here is
10 security constrained economic dispatch. It looks like this
11 and it solves all the problems. I think Congress ought to
12 be given a realistic picture that they can use our ongoing
13 processes in matters of work.

14 MR. WRIGHT: Thank you, Greg.

15 Commissioner Nickolai.

16 MR. NICKOLAI: I do want to flag just another one
17 of the bullet points so that we make it clear that these are
18 ones of these things that we explore rather than something
19 that we know today should be done. That has to do with all
20 potential transmission developers should be allowed to bid.

21 Another reason I say this is that from our
22 experience at the state level when we do all source bidding
23 for generation and discovered that there are many more
24 problems there than we ever anticipated to actually get the
25 generation delivered. So something for us to explore rather

1 than something that sounds like we're absolutely endorsing
2 it.

3 MR. WRIGHT: Thank you, Commissioner.

4 Further discussion?

5 Commissioner Wefald.

6 MS. WEFALD: I don't know how far we're going to
7 get with the process today of defining which one of these
8 questions or recommendations we want to move forward or not.
9 But I would suggest that the second goal on the bottom of my
10 page, it definitely relates to the PJM and MISO region.

11 "Further studies should be conducted on
12 participation of non-utility generators in regions that do
13 not have organized markets."

14 Why should that even be in? I'm sure someone
15 said it at some point. But we're in an organized market.
16 We don't even have that.

17 You see where that one is? On my page it's on
18 the bottom of the first page. It comes under "further
19 studies" at the top of page two.

20 MR. WRIGHT: "Further studies should be conducted
21 on participation of non-utility generators in regions that
22 do not have organized markets."

23 Why are we -- That should be out of there. We
24 have an organized market. I would suggest we get rid of
25 that one for sure. If others can find ones that actually do

1 not apply, let's just drop those off right now.

2 Thank you, Commissioner Wefald. Hand the mike to
3 Mr. Welch of Kentucky. He wants to speak.

4 MR. WELCH: This will be quick.

5 Just in response to Commissioner Wefald, Kentucky
6 has -- We have MISO, we have PJM, we have TVA, and we have
7 people who aren't any of the above. This is the only Joint
8 Board we're a member of. So this is the only place where
9 we'd be able to talk about non-utility generators that do
10 not have organized markets.

11 MS. WEFALD: And that's a major concern of yours.

12 MR. WELCH: We can put that in. But it would
13 apply.

14 MS. WEFALD: Thank you. I appreciate that.

15 MR. WRIGHT: Chairman Jergeson.

16 MR. JERGESON: Mr. Chairman, about that
17 particular bullet point, Susan, I am sensitive that we don't
18 want to sit here in our region and tell Commissioner Ervin
19 that this is what your region ought to be doing. And I
20 don't think that that bullet really quite says that. But it
21 may be interesting to study and be aware of what's going on
22 in the non-organized regions as kind of a control against
23 which we compare whether or not we're making progress in the
24 benefits to consumers in our region as we proceed with our
25 folks.

1 COMMISSIONER BROWNELL: I would just also add,
2 respecting Kentucky's situation, there are also people on
3 the fringe of the organized markets who also have raised
4 this as an issue. And you have various states -- half of
5 them are in the market, as you know, half of them aren't.
6 So from that perspective we should pursue it.

7 MR. WRIGHT: Chairman Hardy.

8 MR. HARDY: One possible answer is we don't have
9 enough information or we don't have enough time or thank you
10 for your interest and we'll get back to you later. That may
11 be the answer, if we need to make that the answer. I don't
12 want to prejudge that we have to do 40 things; just that we
13 looked at it.

14 MR. WRIGHT: Thank you.

15 David Sapper from Wisconsin.

16 MR. SAPPER: I guess where I'm coming from, and
17 the general message I was supposed to try to convey today
18 was that we at least think that these studies of RTOs
19 operations should be as robust and detailed as would be
20 fitting such a major shift in policy as that RTO creation
21 and development, and also benefiting the public interest,
22 which I think is served by the RTOs now. So erring on the
23 side of more robust investigations into these issues, I
24 would point out that I think it's important to distinguish
25 between the relative scope of the study and the data that

1 might be relevant for us to carry out any future studies.

2 I also note in my mind at least that there's a
3 difference between data availability and data accessibility.
4 If people are looking for some website that has all the
5 answers, data is not available in that sense. But the
6 underlying data that might be useful, accessible at some
7 reasonable cost -- for example, the market monitors have a
8 lot of that information. That's a good independent source,
9 it seems to me.

10 I just think we should keep those distinctions in
11 mind.

12 MR. WRIGHT: Thank you.

13 Any further discussions.

14 (No response.)

