

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

----- -x

IN THE MATTER OF: : Docket Number

STATE-FEDERAL REGIONAL RTO PANELS : RT02-2-000

----- -x Docket Number

GRIDFLORIDA, LLC., et al. : RT01-67-000

----- -x Docket Number

GRIDSOUTH TRANSCO, L.L.C. : RT01-74-000

----- -x Docket Number

ENTERGY SERVICES, INC., et al. : RT01-75-000

----- -x Docket Number

SOUTHERN COMPANY SERVICES, INC. : RT01-77-000

----- -x Docket Number

REGIONAL TRANSMISSION ORGANIZATIONS : RT01-100-000

----- -x Docket Number

RTO INFORMATIONAL FILINGS, et al. : RT01-1-000

----- -x

REGULATIONS GOVERNING OFF-THE-RECORD : Docket Number

COMMUNICATIONS : RM98-1-002

----- -x

STATE-FEDERAL SOUTHEAST REGIONAL
PANEL DISCUSSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Federal Energy Regulatory
Commission
888 First Street, N.E.
Eleventh Floor
Washington, D.C.

Friday, February 15, 2002

The above-entitled matter came on for meeting, pursuant
to notice, at 10:05 a.m., Kevin Cadden, presiding.

BEFORE COMMISSIONERS:

CHAIRMAN PAT WOOD, III

COMMISSIONER NORA MEAD BROWNELL

1 APPEARANCES:

2 SANDRA L. HOCHSTETTER, Chairwoman

3 BETTY C. DICKEY, Commissioner

4 LAVENSKI R. "VENCE" SMITH, Commissioner

5 Arkansas Public Service Commission

6 1000 Center Building, P.O. Box 400

7 Little Rock, AK 72203-0400

8 501-682-1455; FAX: 501-682-5731

9

10 JIM SULLIVAN, President

11 JAN COOK, Commissioner

12 GEORGE C. WALLACE, JR., Commissioner

13 Alabama Public Service Commission

14 100 North Union Street, Suite 800

15 Montgomery, AL 36104

16 334-242-5207; FAX: 334-242-0921

17

18 E. LEON JACOBS, JR., Chairman

19 Florida Public Service Commission

20 2540 Shumard Oak Boulevard

21 Gerald Gunter Building

22 Tallahassee, FL 32399-0850

23 850-413-6046; FAX: 850-413-6395

24

25

-- continued --

1 APPEARANCES (CONTINUED):

2 J. TERRY DEASON, Commissioner

3 LILA JABER, Commissioner

4 BRAULIO L. BAEZ, Commissioner

5 MICHAEL A. PALECKI, Commissioner

6 Florida Public Service Commission

7 2540 Shumard Oak Boulevard

8 Gerald Gunter Building

9 Tallahassee, FL 32399-0850

10 850-413-6038; FAX: 850-413-6395

11

12 LAUREN "BUBBA" McDONALD, JR., Chairman

13 Georgia Public Service Commission

14 244 Washington Street, SW

15 Atlanta, GA 30334

16 404-463-6745; FAX: 404-463-6699

17

18 STAN WISE, Commissioner

19 Georgia Public Service Commission

20 244 Washington Street, SW

21 Atlanta, GA 30334

22 404-657-4574; FAX: 404-657-4576

23

24

25

-- continued --

1 APPEARANCES (CONTINUED):

2 BOB DURDEN, Commissioner

3 Georgia Public Service Commission

4 244 Washington Street, SW

5 Atlanta, GA 30334

6 404-656-4512; FAX: 404-657-4978

7

8 ROBERT B. (BOBBY) BAKER, JR., Commissioner

9 Georgia Public Service Commission

10 244 Washington Street, SW

11 Atlanta, GA 30334

12 404-657-2980; FAX: 404-657-4514

13

14 DAVID BURGESS, Commissioner

15 Georgia Public Service Commission

16 244 Washington Street, SW

17 Atlanta, GA 30334

18 404-656-2040; FAX: 404-656-2341

19

20 JAMES M. FIELD, Chairman

21 Louisiana Public Service Commission

22 One American Place, Suite 1630

23 Baton Rouge, LA 70825

24 225-342-6900; FAX: 225-342-4087

25 -- continued --

1 APPEARANCES (CONTINUED):

2 JACK A. "JAY" BLOSSMAN, JR., Vice Chairman

3 Louisiana Public Service Commission

4 645 Lotus Drive North

5 Manderville, LA 70471

6 504-624-4660; FAX: 985-624-4470

7

8 DON L. OWEN, Commissioner

9 Louisiana Public Service Commissioner

10 P.O. Box E

11 Shreveport, LA 71161

12 318-676-7464; FAX: 318-676-7462

13

14 IRMA MUSE DIXON, Commissioner

15 Louisiana Public Service Commission

16 1600 Canal Street, Suite 1400

17 New Orleans, LA 70112

18 504-680-9529; FAX: 504-680-9536

19

20 C. DALE SITTING, Commissioner

21 Louisiana Public Service Commission

22 P.O. Box 928

23 Eunice, LA 70535

24 337-457-7395; FAX: 337-457-7401

25

-- continued --

1 APPEARANCES (CONTINUED):

2 NIELSEN COCHRAN, Chairman

3 MICHAEL CALLAHAN, Vice Chairman

4 DORLOS (BO) ROBINSON, Commissioner

5 Mississippi Public Service Commission

6 550 High Street

7 Jackson, MS 39202

8 601-961-5430; FAX: 601-961-5824

9

10 KELVIN L. SIMMONS, Chairman

11 SHEILA LUMPE, Commissioner

12 CONNIE MURRAY, Commissioner

13 STEVE GAW, Commissioner

14 Missouri Public Service Commission

15 Governor Office Building

16 200 Madison Street

17 Jefferson City, MO 65101

18 573-751-0946; FAX: 573-526-7341

19

20

21

22

23

24

25

-- continued --

1 APPEARANCES (CONTINUED):

2 JO ANNE SANFORD, Chairwoman

3 JUDY HUNT, Commissioner

4 J. RICHARD CONDER, Commissioner

5 ROBERT V. OWENS, JR., Commissioner

6 SAMUEL JAMES ERVIN, IV, Commissioner

7 LORINZO L. JOYNER, Commissioner

8 JAMES Y. KERR, II, Commissioner

9 North Carolina Utilities Commission

10 430 North Salisbury Street

11 Raleigh, NC 27603

12 919-733-6067; FAX: 919-733-7300

13

14 WILLIAM SAUNDERS, Chairman

15 H. CLAY CARRUTH, JR., Vice Chairman

16 PHILIP T. BRADLEY, Commissioner

17 RANDY MITCHELL, Commissioner

18 MIGNON L. CLYBURN, Commissioner

19 C. ROBERT MOSELEY, Commissioner

20 JAMES BLAKE ATKINS, Commissioner

21 South Carolina Public Service Commission

22 101 Executive Center Drive

23 Columbia, SC 29210

24 803-896-5200; FAX: 803-896-5246

25 -- continued --

1 APPEARANCES (CONTINUED):

2 SARA KYLE, Chairwoman
3 MELVIN MALONE, Director
4 H. LYNN GREER, JR, Director
5 Tennessee Regulatory Authority
6 460 James Robertson Parkway
7 Nashville, TN 37243-0505
8 615-741-3125; FAX: 615-741-7491

9
10 MAX YZAGUIRRE, Chairman
11 BRETT A. PERLMAN, Commissioner
12 REBECCA KLEIN, Commissioner
13 Texas Public Utility Commission
14 1701 North Congress Avenue
15 Austin, TX 78711
16 512-936-7005; FAX: 512-936-7008

17
18
19
20
21
22
23
24

1 APPEARANCES (CONTINUED):

2 THOMAS RUSSO

3 NAOFUMI TSUZUKI

4 ED MEYERS

5 KEVIN F. CADDEN

6 STEVE RODGERS

7 SANJEEV G. JAGTIANI

8 CYNTHIA MARLETTE

9 ROB E. GRAMLICH

10 Federal Energy Regulatory Commission

11 888 First Street, NE

12 Washington, DC 20426

13

14 ALSO PRESENT:

15 MARY COCHRAN

16 JANE W. BEACH, Court Reporter

17

18

19

20

21

22

23

24

25

1 PROCEEDINGS

2 (10:05 a.m.)

3 MR. CADDEN: This is Kevin Cadden. In the room
4 with us is a number of FERC staff and the Chairman. This is
5 our first State-Federal Southeast RTO Panel Discussion,
6 based upon the letter we sent out on January the 3rd.

7 But before we get into that, I need to start off
8 with the roll call.

9 Arkansas.

10 CHAIRWOMAN HOCHSTETTER: Chairwoman Sandra
11 Hochstetter. With me are staff members Sam Bratten, Mary
12 Cochran, and Sam Loudenslager.

13 MR. CADDEN: Okay.

14 CHAIRMAN WOOD: Hey, everybody.

15 MR. CADDEN: Alabama.

16 (No response.)

17 MR. CADDEN: Florida.

18 COMMISSIONER BAEZ: This is Braulio Baez in
19 Florida, and I have Roberta Bass from the Florida staff with
20 other staffers joining momentarily.

21 MR. CADDEN: Great. Thank you.

22 Georgia.

23 CHAIRMAN McDONALD: Lauren "Bubba" McDonald,
24 Georgia, with staffer Dan Searfrost.

25 MR. CADDEN: Great. Louisiana.

1 MS. SHELTON: Yes. This is Dana Shelton, Special
2 Counsel to the Louisiana Commission. I believe I also have
3 Steve Baron, a consultant to the Commission, on the line.

4 Steve, are you there?

5 MR. BARON: Yes, I am.

6 MS. SHELTON: I'm not sure if we have any
7 commissioners or not joining us at this time.

8 MR. CADDEN: Okay, that was Steve Bear, correct,
9 a consultant?

10 MS. SHELTON: Steve Baron, B-A-R-O-N.

11 MR. CADDEN: Great. Thank you.

12 Mississippi? Commissioner Callahan was going to
13 be joining us in person today.

14 VICE CHAIRMAN CALLAHAN: No, but he decided to
15 come back home for Valentine's Day to be in the good graces
16 of his wife.

17 MR. CADDEN: You know that was a pretty smart
18 thing on his part.

19 UNANIMOUS VOICES: Smart thinking.

20 CHAIRMAN WOOD: Did she send you to the grocery
21 store?

22 VICE CHAIRMAN CALLAHAN: Sorry, I dropped my
23 phone there for a second.

24 MR. CADDEN: Hang on. We just finished
25 Mississippi. Missouri?

1 (No response.)

2 MR. CADDEN: The Great State of North Carolina.

3 COMMISSIONER ERVIN: This is Commissioner Jimmy
4 Ervin. I expect, if they're not on the line, that shortly
5 we will be joined by Commissioner Jim Kerr and Sam Watson of
6 our staff. I did want to say, we have a proceeding
7 involving Grid South still open in front of us, which
8 circumscribes what we can say a good bit. So we may be
9 listening more than talking, but I wanted to explain that up
10 front.

11 MR. CADDEN: No problem, Commissioner. Thank
12 you.

13 COMMISSIONER KERR: Kevin, this is Jim Kerr in
14 Raleigh. I have with me Sam Watson from the commission's
15 legal staff, and Roy Erickson from our technical staff.

16 MR. CADDEN: Well good. Thank you.

17 South Carolina.

18 COMMISSIONER CLYBURN: Mignon Clyburn and Buddy
19 Atkins, South Carolina.

20 COMMISSIONER ATKINS: Good morning.

21 MR. CADDEN: Tennessee.

22 MR. McCORMICK: Ben McCormick here for the staff,
23 and Chris Klein should be joining me shortly.

24 MR. CADDEN: Texas.

25 COMMISSIONER TOTTEN: Good morning. This is Jess

1 Totten and Terry Eaton from Texas.

2 MR. CADDEN: Kentucky.

3 (No response.)

4 MR. CADDEN: Virginia.

5 (No response.)

6 MR. CADDEN: The City of New Orleans.

7 MR. NORDSTROM: Yes, this is Paul Nordstrom in
8 Washington, D.C., representing the New Orleans City Council.

9 MR. CADDEN: Great. In the room with us is
10 Chairman Wood and Commissioner Brownell. According to our
11 rules, only two Commissioners are allowed to be here at the
12 same time.

13 The meeting is being transcribed. It will be
14 posted on our Website.

15 Chairman?

16 CHAIRMAN WOOD: I want to thank everybody for
17 patching in today. I know you have got things going on, as
18 we do, on Fridays but we appreciate your time to patch in
19 with us.

20 This is the third of our kind of I guess regional
21 panels that we set up in November to respond to a lot of
22 concerns that we heard during RTO week in mid-October when
23 the Commission sat down with a number of you all and your
24 colleagues across the country to talk about joint
25 governance, joint regulatory issues between us and ya'll and

1 how we might move together more amicably in the future in
2 trying to deal with our respective jurisdictional duties.

3 So we had a first conference call a couple of
4 months ago with the Midwest, and last month with the
5 Northeastern Commissioners, and now with ya'll, and we will
6 continue that on with the Western Commissioners in the
7 future. But the tenor of those meetings so far has been a
8 good dialogue back and forth.

9 We had sent out on January 3rd to you all,
10 individually each, a number of questions that we had to
11 frame some both written response but also maybe to inform
12 this oral discussion about RTOs and wholesale markets and
13 the issues that we are facing in trying to resolve a number
14 of dockets pending here at the Commission, at the FERC,
15 about a number of these issues.

16 And so I wanted to get a chance for us to just
17 have a broad discussion, but any specific issues that ya'll
18 feel comfortable bring up we would like to talk about that,
19 too. We have a transcriber here with us to enable us to
20 record our conversation for the record and place it in a
21 number of dockets that are open here at the Commission so
22 that we comply with our Ex Parte rules.

