Background
The broad purpose of this project was to work cooperatively with DOE to explore technology and policy issues associated with more efficient, reliable and affordable electric transmission and distribution use. This multi-year project focused on four general issues:

- Evaluating T&D technologies;
- Conducting T&D policy research;
- Examining T&D regional coordination; and
- Examining State and regional electricity portfolio management issues.

This was done through six primary tasks:

- Portfolio Management
- Transmission Right-Of-Way
- Retail Rate Freezes In Relation To T&D Investments
- Model Transmission Siting Application
- A National Transmission/Electricity Summit
- State Coordination Activities – the National Council

Each is described in greater detail below.

**Portfolio Management:**
This task led to the development of a paper by Synapse Energy Economics titled, “Energy Portfolio Management: Tools & Resources for Regulators.” The document can be found at [http://www.naruc.org/programs.cfm?c=Domestic&projectId=10](http://www.naruc.org/programs.cfm?c=Domestic&projectId=10). Sessions were held in February 2005 in Washington DC and November 2006 in Miami Florida on this topic.

**Transmission Rights-Of-Way:**
Completed a report of existing resources and documents focused on underutilized rights of way and space on existing transmission towers that was posted to the NARUC website, [www.naruc.org/domestic](http://www.naruc.org/domestic).

**Retail Rate Freezes Task:**
This task was intended to examine the effect of retail rate caps on T&D investments. Some argue that rate caps hinder T&D investments while others argue that industry has plenty of capital to expand transmission and distribution facilities. A report was initiated
to assist State officials develop appropriate policy to address T&D investments. This task was also intended to examine ancillary issues related to critical infrastructure protection and transmission system financing. This task was halted prior to the publication of a report because of strong policy arguments among the memberships of the key partner organizations. While the retail rate caps report was never finalized, the energy infrastructure finance and efficiency programs were taken on under the State Coordination task by the National Council on Electricity Policy.

Model Transmission Siting Process & Application:
Two attempts were made to complete this project report, however intense debate among NARUC members made the development of a model application and process impossible. Per agreement with the Technical Contact (Larry Mansueti, DOE) this paper was being revised to address interstate coordination among Commissions in Designated Corridors of National Interest (as defined in EPAct 2005). Publication of a report on this topic was completed in November 2008, in a document titled “Siting Interstate Transmission: An Introduction To the Debate” available online at www.ncouncil.org.

National Electricity Delivery Summit:
Four national electricity delivery forums have been organized and conducted, each February in 2006, 2007, 2008 (and a subsequent event in 2009, following the end of this cooperative agreement and otherwise funded). The National Electricity Delivery Forum were held annually in conjunction with the NARUC Winter Committee Meetings. The Forums are planned by the U.S. Electricity Delivery Working Group, which is an ad hoc group consisting of a broad cross section of stakeholder interests.

Each Forum addressed cutting edge issues and included national leaders. The Keynote Panels included some of the Nation's greatest thinkers on the issue of delivering clean, reliable and affordable electric power to the Nation's consumers. Keynote Panelists such as Secretary Sam Bodman provided their vision of what is needed to provide an electric power grid that includes new, innovative technologies and will keep the U.S. competitive in a global economy. More information is available online at www.electricitydeliveryforum.org.

State Coordination – the National Council on Electricity Policy:
Established in the 1994, the National Council on Electricity Policy is a joint venture among the National Conference of State Legislatures (NCSL), the National Association of Regulatory Utility Commissioners (NARUC), the National Association of State Energy Officials (NASEO), and the National Governor's Association (NGA). The National Council was formed to assist policymakers with the challenges posed by the dramatic changes brought about by the reexamination of the traditional franchise electric system. The National Council was initially created through funding by Department of Energy's (DOE), which continues to be the primary source of funding for the National Council.

The National Council was operated by a hired executive director who acts at the direction of the Executive Committee. The Executive Directors have been:
A summary of activities follows.

2007

In 2007 the National Council conducted a series of policy dialogues focusing on demand response, fuel diversity, and energy efficiency. In addition the National Council released *A Study for the Department of Energy Regarding State & Federal Initiatives on Energy Efficiency* in response to a requirement promulgated by Section 139 of the Energy Policy Act of 2005. This study was finally approved by the US Congress as an appendix to a report submitted to Congress by the US DOE.

The National Council began work on projects such as a quick-start guide to energy efficiency, a regional transmission planning project, and a paper on fuel diversity amongst others. In addition, NARUC has, and will continue, to support the EPA and DOE’s National Action Plan for Energy Efficiency, a high-level dialogue among leaders in the energy arena from the state, federal, and private sectors.

The National Council also invited the National Association of Clean Air Administrators to join the NCEP.

