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FEDERAL ENERGY REGULATORY COMMISSION**

**Preventing Undue Discrimination and Preference
in Transmission Service**

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**Prepared Statement of
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Great River Energy is a large non-FERC jurisdictional G&T cooperative headquartered in Elk River, MN. In Minnesota, steady population and economic growth and rapid development of renewable energy resources are driving the need for transmission expansion. GRE's transmission system is heavily integrated with four neighboring investor-owned utilities. Our history of joint planning for system additions, interconnection agreements and rates zones has led to a broader transmission planning and expansion effort called CapX 2020 – Capacity expansion for the year 2020. CapX 2020 currently has eleven vertically integrated utility participants, including a mix of IOUs, municipalities and cooperative G&Ts. CapX is about to enter the regulatory approval process in Minnesota for 600 miles of high voltage transmission estimated at \$1.3 billion, the first of three phases of expansion. I would like to focus my comments today on how that effort might inform some of the issues to be addressed by this panel.

- **CapX utilities are motivated by their obligation to serve and conduct due diligence.** The planning effort was undertaken in order to fulfill our obligation to provide service and constitutes our due diligence as investors, owners and operators of the transmission system. Planning at the utility level is a basic building block of broader transmission planning even within an RTO. Policies on regional planning should encourage the development of load serving plans by transmission provider utilities and LSE's and provide for efficient review and integration of them into regional plans. CapX recognized the need to conduct joint planning because of the regional nature of the needed expansion.
- **Economic, political and historical factors determine appropriate geography for planning.** As stated above, economic growth and the development of renewable energy resources are the main drivers for the transmission expansion in our region and have brought the CapX utilities together. A history of joint planning and interconnection has made that much easier. The planning region includes the service territories of all of the participating utilities. Our focus has been Minnesota-centric because that is where the growth is occurring, but service

territories of the participants spill over into the eastern Dakotas, western Wisconsin and northern Iowa. We believe the planning area is sufficiently large to capture basic efficiencies and interdependencies, however, the plans also will be vetted through the MISO MTEP process. The primary regulatory review for these CapX projects will occur within a single state, which helps to simplify need and siting determinations.

- **Integration and reconciliation of expansion plans within multiple planning spheres is a must to achieve coherence, certification and revenue recovery.** Most CapX utilities are MISO members and are involved in the MTEP planning process; all must participate in the biennial transmission planning process mandated by state law in Minnesota. Participation in both planning processes is critically important. Participation in MTEP is required to mesh sub regional planning within a broader region and also for purposes of classification for tariff treatment and revenue recovery. As an independent entity, MISO provides oversight and credibility to utility expansion plans in state proceedings. The CapX utilities will oversee permitting and eventually detailed engineering and construction of the planned projects. By being involved in the initial formation of the plans as well as later refinements to them, there is a seamless transition for the CapX utilities from planning to permitting and the “build” phase. This results in efficiency and the ability to meet aggressive schedules.
- **Regulatory certainty is the foundation for investment.** CapX utilities launched a successful regulatory reform initiative at the state legislature, in parallel with the expansion planning effort. Formula rates for the investor-owned utilities, improvements in the permitting process and the ability to form a Transco if deemed in the public interest were secured. Upfront, heavy involvement of the CapX utilities and coordination with the regional planning entity was essential for providing policy makers with coherent messages about the need for and benefits of transmission expansion and timely, certain recovery of investments.
- **Impact of DSM on planning.** All of the CapX utilities have demand response programs in place. However, these programs primarily have been designed around peak shaving and to a lesser extent on conservation. Only in emergencies have they been dispatched for transmission purposes. Unless DSM programs are dispatchable for transmission purposes, planners must assume they are building for system peaks.

Thank you for inviting me to participate in today’s conference. I welcome your questions and look forward to the panel discussion.

Respectfully submitted on October 12, 2006.