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Congestion Study Comment 81356

Attachments: 2009XMCONGESComentz_81356.doc

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Comment Date: October 15, 2008 10:26:55AM CDT

Congestion Study
Comment: 81356

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Questions about submitting comments over the Web? Contact us at: congestion09@anl.gov or call the Congestion Study Webmaster at (630)252-6182.

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October 15, 2008

VIA ELECTRONIC FILING

Mr. David Meyer
U.S. Department of Energy,
Office of Electricity Delivery and Energy Reliability
1000 Independence Avenue, SW
Washington, DC 20585.

Re: Alabama Public Service Commission's Comments on DOE's Preparation of the 2009 Transmission Congestion Study and the Atlanta Regional Workshop

Dear Mr. Meyer:

The Alabama Public Service Commission ("APSC") appreciates this opportunity to provide these comments regarding the Department of Energy's ("DOE") preparation of its 2009 Transmission Congestion Study ("2009 Study") and regarding its Regional Congestion Workshop that was held in Atlanta, Georgia on July 29, 2008 ("Atlanta Workshop"). The APSC is more than willing to provide assistance as may be needed by DOE to prepare its 2009 Study, with Commissioner Jim Sullivan, the President of the APSC, having participated in the first panel of speakers at the Atlanta Workshop concerning policy issues. These comments memorialize and supplement the major themes discussed by Commissioner Sullivan at the Atlanta Workshop.

Consistent with Commissioner Sullivan's presentation at the Atlanta Workshop, these comments, following a brief background discussion, address the following major issues: DOE's 2006 Transmission Congestion Study results as they pertain to Alabama and the Southeast; trends in Alabama that have continued and/or developed since the 2006 Study; and the manner in which congestion is addressed in Alabama. In addition to these issues specifically raised by Commissioner Sullivan at the Atlanta Workshop, these comments also address several other matters raised at the workshops.

Background

In Alabama, the two predominant electric service providers are Alabama Power Company and the Tennessee Valley Authority ("TVA"). Alabama Power serves primarily the lower two-thirds of the state while TVA serves the upper one-third of the state. In addition, various cities and rural areas are served by municipal organizations and electric cooperatives. The APSC is charged with regulating all investor owned utilities ("IOU"), and for electric service, Alabama Power is the

only IOU in the state. Alabama Power, along with Georgia Power, Mississippi Power and Gulf Power (collectively, "Southern Companies") are subsidiaries of The Southern Company and provide retail electric service to portions of Alabama, Georgia, Florida and Mississippi.

2006 Transmission Congestion Study: No Findings of Significant Congestion in Alabama Power's Service Territory

In general, the APSC concurs with the 2006 Transmission Congestion Study in that it correctly concluded that Alabama Power Company does not have any major congestion problems. 2006 Transmission Congestion Study, at 24-25. In fact, the only congested flows that the study identified in Alabama involved TVA and its transmission into north Mississippi and north Georgia. Importantly, even those findings were identified during the historical review and modeling processes portions of the study and were not included in any of the study's three classes of congestion areas. See id., at 39-58.

Recent Trends Demonstrate a Continued Lack of Significant Congestion

The 2006 Study's finding of no significant congestion in Alabama Power's service territory did not come as any major surprise to the APSC. While there are no per se metrics for measuring congestion in Alabama, there are several major indicators that demonstrate that the integrated resource planning process used in Alabama is working and has helped provide an absence of congestion. Major indicators include: 1) transmission and distribution reliability ratings in excess of 99%, 2) low retail prices which consistently rank below the national average, and 3) exceptional fuel diversity (based on installed capacity plus committed capacity acquired under Power Purchase Agreements), as indicated below:

Coal	47.43%
Nuclear	12.40%
Natural Gas	16.11%
PPAs (natural gas fired)	12.65%
Hydro-generation	11.41%
Total	100.00%

In an effort to mitigate any significant transmission congestion, Alabama Power continually invests in its transmission infrastructure. Specifically, Alabama Power has invested $365,800,000 for the period 2005 – 2007 (see below) and has budgeted an additional $120,000,000 for transmission infrastructure investment in 2008.

2005	$117,900,000
2006	$126,700,000
2007	$121,200,000
2008 Budget	$120,000,000
Total	$485,800,000

Furthermore, Alabama has experienced significant economic development opportunities over the last ten years and has become a preferred siting location for a great deal of new industry. Much of this success is, in large part, attributable to the strength of our electric infrastructure. For

example, over the last ten years, the following major companies have located in Alabama, and most of these cited low electric rates and high reliability as a consideration for locating in Alabama.

Company Name	Year Operations Began	Industry
Mercedes Benz	1995	Automotive
Tuscaloosa Steel (NUCOR)	1995	Primary Metals
Mitsubishi Polysilicon	1997	Chemicals
IPSCO Steel	2000	Primary Metals
Honda	2001	Automotive
Fortier Yarns	2002	Textile
Hyundai	2004	Automotive
Berg Steel	2007	Primary Metals
Kronospan	2007	Wood Products
Louisiana Pacific – Thomasville	2007	Wood Products
ThyssenKrupp Steel	2009	Primary Metals

Lastly, and as discussed by Commissioner Sullivan at the Atlanta Workshop:

> I've been a commissioner in Alabama for 25 years. And I think because our transmission system is in such good shape, we've been so far ahead of the curve, this [congestion issue] has never come up as one of the major issues that reaches, frankly, the commissioner level. And I think that's a good indication that our region of the country is doing a good job of being proactive.