23 Nora just left, and Commissioner Bill Massey just
24 joined us. The Commissioners will be swapping in and out
25 through the conference call, and I will try to announce when

1 they are in and out just so you have an idea of who is over
2 on this end of the telephone.

3 I think, without kind of trying to get too
4 focused on any particular issue here, I guess I would just
5 like to open it up to anybody that wants to jump in and
6 perhaps respond on the issues in the letter, or bring up any
7 issues related to those concerns raised in the letter by us,
8 and we will take it from there.

9 So anybody want to jump in? If you could just
10 start off by saying your name for the record, and if we need
11 to ask you to say it a second time it's not because we don't
12 know it but we want to make sure that the transcriber gets
13 it down accurately.

14 So with no further ado, I would let anybody just
15 jump right in.

16 COMMISSIONER KERR: Pat, this is Jim Kerr, North
17 Carolina. I want to just procedurally clarify. You said
18 this was the first of the State-Federal panels for the
19 Southeast. I think at least I was under the impression
20 those panels were going to consist of a group smaller than
21 any and all of the commissions or commissioners. But this
22 call leads me to think that then this is what you all have
23 envisioned for the panel going forward will be the
24 participation of all of the commissions and any
25 commissioners, as opposed to a representative type body that

1 would focus on these in a smaller group setting, focus on
2 these issues in a smaller setting?

3 CHAIRMAN WOOD: Jim, let me introduce Ed Meyers,
4 who is a former commissioner from the D.C. Public Service
5 Commission, who has joined us as head of our Office of State
6 Relations. He is kind of working on this.

7 So, Ed, why don't I let you answer Jim's
8 question.

9 MR. MEYERS: Good morning.

10 We had a good discussion at the regional
11 breakfast on February 12th about this. These are State-
12 Federal Regional Panels, so that implies a mutuality there.
13 We haven't worked out all the details, and we are going to
14 be discussing this over time certainly with your input and
15 recommendations, but it was designed to be very inclusive.

16 I think that is the desire. I think some of the
17 other joint boards and those kind of formats have been a
18 little bit restrictive over time. So this idea was just to
19 open it up and anybody who wants to participate can jump on
20 in. So that is the format until we change it.

21 COMMISSIONER ERVIN: Okay. This is Jimmy Ervin
22 in North Carolina, to follow up on that. When you were at
23 the CRUC breakfast and I was over there trying to be quiet
24 and listen, I had the impression that we were going to talk
25 about the formation of this some more possibly at the CRUC

1 summit in Atlanta in April, and that that was probably when
2 the actual decision about the makeup of this board was going
3 to be made.

4 Am I wrong in assuming that?

5 MR. MEYERS: Well it is inclusive--

6 COMMISSIONER ERVIN: And I want to finish up by
7 saying it doesn't really make any difference. I just want
8 to make sure I am understanding what we are up to.

9 MR. MEYERS: Right. Well my understanding is--
10 and again it is for us to work out--is that it is going to
11 be inclusive of everybody until something comes along to
12 change that.

13 COMMISSIONER ERVIN: Okay.

14 MR. MEYERS: And it should be suitable to the
15 Southeast, what you want. But we are going to just open it
16 up, and there will be a--we're going to try to have a
17 regional panel meeting down there April the 6th in the
18 morning time, if that can be worked out, and everybody is
19 invited if that comes about. We're going to have to work
20 out the details and all that.

21 COMMISSIONER ERVIN: Okay.

22 MR. CADDEN: I would like to jump in. Our Chief
23 Counsel has reminded me, Louisiana, that you had a
24 consultant in the room with you?

25 MS. SHELTON: On the line. Not in the room with

1 me. But he is on the line.

2 MR. CADDEN: I would have to ask that person to
3 ring off the phone based upon the advice of counsel.

4 MIKE AUDICOLNE: By the way, this is Mike
5 Audicolne, her technical assistant. Commissioner Dixon from
6 the Public Service Commission will be joining us in about
7 five minutes.

8 MR. CADDEN: Okay. Louisiana, do you understand?

9 MS. SHELTON: Yes, yes. Okay, Steve?

10 MR. BARON: Yes, I will.

11 MS. SHELTON: Okay.

12 MR. CADDEN: Okay, thank you. I apologize.

13 MS. SHELTON: That's okay.

14 CHAIRMAN WOOD: Anyone else want to jump in?

15 LANE PEREZ: This is Lane Perez from Commissioner
16 Blossman's office in Louisiana. I'm on the line as well.

17 MR. CADDEN: Okay.

18 CHAIRMAN FIELD: Jimmy Field with the Louisiana
19 Commission. I'm on the line.

20 CHAIRMAN WOOD: Welcome.

21 SCOTT MORRIS: This is Scott Morris, Alabama.
22 I've joined, as well.

23 MS. SHELTON: Commissioner Field and Lane, as
24 well as Michael from Commissioner Dixon's office. This is
25 Dana Shelton at Stone, Pigman on the line. Commissioner

1 Blossman had asked us to be on.

2 VOICE: Good. I'm glad he did.

3 MR. CADDEN: Go ahead. Cindy, our Chief Counsel,
4 has a question.

5 MS. MARLETTE: Right now these panels are set up
6 only to be the FERC and its staff, and the State Commissions
7 and their staffs, not outsiders. I think that if we are
8 going to change the rules of the game, we would have to do
9 it with enough advance notice and across the board. If we
10 are going to open this up so that others can participate, it
11 is going to have to be done uniformly.

12 So I think for purposes of today's meeting, this
13 should be limited to state commissioner participants and
14 FERC participants.

15 MS. SHELTON: Are you referring to Louisiana?

16 MS. MARLETTE: No, I thought you just said there
17 was someone from an outside law firm?

18 MS. SHELTON: Yes. That's me. I'm special
19 counsel to the commission in a docket that's dealing with
20 RTO issues pending before the commission now.

21 MR. CADDEN: Ma'am, would you identify your name,
22 please?

23 MS. SHELTON: Dana Shelton.

24 MR. CADDEN: Okay. Go ahead.

25 MS. MARLETTE: See, the problem is that if we let

1 you participate we have not allowed other counsels for other
2 commissions in pending dockets to participate, and that
3 would not be fair.

4 So I think if the Commission--again, if we want
5 to change the rules of the road for the future, we can do
6 that. So to the extent there are any entities on the phone
7 right now who are not state commissioners or state
8 commission staff, they should get off the line.

9 MR. NORDSTROM: Well this is Paul Nordstrom
10 speaking. I may be in a situation quite parallel with Ms.
11 Shelton. My firm is outside counsel to the New Orleans City
12 Council, and I think the suggestion that is just being
13 proposed would be quite prejudicial.

14 MS. MARLETTE: Well, Paul, if we let you on the
15 line, then we're going to have to let all other counsels on
16 the line. We already have pending here a petition for
17 rehearing challenging these State-Federal conferences even
18 in the context of it only being state commissioners.

19 MR. NORDSTROM: Let me, if I may, if I could just
20 complete the point. The City Council, which is the
21 regulator, the retail regulator of two of the Entergy
22 subsidiaries that operate within the City, has the same
23 jurisdiction as the LTSCs, but within the municipal
24 boundaries, has virtually no professional staff that advises
25 it in the regulatory function. That role is served

1 exclusively by outside consultants--technical consultants as
2 well as lawyers.

3 So if you are to set a rule that would only allow
4 commissioners and internal staff to participate, I think
5 that would work to the prejudice of the City Council.

6 MS. MARLETTE: Well, Paul, you're challenging
7 what the Commission set up. As I said, we can change it.
8 But if we allow special exceptions now without allowing
9 other counsels, you are in private practice representing the
10 City Council. We will have to extend that to others, as
11 well. And I just don't feel that we can do that right now,
12 not having given others the same opportunity.

13 MR. NORDSTROM: May I ask who is speaking, by the
14 way?

15 MS. MARLETTE: This is Cindy Marlette, General
16 Counsel.

17 MR. NORDSTROM: All right, Cindy. Then if that
18 is the case then the Council simply would not be able to
19 participate on this call, although it would very much like
20 to.

21 MR. CADDEN: Well a copy of this record will be
22 posted up on our Website, and the City of New Orleans would
23 certainly welcome, or you on behalf of the City of New
24 Orleans, would be welcome to comment on that when it is
25 posted.

1 In the meantime, I have asked Ed Meyers to take a
2 look at this issue for possibly changing it in the future.

3 MS. MARLETTE: Yes. And a copy of the record
4 will also be placed in pending dockets, so that it is
5 formally--I'm sorry, a copy of the transcript will be placed
6 in pending dockets so that anyone can read that transcript
7 and file on paper in the record.

8 And we are certainly open-minded to changing the
9 rules. It is just that if we change them we need to do it
10 across the board and do it fairly.

11 CHAIRMAN FIELD: This is Jimmy Field from
12 Louisiana. I certainly concur in your concerns, but I sure
13 would like to see the rules changed, because we do rely
14 heavily on special counsel in many of these matters that are
15 pending before FERC.

16 MR. CADDEN: We will take care of this. I
17 apologize for the confusion, but at this point in time we
18 have to move on to get this process moving forward. I would
19 ask the attorney for the City of New Orleans to ring off,
20 and I will ask the Commissioners to change this rule.

21 CHAIRMAN FIELD: Thank you.

22 MR. CADDEN: You're welcome.

23 MR. NORDSTROM: This is Paul Nordstrom. I'm
24 signing off.

25 MS. SHELTON: And Dana Shelton. I'm off, too.

1 MR. CADDEN: Okay. Thank you.

2 CHAIRMAN WOOD: All right, now back to

3 substance.

4 VOICE: Surely we can do some more legalism here?

5 (Laughter.)

6 CHAIRMAN WOOD: That's right. We've got some

7 billable talent here on the phone.

8 Let's talk about the January 3rd letter we wrote

9 to you all. It had about eleven questions or so, building

10 off of the several filings that have been at the Commission

11 for probably the better part of the year, including the

12 summer mediation docket which is still open and we have not

13 acted on that since it was reported out by Judge McCartney.

14 We also still have Grid South, Grid Florida, and

15 I believe we have also--I don't believe the CTRANS docket

16 actually is a formal filed docket here. I'm checking with

17 staff on that. But we do have a number of activities that

18 are open and are ripe for discussion, if you all are able

19 under your state law.

20 I know the folks from North Carolina pointed out

21 that they've got a pending proceeding, but if anyone else is

22 able to discuss your thoughts about regional transmission

23 organizations and wholesale markets and issues that you see

24 with moving forward, please feel free to jump in.

25 COMMISSIONER BAEZ: Mr. Chairman, this is Braulio

1 Baez in Florida. I just wanted to echo the restrictions
2 that we have here in Florida. They're the same as North
3 Carolina. We do have a pending docket. So to the extent
4 that we can, we will comment in a general sense over what
5 the structure may be of a joint board, or whatever generic
6 suggestions we might have to the process.

7 CHAIRMAN WOOD: Thank you, Braulio.

8 CHAIRWOMAN HOCHSTETTER: Chairman Wood, this is
9 Sandy Hochstetter in Arkansas. I'm going to let Mary
10 Cochran, who is our chief FERC litigator and general
11 counsel, kind of kick the substantive ball off, if you would
12 like.

13 MS. COCHRAN: Chairman Wood, this is Mary
14 Cochran. That's C-O-C-H-R-A-N for the Court Reporter.

15 We just wanted to state that in response to
16 question number one: We believe that a single RTO for the
17 Southeast Region is going to be the most efficient means of
18 dealing with the transmission in the Southeast, and we
19 support your efforts in trying to form such an RTO.

20 CHAIRMAN WOOD: Okay, any--I know, Mary, that in
21 Arkansas you all are kind of on what we fondly call a "seam"
22 between what is forming to be a Midwestern RTO and what is I
23 guess with particularly the Entergy footprint not in the
24 Midwest RTO. How does your comment kind of capture that
25 living on the seam?

1 MS. COCHRAN: Well we recognize that there will
2 be states that will have to have seams. We think that a
3 single RTO is going to mitigate the seams' issues. We would
4 like to avoid what we have seen in the Midwest so far with a
5 great deal of switching, and turmoil, and competitive
6 transmission organizations developing.

7 At the same time, we also recognize that so far
8 our STP, or maybe soon-to-be former STP such as SWEPCO and
9 OG&E, really have not reached a formal decision that we know
10 of as to where they're going to land.

11 But we are very concerned about seams' issues, of
12 course.

13 CHAIRMAN WOOD: Thank you.

14 Any response to that, or any other folks?

15 COMMISSIONER ATKINS: This is Buddy Atkins from
16 the South Carolina Commission. I would like to comment just
17 generally on items one and two from your January letter
18 regarding the RTO structure and the interface and the
19 reliability issues.

20 I think right now until the cost/benefit analysis
21 is done by FERC that's being done by ya'll's consultant, I
22 think it would be somewhat premature to comment on that. It
23 was my understanding, and having had the opportunity to be
24 on that little advisory group among other commissioners from
25 around the Nation on the Cost/Benefit Study, that we would

1 essentially have that out.

2 I wish that we would have the output of that data
3 and that model and the report before we really were kind of
4 forced into commenting back in regards to ya'll's January
5 letter.

6 CHAIRMAN WOOD: Okay.

7 COMMISSIONER DIXON: Excuse me. This is
8 Commissioner Dixon. I'm just letting you know I'm on the
9 line.

10 CHAIRMAN WOOD: Hi, Irma.

11 COMMISSIONER ERVIN: This is Jimmy Ervin from
12 North Carolina, again.

13 I would concur in what Buddy just indicated with
14 respect to the initial questions in the letter. It does
15 seem to us, as well, that the issue of size, number, and
16 even whether to have a particular RTO is one that's got to
17 be based on a fairly fact-specific inquiry that you've got
18 this study going and I understood that at least the part
19 ya'll had commissioned was going to be released today,
20 sometime.

