

STATEMENT OF VICKIE VANZANDT
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UNITED STATES DEPARTMENT OF ENERGY

BEFORE THE
COMMITTEE ON NATURAL RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES

HEARING ON

H.R. 2337

“ENERGY POLICY REFORM AND REVITALIZATION ACT OF 2007”

MAY 23, 2007

Good morning and thank you. Chairman Rahall and members of the Committee, my name is Vickie VanZandt and I am Senior Vice President for Transmission Services of the Bonneville Power Administration (BPA). Today, I am representing the Department of Energy (DOE) at this hearing on H.R. 2337, the “Energy Policy Reform and Revitalization Act of 2007.”

My remarks address the two provisions of H.R. 2337 that affect DOE’s Power Marketing Administrations (PMAs). The four PMAs market and deliver the power produced at Federally–owned hydroelectric dams within their respective regions. Three of the PMAs – the Bonneville Power Administration, the Southwestern Power Administration (Southwestern), and the Western Area Power Administration (Western) – own and operate high-voltage power transmission systems within their marketing areas. Together, these three PMAs have almost 34,000 circuit-miles of transmission line and hundreds of substations that are used to deliver Federal power to their customers. The transmission systems owned and operated by the PMAs are an integral part of the Nation’s interconnected electrical grid, and help ensure the reliable delivery of the country’s power supply. The portion of transmission system capacity that is not needed to deliver Federal power is available for use by other utilities and power generators, pursuant to the PMAs’ Open Access Transmission Tariffs, and can play an important role in the delivery of renewable power, such as wind energy.

Consistent with DOE policy, all of the PMAs are committed to promoting the development of renewable resources in their respective regions. BPA, for example, has completed nine transmission construction projects since 1998 to integrate more than 1,300 megawatts (MW) of wind power into its grid. The Pacific Northwest is one of the fastest growing areas of the country for wind power development, and another nearly 3,800 MW are expected to come on line in the region by 2009. In 2002, BPA led the nation in modifying energy imbalance charges in its transmission tariff to reflect the intermittent nature of wind, removing a major impediment to wind development. The Federal Energy Regulatory Commission (FERC) has adopted BPA’s approach as the model for the rest of the nation in its FERC Order No. 890. BPA also has offered certain public power customers wind energy storage and shaping products to help enable firm wind power to meet load growth. This March, BPA and the Northwest Power and Conservation Council (Council) jointly issued a publicly produced Northwest Wind Integration Action Plan that found no technical barriers to operating 6,000 MW of wind in the Pacific Northwest. It found that transmission capacity is available to integrate additional wind resources in the short term, but that new transmission will be needed long-term. BPA and the Council have established a Northwest Wind Integration Forum to implement 16 separate actions to increase the region’s wind integration capability and lower integration costs.

BPA also has facilitated and recently adopted a regional policy framework to support the building of needed transmission. This framework addresses planning, funding, and cost allocation for transmission infrastructure needs that are primarily of a commercial nature rather than for reliability purposes, including wind power projects.

BPA also supports renewable resource development in its resource acquisitions and power sales. The agency has almost 200 MW of wind capacity in its power portfolio. BPA markets wind and solar-based power as Environmentally Preferred Power (EPP) and will invest more than \$3.5 million in revenues from sales of EPP and Renewable Energy Certificates (RECs) this year into supporting renewable resources. Two-thirds of this revenue goes directly into renewable energy research and development projects through a competitive selection process focused specifically on wind integration and ocean wave and tidal generation technologies. The remaining third is directed to the Bonneville Environmental Foundation, which leverages private funds to finance renewable education and small renewable resource demonstration projects in our publicly owned utility customers' service territories. This year, BPA also issued more than \$670,000 in renewable resource grants to five of its utility customers for wave and solar projects. BPA's power rates give its utility customers credits for their own investments in conservation and renewable resources. BPA is actively working with utilities and state agencies in both Oregon and Washington on wave and tidal generation efforts, including transmission for these resources.

Western also actively supports renewable resources. As of February 2007, Western had interconnected 278 MW of wind generation to its transmission system, with 35 additional transmission requests in the study queue, totaling more than 9,300 MW of potential wind generation. These projects range from a seven MW project in Nebraska to a 500 MW wind farm in Arizona. This represents a 74 percent increase in interconnected wind generation capacity from the year before.

Western continues to support renewable resources by encouraging customers to consider renewables in their resource mix. Integrated Resource Plans (IRPs) required of Western's customers by the Energy Policy Act of 1992 identify and compare all practicable energy efficiency and energy supply resource options. Moreover, Western is proposing to encourage customers to join together in the preparation of regional IRPs. This approach would allow customers the opportunity to evaluate possible regional synergies, and would support regional transmission, generation and demand-side planning.

Western is also active in the "Renewable Resources for Federal Agencies" Program, which helps Federal facilities meet renewable energy goals set by Section 203 of the Energy Policy Act of 2005. Western is meeting the President's goals of using more renewable energy in Federal facilities by purchasing RECs for its own loads (such as office electricity use), while acquiring renewable energy or renewable energy attributes for Federal agencies upon request and at their expense. In August 2005, Western teamed up with other Federal agencies to purchase more than 117,000 MWh of RECs, or green tags. Each green tag represents the intangible environmental benefits associated with generating electricity by renewables.