15 MR. WRIGHT: I have just a bit of a suggestion.

16 Unless there's an objection, what I'd like to try
17 to do -- and I assume Ken or his staff are listening in --
18 perhaps both he and I with our staffs and with OMS and OPSI
19 can perhaps try to create this two-part category based on
20 what we've heard today, circulate that for your
21 consideration and make sure that we don't, as in the case of
22 Kentucky, disregard something that may be very important to
23 them but at first blush may not seem to be within the scope
24 here. But that could be very much part of our
25 responsibility to you in working with you to craft that two-

1 category list of recommendations versus things that we might
2 want to study in the future.

3 Would there be any objection to try to get that
4 effort and not try to resolve it here with the time that we
5 have left?

6 Commissioner Nickolai, before we conclude, if
7 we're getting close to that, I understand that, Commissioner
8 Nickolai, you might have --

9 MR. BUTLER: Before you go on, I just want to add
10 one addition to what you just suggested.

11 In addition to dividing the list in two, those
12 that are germane and those that may not be as germane, there
13 are also some opportunities, I think, on the list for
14 consolidation. I think there's one recommendation that
15 Commissioner Wefald identified on the top of the second
16 page, and really the next one is the same thing. Perhaps we
17 could get OMS and OPSI staff to look at it from that
18 perspective as well.

19 MR. WRIGHT: A very good point. Thank you.

20 Are there any other recommendations that folks
21 feel strongly about that we might want to entertain that are
22 not here? And I do believe Commissioner Nickolai has a
23 couple. We discussed that this morning.

24 Commissioner Nickolai.

25 MR. NICKOLAI: Thank you, Mr. Chairman.

1 I think everybody should have a copy of this. I
2 have two of them I would like us to consider. The
3 background of the first one is this. This is from my
4 experience in my area, and I'm sure it's probably some of
5 your experience in PJM.

6 I think the RTOs are struggling with the question
7 of the extent to which they are dependent actors versus the
8 extent to which they feel that they must be agents of their
9 members and transmission owners. If we think about a
10 recommendation for the long-term strength of these RTOs I
11 think this recommendation is that we should review the
12 governance of the RTOs to help assure that they truly are
13 independent, to the extent that we can make them independent
14 operators of the markets and the grid. We need that
15 assurance of independence as we go into the future to have
16 full confidence that the grid and the markets are going to
17 be operated in a manner fully consistent with the goal of
18 maximizing the economic benefit to the public.

19 I would urge that this is something we make sure
20 we put into our report.

21 MR. WRIGHT: Commissioner Chappelle.

22 MS. CHAPPELLE: I was just telling Commissioner
23 Nickolai that I supported especially his first point. I was
24 just speaking last week with somebody in Michigan from the
25 utility perspective that was voicing some initial concerns.

1 Again it could be wrapped with other things, but just
2 expressing the need. And this is the first I've heard of it
3 in at least six to eight months. But just expressing the
4 thought that governance should continue to be independent.

5 So the only thing I would add in support of
6 Commissioner Nickolai is maybe periodic governance, so it's
7 not a one-time occurrence. We expect this is one of the
8 founding reasons of the RTO is that it does independent and
9 that type of review to make sure that it maintains its
10 independence.

11 MR. WRIGHT: Thank you, Commissioner Chappelle.
12 Commissioner Nickolai.

13 MR. NICKOLAI: Thank you, Mr. Chair.

14 My second recommendation is I think from our
15 discussion it's pretty clear that we feel that security
16 constrained economic dispatch can be an efficient method of
17 allocating scarce transmission resources. But I think in
18 this report we should also make it clear, while it's a good
19 method for allocating scarce resources, if all we had was
20 scarcity what we're going to see is prices that can just go
21 up and up and up.

22 So what we need to make sure is that the rules
23 that govern the grid and market operation do include means
24 for doing both, in addition to transmission capacity and a
25 diverse portfolio of generation to markets.

1 What I wrote after that is another sentence to
2 give a couple of examples. What methods or tools could be
3 used to accomplish this, such as establishing minimum
4 reserve margins and portfolio requirements, recognizing base
5 load needs as well as diverse fuel types. I know a few of
6 my colleagues are a little bit concerned about that last
7 sentence, especially the piece that indicates state-
8 established enforceable. But somehow I think we need to
9 write a piece here that needs to make clear that it's going
10 to take something enforceable in order to make sure that
11 utilities are bringing additional resources to the table to
12 keep those markets viable as the demand increases.

13 MR. WRIGHT: Thank you, Commissioner.

14 Discussion of that particular recommendation?

15 Commissioner Wefald.

16 MS. WEFALD: The only part that concerns me -- I
17 thought about the second sentence or the third sentence
18 where it talks about examples or methods. I realize that
19 that's an example of that. So perhaps I don't have a
20 problem, but I thought I did because it just serves as an
21 example.

