

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

MARCH 10, 2009

I am Timothy J. Meeks, Administrator of the Western Area Power Administration (Western). This is my testimony for the March 10 oversight hearing on “*Federal Power Marketing Administration Borrowing Authority: Defining Success.*”

Good afternoon and thank you, Madame Chairwoman and Subcommittee members. It’s a privilege to update you on the actions Western is taking right now to deliver the results envisioned under Section 402 of the American Recovery and Reinvestment Act of 2009 (Recovery Act). Section 402 grants borrowing authority to Western, which is a tremendous milestone—a solid step toward energy independence. I am honored that Congress and the Obama Administration called upon Western to help address the clear need for new transmission in the West.

Today, I will talk about how Western is moving forward expeditiously, yet with due diligence, to carry out the law’s intent because the demand for transmission infrastructure is immediate. I will describe how we will wisely invest funds to create and preserve jobs for workers to develop and build projects that lead to the delivery of clean, renewable, home-grown energy to consumers across the West, promoting economic stability and energy security for our Nation as a whole. I want to emphasize that we will implement Section 402 as intended; and, at the same time, honor our commitment to continue providing excellent service to our existing customers and fully execute our power marketing mission.

Continuing commitment to traditional customers—our core mission

Western delivers—not only power and energy—but results. Our long-standing core mission was, is and will continue to be, the marketing and reliable delivery of more than 10,000 megawatts of power annually—primarily clean, renewable hydropower generated at Federally-owned dams. This power is sold according to preferences established in Federal Reclamation Law at the lowest cost consistent with sound business principles.

Together with our customers, we have brought comfort and security to people from small and large communities alike—Native American reservations, universities, military bases and hospitals—through today’s Federal hydropower marketing program, which has thrived for more than 100 years. We have decades of experience and well-established partnerships with both public and private entities in providing affordable, reliable, renewable and clean Federal hydropower to our customers who serve millions of consumers across 15 western and central states. We have built those partnerships by working through challenges and change together. We envision partnerships having an even greater role with this new authority.

Section 402 does not replace and is not intended to compromise Western’s current mission; it grants new responsibility to support a critical need for transmission infrastructure to facilitate delivery of renewable energy to market. We will meet the challenges of implementing Section 402 and deliver results without sacrificing our core mission and our high standards of providing quality service to existing customers.

Our marketing mission and programs should improve and get even stronger as we move forward. With this new authority, the critical role of the Federal hydropower program has received more national attention. Increased attention will bring the value of Federal hydropower into clearer focus and demonstrate what we can do to meet the renewable energy goals of Congress and the Administration.

Today’s Federal transmission infrastructure

Western delivers Federal hydropower over an integrated 17,000-circuit mile, high-voltage transmission system—an electrical Federal highway—that spans a 1.3 million square-mile service area. This system was primarily developed to deliver Federal hydropower to preference customers. While our role as transmission owner and provider is critical to the delivery of Federal power, the role we play in transmission is integral to our Nation’s interconnected electrical grid and helps ensure the reliable and secure delivery of our Nation’s power supply. Our customers, the industry and others look to Western as a partner in initiatives to increase transmission capacity and reliability, to eliminate congestion points and to respond to additional requests for interconnection onto the grid.

In these types of collaborations, we are known for bringing many parties with differing interests together to solve difficult transmission issues across our service territory. In addition,

we openly work with landowners, local and state agencies, interest groups and others in balancing competing interests and minimizing impacts resulting from transmission projects while protecting the resources of the landscapes across the West.

Our management of Path 15, 84 miles of new 500-kV transmission line to alleviate a 20-year old major bottleneck in California, is an example of how we deliver results. We placed 246 lattice towers and 98 steel poles to support 756 miles of conductor and 168 miles of overhead ground wire in just 10 months, ahead of schedule and under budget. I commit to you that—to the best of our abilities—we'll deliver results like this again, and then again.

