

“Inaction is not an option that is acceptable to me and it’s certainly not acceptable to the American people – not on energy, not on the economy, and not at this critical moment.”

- President Obama, US Department of Energy, Feb. 5, 2009

**Written testimony prepared for House Subcommittee on Water & Power,
On increased borrowing authority for Bonneville Power Administration (BPA)
and BPA’s recent Network Open Season**

Submitted by

**Chris Crowley, President, Columbia Energy Partners LLC
March 10, 2009**

Introduction

Good afternoon, my name is Chris Crowley, President of Columbia Energy Partners LLC (CEP). Our company is an independent developer of renewable energy projects, primarily wind power, mostly located within the Bonneville Power Administration’s service territory. We have been in this business since 2000, which makes me a veteran and provides some experience I hope will be of interest to the Committee.

Thank you for the opportunity to address the Water and Power Subcommittee today regarding the recent increase in the Bonneville Power Administration’s (BPA) borrowing authority under the American Recovery and Reinvestment Act (Stimulus Bill). This aspect of the Stimulus Bill is an extremely important part of the overall plan to efficiently and transparently distribute much needed capital investments in our economy to build a vibrant “green economy.” Channeling public capital investment through the BPA toward real energy projects will provide the “capital lubrication” the economy needs to attract private sector investment and jump start the “green economy.”

BPA’s role today is analogous to its role in 1937 when it was first formed to market the power from the system of hydroelectric dams and associated electric transmission built through a partnership between BPA and its sister agencies, the Corps of Engineers and Bureau of Reclamation. BPA was a major player in significantly changing the energy landscape in the Pacific Northwest at that time. Since then, BPA has effectively deployed public capital to further build out both the Federal Columbia River Power System (FCRPS) and Federal Columbia River Transmission System (FCRTS) meeting Pacific Northwest energy needs and strengthening our economy.

A similarly historic moment is upon us now, but today’s situation is also different on several levels. BPA has had the ability to deploy capital in the past, but the need is greater than ever today. Because the need is so great, Congress was wise to increase BPA’s borrowing authority dramatically so the Administration can put more money to work. However, with the increased borrowing authority, BPA’s actions will also be scrutinized more closely and, so, the question

will be, “how will such capital be deployed and for what purposes?” There are three key drivers in our economy to be balanced with BPA’s public goals which are:

1. building energy diversity and independence through renewable energy development and “green economy” initiatives,
2. injecting public investment into the economy to “unfreeze” our capital markets and leverage public and private investment in energy infrastructure, and
3. creating American jobs through productive public-private partnerships.

BPA’s borrowing authority has been expanded; however, BPA has many interests to balance and many stakeholders to listen to who are concerned about where BPA invests its capital and how it does so.

A key example of BPA balancing such interests successfully was in its recent Network Open Season. In that process, BPA managed to balance public and private interests to create a framework to finance and construct new transmission in spite of many challenges, including a changing load and resource topography, more complicated system operations and increased coordination with other electric systems across many states and systems. The recent Network Open Season (NOS) process provides an excellent model and platform for BPA and others to act in public-private partnerships, balance diverse interests with unique project attributes and implement creative and productive solutions.

A Unique Opportunity for BPA in Harney County, Oregon

Our company – and our direct experience with BPA in the recent Network Open Season – provides a good example for how new challenges have been and can be addressed by BPA. BPA has efficiently integrated 1500 MW of wind energy resources in a region east of Portland, Oregon known as the Columbia Gorge or “Gorge.” The Gorge wind regime is primarily a spring-summer resource, which coincides with BPA’s high hydroelectric production and “fish flush” time frame, creating challenges for reliable management of BPA’s power system.