21 And until everybody has had a chance to see that
22 and determine what else in the way of analysis needs to be
23 done, and to hear from the parties in their respective
24 cases, I don't know that we're in a position to answer it.

25 CHAIRMAN WOOD: I think that is a fair concern.

1 We do expect--the consultant I think asked until next
2 Tuesday to get it out, and I think that's a good idea that
3 we extend our request for comments back until some time
4 after that.

5 I know we're planning on--Kevin, have ya'll--

6 MR. CADDEN: We are working on something to
7 present this before the Commission, our Commissioners, and
8 actually we are talking about the idea of bringing in the
9 State Commissioners who were part of our advisory group on
10 this, bringing everyone to Washington at our next open
11 meeting where the Commissioners who were a part of this
12 group--and Buddy, Commissioner, I understand you were a part
13 of this, and Commissioner Dworkin, for example, or
14 Commissioner Sponda, bring them all in to Washington where
15 the consultant would give a presentation before you and
16 before the FERC Commissioners at the same time.

17 As the Chairman said, we could then extend the
18 deadline for commenting on our January 3rd letter until some
19 time after we do that. Perhaps--when's our next open
20 meeting? It's the 27th. Sometime to the beginning of
21 March.

22 VICE CHAIRMAN CALLAHAN: This is Commissioner
23 Callahan from Mississippi. Is there any reason you couldn't
24 open that meeting up to all the commissioners in the
25 Southeast?

1 MR. CADDEN: Well, physically our building is a
2 little small for that. It was going to be a presentation
3 from the consultants ITC to the FERC Commissioners and to
4 the representatives of the commissions around the country,
5 which would be, I understand, Dworkin, Savanda, who was the
6 commissioner? Buddy, were you on this?

7 COMMISSIONER ATKINS: Yes, I was. This is Buddy
8 Atkins, or James Atkins from South Carolina. I think I was
9 the only Southeastern Commissioner who was actually on the
10 little working group.

11 Let me, if I may, offer a suggestion. I think
12 the suggestion is offered in a way to try and promote
13 greater coordination and cooperation.

14 As I said at the meeting just this week up in
15 NARUC in regards to one of the FERC panels, it was very
16 difficult for me to try and address all of the concerns of
17 the Southeastern States being the only member from the
18 Southeast.

19 Now I understand why I got on that committee,
20 because I have an engineering and a technical background,
21 and the things that we discussed in that group were so
22 technical it was just very, very complicated.

23 So it was vary narrowly focused. But I think the
24 output of the model and the discussion of where ICF, the
25 consultant, and FERC, and the Southeastern States as a

1 whole, need to go, I think that that discussion would be
2 facilitated better by having the whole gamut of
3 commissioners who desire to participate in this joint state
4 panel come to Washington and hear that output.

5 It would be very difficult for me to continue to
6 pretend to represent the entire Southeast.

7 CHAIRMAN WOOD: I notice we discussed a moment
8 ago about there being a summit. Jimmy, I think you brought
9 that up on April the 6th with CRUC?

10 COMMISSIONER ERVIN: Right.

11 CHAIRMAN WOOD: Does CRUC capture everybody on
12 this call?

13 COMMISSIONER ERVIN: It does. If you've got
14 people from Missouri, it doesn't.

15 COMMISSIONER DIXON: It's not a call that we do.
16 We actually go--

17 MR. CADDEN: I'm sorry, you have to identify
18 yourself before you speak. I apologize.

19 COMMISSIONER DIXON: Irma Dixon from Louisiana.
20 It's not a phone call that we do at the CRUC summit. We go
21 to Atlanta.

22 CHAIRMAN WOOD: Yes, Jimmy mentioned that, Irma,
23 that there was actually a physical meeting there. That
24 might be a good time to have that discussion that Buddy just
25 talked about. Does that sound like a good format to do

1 that, where you would take the cost/benefit studies and all
2 the output from that work from the consultant and have that
3 discussion at that time?

4 VICE CHAIRMAN CALLAHAN: This is Commissioner
5 Callahan from Mississippi. Let me just say this. The
6 longer we wait to discuss the study, the longer we take to
7 make a decision in the Southeast.

8 So, you know, if we've got to wait until April
9 the 6th to discuss a study that is going to be out near the
10 end of February, then we are losing what is left of February
11 and the whole month of March when we could be working toward
12 where we want to go with the RTO in the Southeast.

13 MR. CADDEN: Commissioner--

14 VICE CHAIRMAN CALLAHAN: So just keep that in
15 mind.

16 MR. CADDEN: Commissioner Callahan, perhaps--let
17 me ask you another question. What about if when we release
18 this, we do what we're talking about at our next meeting,
19 and then at that point in time we put the document out for
20 comment from the states?

21 CHAIRMAN WOOD: And then have a follow-up call.

22 MR. CADDEN: And then have a follow-up conference
23 call.

24 VICE CHAIRMAN CALLAHAN: You know that would be
25 great, but the thing that was most intriguing to me is the

1 being able to have the study and question the company that
2 did it, and get to know the intricacies, and details, and
3 models, and how they're used. And that's just something you
4 can't glean from reading a piece of paper.

5 MR. CADDEN: Right. I understand. My only worry
6 is, if we do this for all the Southern States then we are
7 going to have to--I mean we're going to have everybody in
8 from all across the country.

9 CHAIRMAN WOOD: Why don't we just--actually,
10 Jimmy, I'm coming back to your first idea. I mean we're
11 kind of reacting to this because the consultant asked for a
12 couple of extra days. We thought, well, let's just roll
13 this in with the next open meeting.

14 But I kind of like your idea of just making it
15 open not just to the people like Buddy who were on the
16 Technical Advisory Group but anybody who is interested. I
17 think that is a great idea.

18 VICE CHAIRMAN CALLAHAN: Okay.

19 COMMISSIONER KERR: But--this is Jim Kerr, North
20 Carolina--my recollection, and Commissioner Atkins tell me
21 if this is not correct, but after your discussion with us at
22 the CRUC breakfast it was my understanding that there would
23 be a report. There would be an opportunity obviously to
24 examine the report and think it through. And then the
25 possibility at least existed that other inputs might be run,

1 other tweaking of the study itself might be performed by any
2 individual commissions, regions, et cetera.

3 And my point is: We got onto this tangent by
4 discussing our ability to comment on questions one and two,
5 and I just didn't want there to be a perception that once
6 everyone had access to the report they would immediately be
7 in a position to comment, or respond to questions one and
8 two, because there may be work that needs to be done around
9 the study and individual commissions would need to have some
10 comfort level with the results of the study, or their own
11 study prior to being in a position to comment.

12 Again, I am with my friend Michael about not
13 wasting time, but I do think in fairness it was at least
14 implied that the initial publication of the report might not
15 be the end of the discussion of the cost/benefit analysis.

16 CHAIRMAN WOOD: I think that's fair.

17 COMMISSIONER ATKINS: If I may, this is
18 Commissioner Atkins from South Carolina. Chairman Wood, I
19 think what I'd like to say, and again this is one of the
20 things I said at the meeting at NARUC this week, and that
21 was:

22 I believe that in order to move this process
23 forward, FERC needs to commit to working in a greater
24 collaborative way, in a more formalized way, with the states
25 on this matter.

1 And really this speaks to ya'll's question number
2 four from your January letter. I believe that we are coming
3 out of one phase and going into another. I believe that
4 based on my knowledge of what I saw of the Cost/Benefit
5 Study, it is a tremendous model. The consultants are
6 incredibly capable. I applaud FERC for doing this. But I
7 think there are going to be some additional model runs that
8 will be needed to get at some of the questions that we
9 believe need to be answered in the Southeast.

10 Now that does not mean that what ya'll have done
11 is for naught. But I think there are some different looks
12 that we need to take of the model. So to the degree that we
13 can begin to formally as a joint State-Federal group from
14 the Southeast get together to begin this discussion so that
15 it is just not Buddy Atkins from Rock Hill, South Carolina,
16 I think it will help us.

17 And then we can decide together as a joint group
18 what is in the best interests, what additional runs need to
19 be looked at, what additional questions might need to be
20 answered to try and bring about some movement and progress
21 on this issue so we can come to a consensus about the RTO,
22 and quit obstructing and blocking and not moving forward.

23 CHAIRMAN WOOD: So what would you think, kind of
24 process-wise, would be the best way to do that? Kind of
25 building on I guess Michael's idea of--

1 COMMISSIONER ATKINS: I would say that either
2 releasing the report and having another conference call
3 would be fine. But I think given the importance of this
4 matter and the dollars involved that people have already
5 spent, I would say that some of us who want to be involved
6 in this process on the panel just need to come to
7 Washington, and we need to have an open meeting with you
8 folks and the consultants and begin to talk about the next
9 step of what needs to be done after this so we can move on
10 and not waste the month-and-a-half.

11 I know Commissioner Massey in some of the
12 mediation sessions up there has been so frustrated because
13 this has been going on forever. And I understand why he is
14 frustrated. So let's not let another month-and-a-half go
15 by. Let's get together. Let's talk about it. And let's
16 figure out how this is all going to fit into the dockets,
17 and some resolution in the Southeast.

18 CHAIRMAN WOOD: Any suggestions from anyone on
19 the call about what might be an appropriately progressive
20 timeframe to get that dialogue escalated to a substantive
21 level and talk through these details, assuming that the
22 reports coming out next week and will be presented by the
23 consultant and open for questions I suppose about any aspect
24 of it anytime thereafter?

25 CHAIRMAN FIELD: This is Commissioner Field from

1 Louisiana. Chairman Wood, I would think that we would need
2 to be able to review the report, if we have outside counsel
3 employed review it with outside counsel, and have adequate
4 time in which to prepare a meaningful response. So I would
5 think we would need at least 20 days or so to be able to do
6 that. Because, as Commissioner Callahan said, just seeing
7 the report without anything else may be difficult to analyze
8 it. Of course I don't know how detailed the report is, but
9 our main concern, I think all the commissioners, we're very
10 concerned about the impact it may have on our retail rate
11 payers.

12 Therefore, we need to examine the sources of the
13 report and so forth. But I guess after we see the report we
14 might know what else we need and could file comments or ask
15 for additional information.

16 CHAIRMAN WOOD: Any other thoughts, following up
17 on Jimmy's suggestion?

18 COMMISSIONER HILLSMAN: This is Marty Hillsman
19 from the Kentucky Commission. I kind of agree with that 20
20 days, but it might be nice to plug in a time where we could
21 all talk to the consultant on the telephone and ask the
22 consultant questions about what he did, or what she did, and
23 what happened from that standpoint. So I think you might
24 want to add that in.

25 CHAIRMAN WOOD: Yes, I agree, Marty. I think

1 that is a definite 'yes' on that.

2 SCOTT MORRIS: Chairman Wood, this is Scott
3 Morris, Alabama. I'd just like to add a couple of things.

4 I agree with Commissioner Atkins. I think it
5 would be helpful to have the opportunity. A conference call
6 would be great, but it would be helpful to have the
7 opportunity for state commission and staff to come to
8 Washington and hear a presentation and actually do some one-
9 on-one questioning with the consultants.

10 Also, as another matter, it would be helpful in
11 terms of scheduling meetings and conference calls to be
12 aware that the CTRANS Stakeholder Advisory Committee, which
13 is very active at this point, is meeting in Atlanta on a bi-
14 weekly basis.

15 At least I know on our staff, we only have one
16 person that is handling all of these RTO issues, and it is
17 difficult for us to try to cover both of those. I know
18 their next meeting I think is scheduled on the 27th and
19 28th, and they do those on a bi-weekly basis.

20 So it would be helpful for us at the states with
21 small staffs and limited resources to try to coordinate any
22 kind of event so that they did not conflict with what is
23 going on with the CTRANS Stakeholder Advisory Committee.

24 MR. CADDEN: I'm just asking the Chief Counsel a
25 question. Would it be okay on this process issue for people

1 in the states that we're talking to today to e-mail Ed their
2 suggestions, and then we'll come out with something on this?

3 MS. MARLETTE: We'll probably have to put them in
4 the records, as appropriate.

5 MR. CADDEN: Is that okay with you? All right.
6 On process, Mr. Chairman.

7 CHAIRMAN WOOD: One thing I thought, in light of
8 what Scott just said, if everybody is meeting in Atlanta all
9 the time anyway on CTRANS, and that covers maybe not
10 everybody on the call but a good number, then it might be
11 helpful to have the consultant and some of our folks go down
12 to Atlanta and save everybody some plane fare and have that
13 discussion down there.

14 Does that work?

15 COMMISSIONER ERVIN: This is Jimmy Ervin. We are
16 one of the ones that are not actively involved in CTRANS to
17 this point, although I understand that some of our
18 jurisdictional utilities have signed a memorandum of
19 understanding that sort of permits them into the talks, but
20 I would say that it is kind of six of one/half dozen of the
21 other as to whether you come to Washington or go to Atlanta
22 for us, because I think it needs to be kept separate and
23 apart from any CTRANS discussions.

24 VICE CHAIRMAN CALLAHAN: Mr. Chairman, this is
25 Commissioner Callahan from Mississippi. Also, with

1 Commissioner Ervin's comments, I would like to look at the
2 study without any interference from any of the industry
3 participants.

4 I am afraid if we were to do something down in
5 Atlanta, we would have the industry would all be flocking
6 around us, and I would just like to be with just the
7 Commissioners and the consultants in the room asking
8 questions without any interference from the industry.

