

6-07



Via First Class Mail and E-Mail

October 1, 2001

Mr. James L. Connaughton
Chair, Council on Environmental Quality
Executive Office of the President
17th and G Street, NW
Washington, DC 20503
Attention: Task Force

Re: Energy Task Force; Notice and Request for Comments;
66 Fed. Reg. 43586 (August 20, 2001)

Dear Mr. Connaughton:

American Electric Power Company, Inc. (AEP)¹ is pleased to submit these brief comments in response to the Council on Environmental Quality's request for comments on improving and expediting federal agency reviews of permits for energy-related projects. On May 18, 2001, President Bush signed Executive Order 13212, which established a federal interagency task force (Task Force), chaired by the Chairman of the CEQ, to lead efforts to improve the federal agency permitting processes.

AEP fully supports the mandate in the Executive Order for federal agencies to expedite their review of permits and take other necessary actions to accelerate the completion of energy-related projects. Specifically, we encourage the Task Force to focus on ways to streamline the regulatory approval process and eliminate regulatory disincentives, in order to facilitate the development, permitting, siting, and construction of new and upgraded electricity transmission investments.

¹ AEP provides electric service to over 4.7 million residential, commercial, and industrial customers within a 197,000-square mile service territory. AEP's service territory comprises areas within the States of Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia.

Over the last several years the use of the interstate transmission grid has increased dramatically, while annual investment in transmission has decreased. The transmission system, which was designed primarily to serve customers in utilities' native service territories, is now increasingly called on to support regional bulk power transfers. The increased demands on the transmission system has resulted in constraints and bottlenecks in certain areas of the transmission grid, preventing customers from realizing the full benefits of growing competition in wholesale electricity markets, and posing threats to reliability. Ensuring timely and adequate investment in transmission infrastructure will require streamlining regulatory processes and eliminating regulatory disincentives.

Currently, the permitting and siting process for new transmission lines is complex, lengthy, and costly. Transmission-owning utilities that plan new transmission investments must seek multiple approvals -- with significant duplication and little opportunity for coordination -- from a large number of federal and state agencies. Given the regional and national reach of the interconnected transmission system, and the need to expeditiously improve and expand the transmission grid to meet growing customer demand and facilitate wholesale competition, AEP recommends an expanded federal role over the entire review and approval process. If that is not feasible in the near-term, though, we urge the Task Force to seek effective ways to streamline the current evaluation process by the various federal agencies that currently review applications for new transmission lines. This could include designating a single federal agency with responsibility to review and approve the transmission investment, or requiring a lead federal agency to develop and publish a coordination schedule with assignments and timelines, and deadlines to which all other federal agencies must comply.

The Task Force should also make appropriate recommendations concerning the elimination of regulatory disincentives that serve as barriers to additional transmission investments. For instance, the FERC should accelerate and shorten the rate review process (i.e., reduce "regulatory lag"), so that transmission investments can be included in utility rates in a reasonable period of time. FERC should also provide incentives, including higher returns on equity, accelerated depreciation, and merchant transmission opportunities to encourage utilities to make transmission investments.

For over ten years, AEP has been involved in the permitting and siting of a proposed 765 kV transmission reinforcement project. The project has been reviewed by a myriad of state and federal agencies, and AEP has spent many millions of dollars on permitting and siting activities -- and still has not received final decisions from all involved agencies. While there are numerous factors affecting the permitting and siting process for this proposed transmission line, it is clear that this situation provides a good example of the need to streamline and better coordinate these processes. More

information on the proposed 765 kV project is included in the attachment to these comments.

AEP appreciates the opportunity to comment on these critical issues and looks forward to working with the Task Force to address and favorably resolve these matters. If you have any questions on these comments, or need additional information, please contact Stuart Solomon at 614/223-2316.