BPA Administrator Steve Wright has expressed interest in connecting wind resources to the grid which may be at some distance from the Gorge and that have a wind regime different from the Gorge. BPA believes that such new wind resources, which have not been exploited to date, would help to balance the Gorge wind resource area, provide more constant production and add efficiencies to the operation of its power system matching consumer demand more optimally. In order to take advantage of these higher value opportunities and diverse opportunities, transmission facilities must be built to reach the more remote regions of the Northwest. It is recognized that the higher cost of building transmission to these remote regions could be offset by the value of the diverse wind regime and enhanced reliability.

We are in complete agreement with BPA on connecting diverse and remote wind resources to their grid and will be a key partner with BPA in this regard. On that point, CEP is developing a 600 MW wind energy complex composed of six separate projects in southeastern Oregon. CEP has a proven track record of developing wind resources and moving its power to market. There

are several unique aspects of our wind project complex which make CEP an ideal partner for BPA to deploy public funds, including:

1. a “winter-peaking” wind regime, which is the exact inverse of the Gorge wind production profile;
2. the ability to optimize existing transmission and add significant new transmission, and
3. to bring public and private investment to hard hit rural communities where unemployment hovers at 20% and non-ranch jobs – outside the government sector – are almost non-existent.

In order to optimally integrate renewables into any electric grid, the unique attributes of each project’s wind regime, location, interconnection and transmission service plan must be factored into the plan to finance and develop the project. The interaction between a wind project’s production of energy on a variable basis and the transmission grid must be analyzed to capture all of the specific benefits and impacts.

How to Put BPA’s Stimulus Bill Funds to Work and Ensure Proper Oversight

It sometimes seems as if everyone is in agreement on the need to fund infrastructure to facilitate development of new, renewable energy projects, but people are in a quandary over how to get it done. The broad agreement that we need new infrastructure must be refreshing for the members of this hearing panel, including the BPA and the Western Area Power Administration (WAPA). President Obama has certainly made it a highlight of his economic platform, and Congress acted decisively, as the increased BPA borrowing authority in the Stimulus Bill makes clear. During the 2008 presidential campaign, Candidate McCain also spoke glowingly of his desire to boost investment in the renewable energy sector. Even when Congress was in Republican control, the 2005 Energy Act mandated development of “energy corridors” for transmission to bring new renewable energy resources to market. In addition, the Western Governors Association is being very proactive and is making “renewable energy zones” with transmission solutions a top priority.

And yet, now that it is time for the rubber to meet the road, there are many views on how to get us to the next level in connecting renewable resources to the grid but not much clear direction. So, now is the time to focus our leadership, support and oversight efforts to remove barriers in some key areas, including:

1. The time and risk involved in permitting new transmission projects, which adds significantly to the cost and is a strong disincentive for private parties to attempt it;
2. The de-facto veto power of “green mail” groups adept in suing federal agencies, which places undue pressure on transmission providers to seek routes over private lands;
3. Decades-old agreements on existing shared transmission systems, such as the Southern Intertie in our area, with unclear impacts on planning for new projects; and
4. Challenges to planning across interconnected energy markets and systems to address seams issues and optimize joint and larger-scale solutions.

Bonneville, to its credit, has overcome these obstacles with some notable success. In 2008, Bonneville launched a “Network Open Season” or NOS to offer customers the opportunity to

articulate their service needs, sign Precedent Transmission Service Agreements (PTSA) and get service, similar to the natural gas pipeline business model. Since BPA's Administrator Steve Wright is also here today to testify, I will let him detail the response to the Network Open Season. The "color" I can add to that is that our company, like others, stepped up and signed a stack of PTSAs four inches thick to participate in the process. We paid cash deposits of \$2 million and supplied letters of credit to back our PTSAs worth \$12.4 million. For a company our size, that was a huge commitment, but we understood that the NOS was a "pay to play" system and we wanted to play.

According to BPA's accounting of the Network Open Season response, our company's participation in the process was significant. Our transmission service requests accounted for:

- 3.5% of customer participation (1 of 29 companies);
- 18% of total PTSAs signed;
- 12% of total MW participation (800 MW);
- 16% of total wind transmission service requests;
- 14% of total LC (security) required for signed PTSAs (\$12.4M of \$90M);
- CEP was on the longer end of the contract term curve (30 years).

