



The Large Public Power Council

300 North Washington Street, Suite 405, Alexandria, VA 22314
703/740-1750 (phone) • 703/740-1770 (fax)
lppc@lppc.org (e-mail)

March 1, 2010

The Honorable Jeff Bingaman
Chairman
Senate Committee on Energy and Natural Resources
703 Hart Senate Office Building
Washington, DC 20510

The Honorable Lisa Murkowski
Ranking Member
Senate Committee on Energy & Natural Resources
709 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Bingaman and Ranking Member Murkowski,

During my oral testimony on behalf of the Large Public Power Council (LPPC) before the United States Senate Committee on Energy and Natural Resources on March 12, 2009, the Committee had questions about the potential costs of a proposed national 765 kV extra high voltage (EHV) transmission overlay.

LPPC members are actively developing renewable resources, energy efficiency programs and demand management solutions to meet the nation's climate challenge. As part of those efforts, LPPC members are planning and developing new transmission capacity, both for remote and local resources, around the country. We believe that in considering plans for the build-out of the transmission grid, policymakers will be well-served by better information on the costs of the proposals on the table. LPPC has been particularly concerned that the 2009 estimate advanced by American Electric Power (AEP) of the costs and benefits of a national 765 kV extra high voltage (EHV) transmission overlay substantially underestimate likely costs and overestimate associated benefits.

To assist in developing better information, LPPC asked Christensen Associates Energy Consulting (Christensen) to evaluate AEP's 2009 estimate. The attached report contains Christensen's analysis and conclusions. The report concludes that it would be unwise to rely on AEP's estimates. Among other things, Christensen's evaluation found that: (1) the cost per-mile of transmission implicit in AEP's 2009 study are substantially below costs that AEP itself employed in actual projects under development; (2) the AEP estimate fails to include the cost of related system improvements required to accommodate the EHV overlay; and (3) AEP's

Austin Energy (TX) • Chelan County PUD (WA) • CPS Energy (TX) • Clark Public Utilities (WA) • Colorado Springs Utilities (CO)
IID (CA) • JEA (FL) • Long Island Power Authority (NY) • Los Angeles Department of Water and Power (CA) • Lower Colorado River Authority (TX)
MEAG Power (GA) • Nebraska Public Power District (NE) • New York Power Authority (NY) • Omaha Public Power District (NE) • OUC (FL)
Platte River Power Authority (CO) • Puerto Rico Electric Power Authority (PR) • Sacramento Municipal Utility District (CA) • Salt River Project (AZ)
Santee Cooper (SC) • Seattle City Light (WA) • Snohomish County PUD (WA) • Tacoma Public Utilities (WA)

The Honorable Jeff Bingaman
The Honorable Lisa Murkowski
March 1, 2010
Page Two

estimate is not built on a “ground up” evaluation of cost, but is instead based on an inherently unreliable extrapolation from far less ambitious studies. Cautioning that the basis for a reliable estimate of the EHV overlay has yet to be established, Christensen’s correction for the most obvious errors in the AEP analysis shows that costs of the build-out may conservatively be estimated at \$220 billion, more than double AEP’s estimate.

LPPC is concerned that a decision to heavily subsidize remotely located renewable resources will crowd-out investment in more economical alternatives, and should certainly not be undertaken without reliable information. The Christensen evaluation was limited to reviewing AEP’s high-level analysis. It underscores the need for a more reliable study of the costs of an EHV overlay and it demonstrates that a “bottom-up” comprehensive review of the potential costs to consumers should be undertaken before adopting a new national cost-allocation policy for transmission.

We respectfully ask that the attached report be inserted into the record.

The Large Public Power Council is an organization composed of 23 of the country’s largest locally-owned and controlled, not-for-profit power systems. Collectively we own and operate over 75,000 megawatts of generation capacity and nearly 34,000 circuit miles of high voltage transmission lines which is nearly 90% of the transmission investment owned by non-federal public power entities in the US. As not-for-profit utilities, we are committed to providing reliable, affordable and environmentally responsible power to our nearly 45 million customers.

Kindly contact me with any questions or concerns.

Sincerely,



For the Large Public Power Council
James A. Dickenson, CEO
JEA
21 West Church Street
Jacksonville, FL 32202

Enclosure: Report of Christensen Associates Energy Consulting, LLC
Dated February 22, 2010
Assessment of National EHV Transmission Grid Overlay Proposals:
Cost-Benefit Methodologies and Claims

Austin Energy (TX) • Chelan County PUD (WA) • CPS Energy (TX) • Clark Public Utilities (WA) • Colorado Springs Utilities (CO)
IID (CA) • JEA (FL) • Long Island Power Authority (NY) • Los Angeles Department of Water and Power (CA) • Lower Colorado River Authority (TX)
MEAG Power (GA) • Nebraska Public Power District (NE) • New York Power Authority (NY) • Omaha Public Power District (NE) • OUC (FL)
Platte River Power Authority (CO) • Puerto Rico Electric Power Authority (PR) • Sacramento Municipal Utility District (CA) • Salt River Project (AZ)
Santee Cooper (SC) • Seattle City Light (WA) • Snohomish County PUD (WA) • Tacoma Public Utilities (WA)