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Subcommittee on Water and Power
**Committee on Natural Resources
United States House of Representatives**

**H.R. 2915 – THE AMERICAN TAXPAYER AND WESTERN AREA POWER
ADMINISTRATION CUSTOMER PROTECTION ACT OF 2011**

Mr. Chairman and Members of the Committee:

As a cofounder and Executive Vice President of Clean Line Energy Partners, I appreciate the opportunity to provide the Committee with our views on H.R. 2915 and the effects it will have on the development of transmission in the western United States.

Clean Line opposes this bill in its current form. We understand the desire to ensure that taxpayers and the customers of the Western Area Power Administration are financially protected. We also understand the concerns that have arisen recently with respect to some unrelated loan and loan guarantee programs. But we also strongly believe taxpayers and Western's customers can and will be fully protected without the need to repeal one of the most important authorities enacted in recent years to encourage the development of major new electric transmission lines.

Clean Line Energy Partners is a developer of long distance, high voltage direct current electric transmission lines to connect the best renewable energy resources in North America to communities and cities that lack access to new, low-cost renewable power. Clean Line provides transmission solutions to generators and load-serving utilities in order to efficiently interconnect clean energy with consumers.

The United States is in dire need of new electric transmission lines. Transmission is required to move electric power from generating facilities to load centers because major renewable, nuclear, and fossil generating facilities often are located tens, if not hundreds, of miles from load centers where the electric power they produce is consumed. Many of the transmission lines in the United States are decades old, and were built when generating resources and electric demand were much

different than they are today. Moreover, new transmission is needed to increase reliability in all areas of our grid. And yet, while many transmission lines have been announced across the country in recent years, very few have actually been built.

The need for new electric transmission lines and new authority to enable development of those lines has been recognized by the industry for many years and also has been recognized and acted upon by Congress. Unlike laws that Congress enacted many decades ago to enable the development of railroads and interstate natural gas pipelines across the country, there never has been comprehensive federal authority to develop and site interstate transmission lines. Congress partially addressed this problem with two provisions of the Energy Policy Act of 2005. Section 1221 authorized the Federal Energy Regulatory Commission to site transmission lines in national interest electric transmission corridors designated by the Department of Energy, but legal challenges and court decisions concerning DOE's and FERC's exercise of this authority have rendered this program largely ineffective in its current form. Section 1222 of the 2005 law authorizes the federal power marketing administrations to partner with private developers to finance and develop new transmission lines. However, the power marketing administrations and DOE have not proceeded with any Section 1222 projects to date.

In contrast, the Western Area Power Administration's Transmission Infrastructure Program (TIP), which Western put in place after enactment of the American Recovery and Reinvestment Act and the authorization of borrowing authority for Western, has enjoyed success. Under this program, one transmission project is under construction and several more are in advanced stages of development.

This leaves us in a precarious situation. At a time when we all want energy security, when virtually all informed market participants believe new electric transmission facilities are necessary, and when we need to improve electric reliability, we have only one currently successful national authority whereby public and private sector participants can partner to build new interstate electric transmission lines: Western's TIP program under the borrowing authority enacted in the ARRA. We strongly believe that now is not the time to repeal that authority.

Our company is privately funded and has spent millions of dollars in a good faith effort to develop transmission facilities across the United States using the legal authorities that Congress and the States have made available. Our projects are based upon the free market and will not get built

unless market participants purchase capacity on our lines. The greatest challenge we face is siting the transmission lines and obtaining the necessary cooperation from government agencies. Western has been a leader among federal agencies, under the TIP program, in working with us and seeking to advance the development of interstate transmission.

Clean Line is developing a transmission line in the western United States called the Centennial West Clean Line (please see attached project description). Once completed, this HVDC transmission line will deliver 3,500 megawatts of clean power from very high capacity factor renewable energy projects in New Mexico and Arizona to communities in California and other areas in the West that have a strong demand for clean, reliable energy. We have been in discussions with Western for over a year and have executed a memorandum of understanding and are close to executing a development agreement. In parallel with our discussions with Western, we have invested millions of dollars in routing studies, electrical feasibility processes, path rating studies, and public outreach activity. Under the arrangement we are working out with Western, Clean Line would bear all development costs and reimburse Western and other federal agencies for all of their costs. Western would only use funds borrowed from the U.S. Treasury for the project once key development milestones have been reached and risks have been significantly mitigated, and we expect such borrowings to be secured. Moreover, as currently contemplated, Western would have ownership of the assets purchased with borrowed funds. In our negotiations to date, Western has been extremely conscientious about not exposing taxpayers or its customers to financial risk.

Western has been extremely prudent in the manner in which its officials have implemented the TIP program. It is our experience that Western will not participate in a project if it is not prudent, not supported by sufficient market demand, or does not contain strong financial protections for customers and taxpayers. In fact, Western has a successful track record of public/private partnerships that we as a country should build upon, not eliminate.

The Centennial West Clean Line will transport clean power via an approximately 900-mile overhead, high voltage direct current transmission (HVDC) line. This line is currently planned to traverse New Mexico, Arizona and end in California. The development and construction of the Centennial West Clean Line is estimated to cost \$2.5 billion and will make possible another approximately \$7 billion of new renewable energy investments. The Centennial West Clean Line is estimated to provide more than 5,000 construction jobs and more than 500 permanent jobs to maintain and operate the wind farms and the transmission line.

Clean Line has invested thousands of hours in the development of the Centennial West Clean Line project and has met with thousands of landowners, stakeholders, elected officials and others who will be impacted by our lines. We have tried to be as transparent and straightforward as possible, and work very hard to do a good job at siting lines and maintaining landowner relations. Currently in the West, the TIP program managed by Western to implement the borrowing authority enacted in the ARRA is the only viable program that will help us site our line across three states.

The wind resource in the Great Plains, from Canada to Texas, is among the best in the world. For this reason, wind farms in the area produce the least expensive new clean energy in the country. Recent power purchase agreements signed in the region have been in the range of three cents per kilowatt-hour including the Production Tax Credit (PTC). Accessing these resources, however, requires new transmission.

In the West, Western's TIP program is a critical piece of this puzzle. Without a workable TIP program or other workable federal electric transmission siting authority, it will be virtually impossible to site a long distance, interstate electric transmission line. Doing so requires working with each state and its own unique state laws, some of which – as Clean Line has experienced in some states – will not permit the development of interstate transmission lines. As a result, an individual state can bring to a complete stop the development of a line that is in the nation's and the region's best interests, that would put thousands of Americans to work, that would improve electric reliability, and that would enable the development of additional domestic energy resources.

A stable and progressive electric transmission siting policy is the most crucial need for the development of new transmission in the U.S. As a result of stable policy in Texas, the private sector is building over \$6 billion of transmission to access renewables. These facilities reduce costs and provide thousands of jobs across the state.

I urge the Committee not to move forward with repealing the authority that enables Western to carry out its TIP program. It would be even better if Congress would move forward with a more comprehensive federal electric transmission siting authority. But in the meantime, it is important that Congress leave in place the authority it has enacted so far that enables at least some new electric transmission to be financed and built.

In closing, Mr. Chairman, the loss of this program would potentially mean that Clean Line's efforts, as well as numerous others in the West, would grind to a halt. This could have a detrimental effect

on energy security and eliminate the possibility for thousands of jobs. At a time when the American public is demanding investment in new infrastructure and access to clean, domestically-produced energy, we should be expanding successful programs like TIP, not eliminating them.