9 CHAIRMAN WOOD: Any reaction to that?

10 COMMISSIONER ERVIN: This is Jimmy Ervin. I tend
11 to agree with that.

12 CHAIRMAN FIELD: Commissioner Field agrees with
13 that suggestion.

14 CHAIRMAN WOOD: Ya'll come on up. I think--
15 (Laughter.)

16 CHAIRMAN WOOD: We've got free space here.

17 COMMISSIONER ERVIN: I love Washington. I'm
18 going to move up there.

19 (Laughter.)

20 CHAIRMAN WOOD: It's got good food, too.

21 VICE CHAIRMAN CALLAHAN: See if you could find
22 out when Commissioner Callahan could get permission to go
23 back to Washington.

24 MR. CADDEN: You guys have got to identify
25 yourselves before you talk. We're driving the Court

1 Reporter crazy.

2 COMMISSIONER DIXON: This is Commissioner Dixon
3 from Louisiana. The FERC staff person that talks about
4 having the meeting in Washington, but we have limited room.
5 Can you tell me what your conference--

6 MR. CADDEN: Okay, this is Kevin. I am talking
7 about the next open meeting of the Commission, which would
8 be a week--which would be Wednesday, the 27th.

9 COMMISSIONER DIXON: That doesn't work for us.
10 If it's the day after that it works. We have a business
11 session on that day already.

12 MR. CADDEN: Okay, I am sure no matter what day
13 that we pick--

14 CHAIRMAN WOOD: I think, though, from what Jimmy
15 and Field said a minute ago, though, having some digestion
16 time after the report is introduced might be useful for
17 everybody. So I don't know that we need to have the first--
18 we're not just talking to the consultant once. I mean we
19 pay them good money to come here and help us get all the way
20 through this and do whatever we need to do.

21 So I would suggest that if this is the route
22 people want to go, that some time after the report is
23 finally presented to the world that we digest it and then
24 come back and start asking nitpicky questions and the like
25 sometime shortly thereafter.

1 I guess that puts you in early to mid-March.

2 VICE CHAIRMAN CALLAHAN: This is Commissioner
3 Callahan from Mississippi. When are we anticipating the
4 report to be released?

5 MR. CADDEN: It would be my intention--just me,
6 Kevin, thinking out loud, not speaking on behalf of the
7 Commission--it would be released at the Commission's next
8 open meeting.

9 VICE CHAIRMAN CALLAHAN: That is the 27th?

10 MR. CADDEN: Right. And at that meeting all the
11 FERC Commissioners would be there, plus the commissioners
12 who participated on our boards. And then sometime after
13 that, if you all would want, we would invite you up here or
14 we would come down there to talk to you, bring the
15 consultants with us, to talk further about the document.

16 VICE CHAIRMAN CALLAHAN: All right, let me ask
17 you this: How about two weeks after this? If you release
18 it on the 27th--

19 MR. CADDEN: Right.

20 VICE CHAIRMAN CALLAHAN: --give us two weeks
21 would be March 13th. Would that be fairly accommodatable
22 for everybody?

23 SCOTT MORRIS: Commissioner Callahan, just to
24 let you know, that's also the next--

25 MR. CADDEN: You have to identify yourselves.

1 SCOTT MORRIS: --meeting of the CTRANS group.

2 Scott Morris, Alabama.

3 VICE CHAIRMAN CALLAHAN: I'm just talking about
4 sometime in that timeframe. I think two weeks should give
5 us enough time to digest it and look at it. So how about
6 sometime the week of March 11th through the 15th?

7 MR. CADDEN: I apologize. Would you say that
8 again?

9 CHAIRMAN WOOD: March 11th through the 15th.

10 VICE CHAIRMAN CALLAHAN: The week of March 11th
11 through the 15th would allow us to have the report about two
12 weeks. That should give us enough time to digest it and
13 have questions. So how about picking a date sometime around
14 that time frame?

15 MR. CADDEN: It works for us.

16 COMMISSIONER DIXON: It works for us. This is
17 Dixon from Louisiana.

18 CHAIRMAN WOOD: Would you set that up?

19 MR. MEYERS: Yes, sir.

20 CHAIRMAN WOOD: We will have Ed Meyers coordinate
21 that and try to get a day that week that works for the
22 maximum amount of people.

23 MR. CADDEN: And if anybody has any ideas, feel
24 free to e-mail Ed.

25 CHAIRMAN WOOD: Ed, why don't you tell them what

1 your e-mail address is so they can do that.

2 MR. MEYERS: It's edward.meyers@FERC.gov.

3 MS. EATON: This is Terry Eaton in Texas. I
4 would request that when you're putting together this plan,
5 you make accommodation for commissions to participate by
6 phone because we're running out of travel money.

7 MR. CADDEN: No problem.

8 CHAIRMAN WOOD: Okay, Terry, that was a slap at
9 me not getting you a big enough budget before I left, huh?

10 (Laughter.)

11 CHAIRMAN WOOD: Yes, I think the phone bridge
12 things have worked real good so far, and we would certainly
13 envision doing that for any and all matters related to these
14 dockets.

15 COMMISSIONER DIXON: This is Dixon from Louisiana
16 again. So you are inviting anybody who wants to show up at
17 your open meeting on the 27th to be there? Or are you going
18 to wait--

19 MR. CADDEN: On this detail, Commissioner, we
20 will get back to you. I will have Ed get back to you all.
21 But I would think that would be fine.

22 COMMISSIONER DIXON: Okay.

23 (Commissioner Massey leaves.)

24 (Commissioner Breathitt enters.)

25 CHAIRWOMAN HOCHSTETTER: Chairman Wood, this is

1 Sandy Hochstetter in Arkansas.

2 I guess I'm jumping ahead a little bit, but this
3 is also a process question. We are somewhat concerned along
4 the lines of the concerns expressed in the Texas Utility
5 Commission staff's letter on this, that the CTRANS group is
6 barreling down a railroad track at lightening speed, and
7 there are so many other I think questions and preliminary
8 issues that need to be addressed before they get everything
9 done and wrapped up without our involvement, do you have any
10 thoughts in terms of what we might could do to make sure
11 that we put first things first and not have the cart leading
12 the horse?

13 CHAIRMAN WOOD: The CTRANS sponsors, Entergy and
14 Southern, were here at our open meeting on Wednesday of this
15 week and reported on kind of where they were. Because,
16 quite frankly, it has been done kind of--and we have read
17 about it, and we have been informed about it but never been
18 officially briefed from the proponents on the issues that
19 are going on in that discussion.

20 And so I think we got a pretty solid report with
21 a pretty aggressive time frame from the proponents down
22 there.

23 Linda? I'm sorry, Linda walked in when Bill left
24 a few moments ago.

25 COMMISSIONER BREATHITT: Sandy, the one thing

1 that we have heard publicly is that the Stakeholder Group,
2 the SAC, which is referred to as the SAC, the Stakeholder
3 Advisory Committee, has asked that the time frames be slowed
4 down a little bit. And I don't know if that is what you are
5 addressing, but I think it is an open question before the
6 SAC.

7 They are meeting four days a month. They
8 actually meet on the day of our Commission meeting and the
9 following day. And I am going down to talk to the SAC after
10 I think March the 14th. But I don't know if that's what
11 you're asking or not.

12 CHAIRWOMAN HOCHSTETTER: Yes, ma'am, it is a
13 timing issue as well as a process issue. And one of our
14 primary concerns was that they seem like they're moving
15 ahead aggressively to actually select an Independent System
16 Administrator and, you know, we don't even have any feedback
17 from the Commission as to whether or not the scope,
18 configuration, governance structure, and all those general
19 framework type issues have been addressed appropriately or
20 not.

21 COMMISSIONER BREATHITT: The ISA process is that
22 the Stakeholder Advisory Committee has been asked to open up
23 the round again. So I think they have gotten even more
24 names. And the process is that they pick four. Then the
25 TOs will select one from the four.

1 MS. EATON: This is Terry Eaton from Texas, and I
2 think I have to support those comments. We have voiced some
3 concerns about the process, and we continue to have
4 reservations about whether this is truly a stakeholder
5 process or a sponsor-controlled and driven process.

6 I see dissention among the SAC mounting.
7 Yesterday, at the end of yesterday's meeting, there was a
8 lot of discussion and concern about this process for
9 selecting the SA. I think people are putting a lot of time
10 and effort into this process, and I think that it would be
11 appropriate for FERC to look at that process and make sure
12 they're comfortable with it. Because I don't think it is
13 useful for this process for all that energy, and time, and
14 money, and effort to go into it if in the end the result is
15 tainted because of the process.

16 CHAIRMAN WOOD: We did just in our general--and
17 this was really in a nondocketed discussion after our open
18 meeting was closed, but it was a public meeting--we did kind
19 of I think indicate to the parties that the stakeholder
20 process that was so successful in most recently the Midwest
21 RTO effort was the model we liked.

22 And I don't quite frankly know, Terry, if that
23 message was clearly received or not. It would probably be
24 worth checking if it was. But certainly we've gotten your
25 pleadings recently and the stakeholder process is just so

1 central to all of this that it is hard to get farther down
2 the road if the stakeholder process isn't really set up
3 solidly at the front end.

4 MS. EATON: And I guess again in my experience
5 we've been monitoring those meetings regularly, and given my
6 experience at those meetings I don't think the process is
7 going to change unless FERC tells the sponsors it needs to
8 change.

9 SAM BRATTEN: Chairman Wood, this is Sam Bratten
10 in Arkansas. One thing I might add to Terry's comments is
11 that the sponsors--one of the main reasons the sponsors are
12 pushing as aggressively, according to what they tell the
13 Stakeholder Advisory Committee, is that FERC is pushing them
14 to move forward rapidly.

15 So if there are signals that could be sent to
16 suggest to the sponsors that a good process is preferable to
17 a fast process, that might be very helpful.

18 CHAIRMAN WOOD: Well I will go on record saying I
19 would agree with that. And since this will be in the public
20 record, I think that message at least will get out from me,
21 and probably Linda, too.

22 COMMISSIONER BREATHITT: Um-hmm.

23 SAM BRATTEN: We appreciate that.

24 COMMISSIONER ATKINS: This is Commissioner Atkins
25 again. I would like to make a comment on that in general.

1 I think what the Chairman from Arkansas has brought up is
2 the issue of the disconnect of what is going on here.

3 We have Grid South, we have CTRANS, we have Grid
4 Florida. We have all these actors in terms of potential
5 filings for RTOs and things that FERC has already given
6 tentative approval to such as Grid South, but yet here we
7 are struggling as a pseudo joint state-federal panel to
8 answer a series of questions about what the structure should
9 be, whether it should be a Transco or an Independent System
10 Operator. What the geographic extent should be. A whole
11 number of issues that are all contradictory. And it would
12 seem, I would hope, that the FERC would not accept any
13 additional filings on the part of these folks until we work
14 this out.

15 CHAIRMAN WOOD: Any reaction to that?

16 SCOTT MORRIS: This is Scott Morris, Alabama. I
17 think that makes a lot of sense. It just seems
18 counterproductive to have three groups moving off in a
19 direction when we still have some fundamental issues to
20 address.

21 COMMISSIONER ERVIN: This is Jimmy Ervin. I
22 would concur with Scott and with Buddy. The concern we have
23 always had is exactly what is being stated here, that we are
24 being asked to comment on details when we've got issues of
25 an intensely factual nature to go to these basic

1 considerations that haven't been resolved yet. We need to
2 resolve those using proper procedures first.

3 COMMISSIONER BAEZ: This is Baez in Florida. I
4 just want to comment on that that to the extent that the
5 FERC would decide not to accept any filings, and given all
6 the conditions and circumstances that have been stated, I
7 would urge the Commission to take that on a case-by-case
8 basis and not set it as policy.

9 I mean, I am sure FERC is capable of making a
10 decision whether to accept a filing or not, given the
11 attendant circumstances. I don't believe that Florida at
12 this point falls into that category.

13 CHAIRMAN FIELD: Commissioner Field agrees with
14 Buddy and the other comments that were made about having
15 additional time to actually decide what is a proper
16 structure before all these filings are issues that we have
17 to make decisions on.

18 If it's possible to come to a consensus between
19 FERC and the State Commissioners, then it looks like we
20 ought to be driving the train and not the industry.

21 SCOTT MORRIS: This is Scott Morris, Alabama,
22 again. This just seems to make so much more sense because
23 if we can come to a consensus in the Southeast with the
24 State Commissioners and FERC, if that takes 30 days, 60
25 days, 90 days, whatever it takes, once we reach that

1 consensus, things will move much faster in the Southeast
2 once that is done.

3 CHAIRMAN WOOD: What do you think is the best
4 format to allow ya'll and us to have that discussion? I
5 mean I'm hearing a few ideas certainly on the Cost/Benefit
6 Study, but that's just one part of the broader discussion.
7 What is the right process to lay out here for that time
8 frame?

9 COMMISSIONER ERVIN: This is Jimmy Ervin. It
10 seems to me that even before you worry about the process
11 you've got to identify what it is, what are the issues that
12 you want the process to resolve.

13 It seems to me that the fundamental issues that a
14 lot of us have expressed concern about are (a) what are we
15 trying to accomplish with this RTO formation discussion; and
16 (b) assuming that we agree that RTOs are the answer to the
17 problem that we're trying to address, then what should be
18 the scope of one?

19 It seems to me those are factual kinds of issues,
20 and the process involved needs to be one which is conducive
21 to resolving that kind of issue properly. I think there are
22 probably several different ways you could do that, and I
23 don't have any brilliant ideas about what they are.

24 COMMISSIONER TOTTEN: Pat, this is Jeff Totten.
25 You know, I think the conversation we have had here suggests

1 that there may be some differences among the States, but I
2 think it would be helpful to have this discussion among the
3 States and among the FERC.