Atlanta Transcript, at 18.

Why Long-Term Congestion is Not a Major Issue in Alabama: Integrated Resource Planning

At the Atlanta workshop, several other speakers on the first panel all similarly emphasized that significant congestion is not an issue in their respective service territories/jurisdictions. In response to this theme, Mr. David Meyer of DOE asked,

> I wonder if some of you have ideas about why is that so? I mean, why is your process working, or it has worked in the past and now you're reaping the benefits, but is there some particular reason that comes to mind as to why that – as compared to other areas?

Atlanta Transcript, at 18.

As discussed by Commissioner Sullivan at the Atlanta Workshop, the major reason for this lack of long-term congestion is that Alabama remains a state in which both generation and transmission, along with distribution and demand side management, are all jointly studied through the integrated resource planning process to provide service to consumers on a least-cost basis. In this process, reliability and long-term economic dispatch are the primary drivers for transmission system improvements and expansion plans. This integrated process reduces congestion by ensuring that new and existing generation resources committed[1] to serving the citizens of this region on a long-term basis can be delivered without congestion. In contrast, so called "organized markets" generally no longer engage in such integrated planning but instead have largely separated transmission planning from generation development planning.

As further discussed by Commissioner Sullivan at the Atlanta Workshop, Alabama Power does not perform this integrated resource planning in isolation. Rather, Alabama Power does so in coordination with the other retail operating companies within Southern Companies' system as well as with other affected utilities. The results of this integrated resource planning are incorporated into SERC studies so as to ensure reliability and simultaneous feasibility. In this manner, transmission providers are able to address long-term congestion that might otherwise arise due to changes on other transmission systems, and such coordinated planning facilitates the addressing of significant congestion throughout the region.

It also bears noting that outside of planning for long-term economic dispatch for native load customers, there is also a process in place to provide long-term firm transmission service to third parties. Should a third party desire to have a transmission improvement made to address a congestion problem that it has identified, all that such a customer has to do is to commit to taking long-term service under Southern Companies' OATT. If such a commitment is made, then Southern Companies will move forward to make the transmission enhancements necessary for that third-party to receive long-term firm service without congestion. Pursuant to this transmission tariff process, third parties can determine for themselves whether it makes economic sense to commit to the costs of long-term firm service so as to pursue market opportunities or to forego the transaction.

Other Congestion Study Issues: DOE Should Remain Focused on its Statutory Mandate to Perform a Congestion Study and Should Ignore Calls to Expand its Study Process to Address Other Issues

In performing the 2009 Congestion Study, the APSC recommends that the DOE remain focused on performing a straight-forward analysis of "electric transmission congestion"[2] and refrain from expanding the study to address other matters. At virtually all of the workshops, one or more speakers have argued that DOE should expand its analysis to address issues other than just transmission congestion. For example, at the Atlanta workshop, one speaker argued that the DOE's next congestion study might be "a good place" to question the ownership of transmission facilities by vertically integrated utilities, noting a preference for stand-alone transmission companies.

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[1] The transmission system is planned to enable an economic dispatch of network resources and other long-term commitments without incurring congestion. Network resources include committed Alabama Power generators, generators of Southern Companies' affiliates, and IPP generators that are committed to serving consumers through Purchase Power Agreements. In addition, as discussed further below, third parties can similarly receive long-term delivery service without congestion if they commit to long-term service under Southern Companies' Open Access Transmission Tariff ("OATT").

[2] See 16 U.S.C. § 824p(a)(1)("[T]he Secretary of Energy …, in consultation with affected States, shall conduct a study of electric transmission congestion.").

Atlanta Transcript, at 28. DOE should refrain from addressing such extraneous topics. Not only would such inquiries prove unnecessarily divisive,[3] but they would also be beyond Congress' mandate that DOE perform a study of electric transmission congestion. While other speakers have raised extraneous issues that are arguably more germane to the performance of an "electric transmission congestion" study, such as analyses of the costs and benefits of addressing identified congestion or obstacles to addressing congestion, DOE would be well-served to remain within its statutory mandate of performing a straight-forward congestion study of historical and current congestion, as DOE has appropriately proposed for purposes of the 2009 Study.[4]

Conclusion

The APSC believes that DOE's 2006 Transmission Congestion Study validates the benefits of an integrated planning process. The benefits are demonstrated by positive trends in areas such as: low prices, high reliability, fuel diversity and economic development. In moving forward with the preparation of the 2009 Transmission Congestion Study, the APSC has high expectations that such trends will continue and that long-term congestion will not be identified as an issue in Alabama.

Sincerely,

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Eugene G. Hanes
Advisory Staff
Federal Affairs Advisor
Alabama Public Service Commission

[3] Substantively on this issue regarding form of transmission ownership, as discussed above, the APSC notes that the vertically-integrated paradigm of transmission ownership has worked well in Alabama. Furthermore, it is largely due to the integrated planning of both transmission and generation that has lead to the lack of significant transmission congestion in Alabama, and the adoption of a stand-alone transmission company would appear counter to such integrated planning and, instead, would appear to focus upon transmission-only solutions to identified problems.

[4] Congress directed DOE to address several criteria when it considers designating a national interest electric transmission corridor ("NIETC"). 16 U.S.C. § 824p(a)(4). Addressing such additional matters in the more focused context of considering designating a specific NIETC makes much more sense than globally expanding the scope of the Eastern Interconnection- and Western Interconnection-wide congestion studies that are performed as a precursor to any NIETC designation.