Under its Tariff, BPA opted to study system impacts from the new projects to its system as large scalable batches, or "clusters," of transmission service requests. When the "cluster studies" were announced, our service requests were identified as the "Harney County Reinforcement Project," in a remote portion of BPA's footprint, which made developing a Plan of Service challenging. However, with 50% of our energy production coming in the winter months and the stated interest in bringing new renewable energy resources to market from diverse areas, our projects were certainly of interest. We believe the diversity attributes our projects offer make them a natural fit, given the initiatives in the West, including renewable energy zones, BPA's expanded borrowing authority and the strong direction from Congress and the Administration to use such borrowing authority in a public-private manner to site and build new transmission infrastructure to reach new energy areas bringing diversity and efficiencies to the transmission grid.

Going forward - CEP Encourages Congressional Oversight and for BPA to Act under a Public-Private Framework to Efficiently Deploy Capital

We encourage BPA to apply our experience in the next Network Open Season as well as for other regional transmission service providers hoping to mirror – and improve on – BPA's important first effort. In order to make the best use of BPA's new borrowing authority, we believe the BPA must be more efficiently engaged with the private entities who are their customers. It is often challenging for any government agency to move on private-sector timeframes, but the ambitious goals set by Congress and the Obama Administration demand no less.

It is not only the BPA who must interact more closely with the private sector. The authority vested in public agencies with control over permitting and siting of energy projects, including the transmission lines to get the output to market, must be more action oriented, work on shorter time lines and coordinate more closely with private entities with the know-how to get the job done.

Again, our projects offer a relevant example. We have obtained a land use permit to build a 100 MW wind project in southeastern Oregon, but the county where our project is located is 77% publicly-owned land. There is simply no way to interconnect our project to the local electric coop without crossing federally-owned land. Period. In fact, our project requires an easement of less than 200 acres, in a county with 6.5 million acres of publicly-owned land, but to obtain an EIS permit for that short distance will take 2-5 years before legal challenges are exhausted. Surely, regulations must be changed so that such simple easements can be granted at the local level on an administrative basis, not appealed endlessly to the 9th Circuit and beyond, to kill projects.

In a similar vein, our project will eventually require an upgrade of an existing line through some 50 miles of mostly BLM-owned land. Where there is already a transmission line and the new line can be constructed in the same footprint, within one county (or state), that, too, should be something the local staff can do administratively or at least with a more reasonable period of review. We will not succeed in building a “green economy” if some we do not balance self-styled “green” advocates exploitation of the permit and appeals process to effectively kill good projects.

These points need to be taken into account in the efforts underway in various public and private forums to fund infrastructure to facilitate development of new, renewable energy projects.

We want to encourage Congress to actively encourage BPA to capitalize on the work which has been done in the 2005 Energy Act, which mandated development of “energy corridors” for transmission to bring new renewable energy resources to market. The Western Governors Association has made “renewable energy zones” a priority and so Congress and BPA can and should act decisively to coordinate work plans for immediate action.

We want to encourage closer coordination and action between public and private interests to achieve results for taxpayers and shareholders alike. We believe that BPA’s role should be broader than just building infrastructure that benefits its existing customers. Transmission planning must be performed on a true “one-utility” basis, with proper oversight, controls and balanced public-private interaction to optimize the existing system and build new facilities. BPA must take a very active role in that effort, with support from Congress, to invest alongside private interests and to be the catalyst to provide investment when the balance is not always in true parity between public and private interests.