4 And at the end of that, ya'll may have to decide
5 that we're going to go forward with an RTO in the Southeast
6 even if there are some states that don't like it too much.
7 But I think it is helpful to get issues clarified about what
8 the geography of the region is, and what kind of
9 organization there is at the top of the pyramid.

10 And then go back to the stakeholders and work on
11 some of the details.

12 CHAIRMAN WOOD: And that is kind of what the
13 questions that are queued up by the letter talk about. I
14 mean if there are some kind of off-the-top problems with the
15 way CTRANS is considering structuring itself, it is kind of
16 a good time to let them know before they--again, this was an
17 effort by the Commission in '99 to encourage the industry to
18 voluntarily form these RTOs.

19 We didn't, you know, come out with a one-size-
20 fits-all. And so as parties have coalesced and moved
21 together, as CTRANS appears to be doing and as Grid South
22 has done and Grid Florida has done and other parts of the
23 country have done, we've kind of got to take those filings
24 as they come in.

25 I mean the Commission gave everybody two years to

1 voluntarily submit something, and those two years have come
2 and gone and we're still here kind of working through it.
3 And I do agree, Jess, that it probably would help to have
4 some discussions about the big-picture stuff about what
5 ought these organizations look like from a governance point
6 of view, and what role--as question four asks--what role do
7 State Commissioners have in that going forward?

8 COMMISSIONER BREATHITT: I would just like to say
9 that I agree with the remarks that Chairman Wood just made.
10 This is Commissioner Breathitt.

11 MS. EATON: This is Terry Eaton from Texas. We
12 kind of diverged from the substantive discussion that
13 Arkansas had started with process, and we are ready to jump
14 back into the questions.

15 CHAIRMAN WOOD: Jump right in.

16 MS. EATON: On question one, from our perspective
17 about fragmentation and RTOs in the Southeast and the South
18 Central U.S., geographically speaking from the standpoint of
19 markets we think the non-Entergy portions of Texas, Arkansas
20 and Louisiana should be in the same RTO, because we think
21 there are some benefits to the market.

22 We would be particularly concerned about the non-
23 ERCOT portions of Texas being split up into separate RTOs.
24 We think that would really impede development of the market
25 in those areas.

1 We obviously are anxious to get some RTOs in
2 those areas because the commission, as your probably know,
3 voted to delay retail competition in the SWEPCO and Entergy
4 areas primarily because of lack of RTOs in those areas.

5 From our perspective, we would prefer to see
6 Entergy and SWEPCO and Arkansas and Louisiana go to MISO and
7 the rest of the Southeast in a large Southeast RTO.

8 MS. COCHRAN: This is Mary Cochran from Arkansas.
9 I don't know that we would have any objection at all to
10 that. And I wonder if I might add that we think it is in
11 some ways unfortunate that the ISO hybrid that was proposed
12 by SPP-Entergy somehow went off the table during the course
13 of the Southeast RTO mediation.

14 We think that the ISO model had some real
15 advantages that might be good for the Southeast Region.

16 (Pause.)

17 CHAIRMAN WOOD: Any response to that?

18 (Pause.)

19 MR. CADDEN: Someone feel free to jump in on that
20 subject. I had to leave the room for a second.

21 (Pause.)

22 SCOTT MORRIS: This is Scott Morris, Alabama. I
23 just wanted to throw one thing out here.

24 As a general rule, I think outside of Texas I
25 know Arkansas has passed legislation but they have delayed

1 their restructuring and movement to competition, the
2 Southeast as a block in general has not seen that it is in
3 their interests and the interests of their citizens to move
4 to a retail competitive model.

5 I think one of the things we need to look at as a
6 region is that, as long as that holds for the majority of
7 that region, and from everything that I can gather, that
8 appears to be the case, that maybe the rules that apply in
9 ERCOT or the rules that apply in MISO where you have more of
10 a competitive environment on the retail side, that perhaps
11 maybe we need to take a look at that.

12 Because some of the things, at least from our
13 analysis that have been proposed in some of these other
14 regions would not necessarily be to the benefit, to the
15 ultimate benefit of the consumers, the retail consumers, in
16 the traditional vertically integrated model which for all
17 intents and purposes it appears that the Southeast is going
18 to keep on the whole unless there is a mandate from the
19 Federal Congress.

20 CHAIRWOMAN HOCHSTETTER: Pat, this is Sandy
21 Hochstetter. I think I need to clarify a bit, at least with
22 respect to our situation and our perspective.

23 I think wholesale competition can certain
24 progress and achieve benefits for consumers wholly separate
25 and apart from retail competition.

1 I mean the two issues are very distinct, and you
2 have to have RTOs to have wholesale competition. The
3 analogy that I would draw is somewhat similar to what we
4 have in the natural gas industry. We don't have unbundled
5 competition for retail gas consumers, but we certainly do
6 have a vibrant wholesale gas market.

7 So I think that is what FERC's intent is, is to
8 develop the wholesale market. I guess I shouldn't speak for
9 them since they're on the phone, but I think that there is a
10 distinction that you can draw there whether you go to retail
11 competition or not.

12 SCOTT MORRIS: This is Scott Morris. Sandy, I
13 agree completely in terms of that the two are different.
14 But what we're seeing in some of the analysis that we have
15 done, we think some of these steps in setting up the RTOs
16 will have a negative impact perhaps cost-wise on our retail
17 customers.

18 And I think we need to take a hard look at how
19 hard are we going to pursue wholesale competition in this
20 region? It is again looking at the cost/benefit analysis.

21 Maybe there is another way to get wholesale
22 competition, or more wholesale competition in the Southeast
23 without such a negative impact on retail customers.

24 Now again we obviously need to do more analysis
25 on this and really understand and try to get as much of a

1 grasp as we can on the actual numbers on the cost/benefit,
2 but if they do show that perhaps our retail ratepayers are
3 going to be perhaps negatively impacted then maybe we need
4 to try to find another model.

5 COMMISSIONER ATKINS: This is Commissioner
6 Atkins. I would like to comment on that because I think we
7 have come full circle again back to questions one and two in
8 the cost/benefit model.

9 One of the things I think that will be borne out
10 in the study that will be released by ICF, the consultant,
11 is that the way that they've currently structured their
12 model runs, there are no tariffs in there, so to speak, for
13 transmission that are either congestion or distance related.

14 Now this has been a very contentious issue, and I
15 think clearly this is one of the main issues that, you know,
16 the cost shift and who will bear the ultimate cost of the
17 transmission upgrades.

18 This has been one of the big contentious issues
19 on the RTOs. So I can tell you from having sat in on those
20 meetings, that the current model runs are not going to
21 describe that.

22 Now that model and the consultants are able to
23 create a number of modeling scenarios where they can do
24 that, where they can go in and deaggregate an area. For
25 example, they could deaggregate TVA. They've done this for

1 them. And actually site the plants and the load centers
2 within the state and look at costs for transmission and
3 distance related tariffs.

4 However, the current model runs that have been
5 conducted as a part of the Cost/Benefit Study do not do
6 that. All generation is assumed to be at the centroid of
7 whatever region is aggregated.

8 For example, if there is one Southeastern RTO,
9 all the generation is sited at the centroid or the middle of
10 the RTO. And there is a transfer capability, an ATC,
11 interregionally, but there is no distance component to it.

12 So Chairman Wood, I know you're an engineer and
13 from A&M and you understand a lot of those things, but those
14 are some of the subtle nuances that will make a tremendous
15 difference in the outcome of the model, or some of the
16 things that we believe ultimately will need to be run for us
17 to come up with an answer, or at least that is my opinion.

18 (Pause.)

19 VICE CHAIRMAN CALLAHAN: This is Commissioner
20 Callahan from Mississippi. I have a question kind of
21 directed to Texas, and I apologize for not knowing who is on
22 the call from Texas. Is it my understanding that you have,
23 in your non-ERCOT, you have Entergy and then you have some
24 other utilities as well? Is that correct?

25 (Pause.)

1 Hello, Texas?

2 MR. CADDEN: Texas?

3 CHAIRMAN WOOD: I'll answer for them. Yes, that
4 is correct.

5 COMMISSIONER TOTTEN: I'm sorry, I--

6 VOICE: --money for the phone call.

7 VICE CHAIRMAN CALLAHAN: Has Texas gone?

8 COMMISSIONER TOTTEN: We're back. What was the
9 question?

10 VICE CHAIRMAN CALLAHAN: My question is--this is
11 Commissioner Callahan from Mississippi. It's my
12 understanding that in ERCOT you have--I mean your utilities
13 outside of ERCOT, you have Entergy and you have some others.
14 Is that correct?

15 COMMISSIONER TOTTEN: We have Entergy and AEP up
16 in the northeast part of the state.

17 VICE CHAIRMAN CALLAHAN: All right, is it also my
18 understanding that Entergy is going to go to CTRANS and,
19 what did you say, AAP?

20 COMMISSIONER TOTTEN: AEP.

21 VICE CHAIRMAN CALLAHAN: --as going to go to
22 where?

23 COMMISSIONER BREATHITT: That has not been
24 publicly determined yet. This is Commissioner Breathitt. I
25 think they are in the process of sorting out the decision to

1 not go forward with Alliance and find a new home, so to
2 speak.

3 VICE CHAIRMAN CALLAHAN: So then Texas is running
4 the risk they could have somebody going to one RTO and
5 somebody else going to another? Correct?

6 COMMISSIONER TOTTEN: That's exactly right.

7 MR. CADDEN: Who's speaking?

8 CHAIRMAN WOOD: Commissioner Totten.

9 COMMISSIONER TOTTEN: We're concerned that
10 Entergy would wind up in CTRANS and AEP would wind up in
11 either Alliance or MISO.

12 VICE CHAIRMAN CALLAHAN: Okay. And so it's my
13 understanding that you said you favor Entergy going to
14 where?

15 COMMISSIONER TOTTEN: To MISO.

16 VICE CHAIRMAN CALLAHAN: To MISO.

17 Commissioner Hochstetter from Arkansas?

18 CHAIRWOMAN HOCHSTETTER: Yes.

19 VICE CHAIRMAN CALLAHAN: Do you have any views on
20 where Entergy should be?

21 CHAIRWOMAN HOCHSTETTER: Well from the standpoint
22 of seams' issues, it would be nice if everybody was in the
23 same RTO. So from that standpoint, you know, we might agree
24 with Texas.

25 VICE CHAIRMAN CALLAHAN: Anybody want to speak

1 for Entergy from Louisiana?

2 (Pause.)

3 Jimmy Fields, are you there? Norma?

4 (Pause.)

5 VICE CHAIRMAN CALLAHAN: All right, I guess
6 Louisiana's left the call.

7 Speaking for Mississippi, we are in a heck of a
8 mess because we have Entergy on the whole western side of
9 our state, and then we have the Southern Company in the
10 southeastern part of our state, and we have TVA in the
11 northeastern part of our state. So we're pretty well
12 divided in threes.

13 COMMISSIONER BREATHITT: Let me just interject
14 what I think is a significant or an important consideration.
15 This is Linda Breathitt speaking.

16 The dual effort that we have ongoing--

17 UNIDENTIFIED VOICE ON THE PHONE: A choice to
18 have Entergy wind up in the MISO or have Entergy wind up in
19 the MISO or have Entergy wind up in AEP RTO? Which would
20 you prefer?

21 CHAIRMAN WOOD: Who was speaking?

22 MR. CADDEN: Who was that?

23 VICE CHAIRMAN CALLAHAN: Who was that?

24 COMMISSIONER BREATHITT: I think it was
25 somebody's phone that was on that was talking off-line

1 maybe.

2 Anyway, let me just quickly get this thought out.

3 VICE CHAIRMAN CALLAHAN: Okay.

4 COMMISSIONER BREATHITT: The market design effort

5 that we have ongoing seeks to eliminate the seams' issues.

6 So to the extent that you can factor that in in your

7 thinking with states that may have entities in them that go

8 in different places, when that effort is completed the

9 number of RTOs becomes a little less important because we

10 will have common practices and protocols as best we can,

11 where they make sense to have them. And I just wanted to

12 make sure we don't forget that.

13 VICE CHAIRMAN CALLAHAN: This is Commissioner

14 Callahan from Mississippi.

15 Commissioner Breathitt, how would that affect a

16 company--and I will use South Mississippi Electric Power

17 Association, who is the buying arm for our cooperative--they

18 own 10 percent of Grand Gulf, which is Entergy. But they

19 also own their own plants that are on the Southern Company

20 System as well.

21 I mean how is that going to work, if they've got

22 their load on two different, possibly, RTOs? Is your seams

23 issue going to address those problems?

24 COMMISSIONER BREATHITT: It should address them

25 fairly effectively. I mean there may be unique

1 circumstances that would have to be addressed through
2 tolling arrangements, or a unique software fix, but of
3 course the ideal is to not have that happen. But if it
4 does, I think there are ways to minimize any disturbances
5 that could arise from that.

6 VICE CHAIRMAN CALLAHAN: This is Commissioner
7 Callahan again. If Entergy was to go to the Midwest, that
8 would leave only the Southern Company in the Southeast. And
9 with all due respect to my friends in the Southern Company,
10 and I like them all, does anybody want to see an RTO in the
11 Southeast with just the Southern Company by themselves?

12 SCOTT MORRIS: I think we've already got that.
13 It's called the Southern Company.

14 VICE CHAIRMAN CALLAHAN: We do.

15 SCOTT MORRIS: Scott Morris.

16 VICE CHAIRMAN CALLAHAN: I know. I mean, we do.
17 But I mean we've also got it where we can control it. I
18 mean it's one thing to have a tiger in a cage. It's another
19 thing to have a tiger running loose in your house. And I
20 just throw that out for thought.