22 But portfolio requirements are very difficult
23 when you have regional utilities and one state. Of course,
24 we don't have that now, but it is portfolio requirements
25 that would really be nice if they could be set regionally

1 instead of on a state by state basis. But right now it is
2 being set on a state by state basis. I have concerns about
3 how that works, one state maintaining one portfolio and then
4 another state maintaining another portfolio requirement and
5 putting the same requirements on the utility. But those are
6 things that states I'm sure can work out in the future. So
7 as long as it says 'examples --'

8 MR. WRIGHT: The underlying recommendation you
9 don't have an objection to?

10 MS. WEFALD: I have no problem with that. In
11 fact, I encourage it.

12 MR. WRIGHT: All right.

13 Any further discussion on possible
14 recommendations that we might want to bring up and include
15 in this report?

16 MR. SPINNER: I don't know if I need to say it.
17 I have my letter here. But again, I think that the bedrock
18 issue regarding SCED is a cost and affordability issue,
19 receiving reliable electric service. Therefore I hope that
20 it will at least mention that there ought to be some kind of
21 comparison between what load pays and what the resource
22 costs are that are expended in producing that electrical
23 output.

24 MR. WRIGHT: Thank you.

25 I'll turn the mike back over to Madam Chair.

1 COMMISSIONER BROWNELL: Thank you for doing the
2 tough work.

3 It has been a wonderful meeting. It's fun to
4 work with Commissioners who are very informed. Sometimes
5 that's a challenge for all of us because we all have
6 opinions. But it's nice to have full understanding; it
7 makes the outcome more positive.

8 I appreciate the time you have spent thinking
9 about this. What I heard is that the report first and
10 foremost needs to reflect the goal of providing the best
11 possible outcomes for customers. And I don't think that
12 Congress would for a moment not agree with that. In fact, I
13 would encourage you to include that in the preamble.

14 I also heard that there are three tasks in
15 discussing the recommendations. That is to consolidate
16 those, which I think the staff anticipated; then to divide
17 the list into that which we think informs this particular
18 task and those which we believe need further refinement and
19 work. And maybe we'll get some feedback from Congress on
20 that.

21 And the other thing I think that is important to
22 note -- and I'll say it again -- is that as you develop
23 these in the first efforts I think you should identify any
24 data requests that you have. I think we've made it pretty
25 clear today that PJM and MISO could submit some information

1 pretty quickly. To the extent that there's anything that
2 didn't get raised, in fairness, I think we ought to see
3 what's out there.

4 I would include that we ought to look to the
5 market monitors to see what they already have and the state
6 of their market reports, both in terms of the regions. I
7 think some of this information may well be available. We
8 may need to get some permission to make some more things
9 public. And then I think we'll look at the data requests
10 and see if there's information that we have that might be
11 useful and informative. So that's to the extent some of
12 these issues have already been explored, maybe we can answer
13 that question.

14 And I am enormously grateful to the vice chairs
15 for offering to draft this. But I would encourage you to
16 offer staff support for them if you possibly can because
17 this is an exhaustive challenge. Further, we will offer our
18 staff -- Thank you, Bill, and those who aren't here -- with
19 the idea that we're there to offer technical advice. But
20 this is in fact your report. I'm very grateful.

21 This is a lot to do on top of your day jobs.
22 Water, gas, high gas prices, taxicabs in the case of
23 Pennsylvania, weights and measures in the case of
24 Commissioner Wefald. But we all have our challenges. But,
25 as I said, I think this is a wonderful opportunity to show

1 to each other, to the stakeholders, and, frankly, to
2 Congress that we can work together. And while we may not
3 agree on everything, we can add value to the debate, as we
4 have it and as they have it.

5 Thank you for being here. Enjoy your stay at
6 NARUC. I hope anyone who wishes to will come over to the
7 Commission while you're here -- and if you have a chance,
8 you can walk -- and visit with staff or us. We'll be
9 around.

10 Thank you very much.

11 Mr. Wright, do you have anything to say?

12 MR. WRIGHT: It's always a pleasure working with
13 Commissioners. It's been a joy being involved in forums
14 like this. From henceforth we'll be working with you, both
15 Ken and I, through our designated staffs, with OMS staff and
16 OPSI to produce the report you believe ought to be sent to
17 FERC.

18 Again, thank you very much for your constructive
19 criticism and comments. We'll take that from there. Thank
20 you.

21 COMMISSIONER BROWNELL: Thank you.

22 On time, on budget, and 27 minutes to go play in
23 the hallway and get lobbied by others.

24 (Whereupon at 2:25 p.m., the Joint Board was
25 adjourned.)