Facilitating renewables to market: transmission under the Recovery Act

We view Section 402 of the Recovery Act, which grants Western \$3.25 billion in borrowing authority, as another opportunity for Western to show Congress, the Administration and industry what we can do to deliver on the promise of energy independence. With this authority, Western can borrow funds from the Treasury to finance, facilitate, plan, construct, operate and maintain or study the construction of new or upgraded transmission lines and related facilities, with at least one terminus in Western's service area. The goal is building new transmission to deliver or facilitate the delivery of power generated by renewable energy resources to meet growing demand for power and to create jobs in the process.

The law calls for each project funded under this authority to be repaid separately and distinctly from Western's other power and transmission facilities and from other projects funded using borrowing authority. This safeguard assures that costs are properly allocated to entities that benefit from each project funded by Section 402 authority and protects existing projects and customers. Last week, we initiated the public processes, required by the law, to seek requests for interest in identifying potential projects and to develop policies and practices to implement this authority.

For each project in which Western participates under this authority, I must certify, before committing any funds, that:

- the project is in the public interest,
- the project won't adversely affect system reliability, operations or other statutory obligations; and,
- it is reasonable to expect that the project proceeds will be adequate to repay the loan.

Borrowing Authority—"lining up jobs and projects"

Use of this authority will be pivotal in 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. While it is evident that new transmission is urgently needed, getting "lines in the air" has not occurred to any significant degree in the past decade. We know that

there are entities interested in working with us to deliver renewables. For example, our November 2008 *Federal Register* notice, seeking partners interested in contributing up to \$100 million in third-party funding to develop a transmission project under section 1222 of the Energy Policy Act of 2005, generated considerable interest. Five parties responded with 13 proposals to build transmission for renewables.

Parties interested in developing renewable resources have consistently come to Western seeking transmission services. However, until passage of the Recovery Act, Western lacked sufficient funding and authority to meet these requests. It's been a vicious circle—a lack of funding has been the weak link in building transmission and the lack of transmission has been the weak link in the development of renewable generating resources. Using this borrowing authority, we will link renewables to transmission and workers to green jobs. Again, we will deliver results.

Linking renewables to transmission

Based upon the level of developer interest and how well our service territory overlays areas with renewable energy potential and transmission needs, we know projects are out there that are ready to go. Private entities and Western's power customers are looking to us as partners to help meet transmission demands for renewables.

For example, there are 78 active requests for transmission interconnections for wind pending in Western's interconnection request queue—representing a total of 18,800 megawatts of wind to add to the grid. Each of these requests represents a wind farm with an average 200 megawatts each. In addition, several major transmission projects to deliver renewable resources to market are in various stages of planning and development.

Our service area fits well into the energy picture of the West. First, we conduct business in the heart of our Nation's renewable energy potential. Nine of the 10 windiest states and the best geothermal and solar potential in the Nation are in our geographic footprint. Second, some areas in our service territory (as outlined in the DOE's 2006 National Electric Transmission Congestion Study) are considered critically congested and need to be addressed immediately, are congestion areas of concern where a congestion problem exists or may be emerging, or are conditionally congested areas where future congestion would result if large amounts of new generation were to be developed without simultaneous development of associated transmission. The latter category includes the Montana-Wyoming and Dakotas-Minnesota areas in our service territory. In addition, one of the national interest electric transmission corridors is in our marketing area. Third, about three-fourths of the Western Interconnection's congested transmission paths are in our service territory, pointing to the need for upgrades. Many of these congested paths are in areas rich in renewable resource potential.

Stimulating the Economy

To meet transmission demands means that we will need the expertise of engineers, project managers, construction workers, environmental specialists, economists and equipment manufacturers—meaning an infusion of new jobs into the industry and dollars into the economy. The level of borrowing authority in Section 402 will equal about three decades worth of Western’s current construction program. In addition to contract awards to the commercial sector for government-furnished equipment needed to build each project, Western contracts out much of the environmental work associated with our projects and 100 percent of actual construction, which is the majority of project costs.

In the short term, we envision private sector jobs being created by injecting dollars into the economy to get projects started that haven’t had the critical mass to move forward to date. Jobs will be created by the demand for workers to perform environmental work, acquire land and conduct preliminary field work for construction. In addition, there will be large contract awards for long-lead-time equipment purchases.

