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Committee on Energy and Commerce
Subcommittee on Energy and Environment

Hearing on the Electricity Grid and the National Transmission Policy

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Introduction

Thank you for inviting me to provide the views of electric cooperatives on transmission policy. NRECA is the not-for-profit national service organization representing approximately 930 not-for-profit, member-owned electric cooperatives (co-ops). The great majority of these cooperatives are distribution cooperatives, which provide retail service to over 42 million consumers in 47 states. Kilowatt-hour sales by electric cooperatives account for approximately 10 percent of total electricity sales in the United States. NRECA's members also include approximately 65 generation and transmission (G&T) cooperatives, which supply wholesale power to their distribution cooperative owner-members. Both distribution and G&T cooperatives were formed to provide reliable electric service to their owner-members at the lowest reasonable cost.

Cooperatives still average fewer than seven customers per mile of electric distribution line, the lowest density in the industry. Low population densities, together with the issues of traversing vast expanses of remote and often rugged topography, present unique economic and engineering challenges for electric cooperatives. Co-ops own only approximately six percent of the nation's interstate transmission lines, making them by and large transmission-dependent.

During the months leading to the Committee's passage of the landmark "American Clean Energy and Security Act of 2009" (ACES), NRECA has worked diligently with the Committee to arrive at legislation that treats all electricity consumers fairly, maintains affordable electric power for consumers and businesses, and is effective at reducing global greenhouse gas emissions. NRECA appreciates the Committee's commitment to discussing transmission issues in today's hearing and recognition that

transforming the nation's energy future depends in part on a comprehensive, effective national transmission policy.

The Nation Needs a Comprehensive Transmission Policy

NRECA supports efforts to expand the transmission grid to meet the needs of consumers, including delivery of renewable resources from remote locations to high-consumption urban load centers. As it happens, many of these renewable energy-rich remote locations are within the service area of NRECA's member electric cooperatives, many of whom have joined together in the National Renewables Cooperative Organization (NRCO) to facilitate the development of renewable generation.

In order to effectively utilize and increase the nation's current supply of economic renewable energy, Congress must provide a comprehensive, effective national transmission policy which addresses and provides solutions to four key issues: planning; siting; cost allocation and recovery; and integration of renewable resources.

Open, Inclusive Bottom-up Planning Benefits the Grid and Consumers

Experience has taught NRECA that bottom-up planning - with full participation by load serving entities (LSEs) - is far preferable to top-down planning. State and federal governments lack the staff, resources, and operational experience required to perform the highly technical tasks involved in transmission planning.

As it stands, ACES adopts an effective bottom-up transmission planning process that appropriately builds up from existing local and regional transmission planning efforts and that is focused on meeting consumer needs reliably and affordably, as well as meeting national environmental priorities. The legislation appropriately limits federal

involvement in the planning process to coordination and loose oversight to ensure that national priorities are addressed by the planning entities.

As the ACES transmission provisions evolve, the Committee should continue to embrace the guiding principles of openness and inclusiveness. The Committee should also resist any push to create a large federal bureaucracy to conduct planning and be wary of claims that bottom-up planning is unsuited to developing transmission that spans many regions across an interconnection. In fact, only through bottom-up planning can the industry ensure that new transmission infrastructure operates effectively, efficiently and reliably with the existing transmission grid. Because the electric grid in each interconnection is a single complex machine, an overlay system planned in isolation from the existing grid and the long-term plans of the stakeholders involved in existing transmission planning processes would impose enormous unnecessary costs on American consumers and undermine the reliability of the existing transmission system.

With Conditions, Federal Siting Authority is Appropriate

At this time, ACES is silent on the critical issue of siting. NRECA believes there are instances where the federal government should have siting authority and the ability to over-ride state decisions. NRECA has consistently supported the backstop siting authority granted to the Federal Energy Regulatory Commission (FERC) in the Energy Policy Act of 2005. This authority allowed FERC to site both conventional, as well as extra-high voltage (EHV) transmission facilities within "National Electric Interest Transmission Corridors" designated by the Department of Energy (DOE).

