

**Prepared Testimony of George M. Caan
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House Natural Resources Committee, Subcommittee on Water and Power

H.R. 6107 (Doc Hastings): To amend Section 301(d) of the Hoover Power Plant Act of 1984 to provide for notice regarding certification of certain projects, and for other purposes.

September 16, 2010

Washington D.C.

Good morning Madam Chairwoman Napolitano and Congressman McClintock, and members of the Subcommittee. My name is George Caan and I am the Executive Director of the Colorado River Commission of Nevada. I appreciate your invitation to speak to you today regarding H.R. 6107. I speak today on behalf of the State of Nevada's Colorado River Commission, and other customers of the Western Area Power Administration, including the Colorado River Energy Distributors Association, Mid-West Electric Consumers Association, Irrigation and Electrical Districts' Association of Arizona, and the Northern California Power Agency who have been involved with this bill. We have been working closely with the committee and believe this bill will improve the ability to finance and construct important transmission systems to carry renewable energy, while protecting existing federal power customers from shouldering any costs of these projects unless they choose to participate in them.

The Colorado River Commission, among other duties, is the state agency charged with receiving and allocating federal hydropower from the Colorado River that is provided to the State of Nevada. The Commission also provides additional electrical resources to its customers including renewables, and operates a high-voltage electrical transmission system to provide delivery of these resources to its customers. We understand the importance of upgrading the

electrical grid in the west to ensure an affordable and reliable energy future. We support efforts to construct and enhance the bulk high-voltage electrical system in the west that will allow for the delivery of renewables to the major load centers throughout the western United States. We appreciate Western's role in this effort as well as the support of this committee for the development of renewable energy resources.

The bill before you today amends the provisions in the bill passed last year which amended the Hoover Power Plant Act of 1984 to authorize what is now called Western's Transmission Infrastructure Program or TIP. This program provided \$3.25 billion in loan authority to Western to allow them to partner with other transmission providers on projects for the delivery of electric energy resources, specifically targeting renewable energy. Western's customers have been working with Western since the original legislation authorizing this program was enacted. We thank Western for its willingness to have meaningful dialogue on issues involved in setting up and implementing this program.

This bill improves on the existing statute authorizing this program by requiring Western to certify that each TIP project: is in the public interest; will not adversely impact system reliability, operations, or other statutory obligations; will generate proceeds adequate to repay the TIP loan; has financing agreements in place to ensure that project beneficiaries will pay the costs of the project; and will not recover its costs through rates of other Western projects.

The increased transparency required by this bill will provide more information about project costs and benefits. It will allow existing customers and others, to see project details to add greater certainty that these projects do not add additional financial risks to existing federal projects. It will give existing customers the tools they need to make sound decisions regarding possible participation in transmission projects and to ensure that they do not bear the costs of a

project unless they decide to participate in the project. This bill follows the tradition of “beneficiary pays” which means that the costs of the project are borne by those who benefit.

This bill addresses the concern of Western’s existing federal hydropower customers about what would happen if a project was not completed or a project participant decided to terminate its participation. The bill’s certainty of comprehensive project documentation and the prohibition of subsidies of TIP projects by non-TIP projects go a long way to protecting Western’s existing hydropower customers. We also believe that this bill allows existing federal customers to participate in these projects if they so choose.

We thank the committee for its continued interest in and support for renewables development and increasing the transmission infrastructure in the west. We are committed to continuing to work with the committee and Western to see that this program succeeds and leads to a healthier and more robust transmission system serving all of our needs. We understand that concerns have been raised regarding voluntary participation in TIP projects by existing customers of Western and treatment of proprietary information, and look forward to working with the committee and with other interested parties on these issues and any other issues.

I would be happy to take any questions you might have. Thank you.