

Testimony of Doug Von Gausig, Mayor of Clarkdale, Arizona
Water and Power Subcommittee, House of Representatives' Natural Resources Committee
Field Hearing in Phoenix, Arizona
Monday, June 4, 2012

I am pleased to offer this testimony to the House of Representatives' Natural Resources Committee's Subcommittee on Water and Power.

As the Mayor of Clarkdale, Arizona and as the current President of the Arizona League of Cities and Towns, I am a strong advocate of increasing the amount of renewable energy that is produced in and consumed by our state's cities and towns. Utility-scale renewable energy projects benefit not only each and every resident of my town, because they are a clean and reliable source of energy, and will ultimately become a stabilizing and lowering force on utility rates by diversifying the fuels that are used by utilities to create energy. We also know in Clarkdale that renewable energy projects can be a boon to economic development, by bringing much needed new tax revenues into our city, and potentially, new jobs.

Because we know the value of renewable energy, in Clarkdale we have several initiatives underway that are designed to create the kind of environment that will be attractive to the developers of renewable energy projects. We have investigated the possibility of creating a "renewable energy park" or zone in Clarkdale, which would bring renewable energy developers to Clarkdale, and we have looked at the possibility of doing community solar projects in my town, in which buildings could be aggregated, solarized and net metered, making solar even more affordable for the town and its taxpayers. This kind of aggregate metering development can lower the cost of solar installations by more than one-third and make the benefits of solar energy available in neighborhoods where it was previously impractical.. The residents of Clarkdale have time and time again told their elected leaders that they expect these kinds on initiatives on renewable energy, they support them, and they want to see more of them.

I am aware, however, that the efforts taken by me and my town are not enough to spur the kind of renewable energy projects that could truly be game changers for Clarkdale, as well as for northern Arizona. What we need the most is a reliable, 21st century transmission grid that is designed to carry renewable energy, and frankly, all electrons, throughout the West. We currently do not have that transmission system in Arizona or in the Southwest, and I believe that much of what the Department of Energy has proposed in its memorandum covering the Power Management Agencies, or PMA's would help get our transmission system in the shape needed to build out renewables in the West and bring greater prosperity to towns like Clarkdale.

More specifically, the memorandum, written by Secretary Chu on March 12, lays out several initiatives that would modernize Power Marketing Administrations (PMA's) like the Western Area Power Authority, which owns and operates several transmission lines that run through my county. According to that memo, the DOE has taken the modest step of asking the PMA's to consider modernizing their rate designs to promote energy efficiency; actually move forward with implementing several programs that would spur new transmission that Congress itself gave the PMA's years ago; improve coordination with other grid operators; and provide WAPA greater ability to govern its own expenditures, making it easier for the agency to conduct critical repairs and upgrades to its system. While the details of how the PMAs are to move forward are unclear and stakeholder participation as part of that plan is essential, I believe these measures are efficient reasonable, and similar to the kinds of reforms and governance improvements that cities and towns across America have had to make to remain competitive and

solvent. I also understand that the leaders of both WAPA and the Bonneville Power Authority have stated they can comply with the DOE's requests and that they intend to do so.

While much of the transmission system in the West is operated by investor-owned utilities, a very significant portion of the transmission system in my state is operated by the Western Area Power Authority. WAPA is particularly important in rural portions of Arizona, where it often serves as the backbone infrastructure for other utilities, and runs through areas that are ideal for new renewable energy projects. It is my understanding that WAPA transmission lines have not been modernized in many years, and certainly are not vigorous or plentiful enough to allow for renewable energy developers to get their projects online, and get those electrons moving throughout the Southwest.

As the mayor of a town in Arizona, I regularly interact with members of the Arizona Corporation Commission, the body of government that oversees Arizona utilities, and I often interact with the utilities themselves. I do find it noteworthy that many of the reforms that have been proposed by the Department of Energy in its memorandum are things that regulated utilities in Arizona like the Arizona Public Service Company ("APS") have been implementing for years, and without much difficulty. In fact, energy efficiency, transmission upgrades for renewable energy, to name just two, are regularly approved and encouraged by the Arizona Corporation Commission for the utilities they regulate. And this is not unique to Arizona. Investor-owned utilities across the West have been investing in the future by investing in energy efficiency and new transmission for more than a decade. You have to ask yourself the question: if the private sector can get it done, under the supervision of state Public Utility Commissions, why can't these federal power utilities, under the guidance of Congress and the DOE? I was encouraged to see the DOE finally take steps to reform the Power Marketing Administrations, and pretty disheartened when I learned that some members of this Congressional Committee are fighting them on actions the rest of the electricity sector have already undertaken and the market has dictated.

I know some on this Committee believe that the Department of Energy's plans will somehow cause rate increases for customers. There is no doubt that building new infrastructure will cost money. But I would ask you to consider the much higher cost of NOT building new transmission and NOT repairing and replacing a transmission system that badly needs it. The costs of not modernizing WAPA and the other PMA's includes the risk of future power outages, and even blackouts that could affect not just the town of Clarkdale, but the entire Western grid, and our economies. The cost of not modernizing the grid also prevents new energy projects from coming online, which will harm the ability of towns like mine to carry through on our plans to build a more sustainable energy environment while bringing in new jobs. Failure to modernize the grid will stand in the way of Arizona's efforts to become the solar energy capitol of the world, an objective that has been stated many times by Republican and Democratic leaders alike, including most notably Arizona's Republican Governor Jan Brewer. The cost of not modernizing, will, I believe, also ultimately harm ratepayers by preventing our utilities from balancing their energy portfolios with multiple sources of energy, including renewables.