NRECA also supports federal authority to site EHV transmission facilities anywhere in the country provided (1) the facilities are identified in a regional planning

process as needed to ensure reliability or provide consumers power more economically; (2) the facilities are interstate projects (to provide due regard for the authority of state siting agencies); (3) the owners of the facilities are not eligible for enhanced rates of return or other financial incentives that raise the cost of the facilities for consumers; (4) the costs of the facilities are fairly and broadly allocated (5) use of the facilities is not limited to renewable resources.

NRECA proposes that the Committee add a new section on EHV siting that permits entities wishing to build EHV facilities meeting these conditions to petition FERC for a federal certificate of convenience and necessity and federal eminent domain authority.

With Conditions, Broad Cost Allocation and Recovery Benefits Consumers

NRECA recognizes that expanding the transmission grid to meet consumer needs, including the integration of renewable resources, may result in substantial costs. Experts believe that new transmission could cost, on average, approximately one million dollars per mile. NRECA member cooperatives primarily serve load in rural areas, the location of many renewable generation sources. Co-ops must not be made to bear more than a fair share of the cost of EHV transmission to deliver renewable energy to higher population load centers.

NRECA urges the Committee to develop cost allocation policies that are fair and take into consideration the benefits received from any new transmission facilities. NRECA proposes that the Committee add a new section on cost allocation that provides for broad sharing of the cost of new extra high voltage interstate transmission facilities that arise from the transmission planning process defined in the legislation, as well as the

cost of any lower voltage facility upgrades required for the reliable interconnection and operation of interstate extra high voltage (EHV) facilities. Broad cost allocation should be conditioned on: the facilities arising from the planning process; a right for any entity to own a share of the facilities; limits on rate "incentives" available to those who build the facilities; and, consideration for those consumers in regions that may not obtain any benefit from the investments.

Integrate Renewable Electricity without Extending Preferential Treatment

While federal legislation may call for the construction and financing of "renewable-only" lines, it is impossible, in an integrated grid, to segregate renewable electricity from conventional electricity. The Committee should resist adding any such provision to ACES. No element of the integrated transmission system is physically able to distinguish which form of generation produced the current. The only way to assure the delivery of purely "green" electrons would be to construct an isolated line directly from a renewable generation source to its customer.

As well, renewable resources should not have preferential access to transmission. Giving preference to renewable resources could disrupt planning processes, interfere with priority-of-service rules and undermine distribution utilities' ability to obtain the long-term firm transmission rights needed to reliably deliver power to consumers. Such preferences would unnecessarily increase the cost of power for consumers, reduce the use of expensive transmission facilities, and undermine reliability on the grid. The Committee also should not add provisions establishing incentives for lines that give priority access to renewable resources.

In the ACES planning process, public policies favoring renewable resources, including renewable energy standards, climate legislation, and financial incentives for investments in renewable energy will all be taken into account, ensuring that adequate transmission infrastructure will be built to deliver renewable energy to load. Once that transmission has been built, it must be operated as part of the broader integrated system in order to ensure the reliable and efficient delivery of power to consumers.

Flexibility Needed for Complementary Policies on Rights-of-Way and Smart Grid

EHV transmission lines will bring consumers other benefits apart from much-needed new transmission capacity. Valuable rights-of-way assets will also be created along the lines. Consumers will benefit even more if those who build or operate the EHV system can deploy and facilitate additional new technologies along the rights-of-way. For instance, those who build or operate an EHV system should be able to run fiber on the new towers. Policies such as this can help speed the arrival of the "smart grid."

NRECA understands the high levels of enthusiasm for new technologies like the smart grid. However, the Committee should resist implementing any transmission policy that requires new lines to incorporate smart grid technologies. As recognized in the American Recovery and Reinvestment Act of 2009, smart grid technology is still in the demonstration and development phase. Requiring its inclusion in major transmission lines will force premature technology and standards decisions and waste consumers' money.

Conclusion

Again, thank you for the opportunity to testify at today's hearing. Chairman Markey and Ranking Member Upton, I appreciate the opportunity to submit NRECA's

views on transmission policy. NRECA looks forward to working with Members of the Subcommittee and the full Committee on transmission policy and other issues critical to maintaining the nation's supply of affordable, reliable electricity while pursuing environmental objectives. I look forward to answering the Committee's questions.