

SJR 91 SUBCOMMITTEE
MEETING OF JUNE 3, 1998

Talking Points Related to AEP's Proposed
765 kV Transmission Project and Transmission Constraints
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PROPOSED AEP TRANSMISSION PROJECT

- AEP is proposing to build a 765 kV transmission line from Wyoming County, in southern West Virginia, to Cloverdale, east of Roanoke. Permission to build this project was first requested of state and federal regulatory authorities in 1991, when the projected in-service date was late, 1998.
- The Company was required to modify the proposed route of the line, and significant delays were experienced with the processing of AEP's application by federal authorities. New filings were made with the Virginia SCC and the West Virginia PSC on September 30, 1997. Assuming, now, that all necessary approvals will be received at both the federal and state levels on a timely basis, the earliest date by which construction could be completed is December, 2002.
- Last week, the West Virginia PSC approved the project. The process in Virginia will take a little more time, with the evidentiary hearing taking place later this year. Further consideration and approval will then be required at the federal level, and I would be less than candid if I didn't tell you that we are concerned about the approval process from the standpoints of timeliness and the eventual outcome.
- This line is desperately needed to serve the growing demands for power in AEP's transmission-dependent southeastern service area, which includes Virginia. The last addition to the Company's "backbone" transmission system serving this area was completed in 1973. Since the time of that addition, customer demands have more than doubled, and the risk of a widespread, cascading and prolonged type of failure of the transmission system is growing.
- Following the cascading transmission failure and widespread blackouts in the West in 1996, a report from the DOE to the President cited the mid-Atlantic area affected by this transmission need as one of two areas within the U.S. which were of significant concern with respect to reliability and risk of failure.

- Following its review of AEP's original request, the SCC issued an interim order in December, 1995 finding a "compelling need" for additional electrical capacity to serve AEP's Virginia territory, and finding also that construction of the proposed line would best meet that need. It also noted that without substantial transmission improvements severe consequences would be likely.
- To cope with the known delay in the completion of the Wyoming-Cloverdale project, AEP is today installing equipment in many of its substations which will permit it to -- by 1999 -- initiate controlled rotating blackouts as a means of alleviating transmission line loadings and thereby averting a cascading and widespread mode of failure. The potential of using such measures will, of course, increase with time; it is projected that, by 2002, the transmission system which serves our area will be called upon to operate outside of its safe limits on approximately 100 days of the year.

TRANSMISSION CONSTRAINTS

- A significant west-to-east transmission constraint exists today, and will worsen as electrical loads continue to grow, affecting AEP's Virginia service area. Relief of this constraint, for the benefit of AEP's customers, is the end which the Wyoming-Cloverdale project is designed to meet.
- As was demonstrated during the late 1980s and early '90s, the constraint also effectively prohibits construction of coal-field area generating stations for purposes of serving customers in eastern Virginia. The Wyoming-Cloverdale project, coupled with a new Virginia Power 500 kV line interconnection to AEP's easternmost station at Joshua Falls, would also serve to alleviate this constraint. Virginia Power's proposed 500 kV line was publicly announced concurrently with the announcement of AEP's 765 kV Wyoming-Cloverdale line in 1990. Applications for both projects are currently pending before the SCC.
- The additional west-to-east power transfer capability made possible by the construction of the Wyoming-Cloverdale line is about 2500 megawatts.