Moreover, large rate increases have not resulted from the efforts like Arizona Public Service Company to modernize its grid, build renewables, and implement energy efficiency. APS has been able to do all of these things while keeping its rates competitive. In fact, as I discuss below, the energy efficiency efforts by APS and other electric utilities in Arizona will save our state's ratepayers billions of dollars over the next two decades. If WAPA fails to change its rate structures to allow that kind of energy efficiency, it stands to reason that this too will be a cost of not modernizing WAPA's system.

From a policy standpoint, allowing the Western Area Power Authority to fall further and further behind other utilities would represent a hurdle to our state's ability to meet its objectives under our Renewable Energy Standard. As you may know, like 36 other states, Arizona has set out a plan for our utilities to produce or procure a certain percentage of our overall energy supplies from renewable sources, like solar and wind. In Arizona, under the RES established by the Arizona Corporation Commission, we must meet 15 percent by 2025 renewables, and having a reliable transmission grid will be critical to meeting the objectives under Renewable Portfolio Standards, not just here but all across the West.

From a job creation standpoint, a healthy, reliable transmission system that is capable of interconnecting new distributed energy projects while maintaining quality electrical service is of importance to mayors and other local elected officials. Indeed, it is not lost on us that Arizona's Renewable Energy Standard – and the solar projects it has spawned so far – is credited with helping to bring companies like Solon, Suntech, First Solar, Rio Glass, and many others, to our state. Arizona this year was third highest in the nation for job creation related to solar energy, and was third in the nation for the total amount of solar installed. We can climb even higher in those rankings, but only if we have the transmission system that allows us to do it. I believe that the DOE memorandum will lead to a transmission system that will support renewable and other energy projects, which I know will foster jobs. And I am not the only Mayor in Arizona looking to energy for job creation. Spurring renewable energy is a frequent subject of conversation among my fellow Mayors, and it is going to play a significant role in the upcoming annual meeting of the League of Arizona Cities and Towns.

The DOE efforts to update the PMA's by asking them to engage in more energy efficiency, and altering their rate structures in such a way that the PMA's can accomplish this, strikes me as a real benefit to ratepayers. Energy efficiency is something that we have been doing in Arizona for almost a decade now, primarily because we know that it is the cheapest form of energy. It is estimated that energy efficiency programs which produce the "negawatt" – or energy we don't consume to begin with – cost between 1 and 3 cents per kilowatt – far less than most forms of electricity, from coal, to nuclear to natural gas. In 2010, the Arizona Corporation Commission – comprised of a majority of Republicans – passed the nation's most ambitious Energy Efficiency Resource Standard, requiring our regulated utilities to conserve 22 percent of their retail sales by 2020 through energy efficiency programs. This 22 percent EERS Standard is estimated to save Arizona ratepayers \$9 billion over the course of the next several decades, because we are not going to have to build a single new base load power plant here until the year 2030 as a result of doing more cost-effective energy efficiency.

Finally, let me touch for a moment on what clean energy means to my community and my state from the standpoint of our future and the kind of people we want to be and place we want to live in. Every public opinion poll that has been taken here in the past five years shows that overwhelmingly Arizonans want us to implement more renewable energy, not less. One poll taken in Arizona showed that almost as many Republicans as Democrats are in favor of solar energy, and solar has become incredibly popular all across the state. The people of Clarkdale are putting solar on their rooftops, and are supportive of our plans to do community solar. And renewables are popular even in the most conservative corners of the state: I am told that the fastest growing part of Arizona right now for the installation of rooftop solar systems is Sun City – hardly a liberal bastion.

These polls don't ask about transmission, but my guess is that if folks knew how important this federal utility called WAPA is to our ability to build out our renewable energy economy, the majority of Arizonans would be in favor of the Department of Energy's plans. They certainly wouldn't think that we

should stand in the way of efforts to make common sense investments in our nation's electrical infrastructure.

As a mayor, I have the responsibility of ensuring that the roads, bridges, tunnels, and other critical infrastructure in my town are not only adequate to serve my town's current residents, but also are up to the task of serving future generations. In Clarkdale, we are focused on making sure that our infrastructure is sustainable in a manner that allows future generations to enjoy the beauty of the Verde Valley in the same way we do today, by promoting renewable energy, energy efficiency, and water conservation. At the state level, we have always been willing in Arizona to take the tough decisions and make the difficult investments in to make this the productive, innovative state it is. I believe Congress has a duty to similarly protect and expand the electrical infrastructure of the nation; Congress certainly shouldn't take our focus off the future by telling the Western Area Power Authority that it is appropriate for them to have a sub-par transmission system.

I urge you to support the DOE's efforts to modernize the Power Marketing Administrations, including WAPA.