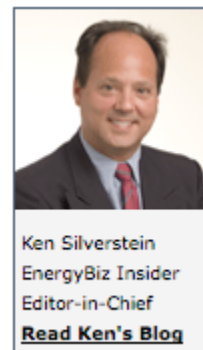


Grueling Experience

June 05, 2009

Summer weather will soon arrive. But the demand for power this year will be less than usual. And while the economic slump will hit power producers, they are expected in the near future to crank back up.

That's why policymakers along with industry officials are touting a regional transmission system that can span across state lines. Many systems are overburdened and are therefore putting reliability at risk. More capacity is needed to shore up the system. Investment in new modern networks would not only alleviate the congestion but it would also promote the intelligent use of electricity by allowing two-way communications between utilities and their customers as well as allow access to more alternative energies.



"The economic recession has contributed to an overall reduction in the forecasted demand for electricity this summer," says Mark Lauby, director of reliability assessments and performance analysis at the North American Electric Reliability Corp. "Despite this decline in demand, it is vital that infrastructure development continue if we are to maintain reliability for the coming years. This is especially true for transmission infrastructure as new variable resources like wind and solar are developed."

Summer peak demand is expected to be 1.8 percent less than last year, says the electric reliability corporation. Utilities will have enough generation resources and transmission capacity this year, however, to cover their obligations. Over time, though, those companies will not unless significant investment is made in the nation's infrastructure.

According to the National Transmission Grid Study released several years ago, the demands on the network will grow by 20 percent in the coming decade but the capacity to carry electrons will only increase by 6 percent. At the same time, it is expensive to build transmission lines, estimated to be at least \$1 million a mile. To motivate expansion, the

energy law provides the Federal Energy Regulatory Commission with the authority to intervene if the states do not approve vital projects within one year.

American Electric Power's and Allegheny Energy's experiences are cases in point. Together, they plan to build the so-called Potomac-Appalachian Transmission Highline (PATH) line that would traverse 280 miles through West Virginia and Maryland. The companies have said that PATH will strengthen the regional transmission grid and directly address concerns about the existing system's ability to reliably deliver power to customers.

The two have just begun the process of applying to the state public utility commissions for approval, which will take one year -- and invariably result in concessions. If they win, the appeals process would take one more year. The line would then be completed by 2014, or just in time for a projected spike in electricity usage. PJM Interconnection, the regional grid operator directing the construction of PATH, has determined that the project is critical to addressing regional reliability concerns.

"We understand the concerns about the impact of transmission lines and will work with the states and landowners to address concerns," says AEP's chief executive Michael Morris. "But it is critical that we reinforce the transmission infrastructure to ensure we can continue to supply reliable electrical service 24 hours a day, 365 days a year."

Avoiding Blood

The most daunting task for utilities is winning the necessary permits to build transmission. Traditionally, those power companies have planned for their own needs and the lines have interconnected at the margins. But as they combine forces and cross state lines, that myopic outlook is fading.

The construction of such systems, however, is not something that they relish. In fact, most just patch up and upgrade existing lines. Building major projects requires the participation and consent of not just regulatory bodies but also thousands of citizens who live in affected areas. Until Congress passed energy laws giving federal regulators backstop authority, delays could go on for years.

As far as PATH goes, it has staunch opposition. One such group, the West Virginia Highlands Conservancy, says that customers will get stuck paying for a network they don't need and that the lines would be used to transport coal-fired power and not wind-generated electricity. Critics of those policies also say that regulators overreach and allocate more land than is necessary to improve reliability.

Indeed, the battle to build these systems often results in a public relations nightmare. But proponents of critical projects are backed by regulators, and now the courts. The West Virginia Supreme Court denied a request by environmental groups to stop a similar project proposed by Allegheny Energy called TrAILCo. That will be a 240-mile line through the Mid-Atlantic states that also include Ohio and Virginia -- an expansion that the utility says will accommodate an annual growth in electricity consumption along the East Coast of 1.6 percent over the next decade.

To win regulatory approval, Allegheny agreed to re-route that line and to provide free power to those residents in which the wires invaded their property -- an approach that it says it will use with respect to PATH. It is urging the states to view themselves as part of the national and regional economic pictures and not as isolated entities. To use a "Band-Aid" approach to fix inadequate transmission capacity would not only serve to prolong the economic risks but would also necessitate more upgrades down the road.

The argument for expanded grid is a powerful one. But it is also equally clear that most people resent this development. AEP's and Allegheny's separate and joint quests will prevail. Once their projects go live, they can take their older lines out of service and rebuild them to allow their networks to double their carrying capacity. That's a proposition that will enhance service as well as prevent future blood baths.

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