



PUBLIC SERVICE COMMISSION

1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601
Telephone: 406-444-6166
FAX #: 406-444-7618
E-MAIL: tkavulla@mt.gov

Travis Kavulla, Chairman
District 1

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The Honorable Steven Chu, Secretary
Department of Energy
Forrestal Building
1000 Independence Ave S.W.
Washington, D.C. 20585-1000

Dear Secretary Chu:

Like many state commissioners, I am confused by what the Department of Energy (DoE) hopes to accomplish with its proposed delegation of authority to the Federal Energy Regulatory Commission (FERC) for responsibilities under Section 1221 of the Energy Policy Act of 2005.

While more ambivalent than opposed to the proposition, I do want to submit a comment to challenge what I perceive as a mistaken premise of the delegation, which is that states—at least this one—have been recalcitrant or tardy in siting transmission projects.

Inasmuch as Montana is concerned, there are other issues delaying transmission in this state which have nothing to do with the state's transmission siting authority, which is housed within the Department of Environmental Quality (DEQ). If anything, DEQ has shown considerable flexibility and patience in dealing with siting issues.

To my mind, the principal reasons for delay appear to be enduring uncertainty with respect to public policy, which is partially driving the demand for new transmission lines. Renewable development is more policy-driven than many other aspects of the utility industry. Moreover, those policies which drive renewable development remain unsettled because of the novelty and multiplicity of state laws and commission practices guiding renewable development.

While certain states are obviously zealous in the acquisition of renewable energy, the particulars of statutes remain in flux. The result has been a highly fluid situation which biases resource planners toward the selection of in-state resources, because of the long time horizon and coordinated effort to bring online interstate transmission projects. Even were those interstate transmission projects viable and able to deliver lower-cost renewable energy—and evidence does exist to substantiate this case—few would be willing to take the plunge in such an uncertain climate.

Notwithstanding this uncertainty, large commercial wind developers, as well as the State of Montana's largest transmission-and-distribution company, apparently retain an expectation that a demand for remote wind will mature, especially in the coming round of investment necessary to comply with renewable-portfolio standard goals which step up in the year 2015.

With respect to federal powers, there are certainly things which the federal government can do to streamline the construction of transmission. Particularly onerous in this state is the fact that interstate transmission lines which are planned to pass through counties with considerable accumulations of federal land nonetheless avoid siting on federal lands. This rubs many Montanans the wrong way. After all, if a transmission line is a *bona fide* public use—a public use, moreover, for the provision of electrical energy or renewable energy credits to persons outside of this state—then why would such a project not be sited, as much as possible, on federal public lands?

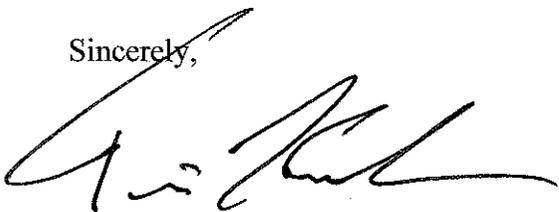
Accordingly, I agree with a comment made by others with reference to a proposed delegation that a joint federal/state team could be useful and, as a condition thereof, common decision deadlines should adhere to all involved agencies, with consequences for agencies failing to meet those deadlines. As an example of a problem such a policy might redress, consider the recent example of the draft environmental impact statement for the Mountain States Transmission Intertie (MSTI). Although the relevant Montana agencies have largely completed their share of the study, one of the last components remaining to be filled in is a cultural survey to be conducted by the Bureau of Land Management. Consistently, one hears reports that the federal agencies move at a slower pace than state agencies.

It speaks for itself that developers strive to avoid federal lands and so obviate any dealings with the federal bureaucracy, which they regard as more cumbersome than the state government's. I hope collaborating with the many relevant federal agencies will be a focal point of the Department's efforts.

While the relief of congestion on transmission pathways is not an end in itself, relieving congestion does have an inherent value in that it better opens the grid to uses which have not matured in the West, including a more integrated market. I agree that congestion is an important—perhaps the most important—metric to determine the necessity of additional transmission projects. The Western Electricity Coordinating Council has been diligent in preparing congestion studies, and I hope DoE and FERC would consider adopting their findings by reference rather than duplicating WECC's hard work.

The foregoing are my own comments. The Montana Commission has not considered the issue in public session.

Sincerely,

A handwritten signature in black ink, appearing to read 'Travis Kavulla', written in a cursive style.

Travis Kavulla

Montana Public Service Commissioner