

February 9, 2010

The Honorable Harry Reid, Majority Leader
The Honorable Mitch McConnell, Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid and Minority Leader McConnell:

As you are aware, the American Clean Energy Leadership Act of 2009 (S. 1462) as passed by the Senate Energy & Natural Resources Committee included provisions impacting both inter-regional transmission planning and transmission system expansion cost allocation. We are writing to make clear our support for Congressional direction on these issues within comprehensive energy legislation, but with certain qualifications on the specifics. On transmission planning, we endorse reliance on the voluntary coordination of successful existing local and regional processes. We are concerned, that the current language of S. 1462 will impose a top-down interconnection-wide plan that would fail to meet local and regional needs and would ultimately undermine the goals of the legislation. On cost allocation, we support the language in S. 1462 that allocates costs based on measurable benefits.

With respect to transmission planning, we believe that it is critical to capitalize on existing open and transparent local and regional processes, rather than placing FERC in the role of national transmission planner. Local and regional planning processes take into account the needs of local and regional customers, the local economic impacts of alternatives, and local and regional circumstances that influence transmission plans. Thus, we think the goals of S. 1462 will best be served by deleting language that would allow FERC to approve or modify a submitted interconnection-wide transmission plan that may be inconsistent, or in conflict, with local or regional plans.

With respect to cost allocation, while our organizations strongly support the development of renewable and other clean energy sources, we believe that national policy should not be biased toward building remote generation resources connected to population centers with long, multi-state transmission lines. Since some regions will find better, less costly ways of getting to the cleaner energy future we all desire, including distributed renewable resources at or near the consuming customer, on-shore and off-shore wind closer to the load centers of the East Coast, carbon-free nuclear and hydro generation, as well as demand-side management and increased efficiency, deference should be provided to consensus regional cost allocation solutions developed through open and collaborative processes.

Decisions about when and where to build new resources involve market choices by resource developers and customers. The only way to ensure that these decisions are made in a cost-effective manner is to provide price signals that show the true economic implications of these decisions. If developers and potential customers of the new resources don't have to pay the costs of transmission associated with their decisions, the price signal is lost and distant resources will have an unwarranted price advantage over local alternatives, including conservation investments or distributed renewable resources. It is therefore critical that transmission cost allocation policy place the costs of transmission on the parties (generation and/or load) that create the need for the new investments, rather than socializing transmission costs across a broad area. In addition, parties being asked to contribute to the recovery of costs should have significant input and involvement in the decision-making process.

In summary, without changes to the planning language of S. 1462, the development of transmission may disregard the critical consideration of local and regional customer needs and economics. In addition, we seek to ensure that general principles of economic efficiency are maintained in transmission cost allocation policy. Absent specific language on cost allocation, broad proclamations that "everyone" benefits from any new transmission investment will create unfair market advantages and will lead to the imposition of high transmission costs on consumers who may experience no tangible benefit.

To ensure that production and delivery of low-carbon electricity will occur in the most cost-effective, consumer-friendly manner possible, we urge you to maintain these important principles in your further consideration of S. 1462, and we pledge our willingness to work with you.

Sincerely,

Alliant Energy Corporation

Ameren Corporation

Arizona Public Service Company

CMS Energy Corporation

ConEdison Inc.

Congoleum Corporation

DTE Energy Company

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The Honorable Mitch McConnell, Minority Leader
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Entergy Corporation

E.ON U.S.

Georgia Transmission Corporation

Imperial Irrigation District

Indianapolis Power and Light Company

JEA

MEAG Power

Northeast Utilities

OUC

Petra Solar

Platte River Power Authority

PPL Corporation

Princeton HealthCare System

Progress Energy Inc.

Public Service Enterprise Group, Inc.

Salt River Project

Santee Cooper

South Carolina Electric & Gas Company

Southern Company

Sta Seal Asphalt

Trap Rock Industries, Inc

cc: The Honorable Jeff Bingaman, Chairman Energy and Natural Resources Committee
The Honorable Lisa Murkowski, Ranking Member, Energy and Natural Resources
Committee