

Trouble on the Line: Deregulation Fuels Public Opposition to Transmission Lines

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Trouble ahead: that's what senior staff members at state utility commissions see in the near future as electric companies face the need to build new high-voltage transmission lines.¹ The main problem is *equity* — who will benefit from new interconnections that span local communities to serve customers in other areas or states. Already, utility commissions are faced with a recurring question that has come up at virtually every public hearing in the past five years: "Aren't they really building this line so that they can sell power to someone else?" When the answer is yes, as it will often be over the next few years, opposition to such projects will reach major proportions.

Hello! We're your new transco...

Deregulation fundamentally alters the old compact among electric companies, regulators and customers. Many states already enjoy sufficient transmission capacity to serve local needs. But increased wholesale wheeling will change that equation. To move cheaper power from, say, North Dakota to Illinois, how will utilities in Minnesota and Wisconsin convince local communities to accept new high-voltage lines? And what if the transmission system there is operated by a "transco" or "poolco" with no history of local service? As one regulatory official put it, "Without the moral authority that local power companies have always had, it's going to become a lot harder to build anything."

Here is a summary of interviews with senior utility commission staff members in 20 states:

✦ ***New transmission projects have decreased over the past 24 months*** as electric utilities wait to see how deregulation, market consoli-

dation and other factors will shake out. Many state regulators — particularly in the upper Midwest — believe that this has created a backlog of "deferred demand" for high-voltage lines that must be met soon.

✦ In many states, ***growing power loads or the need for strategic interconnections will soon force companies to begin construction.*** This situation is already emerging in the Great Lakes region, where various interstate transmission plans have been proposed. As one senior regulatory official put it, "The system wasn't designed to do what FERC wants to do with it."

✦ With only one exception, regulators believe that ***new lines will be built only by registered utilities even under broader deregulation*** because they will require the power of eminent domain. This effectively eliminates IPPs and other companies from developing their own transmission projects. Where non-utility generators need additional lines, many regulators believe that existing utilities — or state-chartered "transcos" — should be required to build them.

✦ In theory, most states review transmission line applications within 12 months. In practice, ***few applications are approved in less than 18 months due to public intervention***; this period often extends up to four years. Many regulators believe that an extended intervention process encourages utilities to delay new projects until the last minute. After all, as one of them noted, "It's a lot easier to prove need when the lights are about to go out."

¹TG surveyed utility regulatory commissions and siting boards in 20 states: California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Minnesota, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Texas, Washington and Wisconsin. This report was prepared by Dr. Robert Wasserstrom, Neil Palmer and Susan Reider. They can be contacted at (713) 521-4749.