Sincerely,



Stuart Solomon
Vice President, Public Policy

Attachment

AEP's Proposed 765 kV Transmission Reinforcement Project

The following information is provided regarding the permitting history of AEP's proposed 765 kV transmission reinforcement project. Since 1991, Appalachian Power Company, a subsidiary of AEP, has sought to obtain the necessary state and federal authorizations to construct a 765,000-volt transmission line from southern West Virginia to southwest Virginia. The proposed line is needed to ensure the supply of reliable electric service within these areas. The last major reinforcement of AEP's transmission system in this area was completed in 1973. Since that time, electricity demand in the area has increased by more than 140 percent. In order to construct the proposed transmission line, AEP is required to obtain approvals from two state agencies and a number of federal agencies, as detailed below.

The proposed 765 kV transmission line project will connect AEP's existing Wyoming Station, in Wyoming County, West Virginia, with AEP's Jacksons Ferry Station, located in Wythe County, Virginia, and is expected to be approximately 90 miles in length. As originally proposed in 1991, the project was to connect the Wyoming Station to AEP's Cloverdale Station, near Roanoke, Virginia. The original proposed route would have crossed the New River in an area that was subsequently proposed for study as a National Wild and Scenic River. In 1996, the National Park Service notified AEP that it would recommend denial of necessary permits because crossing the New River would be inconsistent with Wild and Scenic Rivers Act. As a result of this and other developments, AEP withdrew its application on the original route and ultimately proposed the current Wyoming-Jacksons Ferry route.

In order to construct the proposed transmission line, AEP is required to obtain certificates of public convenience and necessity, which confirm the need for the line and authorize a construction route, from the Virginia State Corporation Commission (SCC) and from the West Virginia Public Service Commission (PSC). On May 31, 2001, the Virginia SCC issued an Order authorizing AEP to construct the line in Virginia. Under the Virginia SCC Order, AEP must also consult with the Virginia Department of Game and Inland Fisheries, the Virginia Department of Agriculture and Consumer Services, and the Virginia Department of Conservation and Recreation and its Division of Natural Heritage. Further, AEP must consult with the Virginia Cave Board, the Virginia Speleological Society and other interested private groups.

The West Virginia PSC authorized AEP to construct the West Virginia portion of the line in May 1998. AEP has submitted an application for a minor amendment to the West Virginia Order to reflect the change from the Cloverdale to the Jacksons Ferry terminus in Virginia. Under the West Virginia Order, AEP must consult with and obtain the approval of the West Virginia PSC and the West Virginia Department of Natural Resources regarding the minimization of impacts to cultural resources, wetlands, and biological resources, including threatened and endangered species.

On the federal level, AEP must obtain a Special Use Permit from the United States Forest Service (USFS) to cross approximately 10.5 miles of the Jefferson National Forest, including the Appalachian Trail. AEP must also obtain a permit from the United States Army Corps of Engineers under Section 10 of the Rivers and Harbors Act to cross the New River. AEP is currently working cooperatively with the USFS as lead agency to prepare an Environmental Impact Statement (EIS) under the National Environmental Policy Act, which is a prerequisite to issuance of the federal permits. AEP is also working with the United States Fish and Wildlife Service (USFWS) and the other agencies to assure compliance with the consultation requirements of Section 7 of the Endangered Species Act (ESA). It is possible that AEP may in addition need to obtain from the USFWS an incidental take permit pursuant to Section 10 of the ESA. Finally, AEP has consulted in the past, and expects shortly to renew discussions with, the Advisory Council on Historic Preservation to assure compliance with the requirements of Section 106 of the National Historic Preservation Act (NHPA) with respect to historic properties.

The current schedule for federal permitting activities assumes issuance of the Supplemental Draft EIS in April 2002, and issuance of a Final EIS in December 2002. The necessary analyses and studies under the ESA and the NHPA will be timed to coincide with the issuance of the Supplemental Draft EIS and the Final EIS. Final decisions on the necessary federal permits are scheduled to be made by April 15, 2003. Under this current schedule, if the necessary permits are granted, project construction would begin in the summer of 2003, and the anticipated in-service date would be June 2006.

To date, AEP has spent many millions of dollars in its efforts to obtain the federal and state authorizations needed to construct the proposed 765 kV transmission reinforcement project.