

Resolution 06-11

Sponsors: Indiana Municipal Power Agency, Lafayette Utilities System, Oklahoma Municipal Power Authority, Vermont Public Power Supply Authority, Alabama Municipal Electric Authority, MEAG

Encouraging Joint Ownership of Transmission

Joint ownership of transmission facilities is a structural solution that can address many of the access-related issues that Regional Transmission Organizations (RTOs) were intended to address. Proportional ownership is an effective means to mitigate the transmission market power of incumbent FERC-jurisdictional utilities where this is a pressing policy concern. If the responsibility for building and owning the transmission grid is spread more broadly among entities serving loads in a region, then joint transmission planning will likely be facilitated. If “network integration transmission service” (network) customers are encouraged to “buy in” to their load ratio share of the transmission system, transmission usage and ownership will be more closely aligned, and the historical frictions between transmission-dependent utilities and the major transmission owners can be overcome. Joint ownership would also better promote the policy goal of adequate transmission infrastructure to support long-term power supplies needed to assure adequate and reasonably priced electric service to all consumers, regardless of what type of load-serving utility supplies them.

There are many examples in RTO and non-RTO regions of joint transmission expansion efforts and groups established to jointly own transmission facilities on behalf of several smaller retail service providers. Public power utilities have

participated in these types of jointly owned transmission arrangements for many years. One model of joint ownership that has worked for public power systems is investment in a transmission-only company, like the American Transmission Company in Wisconsin. A second model is ownership in a shared system, like the arrangement that exists in Georgia between the investor-owned utility Georgia Power; the rural electric cooperative, Georgia Transmission; the public power joint action agency, MEAG-Power; and the City of Dalton. In addition to these models, some entities are discussing “buy in” to existing regional transmission networks. Such responsible and innovative approaches to securing adequate transmission should be supported and encouraged throughout the country. APPA has consistently opposed incentive rates of return on construction of transmission facilities, which are regulated monopolies, because such incentives increase the cost of transmission service to consumers and often do not provide a real incentive to build needed transmission. However, FERC has the authority to provide incentives and if it exercises that authority, it should do so in a manner that results in needed transmission facilities being built and that promotes joint investment in and ownership of transmission by municipal and cooperative utilities.

THEREFORE, BE IT RESOLVED THAT: The American Public Power Association (APPA) urges the Federal Energy Regulatory Commission (FERC) to encourage and promote the joint ownership of transmission systems in RTO and non-RTO regions, through application of FERC’s authority to: (i) approve reasonable rate incentives for jurisdictional transmission services; (ii) impose

conditions on public utility mergers; (iii) ensure that all sellers authorized to charge market-based rates have mitigated their generation and transmission market power; (iv) enforce the joint planning and credits for customer-owned transmission requirements in the FERC pro forma open-access transmission tariff; and (v) other authorities granted to the Commission under the Energy Policy Act of 2005, including, but not limited to, the designation and ownership of facilities within “national interest electric transmission corridors and initiatives to ensure that load-serving entities are fully able to meet their native load service obligations; and

BE IT FURTHER RESOLVED THAT: APPA urges Congress and other interested federal agencies, like the Department of Energy, to consider joint ownership of transmission as a possibility when allocating federal resources to help enhance the bulk transmission system or to rebuild or upgrade transmission lines.

As adopted June 12, 2006 by the membership of the American Public Power Association at its annual meeting in Chicago, Illinois.