Two documents – Energy Efficiency FAQs for state utility commissioners and for state energy officials – were completed in September 2007. These documents were disseminated at the respective member organizations’ meetings.

NARUC and the NJ PBU, through the National Council on Electricity Policy (National Council or NCEP) hosted a meeting in New Jersey focusing on distributed energy resources and their role in energy planning in the Mid-Atlantic Region.

This activity took place on September 27, 2007 in coordination with the New Jersey Clean Energy Conference. The workshop was attended by state energy office officials, state utility commission representatives, and representatives from municipalities as well. Proceedings can be found at [www.nncouncil.org](http://www.nncouncil.org).

The National Council on Electricity Policy hosted a call in September 2007 to discuss state and federal demand response initiatives for Council members including NARUC commissioners. A paper on demand response (DR) has been outlined with a focus on the various definitions of DR that are utilized by different parties and the implications of these uses.

2006

*Utility Energy Efficiency Programs: EPAct 2005 Section 139 Report*
Section 139 of the Energy Policy Act of 2005 (EPAct 2005) requires that the U.S. Department of Energy (DOE), in consultation with National Association of State Energy Officials (NASEO) and the National Association of Regulatory Utility Commissioners (NARUC), conduct a study of state and regional policies that encourage regulated and non-regulated utilities to initiate cost-effective electric and natural gas energy efficiency programs.

With the support of DOE, the National Council led the effort to complete this study on energy-efficient electricity and natural gas utilities, providing recommendations for the consideration of DOE. The study and the recommendations in this study reflect the input of the members of the National Council, which includes representatives from both NASEO and NARUC.

Exeter Associates drafted the study, with assistance from the Alliance to Save Energy and the Regulatory Assistance Project who contribute to specific sections of the study. The members of the National Council provided several rounds of comments in a comment and review process that was overseen by NASEO. The study was completed in a relatively short time-period and was delivered to DOE in the first week of July, as scheduled.

The study finds that energy efficiency is a valuable and underutilized resource that is immediately available to state energy regulators, planners, and policymakers. Furthermore, it finds that greater investment in energy efficiency is a cost-effective way to balance growing energy demands in an era of diminishing and costly energy supplies. The overarching recommendation of the study is that state policies should capitalize on the opportunities to use low-cost energy efficiency as a means to meet growing energy demands and enhance system reliability.

The National Council study was used as an attachment to the DOE report to Congress in August 2007.

**Fuel Diversity**

Fuel diversity in electricity markets was identified as a priority for state policy-makers during the annual face-to-face meeting in October 2005. In an effort to initiate discussion and generate ideas for a project on the subject, the topic for the February conference call was fuel diversity. Commissioner Brian Hadley (IN) led the discussion, pointing out that regulators might create opportunities for fuel diversity through existing structures such as integrated resource planning (IRP) process. Participants noted that in order to get the desired reliability, price, and fuel diversity there is a need for comprehensive coordination among state energy policy groups (energy offices, legislatures, commissions, etc). Comments from members of the Policy Committed highlighted the role that energy efficiency might play in fuel diversity and discussed specific incentive programs and policies that a state might use to help direct fuel diversity. Participants noted a link between fuel diversity and market systems that are conducive to long-term certainty.
Unfortunately, a National Council brief on the subject was not brought to fruition. Originally designated an NCSL-led effort, a concept paper describing a policy document was presented for discussion in August (Attachment A). During the face-to-face meeting in September 2006 it was determined that this project was of a lower priority and that the National Council would prefer to focus its limited resources elsewhere.

**Demand Response**
A project to create a primer on the issue of demand response was proposed as part of the 2005 face-to-face meeting. However, given the number of similar efforts, including reports and studies prepared by FERC, DOE, and the National Regulatory Research Institute, it was determined that the National Council project should get started in the second half of the year, once these other efforts were completed. This would help avoid any duplication of efforts.

To kick off the project, Dan Delurey, the Executive Director for the United States Demand Response Coordinating Committee, was asked to participate as a guest speaker on the November Policy Call. However, given the late start of the project, the change in Executive Directors for 2007, and the delay in EPA funding for 2006 activities of the National Council, this project was postponed and will be completed as part of the 2007 workplan.

**Outreach**
Throughout the year the Executive Director has worked to generate interest in National Council activities and to share the products of the National Council with state energy policy officials. Specifically, the Executive Director participated in the 2006 NARUC and NASEO winter meetings as well as the NASEO annual meeting in September. The Executive Director regularly prepares talking points and presentations for the Chair, Jeanne Fox to assist in her reports to the NARUC Electricity Committee. Furthermore, while not directly involved as a presenter or speaker, the Executive Director has prepared talking points for NGA and NCSL events focused on energy efficiency.

