June 24, 2021

The Honorable Joe Manchin
Chairman
Senate Energy and Natural Resources Committee
304 Dirksen Senate Office Building
Washington, DC 20510

The Honorable John Barrasso
Ranking Member
Senate Energy and Natural Resources Committee
304 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Manchin and Ranking Member Barrasso:

The Northwest & Intermountain Power Producers Coalition (NIPPC)[1] appreciates the opportunity to supply the Senate Energy and Natural Resources Committee with its views on the Energy Infrastructure Act discussion draft.

NIPPC applauds the discussion draft's focus on addressing key power sector challenges whose resolution, with federal support, would serve a broad public interest. Among other activities, NIPPC members develop and operate a range of power generation and storage technologies, including renewable and thermal projects. Subtitle A of Title I of the discussion draft addresses technology-agnostic issues related to the "macro grid." Other provisions in the bill address other important issues, particularly for funding technology innovation and deployment, but NIPPC limits its comments here to several transmission provisions in the subtitle. These provisions will benefit market participants broadly, support a more competitive power sector, and expand and diversify the nation's access to new sources of clean energy.

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[1] NIPPC represents competitive power participants in the Pacific Northwest and adjacent Intermountain region. NIPPC members include owners, operators, and developers of independent power generation and storage, power marketers, transmission developers, and affiliated companies. Collectively, NIPPC represents over 4,500 megawatts of operating generation and an equal amount permitted or under development.

Multiple recent independent studies have indicated a need for a significant increase in transmission capacity nationwide.[2] This need exists in a variety of market structures and jurisdictions. The Transmission Facilitation Program in Section 1007 is an innovative, well-conceived public-private approach to address one common problem in transmission development: does a line have to be constructed before utilities and other market participants sign up to use it, or does the line need customers to sign up before construction begins? This chicken-or-egg problem has bedeviled major transmission projects nationwide. To be clear, this is a distinct problem from transmission planning, siting (permitting or right-of-way acquisition), and access to commercial capital.

The Transmission Facilitation Program would be an incremental, market-driven expansion of a longstanding federal role in transmission while avoiding an increased federal ownership of transmission. The government's role would be comparable to an anchor tenant in real estate: a demonstration to other potential tenants of the viability of a project and a de-risking of the decision by other tenants to sign up. The federal position would otherwise resemble any commercial customer of a line, with reservation rights to use a specific share of a line in exchange for a fixed payment to the line's owner. This position bears resemblance to the government's authorized anchor tenant role in the commercial space industry and in some forms of biofuels procurement.

NIPPC also highlights some useful transmission-specific precedents for this kind of program. Taken together, these public-private initiatives have helped build the grid that exists today. In 1964, Congress authorized appropriations for the Bonneville Power Administration (BPA) and the Western Area Power Administration (WAPA) to take shares of the proposed intertie between the Pacific Northwest and Pacific Southwest sufficient to cover approximately one-quarter of the cost of building the intertie.

In 1984, after BPA became self-financing, Congress similarly authorized the federal agencies to split shares with investor-owned and consumer-owned utilities on the intertie's third alternating current line addition. In 2001, in light of the Western electricity crisis, Congress affirmed WAPA's authority to complete an upgrade of the Path 15 transmission line in southern California through contracts with private companies.

In 2009, Congress authorized WAPA's Transmission Infrastructure Program with $3.25 billion of Treasury borrowing authority. This program offers primarily loans and other limited assistance to transmission developers within WAPA's footprint but does not address the chicken-or-egg problem addressed by the proposed Transmission Facilitation Program.

The program in Section 1007 is appropriately tailored to allow utilities (investor-owned and consumer-owned) as well as merchant developers of transmission to apply for facilitation. It covers both new lines and upgraded lines. The program could particularly

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[2] See, for example, Brown and Botterud, "The Value of Inter-Regional Coordination and Transmission in Decarbonizing the US Electricity System," (January 20, 2021), *Joule*, Vol. 5, Issue 1, at 115-134.

assist regulated utilities in upsizing lines to serve a broader regional need than a utility's own native load may require.

The Department of Energy's Office of Electricity is an appropriate administrator for the program, given its national focus on grid integration, technical expertise, and success implementing cost-shared grant programs. Finally, NIPPC notes that the program would be financed through Treasury borrowing authority and a revolving fund that would be repaid over time. This use of federal funds is fundamentally different than a cash grant and represents a more conservative use of federal funds.

NIPPC's only suggestion at this time to the Committee is to increase the program's authorization well above the proposed $2.5 billion of borrowing authority, given the demonstrated national need to build out transmission and average costs of new lines estimated at $1-3 million per mile, in addition to the cost of converter stations and substations.[3]

Beyond Section 1007, NIPPC also specifically supports the extension in Section 1011 of additional borrowing authority for maintaining and upgrading BPA's transmission system. BPA operates three-quarters of the high-voltage transmission system in the Pacific Northwest. Its unique financing structure relies on BPA's power and transmission customers repaying funds borrowed by BPA from the Treasury. NIPPC represents a variety of BPA transmission customers. In the absence of alternative ways for BPA to access capital, such as direct access to capital markets, all BPA customers depend on the agency having sufficient Treasury borrowing authority. The alternatives are to stop maintaining an aging system or to finance long-lived capital assets with upfront cash from customers. Neither approach is a sound practice.

NIPPC recommends an increase in the authorization in Section 1007 well above $2 billion, given the regional capital needs, as well as including conditions that ensure customers have a stronger role in affecting BPA's capital expenditures and financial plan. NIPPC urges the Committee to consider both recommendations.

Thank you for your ongoing attention to improving the nation's infrastructure and your consideration of NIPPC's views.

Sincerely,

Spencer Gray
Executive Director
Northwest & Intermountain
Power Producers Coalition

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[3] Mason T, Curry T, Wilson D, "Capital Costs for Transmission and Substation Recommendations for WECC Transmission Expansion Planning," WECC, 2012.