BPA is strongly encouraged to utilize its creativeness and flexible oversight structure to allocate public funds and lead funding of infrastructure, even if private capital has to catch up. BPA’s borrowing authority and capabilities must be allocated to all projects alike. BPA is encouraged to pursue joint venture investment options available with varying percentages of lower cost public dollars used to augment higher cost private dollars. BPA is encouraged to fully reform both transmission service and interconnection-wide processes as it has done in its recent Network Open Season and along the lines that the Federal Energy Regulatory Commission (FERC) has promoted in other parts of the country.

Going forward, we hope that BPA and this Subcommittee work closely with its partners in the private sector on multiple fronts to bring new renewable energy sources into the grid and the market. Some of the overarching areas in which CEP wants to encourage further collaboration are:

1. Customized solutions to all funding and transmission project needs;
2. Transmission planning processes that plan for the holistic needs of the transmission grid and coordinate across multiple high and low voltage transmission provider systems;
3. Reformation of the interconnection and transmission service processes via more liberal use and implementation of open season process; and
4. Optimize the existing and future government environmental and permitting work to create “energy corridors” with derivative benefits on adjacent transmission rights of way.

First and foremost, and in more detail in line with the overarching goals above, Bonneville should continue and increase their efforts to engage private sector customers in the early stages of analysis and planning. In order for that kind of collaboration to work, BPA must increase information sharing and transparency with its customers, so that customers can understand the basis for decisions, respond with suggestions and criticisms, and work together towards solutions. In our view, that means focused attention to unique customer needs factored into the transmission planning process.

Second, Bonneville now has the expanded borrowing authority to revisit its calculation of the costs of projects and have the added experience to calculate the benefits to be factored into its rate making process. This is a key point for this committee: that Bonneville’s long (and understandable) focus on protecting rate payers can now be balanced with private capital as well as this new and welcomed financial muscle. I hope the committee will make plain to Bonneville and any other agency, such as WAPA, who takes such federal funds that taking these dollars also means taking on the responsibility to do full due diligence on all project benefit and cost calculations on an equal basis for new and long standing projects. As the Administrator said last summer to the US Senate, benefits such as regional and resource diversity should absolutely be weighed, in my view, all the more heavily now that the additional federal dollars have been added.

Third, our projects, like many others, will interconnect with a local service provider and then go onto the BPA network. We can point to many projects (planned and operating) in Oregon and Washington in the same situation. In these instances, Bonneville should provide both guidance and leadership to work with the local provider and the customer to achieve optimal solutions for all parties.

Fourth, while BPA did indeed clear out a great deal of “dead wood” in its transmission service queue, it left its interconnection queue intact. Effectively, that meant that presumably less than viable projects that did not “pay to play,” still preserved their interconnection rights without proof of project viability, despite avowed policies that separate those two functions. Interconnection should also figure in future Network Open Seasons. A lesson for both BPA and WAPA may be taken from California to test project viability as part of the interconnection and transmission process. An added level of due diligence should be added to the expanded

borrowing authority for both BPA and WAPA to “test” project viability to ensure capital and human resources are used wisely.

Fifth, BPA and any other regional transmission agency should make every effort to optimize existing transmission rights of way and permitting work already done, such as the Energy Corridors established as part of the Energy Act of 2005. BPA needs clear direction from this committee and the Obama Administration that we are in a new day of aggressively moving forward with these efforts, not defaulting to the same old approach in planning for and permitting vitally-important transmission infrastructure.

In closing, I want to be very clear that we applaud Congress’ work on the Stimulus Bill, increasing BPA’s borrowing authority and BPA’s first Network Open Season and look forward to working with them in their efforts to reform and provide oversight to get to productive results for the American people ensuring energy supply diversity and independence. BPA has shown leadership and a willingness to think outside the box that bodes well for a dramatic increase in activity in the next few years, particularly when coupled with its expanded borrowing authority.

I thank the Committee for the opportunity to share these thoughts and experiences with you. I urge you to stay actively involved in the oversight and effective deployment of these new resources to help usher in a new era of economic prosperity spurred by our friends at the BPA and WAPA and their partners in the public and private sectors.