



# FEDERAL ENERGY REGULATORY COMMISSION

**February 19, 2009**

**Docket No.** ER09-432-000 and ER09-433-000

**Item No.** E-15

**Commissioner Suedeen G. Kelly**

**Statement of  
Commissioner Suedeen G. Kelly  
on  
Chinook Power Transmission, LLC and Zephyr Power Transmission, LLC**

"We are today, for the first time, approving the use of an anchor customer in the context of a merchant transmission project.

In doing so, we demonstrate our capacity for flexibility while keeping true to our core mission of ensuring just and reasonable rates and preventing undue discrimination.

This finding represents a significant step in the evolution of our merchant transmission policy. For the past 10 years, that policy has, in large part, been geared to circumstances within an RTO or adjoining an RTO. However, given the advent of Renewable Portfolio Standards and the proliferation of renewable generation, particularly in the western US, mean that our policy was destined for change. This order marks the initial phase of that process of change but by no means the last. Given expectations surrounding transmission build-out, I suspect we will see a number of merchant applications, structured in a variety of ways. While this order provides an adaptable framework for addressing future merchant applications, it also provides a clear indication of the Commission's underlying concerns. Our analysis properly includes an examination of the potential for undue discrimination as well as an examination of the potential for affiliate preference. Hopefully, this order offers valuable guidance for future applicants.

More generally, this order highlights the challenges facing the development of location constrained renewable resources. Many have referred to it as the chicken-and-egg problem: Transmission owners won't build in advance of generation development and generation developers, particularly those trying to build wind generation in remote locations, won't undertake development without access to transmission.

As a result, some of the country's best locations for wind generations have yet to be developed. Today's ruling provides one solution to that challenge. And I believe it serves as a bookend to our 2007 ruling in the Tehachapi proceeding. In the Tehachapi proceeding, consumers, in essence, partnered with the transmission owners to foster the development of transmission linking location constrained generation to load. Here, Chinook and Zephyr partner the generation developers to build the transmission. In both instances, we observe a sharing of risks between parties who ultimately benefit from the timely installation of the transmission facilities."