21 COMMISSIONER ATKINS: Commissioner Callahan, this
22 is Commissioner Atkins. Where is Grid South going to go?

23 VICE CHAIRMAN CALLAHAN: Well that's kind of what
24 I'm thinking about my friends in North Carolina and South
25 Carolina. I mean they would be--you know, you'd have to

1 pretty much--I mean Southern Company would be in a good
2 position at that point.

3 COMMISSIONER ERVIN: Well and I think the answer
4 to your--this is Jimmy Ervin of North Carolina--the answer
5 to your question of where do your friends in the Carolinas
6 go? I mean I think that--I hate to be repetitive, but that
7 goes back to the basic question of before we start talking
8 about who goes where you've got to ask yourself the
9 question--and assuming the--and putting aside the
10 jurisdictional arguments that we fight about in the
11 pleadings that I haven't wanted to bring up today but don't
12 want to waive nothing by remaining silent--it seems to me
13 that that goes back to the point that I made earlier, that
14 before we start making decisions like that you've got to
15 start asking yourself what is your market? What goes
16 naturally with what, based on market conditions?

17 And I'm just not satisfied that we know the
18 answer to those things yet. And until we know the answers
19 to those things, we are not going to be able to have a
20 really meaningful discussion about any--

21 COMMISSIONER ATKINS: And may I chime in here,
22 and I'm going to be kind of an academic for a minute because
23 that's been my background--

24 CHAIRMAN WOOD: Who is this, please?

25 MR. CADDEN: Who is this speaking?

1 COMMISSIONER ATKINS: --actually is we're
2 constraining ourselves where we don't need to. We have real
3 constraints in terms of the incumbent systems for
4 transmission that have been there and their incumbent
5 generation from the past that are left over. And there are
6 transfer congestion points interregionally between those
7 systems.

8 And then we have had dedicated incumbent
9 generation that's gone with that. Now we've layered on top
10 of that integrated--independent power producers that site
11 and try and sell to a larger market.

12 There are literally billions upon billions of
13 dollars in investments that will be needed that are being
14 studied as part of the DOE's National Transmission Grid
15 Study. And where we need to be thinking about and spending
16 a little bit of money up front on the modeling and just
17 taking a little bit more time, I understand the time
18 constraints, but to take a little bit more time and just to
19 say:

20 Let's actually put the generation where it is.
21 Let's look at the transmission. And let's do it for the
22 entire Eastern Interconnect.

23 Let's assume no seams. Let's assume no pancakes.
24 Let's actually use the model that's being run by FERC now.
25 Do an Eastern Interconnect. Let's run it appropriately.

1 Let's optimize it.

2 And then let's take those outcomes and stick
3 those in thermal loading models that work on a smaller time
4 step, but see where the system gets fried.

5 Now that's the way to do this, if everybody wants
6 to know the way to do it. But there's a bunch of money
7 involved here. It'll take a little bit more time. But it
8 will give you the answer, and ultimately if you run it
9 properly and do enough runs, it will tell you exactly where
10 Entergy should go, and Southern should go, and what part of
11 Texas should be split off, and it's all based on load, on
12 existing generation, and the optimal locations for siting
13 future generation, given the air pollution constraints.

14 That is what the ICF model does. But it is not
15 being run in a broader synoptic sense to accomplish that.

16 CHAIRMAN WOOD: Buddy, this is Pat. Did you
17 bring that up when ya'll were meeting with the consultants?

18 COMMISSIONER ATKINS: Well, I did. But it's a--
19 and I know you can relate to this--this is a huge
20 engineering problem. But I think we just need to spend the
21 money. These monies we'll spend on doing this are trivial
22 compared to the investments that we will need to make in
23 transmission, in the investments or lost opportunity cost
24 for future generation market on the wholesale side, and for
25 the inefficient rates that people will have to pay in a

1 market going out into the future for these poor, nonoptimal
2 siting decisions on generation and transmission.

3 CHAIRMAN WOOD: But is it your understanding that
4 the studies do not do that at the present?

5 COMMISSIONER ATKINS: No, because it's just a--
6 it's a Big Gulp. It's the Biggie Size, if you're going to
7 Wendy's. And it would take much longer to do. It will be
8 more expensive. And it's just something that they believe,
9 you know, the talk around the table is, yeah, that's where
10 we ultimately need to go, but we can't get there right now.
11 We're constrained.

12 CHAIRMAN WOOD: By what?

13 COMMISSIONER ATKINS: Constrained by both time
14 and money.

15 COMMISSIONER BREATHITT: Well, this is Linda
16 Breathitt. I heard some people say not to take the filings,
17 to hold those in abeyance, but as the Chairman says we still
18 have a deadline that is, what, a year, over a year past.
19 And I am really trying to think through that comment that
20 was made on holding things in abeyance in the Southeast.

21 It seems like we have got some momentum going,
22 and entities have found homes within Grid Florida, Grid
23 South, and CTRANS.

24 Any reaction to that?

25 COMMISSIONER DIXON: Let me just intervene right

1 quick, Commissioner Breathitt. This is Commissioner Dixon
2 from Louisiana. I had to get off and come back on, ya'll,
3 but I understand that there was a question that was asked
4 for me to respond to?

5 COMMISSIONER BREATHITT: Irma?

6 COMMISSIONER DIXON: Yes, Linda?

7 COMMISSIONER BREATHITT: Okay. I was just
8 wanting to know if you could speak a little louder.

9 COMMISSIONER DIXON: Oh, you need me to speak
10 louder?

11 COMMISSIONER BREATHITT: There you go. That's
12 good.

13 COMMISSIONER DIXON: Okay, I just wanted to know,
14 I understand there was a roll call of a question asked of
15 each state. I had to get off the conference call for a
16 minute, and I'm trying to come back on just to see if I can
17 answer for Louisiana.

18 VICE CHAIRMAN CALLAHAN: Irma, this is
19 Commissioner Callahan from Mississippi.

20 COMMISSIONER DIXON: Um-hmm.

21 VICE CHAIRMAN CALLAHAN: Where would you like to
22 see Entergy go? To the Midwest? Or to the CTRANS? Or do
23 you have an opinion?

24 COMMISSIONER DIXON: I really didn't have an
25 opinion right now because we have not had a chance to talk

1 about it from Louisiana. I was trying to reach Jimmy just
2 now again. The thing is, we already had something scheduled
3 and we were trying to do the conference call in between it.

4 VICE CHAIRMAN CALLAHAN: I got you.

5 COMMISSIONER DIXON: And it's not working,
6 because coming in and out is not, you know, really good.
7 But we have not as a commission discussed this. On the 27th
8 at our business session we are going to put this on the
9 table and do some discussion, and I am hoping I can have an
10 answer for you then, if we wanted Entergy in the AEPR,
11 wherever. We will give you an answer.

12 VICE CHAIRMAN CALLAHAN: All right. Thank you.

13 CHAIRWOMAN HOCHSTETTER: Commissioner Breathitt,
14 this is Sandy Hochstetter. Getting to your specific
15 question, I think one of the concerns is that even though we
16 see a lot of momentum going, and I certainly am appreciative
17 of the voluntary efforts and progress that has been made, I
18 guess I am somewhat concerned at the direction that the
19 momentum may be headed is not the right direction.

20 It may be from the standpoint, from a filing
21 standpoint it may be that the best next step for the CTRANS
22 folks is to get maybe a preliminary declaratory judgment
23 type order, if you will, from FERC Commissioners as to what
24 your feelings are on their preliminary proposed structure
25 governance model, et cetera. Maybe, you know, just

1 bifurcate perhaps their developmental process and at least
2 get some preliminary guidance from the FERC Commission as to
3 what you think about their overall framework and structure.
4 That might be the next best step.

5 Because regardless of what happens on these other
6 cost/benefit issues, we might be able to proceed on parallel
7 paths so that we don't lose any time.

8 COMMISSIONER BREATHITT: So it doesn't sound
9 like, Sandy, that you are as concerned about the momentum as
10 maybe the particular, I guess the particular structures of
11 the three and who is where?

12 CHAIRWOMAN HOCHSTETTER: Yes, ma'am, that would
13 be a pretty accurate restatement. I think that--as a matter
14 of fact, I think in your previous--and I am not an RTO
15 expert here--but I think in some of the previous RTO
16 proceedings FERC had incremental, or made incremental
17 decisions with respect to the various RTO issues. And I
18 think that that would be appropriate here for CTRANS as
19 well.

20 I think there need to be some preliminary
21 determinations made. And if it looks like they are going in
22 a wrong direction particularly with respect to the model and
23 the governance structure, they need to know that now before
24 they move forward with selection of the ISA and everything
25 else that they're doing.

1 COMMISSIONER TOTTEN: Commissioner Breathitt,
2 this is Jeff Totten in Texas. I think the other important
3 issue is what are the boundaries. Are we going to have a
4 Grid South, a Grid Florida, and a CTRANS? And if so, where
5 is the boundary with the MISO?

6 I think if you all could take on those issues, as
7 well, it would be very helpful.

8 COMMISSIONER BREATHITT: I think there are
9 actually some maps that have those entities delineated. I
10 think that EEI probably has them. We may even have some
11 here. So you can visually see it.

12 COMMISSIONER DIXON: This is Dixon again. In
13 those maps that you were talking about, I think I saw a
14 couple of them and if at all possible can you at least keep
15 states together?

16 CHAIRMAN WOOD: As one that comes from a state
17 that is probably in maybe four, if not five future RTOs, I
18 can just tell you that is hard to do, Irma, but I think we
19 tried certainly to do that with our discussions about the
20 Midwest.

21 COMMISSIONER DIXON: I'm just saying as much as
22 possible.

23 COMMISSIONER BREATHITT: And I know in my home
24 state, because TVA is in a lot of the western part of the
25 state, we could be in three. But it is always good to try

1 to minimize that.

2 COMMISSIONER TOTTEN: I think part of the
3 question, too, is not so much where did the proponents of
4 these RTOs intend to draw the line--

5 COMMISSIONER BREATHITT: Who is this?

6 CHAIRMAN WOOD: Jess Totten.

7 COMMISSIONER TOTTEN: This is Jess again. But
8 does it really make sense? I mean it seemed to me that what
9 you did in the Midwest was an effort to have a single RTO in
10 that area rather than two, and does it make sense to have
11 three RTOs in the Southeast [beeping noise] working for one?

12 (Chairman Wood leaves the room.)

13 COMMISSIONER BREATHITT: I'm sorry, this is
14 Commissioner Breathitt. The Chairman just walked out, and I
15 think I was saying something to him off-line. Were you
16 wanting a response from us?

17 COMMISSIONER TOTTEN: Well I don't know that I
18 want a response right now. I guess what I'm suggesting is
19 that you all should take the lead in deciding how many RTOs
20 we need in the Southeast.

21 COMMISSIONER BREATHITT: And, Sandy, that's a
22 little bit what you were saying, you're thinking maybe it's
23 time for FERC to issue some preliminary--make some
24 preliminary calls on that? Is that what you were
25 suggesting?

1 (Commissioner Brownell enters.)

2 CHAIRWOMAN HOCHSTETTER: Yes, ma'am, but I would
3 go beyond the issue of scope and size. I would also
4 appreciate guidance from you all on the basic structure and
5 governance model issues, and specifically the proposals that
6 are on the table from CTRANS.

7 COMMISSIONER TOTTEN: This is Jess Totten again.
8 And we share that. We have a lot of concerns about the
9 CTRANS governance.

10 Just to be clear, it's not so much the model
11 itself but the way the model is being implemented. We
12 really feel like the sponsors are kind of running roughshod
13 over everyone else who is trying to participate.

14 COMMISSIONER BREATHITT: The only reaction I have
15 to that is that you might want to call John Hughes directly,
16 who is the chairman of the SAC, the Stakeholder Advisory
17 Committee, and he is representing the big industrials, and
18 just have a one-on-one conversation with him to get his
19 thoughts on that.

20 SAM BRATTEN: Commissioner Breathitt, this is Sam
21 Bratten in Arkansas. These concerns have been aired by
22 Texas very articulately and supported by Arkansas in the
23 Stakeholder Advisory Committee process. Both states have
24 been actively involved with it and have shared those in the
25 Stakeholder Advisory Committee and have not seen any

1 particular reaction or response from the sponsors other than
2 to slip the time lines by a couple of weeks and move
3 forward. But they are very aware of the concerns.

4 COMMISSIONER BREATHITT: Sam, are you talking
5 about the transmission owners when you say 'the sponsors' ?
6 The TOs?

7 SAM BRATTEN: Yes.

8 COMMISSIONER BREATHITT: Okay.

9 COMMISSIONER BROWNELL: But your--

10 COMMISSIONER BREATHITT: This is Commissioner
11 Brownell who has joined us now.

12 COMMISSIONER BROWNELL: We're doing tag team. We
13 have received a number of letters I think--I haven't seen
14 all of them--about those concerns.

15 My advice to some of the sponsors last week, or
16 this week, was that they get in touch with individuals who
17 have participated in the PJM and ERCOT stakeholders process
18 and maybe learn from them.

19 It's clear that it's a learning experience that
20 just needs perhaps some coaching. I specifically said that
21 it might be helpful to get somebody like Sonny Papowski who
22 has been through a thousand stakeholder processes not only
23 at PJM but in the development of legislation.

24 So I throw that out and, for what it's worth,
25 maybe get some coaches in there to walk everybody through

1 how it has worked and the kinds of things you need to look
2 for.

3 And we would happily facilitate that if you
4 needed us to do that.

5 SCOTT MORRIS: This is Scott Morris in Alabama.
6 I just have a question for Texas and Arkansas.

7 Is your concern over the pace of the process and
8 I guess the inability--I guess it's just difficult to keep
9 up because it does seem that it is moving very fast. Is it
10 a concern with the pace of the process?