**Note on 2006 Funding:** DOE provided the National Council with a three-year contract, effective fiscal 2005 through fiscal 2007. Under the terms of the cooperative agreement, the National Council will receive $75,000 for each year of the contract. DOE provided an additional $150,000 to support the completion of a study on utility energy efficiency programs as required under Section 139 of the Energy Policy Act of 2005 (EPAct 2005).

**In-Person/ Face-to-Face Meeting in Washington, DC:** An in-person meeting was held in Washington, DC on September 29, 2006. Presentations provided information on the organization and history of the National Council as well as a review of activities and funding for 2006 and projected funding for 2007. Larry Mansueti and Kathleen Hogan led a discussion on the National Action Plan for Energy Efficiency, progress to date and possible next steps for the implementation plan. Larry Mansueti, Kathleen Hogan, and Patricia Schuab discussed the priorities of DOE, EPA and FERC, respectively. Kevin Kolevar, Director of the DOE Office of Electricity and Energy Assurance, and Marshall "Mark" Whitenton, Deputy Director DOE Office on Permitting Siting and Analysis
joined the meeting to learn about state priorities and to share information on DOE priorities specific to electricity policy.

2005

Transmission Siting Project

The transmission siting project, initiated in the spring of 2003 and funded through the U.S. DOE, is a joint activity of the National Council, NASEO, NCSL, NARUC, and the Regulatory Assistance Project (RAP). The project includes a transmission primer, two regional workshops on transmission siting, sample transmission siting legislation developed by NCSL, sample transmission application and model procedures produced by NARUC, and a final report. Rich Sedano of RAP and Matthew Brown from NCSL coauthored *Electricity Transmission: A Primer*. The primer was completed in July 2004 and the first regional workshop was held in East Lansing, Michigan on April 6, 2004. The majority of the remaining activities (the second workshop, sample legislation, and model procedures) were completed during the first six months of 2005. Only the final report is outstanding. The second transmission siting workshop was held on March 15 and 16 in Baltimore, Maryland. There were 36 attendees at the workshop; half were from the utility commissions in the mid-Atlantic region and the remaining attendees came from various state energy offices, state environmental departments, local utilities, and FERC.

NCSL staff worked with the NCSL’s Standing Committee on Energy and Electric Utilities’ Transmission Working Group to offer states sample legislative language on interstate cooperation in transmission planning and siting. The legislation would provide agencies that already have jurisdiction over planning and siting with the legal authority to enter into discussions and collaboration with similar agencies in other states. The sample legislation was distributed to the National Council Policy Committee in April 2005 and was finalized in July 2005.

NARUC, with assistance from the NARUC Electricity Committee staff and the staff from various state public utility commissions, developed *Model Procedures and Application for Siting Electrical Power and Transmission*. The document provides a step-by-step guide outlining a detailed process for the certification and siting of transmission facilities, and suggested application requirements. The guidance document recommends that transmission siting applications include a project summary and facility overview, a description of the need for the proposed project, copies of applicable intrastate and federal approvals, an analysis of site and route alternatives, project-specific technical and financial data, and an analysis of the socioeconomic, land use, and ecological impacts. The draft document was distributed to the National Council in July 2005. The final document, incorporating comments from the National Council and the NARUC Electricity Committee, is expected in early January 2006.
Midwest Distributed Generation Project

The Midwest Distributed Generation Project included several components. NARUC created a distributed generation (“DG”) resource for states that pulled together relevant materials for small generator interconnection standards. The National Council organized a workshop to discuss recent activities for interconnection standards at the state-level and to help disseminate information to states. The NARUC DG resource, which was distributed at the workshop, includes:

- NARUC’s Model Interconnection Procedures and Agreement for Small Distributed Generation Resources;
- NARUC’s Supplemental Filing to FERC on interconnection standards, which contains an overview of current State interconnection programs;
- NARUC's past comments and petition for rehearing and/or clarification of Order No. 2006 which also serve to highlight the differences between FERC’s Notice of Proposed Rulemaking and the NARUC Model;
- FERC Final Rule - Order No. 2006;
- Request of the National Association of Regulatory Utility Commissioners and the California Public Utility Commission for Hearing and/or Clarification in the Small Generator Docket Consensus Filing; and
- Energy Policy Act of 2005, PURPA Amendments to the Electricity Title (Subtitle E of Title XII).

The Midwest DG workshop took place in Chicago on Wednesday, October 5, 2005. Twenty-seven people participated in the workshop, which highlighted the small generator interconnection standards developed by NARUC, FERC, Minnesota PUC, and New York PSC. Additionally, the workshop provided an overview of the market for DG technologies and opportunities to encourage the development for clean DG facilities. In particular, participants discussed the role of portfolio standards on distributed resources and alternative policies to encourage further use of these technologies. The audience for the workshop included state energy offices, public utilities commissions, state legislators, and industry representatives.

