

STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON WATER AND POWER
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 22, 2011

Chairman McClintock and Ranking Member Napolitano, I appreciate the opportunity to testify on H.R. 2915, a bill to repeal Western Area Power Administration's borrowing authority. The Department of Energy (DOE) will be submitting additional comments on H.R. 1719 at a later date.

I currently serve as a Senior Advisor to U.S. Secretary of Energy, Steven Chu, whom I assist in developing energy infrastructure and storage opportunities. Prior to joining DOE, I was a Commissioner of the Public Service Commission of Wisconsin, a state regulatory body responsible for electricity, natural gas, telecommunications and water industries. I also served as President of the Organization of Midwest Independent Transmission System Operator States, a non-profit organization of states covered by the Midwest ISO -- which is the transmission operator and planner for the upper Midwest region. In both positions I have had the responsibility to ensure that needed transmission projects are planned and built in a responsible, cost-effective way.

Today I am testifying in strong opposition to H.R. 2915, a bill to repeal the Western Area Power Administration (Western) borrowing authority statute. Western's borrowing authority statute empowers it to develop transmission facilities that deliver power generated by renewable energy sources.

New transmission is urgently needed in the western United States. And yet, getting lines in the air has been far too slow over the past few decades. Western's \$3.25 billion of permanent, indefinite, borrowing authority is, therefore, a critical tool for addressing two of the major energy challenges we now face in the West -- the need for additional transmission infrastructure and integration of renewables onto the grid. To date, three projects have been approved: Montana Alberta Tie, Ltd., a 214-mile, 230-kilovolt single-circuit alternating current transmission line between Great Falls, Montana, and Lethbridge, Alberta; the development phase of TransWest Express, a 725-mile, 600-kilovolt direct current transmission line from south central Wyoming to the El Dorado Valley south of Las Vegas, Nevada, a transmission gateway to California; and Electrical District 5 to Palo Verde Hub, a 45-mile, 230-kilovolt transmission line in Arizona.

The construction of these three transmission lines alone, if completed, would use more than half, or approximately, \$1.8 billion, of Western's borrowing authority. Western is also considering a number of other projects that are at various stages of the review process.

The heart of our Nation's renewable energy potential lies within Western's service territory. It includes nine of the ten windiest states of the country, as well as the best geothermal, hydropower, and solar potential in the Nation. That is why there are 57 active requests for transmission interconnections for wind power pending in Western's interconnection request queue -- representing a total of 9,223 megawatts of wind power to add to the grid. On average, each of these requests represents the equivalent of a 162-megawatt wind farm. These are private sector developers that want to put people to work and steel in the ground, but can't without access to transmission to bring their electricity to market.

In addition to being a promising area for renewable energy development, Western's service territory also suffers from significant transmission congestion. Several areas in Western's service territory were identified in DOE's December 2009 National Electric Transmission Congestion Study either as critically congested, as congestion areas of concern, or as conditionally congested areas where future congestion would result if new generation is developed without simultaneous development of transmission.

If the legislation before this Committee were enacted into law, very promising renewable energy projects in California, Arizona, New Mexico, Wyoming, Colorado, and Nevada would likely be delayed, or worse not materialize at all. Just two weeks ago, Arizonans and Californians experienced the impacts of our fragile transmission infrastructure when widespread blackouts impacted millions of people in the Southwest. The Administration firmly believes that Western's borrowing authority is essential to enhancing domestic energy production and improving electricity reliability throughout the West. For these reasons, the Administration strongly opposes H.R. 2915.

Finally, I would like to stress that no funds will be provided through Western's borrowing authority except after substantial due diligence on the part of both Western and the Department of Energy. The technical merits and feasibility of each project, as well as the financial stability and capability of potential project partners are thoroughly reviewed. Also, there must be a reasonable expectation that a project considered for funding will generate enough transmission service revenue to repay the principal investment; all operating costs, including overhead; and accrued interest. Facilities funded through Western's borrowing authority will be repaid through the rates paid by subscribers of that new facility. Moreover, the statute calls for each project funded under this authority to be repaid separately from Western's other facilities, as well as from other projects funded using borrowing authority. This safeguard assures that costs of each new project are properly allocated to those who benefit from it.

DOE appreciates and respects the oversight role this Committee and others play in ensuring we are implementing laws in the manner Congress intended. Thank you for the opportunity to share these views and I look forward to your questions.