Depending on the projects we receive from the statements of interest and their state of readiness, we are striving for “lines in the air” for renewables in about 18 months to two years, which will contribute to the Administration’s goal for energy independence and a green economy.

Principles, practices and policies designed for results and benefits

The demand for transmission infrastructure is enormous. While the \$3.25 billion in borrowing authority is a substantial boost to our ability to meet transmission demands, it will not close the gap between what exists today and tomorrow’s demands. Therefore, one of Western’s implementation objectives is to encourage non-Federal participation in order to leverage this new authority.

Western does not have a vested interest in any particular solution. Therefore, we can serve as a neutral facilitator, assuring that projects that best accomplish the intent of the law will rise to the surface. Any projects constructed using this authority will be considered separately from procedures and requirements for arranging for transmission service or interconnection under Western’s existing open access transmission tariff.

Western has designed and proposed a set of principles to serve as overarching guidance and a series of policies and practices to produce tangible results and concrete quantifiable benefits, the cost of which will be paid by those who use the facilities. The overall goal is to implement a program that fully meets the intent of the law and the Administration’s promise of accountability and transparency.

We will provide opportunity for participation in projects by other entities, use revenues from project beneficiaries as the only source of repayment of all associated project costs, and maintain controls to ensure project repayment is treated separately from Western's other projects, including other projects developed with this authority. All selected projects, including upgrades to Western's existing transmission lines, must meet the requirement that there is a reasonable likelihood that it will generate enough transmission service revenue to repay the principal investment, all operating costs and the accrued interest.

Progress Report—moving at a high speed

Program Development

To expedite the process of developing this new program, Western has issued two *Federal Register* notices (FRN) simultaneously, one soliciting interest in projects and the other defining the program.

The first FRN, Notice of Availability of Request for Interest, published on March 4, seeks interest from entities in identifying proposed projects. Responses for initial consideration are due April 3.

Also on March 4, Western published the Notice of Proposed Program and Request for Public Comment, which lays out the rules of the road—how the authority will be implemented. This began a public process with a 30-day public comment period. A public meeting, also available via webcast, is set for March 23. We expect to obtain third-party input to help us develop policies and procedures to effectively and efficiently implement this new authority. Western will analyze the comments received and make any necessary revisions to its proposed program principles, policies and practices.

Financial Management and Program Funding

Western is modifying its business systems in order to track and manage the projects and funding mechanisms under this new authority separate from our other projects. Discussion is underway with the Treasury on the terms and conditions under which Western will obtain loans to fund transmission projects under this authority. We are consulting with the Bonneville Power Administration on its use of and experience with borrowing authority.

Transmission Infrastructure Program

A new and separate function, Transmission Infrastructure Program, charged with implementing this new authority, has been formed. Its manager reports directly to me and it will initially be a small group. If growth in staff is required, it will occur at a measured pace. The staff includes a program manager, project manager, transmission planning engineer, public utilities specialist, industry economist and administrative assistant. A small team of existing staff

was assigned to develop the program while the process of permanently filling necessary positions takes place.

Delivering on the promise of sustainability and clean energy

As a hydropower and transmission service provider, Western has learned to effectively respond to changes in the power industry. We have learned how to better meet our customers' needs by adapting and changing how we do business. Western is an essential part of the electric utility industry with important roles to play today and tomorrow.

Today, with the support of Congress, the Administration, our customers and industry partners, we now have borrowing authority—a mechanism to contribute even more as a Federal agency, to play a more significant role in our Nation's energy solutions and in our Nation's energy future. We will report our progress, pledge accountability to the Treasury, our customers and the taxpayers, and will move as quickly as possible to do our part for economic recovery and energy independence. This is an exciting time for our industry, and we appreciate your trust and confidence in us to help build the electrical grid of tomorrow while continuing to fulfill our core mission.

Thank you, Madame Chairwoman. I would be pleased to answer any questions that you or the Subcommittee members may have.