Energy Efficiency Financing Workshop

The workshop on energy efficiency financing took place on September 14 and 15, 2005 in Newark, New Jersey. The workshop highlighted best practices in energy efficiency and discussed opportunities to increase activities and financing available to support these types of initiatives. Thirty-six people participated in the event, which examined not only those programs funded through public benefit funds, but also provided examples of state financed performance contracting and alternative concepts such as pay-as-you-go. An afternoon discussion concluded with the finding that state regulators and policy-makers need to identify a more direct role for energy efficiency in energy planning and that efficiency should be a “first choice” policy action.

2004
**National Council Conference Calls and Meetings:** Two conference calls were held during this quarter, on January 28th and February 20th. A conference call was also held on December 18, 2003. Information for the December call is included in this quarterly report, since the call occurred after the 2003 fourth quarter report was submitted to NARUC. The next conference call is scheduled for March 26th, at 3:00 p.m. Eastern, 2:00 p.m. Central, 1:00 p.m. Mountain and 12:00 p.m. Pacific time.

**Transmission Enhancement Project:**
The first of three workshops was held on April 6, 2004 at Michigan State University in East Lansing in conjunction with the Institute of Public Utilities’ workshop on facility siting.

**Minnesota Renewable Energy Workshop:**
On February 24, 2004, a Midwest Tradable Renewable Credits Workshop was held in St. Paul, Minnesota. Approximately 120 individuals attended the workshop. The attendees included the renewables industry, environmental groups, state legislators, state commissioners and state energy officials. Workshop presentations can be found on the National Council’s website, [www.ncouncil.org](http://www.ncouncil.org). A meeting summary of the workshop will be available soon.

**2003**

**Restructuring Paper:**
A paper documenting the status of electric industry restructuring in the states was released at the NARUC Summer Meetings in Denver in July. The paper, co-authored by the Regulatory Assistance Project (RAP) and the National Conference of State Legislatures, reviewed what states have done and provided indicators on the success of electric restructuring in various states. Articles were written about the report in several trade press publications.

**Technical Assistance to New Jersey on Environmental Disclosure and Renewables Portfolio Standards:** In December 2002, the National Council provided a $10,000 grant to the Regulatory Assistance Project (RAP) to provide technical assistance to New Jersey on environmental disclosure. Subsequently, the New Jersey governor created a task force on increasing the level of the state’s renewables portfolio standard, and RAP was asked to facilitate the task force. In February, the Policy Committee approved expanding the scope of RAP’s grant to include the New Jersey renewable portfolio standard task force, and to assist the PJM Generator Attribute Tracking System working group in setting up an energy tracking system in PJM. The New Jersey renewables portfolio task force released its report in March, and Rich Sedano of RAP submitted a report to the National Council summarizing the task force’s activities. The report is on the National Council’s website.

**Market Monitoring Workshop:** Kevin Porter planned and arranged a workshop on
market monitoring that took place on July 27th, right before the beginning of the NARUC Summer Meetings in Denver. In addition to several state utility commissioners, participants included the market monitors from the California ISO, PJM, ISO New England, and the market advisor to the New York ISO, the Midwest ISO and ISO New England. The workshop drew about 100 people, and was widely viewed as successful by attendees and workshop participants. George Godding from FERC and Lou Ann Westerfeld provided invaluable assistance and counsel during the planning of this workshop. Transcripts of the workshop are available on the National Council’s website.

**Mid-Course Review of Electric Restructuring**: The National Council and the U.S. Department of Energy’s Philadelphia regional office planned the second Mid-Course Review of Electric Restructuring meeting in Philadelphia on September 4, 2003. PJM and Accenture also co-sponsored the meeting, and the DOE Philadelphia regional office provided a $10,000 grant. The meeting featured FERC Commissioner Nora Brownell and attracted several high-profile regional speakers and decision-makers, including the chairs of the Maryland, New Jersey and Pennsylvania PUCs. The meeting was featured in at least two press articles, and received high praise from meeting participants, PJM, and representatives from DOE’s Office of Energy Efficiency and Renewable Energy. A meeting summary is available on the National Council’s website.

**Transmission Siting Project**: DOE provided funds for this project in spring 2003. The project is a joint activity of the National Council, NASEO, NCSL, NARUC and RAP, and consists of the following activities:
- A transmission primer, aimed at readers new to the subject
- Three regional transmission siting workshops
- Model state transmission siting legislation
- State siting application filing requirements
- Final report

**Green Power and Standard Offer Service**: A paper on offering green power to standard offer service customers in restructured electric markets was originally planned for 2003, but was eventually eliminated in favor of planning the Mid-Course Review Meeting.