11 CHAIRWOMAN HOCHSTETTER: This is Sandy
12 Hochstetter. It's not just the pace; it's also the
13 presumption that they, as in the sponsors and transmission
14 owning entities, need to have a neatly tied up package and
15 RTO ready to go and implement before they need to take it to
16 FERC and get FERC's blessing.

17 And I honestly would feel more comfortable if we
18 had some incremental mileposts on specific issues where FERC
19 could give feedback to the CTRANS folks as to whether or not
20 they feel what they've done so far on an incremental basis
21 is in accordance with their best thoughts and their
22 guidelines.

23 It seems like an awful lot of time and energy and
24 effort would be spent for naught if you go past five bases
25 and then realize that you messed up on base number one.

1 SAM BRATTEN: The other concern, Scott, that--

2 COMMISSIONER BROWNELL: Who is speaking, please?

3 SAM BRATTEN: This is Sam Bratten from Arkansas.

4 The other concern, Scott, that we have--and it is one that
5 has been raised by a number of the stakeholders--and that
6 is, the extent to which the transmission owners and other
7 proponents seem to be completely controlling the preparation
8 of the so-called 'organic documents' without meaningful
9 input during that preparation from people who are going to
10 be deeply affected by them.

11 Now while we understand there will be comment
12 periods later, there is a great deal of concern that by the
13 time the documents come out that they are going to be pretty
14 well set in stone.

15 SCOTT MORRIS: Right. This is Scott Morris
16 again. I am just trying to get my hands around this. One
17 the one hand I know that there has been a lot of pressure,
18 and of course CTRANS is kind of behind the eight-ball in
19 comparison with the other Southeastern RTOs and I think
20 they're making an effort to try to catch up, but on the
21 other hand we don't want them moving so fast that they go
22 off in the wrong direction and we end up having to scrap the
23 process, or significantly alter the process, and have wasted
24 a lot of time and resources going down the wrong direction.

25 I am just wondering how we get our hands around

1 this to slow down the things that need to be slowed down,
2 and yet maintain a pace that everyone is satisfied with.

3 CHAIRWOMAN HOCHSTETTER: This is Sandy
4 Hochstetter again. I don't see what is wrong with the way I
5 believe FERC approached this previously with respect to, you
6 know, kind of phase one/phase two, and maybe a phase three
7 approach, to resolving some of the RTO issues. And also
8 with respect to utilizing a mediation process.

9 For some reason, that just kind of went by the
10 wayside. Did the FERC Commissioners on this call have any I
11 guess input or thoughts as to what ya'll might consider in
12 terms of doing this in an incremental fashion.

13 COMMISSIONER BREATHITT: No. Sandy, this is
14 Linda speaking. I think that we would need to use our
15 process for discussing that and decide. I mean I think you
16 have asked us to consider that, and we would just need to
17 internally figure out if that was reasonable to do.

18 COMMISSIONER BROWNELL: Yes. It's Nora. I need
19 to flesh it out more and kind of figure out what those
20 increments might look like.

21 But did I hear you also say, Sandy, that it would
22 be helpful if we provided some mediation support? Or was I,
23 some ADR support in this process?

24 CHAIRWOMAN HOCHSTETTER: Well there was a
25 Southeastern RTO Mediation process that took place I guess

1 last fall.

2 COMMISSIONER BREATHITT: Right.

3 CHAIRWOMAN HOCHSTETTER: And I think that a lot
4 of the parties felt like that was fairly productive and
5 effective. And they approached the discussion in an
6 incremental fashion, or at least they bunched the issues in
7 groupings.

8 COMMISSIONER BROWNELL: Um-hmm.

9 CHAIRWOMAN HOCHSTETTER: And it seems like that
10 might be, whether we use the mediation approach or not in
11 this go-around, that still might be a useful way to
12 incrementally establish some baseline.

13 You know, it's almost--this might be a corny
14 analogy, but it's almost like building a house. You know,
15 you need to get some foundational issues I think resolved
16 first, and then build on that in terms of more finely
17 detailed and complex elements of the RTO.

18 COMMISSIONER ERVIN: This is Jimmy Ervin from
19 North Carolina again. I would reiterate the things we said
20 about this, the concerns that we expressed about the
21 mediation process is time. Which is, that for those of us
22 who have small staffs, the way that was conducted made it
23 virtually impossible for us to participate even if we had
24 not been barred from doing so by statute. And I don't want
25 my silence to be construed as acquiescence in that kind of a

1 process, because it was not workable for us.

2 MS. EATON: This is Terry Eaton from Texas. To
3 give an example of the nature of the problem in CTRANS. At
4 the meeting yesterday, the SAC approved some criteria for
5 selecting the short list of outside candidates.

6 But on the other hand, the SAC still hasn't
7 agreed on a set of bylaws. They don't know what the proper
8 voting classes should be. There's not agreement on that.
9 There has been some discussion, but it's not being followed
10 through with.

11 There is no set of approved bylaws. So the
12 process is running over itself, really, in my view because
13 there is such a tight timeline to get things done, and yet
14 the fundamental core things have not been done yet.

15 COMMISSIONER BREATHITT: That's--I don't have a
16 reaction to that other than to tell you that I heard what
17 you are saying and hopefully the SAC will try to prioritize
18 and figure out what it needs to do first.

19 COMMISSIONER KERR: This is Commissioner Kerr in
20 North Carolina. Sandy, let me clarify, and also with the
21 folks in Texas. Is it your concern, or are your state
22 commissions participating in the SAC process as stakeholders
23 on par with other stakeholders? And is that the genesis, or
24 is what what your concerns arise from?

25 MS. EATON: No, the state commissions all have

1 nonvoting ex officio status. So in Texas we're monitoring
2 the meetings and making comments that we think are relevant
3 to the process as appropriate, but we are not voting.

4 CHAIRWOMAN HOCHSTETTER: That's true for
5 Arkansas. Louisiana I think has participated fairly
6 regularly. I don't believe the other states in the
7 Southeast are participating on a regular basis.

8 COMMISSIONER BREATHITT: I'm wondering--this is
9 Linda Breathitt speaking again--if the CTRANS as an
10 organization needs to do some specific outreach to you as
11 state commissioners.

12 MS. EATON: Commissioner Breathitt, I don't think
13 that's the problem. This is Terry Eaton from Texas. We've
14 expressed our concerns very publicly to the SAC, and they
15 are just not being addressed.

16 CHAIRWOMAN HOCHSTETTER: This is Sandy
17 Hochstetter. I would echo that. In fact, I think that the
18 assumption is, the assumption that the sponsors have, is
19 that they need to, in order to get any feedback from the
20 FERC, they need to have everything wrapped up in a neat,
21 tidy package. Because otherwise they are not going to get
22 guidance in an incremental fashion.

23 And I personally think that that is putting the
24 cart before the horse, and that there are certain
25 fundamental preliminary issues that need to be determined

1 first, and then you just build on it starting with scope,
2 configuration, model, overall model, and governance
3 structure.

4 MARY COCHRAN: This is Mary Cochran from Arkansas
5 also. If I could just jump in. I know that a lot of the
6 state commissions, or perhaps all of them, did not like the
7 mediation process. Nevertheless, as a procedural matter a
8 lot of parties participated in it. And as a result, there
9 was a Mediation Report which, if I recall correctly,
10 recommended for the Southeast Region the Collaborative Grid
11 Model.

12 But it also discussed the ISA, Independent System
13 Administrator Model, which is essentially the CTRANS model.
14 And procedurally now it seems to me that the FERC has two
15 competing models, as it were, for the Southeast Region
16 before it. And it might be very useful to everyone if there
17 were some guidance with respect to the Mediation Report and
18 what the Commission believes is the appropriate direction
19 for the region to be going.

20 And I think that is part of our concern with the
21 progress that CTRANS is making.

22 SAM BRATTEN: This is Sam Bratten, Arkansas. One
23 other point. The CTRANS group filed a, I believe they
24 styled it, a Progress Report in late November early December
25 in which they laid out these general parameters.

1 I believe that was filed in the Mediation docket,
2 and in that informational report, whatever you choose to
3 style it, they did I believe at least generally ask for some
4 guidance as to the issues that were outlined in that status
5 report. But that perhaps could be a vehicle for some
6 feedback from the FERC, if that is appropriate, under FERC
7 Rules and my recollection of the filing is accurate.

8 COMMISSIONER KERR: This is Commissioner Kerr
9 again in North Carolina. Does the request for guidance from
10 Texas and Arkansas, does it presume the development of the
11 Cost/Benefit Study that Commissioner Atkins has been
12 discussing? Or is that an important element of the guidance
13 you seek? Or do you think that the FERC is in a position to
14 offer that guidance absent that report?

15 CHAIRWOMAN HOCHSTETTER: Sandy Hochstetter. I
16 think the two issues can proceed on parallel paths. I think
17 it is important, regardless of what the cost/benefit
18 analysis shows, to the extent that you have some ranges of
19 probability or some sensitivity analysis that would suggest
20 a variation in an RTO model or, you know, something that at
21 least doesn't throw out the basic concept of an RTO--I mean
22 there may need to be some tweakings on how it is structured,
23 or how much money goes into it, or whatever.

24 But at any rate, I think that some of the
25 fundamental issues regarding an RTO in the Southeast can be

1 addressed on a parallel path and still move forward on the
2 cost/benefit discussion.

3 MS. EATON: And Texas would agree with that
4 statement. This is Terry Eaton from Texas.

5 COMMISSIONER ERVIN: And this is Jimmy Ervin from
6 North Carolina.

7 I'm a little--you know, I don't eliminate the
8 possibility that Sandy may be right, but I'm not sure she
9 is.

10 CHAIRWOMAN HOCHSTETTER: Thank you.

11 (Laughter.)

12 COMMISSIONER ERVIN: I have some concerns about
13 that.

14 COMMISSIONER BROWNELL: And so what is your
15 recommendation?

16 COMMISSIONER ERVIN: Well mine is, as it has been
17 all along, that we try to deal with the fundamental kinds of
18 questions that Buddy talked about before we spend a lot of
19 time and a lot of resources in dealing with these kinds of
20 governance issues.

21 Because it seems to me that--and I realize I may
22 be at a minimum not speaking for a unanimous group--that
23 they are the sort of questions that come after the primary
24 one, but that our recommendation would be that we proceed
25 along the lines that we talked about earlier, which was to

1 follow up with the issues arising from the consultant's
2 study.

3 And I understand that that does not really go to
4 Commissioner Breathitt's earlier question very well, but it
5 just seems to us that it was one of the things that was not
6 addressed in Order 2000. For some of these kinds of
7 cost/benefit analysis, I'm not an expert on RTOs either, I'm
8 not sure they've ever been addressed fully. And those
9 remain our principal concerns.

10 COMMISSIONER BREATHITT: Jimmy, this is Linda.

11 COMMISSIONER ERVIN: Um-hmm.

12 COMMISSIONER BREATHITT: Are the Southeast
13 Commissioners doing their own study?

14 COMMISSIONER ERVIN: The answer to that is that I
15 was under the impression at one point, and said so publicly,
16 that I thought that they were. We got a report from the
17 working group at the CRUC breakfast at NARUC earlier in the
18 week that at least I took to mean that what they study was
19 now focusing on was trying to analyze the existing system to
20 determine congestion points and things of that nature as a
21 prerequisite for possibly further work.

22 Braulio, if he is still on the call, can probably
23 answer that better than I can.

24 COMMISSIONER BREATHITT: I was just trying to
25 figure out if you meant our ICF cost/benefit analysis, or--

1 COMMISSIONER ERVIN: I really--

2 COMMISSIONER BREATHITT: --your own?

3 COMMISSIONER ERVIN: I really wasn't being that
4 specific.

5 COMMISSIONER BREATHITT: Okay.

6 COMMISSIONER ERVIN: I was speaking more
7 generically.

8 COMMISSIONER KERR: Any.

9 COMMISSIONER BREATHITT: Who said that?

10 COMMISSIONER KERR: Commissioner Kerr in North
11 Carolina. Any cost/benefit analysis would probably be
12 helpful.

13 COMMISSIONER ERVIN: I mean I'm viewing
14 cost/benefit as a generic question when I made the statement
15 I made a minute ago, as a generic issue and not as a study-
16 specific issue.

17 COMMISSIONER BAEZ: This is Baez in Florida.
18 Just in answer to Commissioner Ervin's question and to
19 clarify for everyone the work that the Southeast States are
20 doing in terms of infrastructure, is merely an inventory and
21 it doesn't have a cost/benefit component to it.

22 COMMISSIONER HILLSMAN: Linda, this is Marty
23 Hillsman from Kentucky, and if I can kind of interject on
24 this one.

25 COMMISSIONER BREATHITT: Hello, Marty.

1 COMMISSIONER HILLSMAN: When we had this
2 discussion with Pat on the MISO, he didn't realize that
3 there was going to be no cost savings to the utilities as
4 far as laying off of people in the future.

5 So MISO is adding another layer, and what we need
6 to do is evaluate the cost of, one, the startup of that, but
7 the cost also to operate it every year. And we need to
8 figure out what the problems the utilities have had with
9 MISO as well as with PJM in the past, like bundling of their
10 services or not.

11 So I think that is the type of cost/benefit
12 analysis that we hope FERC is going to be doing, or this
13 committee is doing.

14 COMMISSIONER BROWNELL: And, Marty, can I just
15 speak up? It's Nora. In response to the--and I'm glad you
16 reminded me--the statement that there were no cost savings
17 in any of the utilities by concentrating functions in one
18 area.

19 We did not understand that, and you remind me we
20 need to ask that question. Because that is not consistent
21 with the experience we saw elsewhere. And in my mind it
22 begs the question of common sense.

