

FEDERAL ENERGY REGULATORY COMMISSION

PROPOSED SMART GRID POLICY

DOCKET NO. PL09-4-000

SUPPLEMENTAL COMMENTS BY

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RESPONSE TO REQUEST FOR SUPPLEMENTAL COMMENTS CONCERNING RATE RECOVERY ASPECTS OF FEDERAL SMART GRID GRANT AWARDS

Introduction: AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP does not endorse candidates for public office or make contributions to either political campaigns or candidates. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

AARP submitted comments in this proceeding on May 11, 2009, and now responds to the Commission's request for Supplemental Comments on the implications for rate recovery associated with the potential for applications for Smart Grid grants by the Department of Energy pursuant to the Energy Independence and Security Act (EISA) Sections 1304 and 1306. The Commission published this request for Supplemental Comments in the Federal Register on May 21, 2009, and requested comments by May 28, 2009 [74 Fed. Reg. 97: 23810-23811], but this deadline was subsequently extended to June 2, 2009.

FERC's Request for Comments Does Not Identify Any Specific Approval Measures or Policies.

In its request for Supplemental Comments, the Commission seeks comment on "whether some form of conditional approval could be useful to public utility applicants with respect to jurisdictional Smart Grid facilities" and whether the Commission should adopt "processes for public utilities that may apply for funding for jurisdictional Smart Grid facilities through the

Departments' Smart Grid funding opportunities.” [¶ 7] However, the failure to identify any specific proposals for how or when “conditional approval” would be implemented or what “processes” might be adopted by the Commission has significantly hampered the public’s ability to provide meaningful input to the Commission in these comments. AARP urges the Commission to propose specific rate making or approval options that would identify how it may seek to review and potentially approve any application for rate recovery that would differ from or provide exemptions to existing ratemaking policies and regulations in order to allow the public to provide meaningful input on this matter.

The FERC Rate Recovery Policies Should Distinguish Between Demonstration Grants under Section 1304 and Smart Grid Implementation Grants under Section 1306.

AARP suggests that the Commission may want to distinguish its review of any applications for cost recovery between the Demonstration Grants pursuant to Section 1304 of EISA and the Implementation Grants under Section 1306 of EISA. To the extent that Demonstration Grant proposals are experimental or technology-oriented and designed to assure greater reliability of grid functions and enhance the potential for integration of intermittent and demand response resources, it may be justifiable to adopt more certainty in rate recovery and FERC approval of these proposals, subject to later review of costs incurred for prudence and reasonableness.

However, AARP opposes the notion that the Commission should issue any carte blanche approval for rate recovery of costs associated with full scale Smart Grid investments without the proper review and oversight as recommended by AARP in our Comments filed on May 11, 2009. It would not be appropriate to provide regulatory approval in advance for significant expenditures that will ultimately be borne by retail customers, particularly residential customers,

without an opportunity for proper review and opportunity for determination that the proposed costs are likely to achieve the promised benefits in a cost effective manner. Furthermore, it is unlikely that any entities that seek cost recovery approval from the FERC will do so in isolation since most Smart Grid investments reflect investments in retail base rates that are the jurisdiction of state regulatory authorities. Therefore, it will be important for the FERC to coordinate its oversight and approval of such “joint” investments with the relevant state regulatory authorities.

AARP Recommends that FERC Consider a Process to Conduct a Preliminary Review to Determine if the Proposal Should be Reviewed under Applicable Rate Recovery Policies.

AARP recommends that the Commission agree to accept filings from entities that seek rate recovery from the FERC for Smart Grid Implementation Grant proposals under Section 1306 of EISA and conduct a preliminary review to determine whether the application is complete and contains the required information. If the application reflects the otherwise required information and a staff review indicates that the application would qualify for the normal procedure for rate recovery, AARP recommends that the FERC staff be authorized to issue a letter to that effect. Such an approach would allow the applicant to include such information in any grant proposal to the Department for Smart Grid funding. AARP’s recommendation would not “promise” approval for rate recovery, but it would allow the applicant to demonstrate that the normal ratemaking procedures already in place under the FERC’s transmission rate recovery policies will be applied and that the applicant has provided the necessary information and criteria for a typical FERC review and process for determination of proper rate recovery policies.

Thank you for the opportunity to provide these recommendations in response to the FERC’s Request for Supplemental Comments.

Document Content(s)

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