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Testimony of

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Representing the

WESTERN GOVERNORS' ASSOCIATION

Regarding

The Future of the Grid: Proposals for Reforming National Transmission Policy

Chairman Markey, Representative Upton, and Members of the Committee:

My name is Richard Halvey. I am the Energy Program Director for the Western Governors' Association. Thank you for the invitation to testify today concerning electricity transmission.

May 2001 Transmission Summit

Over the last eight years, the Western Governors' Association has assumed a strong leadership role in defining policies for transmission planning, cost allocation and regional cooperation. In May 2001, the Western Governors held a transmission summit that kicked off the first interconnection-wide transmission expansion planning process in the West. This process has been institutionalized at the Western Electricity Coordinating Council. Based on work initiated at this summit, a protocol governing cooperation among state and federal agencies in the siting and permitting of interstate transmission lines in the Western United States was developed and signed in 2002 by WGA, DOE, DOI, USDA, and the Council on Environmental Quality. This protocol preceded the requirements for federal agency cooperation in the Energy Policy Act of 2005.

Clean and Diversified Energy Report

In June 2006, the Western Governors' Association published "Clean Energy, a Strong Economy and a Healthy Environment," a report from the Clean and Diversified Energy Advisory Committee. This report explained that while vast renewable resources exist throughout the West, many reside in remote areas without ready or cost effective access to transmission. Lack of cost effective transmission access was, and remains, the greatest impediment to the rapid development of utility-scale, renewable-rich resource areas.

Western Renewable Energy Zones Project

In April 2008, the Western Governors partnered with the U.S. Departments of Energy, Interior, Agriculture and the Federal Energy Regulatory Commission to create the Western Renewable Energy Zones project. The Department of Energy has been the primary funder for this project. This project will ultimately identify those areas with the potential for large-scale, cost-attractive renewable energy development across the Western region and the high voltage transmission that would ensure this electricity can be delivered to demand centers. By identifying the most developable renewable resource zones throughout the Western Interconnection, load-serving entities, transmission providers, and state regulators will be able to make more informed decisions about the costs of renewable power, the optimum transmission needed to move renewable power to consumers, and which entities might have the potential to form partnerships for developing transmission to access renewable energy. By promoting a regional perspective, we can blunt the potential balkanization of renewables markets, while respecting each state's primary jurisdiction in siting generation and transmission facilities. We can pave the way for interstate collaboration on the permitting of multi-state transmission lines and more equitably allocate and recover the costs of new transmission.

This coming Monday, the Western Governors' Association will be releasing the project Phase 1 report quantifying the potential of the richest renewable resource areas. In the next two years, WGA will work on three more phases of the project. We are partnering with utilities and WECC to evaluate transmission needs to move power from preferred renewable energy zones. We will

be working to improve the integration of wildlife and environmental values in decisions on the development of generation and associated transmission associated with these renewable energy zones. Ultimately, we will propose conceptual transmission plans to move electricity from the most desirable zones to markets. We will work with load serving entities to coordinate purchasing from the desirable renewable energy zones and to foment interstate cooperation for renewable energy generation and transmission.

Federal Cooperation and Partnership

Western Governors support the development of interconnection wide transmission plans. However, if the Federal Energy Regulatory Commission is given the authority to approve such plans, Congress needs to set explicit criteria by which FERC evaluates these plans. At a minimum, statutory criteria should require that the states approve electricity future scenarios to be studied and approve interconnection-wide plans corresponding to the future scenarios.

Even with the success of our past efforts, the Western Governors recognize that we need help from the Congress. I will mention four positions the governors have consistently emphasized as necessary elements of transmission planning, cost allocation and regional cooperation where legislation will be critical.

First, the federal government should be responsible for ensuring that near-term projects proposed to serve large, geographically constrained, low carbon resource areas are adequately sized to meet long-term needs and will preserve options for correctly sizing transmission projects in the future. Trying to increase the capacity of an already constructed transmission line is both difficult and expensive. When we know future demand will materialize, action by the federal government to correctly size lines will help projects capture economies of scale in building transmission and avoid environmental impacts from the construction of multiple lines to the same area. We propose that the federal government pay for the incremental cost of building higher capacity lines to these areas. This strategy will require federal legislation.

Second, Congress should redirect the implementation of sections 1221 and 368 of the Energy Policy Act of 2005 to focus on expedited cooperative actions with states to preserve important transmission corridors and ensure the timely siting and permitting of large transmission lines to move geographically constrained, low carbon generation. Specifically, once high-priority zones and associated conceptual transmission have been identified, Congress should direct federal land management agencies, including the Departments of the Interior and Agriculture, to use the results when evaluating and designating corridors.

Third the Western Governors see little benefit in FERC pre-empting state transmission line permitting processes. The major hurdle for permitting transmission in the West has been securing permits from federal agencies. Most importantly, efficient and expeditious processing of permit applications across federal lands needs to be a priority with federal agencies. Still, even where federal land management agencies have tried to make processing of right-of-way permits a priority, the implementation of federal law has resulted in lengthy and inflexible federal permitting processes. Enabling FERC to pre-empt state siting processes will not fix the underlying problem. The governors believe there must be a way to protect wildlife and other natural resources and still issue permits in a shorter time than the three to ten years we often see.

The governors are serious about wanting to expand the use of renewable energy. To do that, we must resolve the federal permitting issues.

The potential circumstances where the governors could agree with FERC backstop pre-emption of state transmission siting laws would be in those very limited instances where the transmission line:

- Is needed to meet national carbon and renewable generation requirements;
- Comports with an interconnection-wide transmission plan;
- Is right-sized to meet the long-term needs for geographically constrained, low-carbon generation;
- Is the lowest cost option to meet long-term needs; and
- Where the state has failed to make a decision within a reasonably set statutory period.

Finally, the western governors believe the current system for cost allocation in the West has worked well and we believe it will continue to be adequate for the future. The exception, of course, would be cost allocation as it applies to the kind of right sizing we described.

Wildlife Decision Support

An essential part of making energy siting and transmission decisions is consideration of wildlife sensitivity. The Western Governors are working on development of coordinated state decision support systems for wildlife. We believe these systems will be invaluable as we assess renewable resource zones and transmission corridors. We believe it would be in the best interest of the federal land agencies to work with us and to extend financial assistance as we develop these systems.

We are attaching two letters the Western Governors have sent to Congress in 2009 regarding transmission issues.

WGA stands ready to work on developing a strong transmission grid. In fact, we look forward to it. Thank you for the opportunity to talk with you about transmission.