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August 25, 1998

Dr. Walter Massey
Chairman, Secretary of Energy Advisory Board
c/o Morehouse College
830 Westview Drive, S.W.
Atlanta, Georgia 30314

Dear Dr. Massey:

On behalf of the Task Force on Electric System Reliability of the Secretary of Energy Advisory Board, I am providing you with the latest Task Force paper entitled *Incentives for Transmission Enhancement*. This paper was approved by the Task Force members at our July 9, 1998 meeting.

The Transmission Incentives paper focuses on ensuring adequate incentives for transmission enhancement. It examines the nature of operational reliability and transmission congestion, and physical interactions among generation, transmission, and demand-side alternatives. The paper also discusses alternative industry structures and the issues they raise with respect to incentives for adequate transmission enhancements.

The Task Force anticipates completing its work during a September 29 meeting at which we will approve a final report.

The Task Force appreciates the opportunity to provide the Department with this paper and respectfully submits it for consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip R. Sharp".

Philip R. Sharp