23 But good reminder. But I wouldn't say that as a
24 given. I just think we need to push a little more on that.

25 COMMISSIONER HILLSMAN: That's fine, Nora. And

1 we just had a meeting with two of our utilities this
2 morning, and I asked the question again and they said there
3 will be no cost savings with MISO at all from that
4 standpoint.

5 So this is something I think we need to take a
6 look at.

7 COMMISSIONER BROWNELL: I agree.

8 COMMISSIONER KERR: Linda, this is Commissioner
9 Kerr in North Carolina. I'm not sure we have answered your
10 question completely, which I interpreted as what is going on
11 within at least the CRUC states. And I am mindful that
12 there are a couple of states that aren't in CRUC that are
13 participating in this call.

14 But as I understood it at the end of the
15 breakfast, and it was an early breakfast so I might have
16 missed something, we have an inventory, which is what
17 Commissioner Baez referenced, and that is going on and we
18 would anticipate that sometime in April from the staffs from
19 the various states we would have some structural type
20 inventory performed.

21 We are aware of, and Commissioner Atkins from
22 South Carolina has consulted on the FERC Cost/Benefit Study.
23 We discussed, I think before you got on the call, this
24 morning that there was some understanding that there would
25 be the opportunity to receive the initial report from the

1 consultant to perhaps work with the consultant and develop
2 so that there would be the initial version of the study, but
3 then also have some other scenarios run and some tweaking of
4 that study perhaps independent of the FERC, or we could have
5 our own consultants get involved in that.

6 And then I think thirdly we have decided, as of
7 last week or earlier this week, to also form a group to work
8 through some of these policy issues that we've been
9 discussing with respect to governance, scope, et cetera.

10 So I think there are three tracks, if you will,
11 that as a confederation of states we are working through.

12 (Pause.)

13 COMMISSIONER BROWNELL: I think we just need a
14 moment for clarification here.

15 (Pause.)

16 COMMISSIONER BREATHITT: Okay, Jimmy, thank you
17 for that explanation--not Jimmy, Jim Kerr.

18 COMMISSIONER ERVIN: This is Jimmy Ervin. We try
19 to create maximum confusion.

20 (Laughter.)

21 COMMISSIONER BREATHITT: I think that some of the
22 points that have been made in asking the Commission whether
23 it makes sense to parse things out perhaps, I know even
24 though the Alliance RTO did not prevail in the end, there
25 were some useful lessons from that in that we parsed things

1 out in that particular group of companies and did initial
2 rulings along the way.

3 And I don't know--I mean we would need to
4 determine if that is useful to do here, and in keeping with
5 the Chairman's timetable and I think the need and the desire
6 by Commissioner Brownell and Massey and me to keep things
7 moving.

8 But that is something that I have heard fairly
9 consistently in the hour that I've been in here.

10 CHAIRWOMAN HOCHSTETTER: Commissioner Breathitt,
11 this is Sandy Hochstetter. I believe the Entergy STP RTO
12 application proceeded in similar fashion. So you may have a
13 few different precedents there to look at.

14 COMMISSIONER BROWNELL: So--it's Nora--if we took
15 that approach, let me ask just because I have not been here
16 for the whole meeting, could somebody summarize kind of what
17 order? I heard, Sandy, you talked about if we proceeded
18 incrementally that bylaws, governance would be the first
19 step. Confirmation of scope--

20 COMMISSIONER BREATHITT: Scoping configuration,
21 the model itself, governance.

22 COMMISSIONER BROWNELL: Is that?

23 CHAIRWOMAN HOCHSTETTER: Yes, ma'am. I think you
24 and Commissioner Breathitt were outlining jointly there the
25 scope and configuration, the model, the governance

1 structure, and bylaws. I guess that might be a logical
2 first grouping.

3 Mary, can you think of anything else to add to
4 that group?

5 MARY COCHRAN: No, that makes real good sense to
6 me.

7 CHAIRWOMAN HOCHSTETTER: Okay.

8 COMMISSIONER BROWNELL: Okay.

9 COMMISSIONER BREATHITT: Well we will take that
10 under advisement as a suggestion that has come out of this
11 conference call.

12 COMMISSIONER KERR: Let's clarify. That's a
13 suggestion--this is Commissioner Kerr, North Carolina--that
14 is a suggestion of at least one of the Commissioners that
15 has participated in the call.

16 COMMISSIONER BREATHITT: And I think, Sandy, are
17 you talking about this suggestion with respect to the entire
18 Southeast? Or with respect to CTRANS?

19 CHAIRWOMAN HOCHSTETTER: I think since CTRANS is
20 the only actual proposal on the table, that would be the
21 particular proposal that we would suggest that you address,
22 because I think that would be most helpful.

23 COMMISSIONER KERR: Again, this is Commissioner
24 Kerr in North Carolina, there are--Commissioner Baez spoke
25 to the Grid Florida situation, and certainly we've got a

1 Grid South and an active docket pending here in North
2 Carolina.

3 And I am not at all debating with Sandy. I just
4 want to make sure that in the transcript it is clarified
5 that that is a position I think of the Arkansas Commission
6 and with respect to CTRANS, but there are multiple
7 commissions participating on the call, that that is not
8 necessarily the suggestion of certainly this commission or I
9 think the others that have participated today.

10 COMMISSIONER BAEZ: Florida would second that.

11 MR. CADDEN: Who was that in Florida?

12 COMMISSIONER BAEZ: Baez from Florida.

13 MS. EATON: Perry Eaton from Texas. I would add
14 that some interim pronouncements from FERC, from the
15 standpoint of the CTRANS, would also perhaps provide a forum
16 to address scope in the Southeast generally similar to what
17 was done with MISO and the Alliance.

18 And again, we believe that there should be one
19 RTO in the Southeast.

20 MARY COCHRAN: This is Mary Cochran from
21 Arkansas. If I could maybe get back to how I started my
22 discussion on this call favoring one region, and maybe I
23 should have then addressed the reasons that we really do
24 believe we need to keep moving forward in this process on
25 parallel paths, as Sandy was saying.

1 The first is that we have utilities in this
2 region who are increasingly turning to the competitive
3 wholesale market to buy power to meet needs, particularly at
4 peak. And to that extent, we need the wholesale market
5 flourishing.

6 A second concern is that we are worried that
7 investment, needed investment, in transmission maintenance
8 and upgrades may not be made to the extent that the rules of
9 the road are not known with respect to even as basic a
10 question as who will own the transmission. And in our view,
11 that is a couple of the reasons that we need to keep moving
12 forward with this process.

13 And I would urge you not to lose the goal of a
14 single region. Instead of just focusing on CTRANS or any
15 other particular RTO, I think scope and the model are maybe
16 the first two questions.

17 COMMISSIONER BREATHITT: It is 10 till 12:00 and
18 we were hopefully going to wrap up at noon. Let's at this
19 point we've got by my clock about eight minutes. Do any
20 participants wish to make any final or closing statements or
21 arguments, or offer suggestions?

22 COMMISSIONER HILLSMAN: Linda, this is Marty
23 Hillsman again from Kentucky. I just want to say for the
24 record that for you and Nora and the other two
25 Commissioners, the hiring of Ed Meyers is absolutely

1 fantastic. You couldn't have picked a better person.

2 COMMISSIONER BREATHITT: Thank you, Marty. We
3 agree.

4 COMMISSIONER BROWNELL: Absolutely.

5 MR. MEYERS: Thank you, Marty.

6 COMMISSIONER BROWNELL: We're going to work him
7 to death, too.

8 COMMISSIONER BREATHITT: He is sitting right
9 here. He just got a big grin on his face.

10 MR. MEYERS: They're already working me, but
11 thank you.

12 COMMISSIONER ERVIN: This is Jimmy Ervin. I
13 think the only thing I would add to that, other than also
14 joining in the congratulations, is that we issue our
15 condolences because he's got to deal with us.

16 (Laughter.)

17 MR. MEYERS: I'm looking forward to that.

18 MR. CADDEN: I would remind the group on the
19 conversations that Pat had earlier, that you were going to
20 e-mail suggestions to Ed Meyers on the roleout of our
21 cost/benefit on dates and things like that.

22 Understand that that is process only. You can't
23 e-mail him any other substantive things on the cost/benefit.
24 Process only. Or else my Chief Counsel will have the Ex
25 Parte police throw us both in jail.

1 COMMISSIONER ATKINS: Does that mean--this is
2 Commissioner Atkins from South Carolina--does that mean that
3 the February 27th presentation is off to the small group and
4 we're--

5 MR. CADDEN: No.

6 COMMISSIONER ATKINS: --back to the following two
7 weeks?

8 MR. CADDEN: No. No, it does not mean that.
9 What I envision, Commissioner, based upon our discussions
10 earlier today, is that we would still do our rollout at our
11 next open meeting, and then shortly thereafter based upon
12 what we hear from you all is that, first of all any
13 Commissioner is obviously welcome to come to our open
14 meetings, but shortly thereafter we would hold meetings with
15 the State Commissioners on these issues.

16 But, you know, that is open for discussion based
17 upon the e-mails that Ed gets.

18 COMMISSIONER KERR: Kevin, this is Commissioner
19 Kerr in North Carolina on a related note. Where does that
20 leave us with respect to the current deadline of February
21 22nd to respond to the letter of January 3rd?

22 MR. CADDEN: Right. We will--Pat had said
23 earlier, Commissioner Brownell and Commissioner Breathitt
24 were not in at the time, but Pat had said that he was not
25 wedded to the February 22nd date, and unless either--

1 COMMISSIONER BREATHITT: I would agree with that.

2 COMMISSIONER BROWNELL: Aye.

3 MR. CADDEN: Okay. And we will get back to you
4 on a date in writing on when we would like those answers
5 based upon what we hear back from you all.

6 Is that okay?

7 COMMISSIONER KERR: Yes. Thank you.

8 SCOTT MORRIS: This is Scott Morris in Alabama.

9 I would like to just throw one possibility out there maybe
10 as a means of addressing the concerns of Chairman
11 Hochstetter and Commissioner Ervin in North Carolina. And
12 maybe that is perhaps to have FERC direct some sort of
13 filing from CTRANS and any other entity in the Southeast on
14 some of these basic core issues that Commissioner
15 Hochstetter issued. Give them reasonable time, 30, 45, 60
16 days, an appropriate time for comment.

17 And at the same time, use that time to answer
18 some of those--to begin to try to answer some of those
19 fundamental questions that Commissioner Ervin raised. And
20 perhaps we could keep these things both moving hopefully
21 down a parallel track and not see too much divergence, and
22 at the end of that time period perhaps we will be hopefully
23 better informed and better able to make some decisions that
24 will guide the process going forward.

25 MR. CADDEN: Okay.

1 COMMISSIONER BREATHITT: Let me just throw one
2 more thing out. We talked about whether the Commission
3 would determine that it made sense to make some interim
4 calls along the way, rather than get one consolidated filing
5 and have a long order addressing all of the features.

6 That was one thing that we did with Alliance, is
7 that we got a big filing but there were features in it that
8 we didn't address in the initial Order. We said go back and
9 do this, and this, and this, and come back with a compliance
10 filing.

11 So there are two ways to keep the ball rolling.

12 MS. EATON: This is Terry Eaton in Texas. I
13 frankly think that that approach would be a disservice to
14 the participants in the Southeast process at this time.
15 Because if you came along at a later date and said we had to
16 go back and redo something, we are spending a lot of time.
17 The people are putting a lot of effort. There's hundreds of
18 people going to these meetings.

19 There's a lot of effort going into it, and I
20 think it would harm the process if after all that work, no
21 matter how it came out, you came back and said, no, you've
22 got to go do it again.

23 And even though that might be the right answer at
24 the time, I think it would be better if we knew that sooner
25 rather than later.

1 COMMISSIONER BREATHITT: Well I wanted to throw
2 that out as one way that we handled process in some earlier
3 RTO filings. But I've gotten your feedback on that, so
4 thank you.

5 COMMISSIONER BROWNELL: I think it's very
6 helpful. I think maybe an incremental approach is the way
7 to go. We can't speak for all our colleagues. The question
8 is: What should the increments look like? And how quickly
9 can we manage through them?

10 I would also repeat the offer of staff help as
11 the stakeholder process develops in whatever supporting way
12 that you need.

13 COMMISSIONER ATKINS: This is Commissioner Atkins
14 again. I like some of the incremental approach, but you
15 just need to be careful because those of us in the Carolinas
16 we have an empty building in Fort Mill, South Carolina, near
17 Charlotte that was going to be the Grid South headquarters,
18 and so some people have moved forward and gotten along the
19 road, and then only to have the roadblock put up.

20 So I think incremental approaches you have to be
21 very careful.

22 COMMISSIONER BROWNELL: Good caution.

23 COMMISSIONER BREATHITT: Yes, good comment,
24 Buddy.

25 (Pause.)

1 It is a minute or two before noon. Does anybody
2 have a concluding comment?

3 CHAIRWOMAN HOCHSTETTER: Well on behalf of the
4 Arkansas Commission, we certainly do appreciate your
5 openness and the fact that you're willing to have this
6 dialogue. I think it is extremely helpful and we just want
7 to say thanks.

8 COMMISSIONER ERVIN: From the North Carolina
9 Commission, as well, we appreciate your taking all this time
10 to listen to all this unanimity you heard this morning.

11 (Laughter.)

12 COMMISSIONER BREATHITT: Well you have had to
13 set time aside for this, too, so it is working both ways.

14 COMMISSIONER BROWNELL: It's been very helpful.
15 Thank you.

16 SIMULTANEOUS VOICES: Thank you.

17 COMMISSIONER BREATHITT: Have a good weekend
18 everyone, and thanks for dialing in.

19 (Whereupon, at 11:59 a.m., Friday, February 15,
20 2002, the conference call ended.)

21

22

23

24

25