These DOE initiatives undertaken by the PMAs to promote greater use of wind and other forms of renewable energy – and the PMAs’ long history of marketing renewable, pollution-free hydropower – are significant ways that DOE is helping to reduce pollution and carbon dioxide emissions.

Section 241 – Energy Transmission Offered by the Power Marketing Administrations

Section 241 of H.R. 2337 requires the Secretary of Energy to direct the three transmission-owning PMAs to offer “conditional firm” transmission service, consistent with FERC Order No. 890. Conditional firm transmission service is potentially valuable for intermittent generation resources such as wind power. DOE supports conditional firm service as a tool to make effective use of existing transmission capacity, and particularly to support wind integration. As an early supporter of conditional firm service, BPA has worked with FERC to develop the concept nationally, including coordinating a regional conference attended by FERC.

However, we do not believe this legislation is necessary for the following reasons. FERC Order No. 890 contains a requirement that transmission providers offer conditional firm service whenever they can do so reliably. DOE policy directs the PMAs to conform their Open Access Transmission Tariffs as closely as possible to the *pro forma* open access transmission tariff requirements that FERC places upon FERC jurisdictional utilities, recognizing that there are legal and operational considerations applicable to the PMAs that occasionally prevent them from adopting FERC’s *pro forma* tariff verbatim. Accordingly, BPA and Western already intend to offer conditional firm transmission service closely aligned to FERC’s definition and explanation of it in FERC Order No. 890. In this regard, the Western Interconnection, the Western Electricity Coordinating Council (WECC) and regional utilities, including BPA and Western, plan to develop conditional firm transmission service that is consistent with FERC Order No. 890 and that works in the Western Interconnection.

To this end, the WECC has proposed a regional forum, which it would facilitate, to develop conditional firm service that works for all utilities and customers in the region. FERC has left the service largely undefined, choosing instead to mandate only certain minimum attributes. The PMAs intend to help shape the service and ensure that it works in a fashion consistent with their statutory mandates and with the unique characteristics of their hydroelectric systems.

We also think this provision, if enacted, could be counterproductive. FERC frequently modifies its orders over time. There is every reason to expect that, just as has occurred with network and point-to-point service, experience is gained and lessons are learned, thus conditional firm service will evolve for the better. If the specific directives in FERC Order No. 890 are superseded by subsequent Commission orders, the PMAs would want to make similar modifications in their own tariffs, as reasonable, in order to maintain maximum consistency with FERC’s orders.

In addition, Southwestern has only 1,380 circuit-miles of transmission and currently markets its transmission system in conjunction with the Southwest Power Pool Regional Transmission Organization (RTO) in its service territory. Southwestern abides by the open access goals set out by FERC through this cooperation with the Southwest Power Pool RTO. This relationship is beneficial to all transmission customers, including those customers with renewable resources, as it allows them to seamlessly receive transmission service over Southwestern's system by utilizing the regional services offered through the Southwest Power Pool.

DOE is concerned that directing Southwestern to take specific actions impacting the provision of its transmission service, removed from the environment of coordinating those actions with the Southwest Power Pool, could damage these arrangements, and thereby hinder the efforts of those in the region to efficiently and effectively utilize the transmission grid. Moreover, the application of Section 241 to Southwestern is not needed to further the goal of enhancing transmission customers' access to the transmission grid and would risk damage to that goal by potentially disturbing the fruitful relationship between Southwestern and the Southwest Power Pool RTO. As such, if this provision is maintained in this bill, DOE believes Section 241 should be modified to apply to only BPA and Western.

In light of the above, we do not believe it is necessary or advisable to legislate PMA adherence to the requirements of FERC Order No. 890 as they pertain to conditional firm transmission service.

Section 242 – Power Marketing Administrations Report

DOE also has concerns about Section 242 of the bill. That section would direct the Secretary of Energy, acting through the Administrators of BPA and Western, to analyze the existing capacity of transmission and distribution systems of California, Oregon, and Washington to accommodate and promote ocean wave, tidal, and current energy projects. Section 242 requires the Secretary to prepare a report identifying where additional capacity is needed in the transmission and distribution systems of these three States to accommodate power consumption from various percentages of ocean wave, tidal, and current energy projects in these States.

This section is unnecessary. The Power Marketing Administrations do not own or operate low-voltage distribution systems, which are part of the proposed study, and therefore lack the expertise required to analyze such systems. Furthermore, because of the regional planning efforts already completed or underway, DOE does not believe that a separate analysis is needed. Thus, where BPA and Western both operate as part of an interconnected transmission grid, analysis of the grid to accommodate ocean wave, tidal, and current energy projects require the participation of all neighboring utilities, especially those with distribution facilities.

Western and BPA already participate in regional planning processes through WECC and subregional planning organizations. Studies to integrate renewable resources already have been completed in WECC and new studies are underway. In addition, FERC Order No. 890 requires coordinated regional planning. Western and BPA intend to conform their tariffs to implement this requirement. BPA is also a member of ColumbiaGrid, which is taking up its planning duties to produce a regional transmission plan by the end of 2008.

This concludes my testimony. I defer to the other Administration witnesses on the other provisions of H.R. 2337. I am available to answer questions you and the other Committee members may have.