

**Response to Questions for James A. Dickenson,  
Managing Director and Chief Executive Officer of JEA  
On Behalf of the Large Public Power Council**

Committee on Energy and Natural Resources Hearing-  
April 2, 2009

**Questions from Senator Bingaman:**

1. You indicate that there is significant difficulty in the West in getting federal approvals for siting on Federal lands. In 2005 we required agencies to create an expedited process for approval of corridors for energy facilities on Federal lands. Has this process relieved any of the difficulty? Is it working?

**Response**

Section 368 of the Energy Policy Act of 2005 required agencies to designate energy corridors on federal lands and to expedite applications to construct or modify transmission and distribution facilities in such corridors. While federal actions have been taken to pre-identify corridors, there were a fairly limited number of corridors addressed in the Programmatic EIS (PEIS) that was finalized along with a concurrent amendment to resource management plans for federal lands. In addition, many intrastate and interstate projects that are underway or being contemplated are not addressed by the Western Energy Corridor process.

Unfortunately significant challenges remain related to receiving timely review and approval. The existing guidance documents for the development of environmental assessments (EA) and environmental impact statements (EIS) should contain defined timeframes for the completion of the processes on federal lands. After the guidelines are established, federal agencies must have adequately trained staff to complete the required work within those timeframes. For example, a federal agency is generally expected to complete an EA within 12 months. Our western members report that this process often takes 2 to 3 years. Similarly, while most expect that an EIS can be completed within 24 to 30 months, utilities in the west report that the EIS process often takes 3 to 4 years to accomplish. We believe that firm process deadlines, additional resources and focused leadership will help ensure schedules are met and improve the processes.

Ultimately, the most important criteria for completing siting and environmental processes in a timely and efficient manner is to have federal agency coordinators/project managers with sufficient direction, authority and skilled resources to handle major infrastructure projects. There is a need for improvements in staffing at the ground level (real estate specialists, biologists, cultural resource specialists, etc.). While entities seeking siting approval help to facilitate the process by funding the use of third party specialists, the work of the third parties still need to be reviewed by the federal staff. In addition, more direct involvement from high level policy and technical people will provide the needed support and direction to local offices to bring projects to completion.

2. We have provided for a process to allow regional planning entities to propose a cost allocation plan, and for FERC to allocate costs at a sub-regional basis if that is necessary. Does this relieve some of your concern about interconnection-wide cost allocation?

Response

The draft legislation circulated by Chairman Bingaman's staff is a meaningful improvement over proposals that would simply allocate costs to all load serving entities, without respect to the ability to use the facilities or the choice not to due to the availability of more economical alternatives to meeting environmental goals. However, it is still problematic because it provides that the Commission may allocate costs (in the absence of an acceptable RPE proposal) to all load-serving entities, or to all load-serving entities within a part of the Interconnection served by the high priority transmission projects, whether they use the new facilities or not.

As I indicated in my testimony (p. 3 – 5, 10), it would be terribly inequitable to assess the cost of a transmission build-out to customers that cannot make use of the facilities, or who elect not to because more cost effective options that do not rely on large new transmission are selected to meet their environmental mandates (like building local solar and demand side measures for instance),. Further, I believe that allocating the cost of transmission on an interconnection-wide basis will provide an enormous inappropriate subsidy to one market segment (remote large scale renewable generation). When LSEs determine that access to remote renewables is the most cost effective way to meet their carbon or renewable targets, that will drive the construction of new transmission and ensure that a large investment in this technology choice is well spent.

The importance of these decisions is underscored by my concern that the estimates I have seen of the overall cost of a nation-wide transmission build-out of the type contemplated in the proposed legislation appear to be meaningfully understated. While the Joint Coordinated System Plan I reference in my testimony (p. 8) shows an estimated \$80 billion investment aimed at resolving congestion and meeting a 20% wind scenario, when all costs associated with integrating these facilities into the grid and attaching wind resources are added, there is reason to believe the cost may actually range between \$100 billion and \$200 billion for the Eastern Interconnection alone. Nationwide costs, including the Western Interconnection may range between \$135 billion and \$325 billion, equating to a monthly per customer cost of between \$14 and \$35. These numbers are gross estimates, but they suggest an order of magnitude that makes it clear to me that Congress should have reliable data on these costs before concluding that nation-wide cost allocation is a sensible approach.

I also believe that the proposal to create new planning entities charged with undertaking interconnection-wide planning and cost allocation filings, is unnecessary and may be counter-

productive. As I noted in my testimony (p. 7 – 8), in Order No. 890,<sup>1</sup> FERC only recently directed the implementation of new, region-wide planning processes that call for an unprecedented level of regional coordination, transparency and federal oversight. Compliance filings by all utilities were accepted only months ago, and the planning processes these filings contemplate are just now underway. Certainly, it is to be expected that these processes, and FERC's oversight of them, will evolve to meet new renewable requirements. Adding a new planning bureaucracy to this mix, particularly at this time, is very likely to be time consuming and appears likely to delay rather than expedite transmission development.

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<sup>1</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 *Fed. Reg.* 12,266 (March 15, 2007), *FERC Statutes and Regulations* ¶31,241, *order on reh'g*, Order No. 890-A, 121 FERC ¶61,297 (2007).

### **Questions from Senator Murkowski:**

1. In your opinion, will the imposition of a new interconnection-wide planning process become a new “choke point” by pre-empting ongoing planning efforts or delaying projects that could go forward now?

#### **Response**

Yes, as I indicate above in response to Chairman Bingaman’s second question, I am quite concerned that adding a new level of planning bureaucracy will be counterproductive to efforts now underway.

2. What is your position on the issue of siting? Can federal and state regulators make progress on a collaborative basis or is increased federal siting authority needed?

#### **Response**

As I indicated in my filed testimony (pp. 5 – 7), I and LPPC believe that additional federal siting authority is called for in order to overcome the limited ability of individual states to address multistate transmission projects designed to meet regional needs. Having said that, I am also confident that such new authority can be undertaken in consultation with existing state siting authorities in a manner that capitalizes on existing expertise and ensures that states and local concerns are addressed in the siting process.

3. As you know, so often energy issues are regional and not partisan. What is your opinion on the possible interconnection-wide allocation of transmission costs? Does such a widespread approach unfairly socialize costs across regions that may not be directly benefiting from the particular transmission line?

#### **Response**

Yes it is unfair and economically inefficient. As I indicated above in response to Senator Bingaman’s second question, I believe that cost socialization unfairly discriminates against those who cannot use the proposed facilities, and will discourage the development of what may be more economical alternatives for reducing greenhouse gas emissions, such as energy efficiency and local renewable resources. I am particularly concerned that my company’s customers, located in Florida, will be called upon to provide large subsidies for the construction of transmission they will be unable to use. If Congress establishes environmental goals for our industry through implementation of an RES or carbon control measures, it should let utilities, state regulators, and regional transmission organizations determine how to meet those goals most effectively by making economic choices among the array of available options, without subsidy.

4. You note that LPPC's Western members have experienced significant obstacles to the development of interstate renewable transmission projects from federal land management agencies. Please explain. Can you comment on Secretary Salazar's recent "Secretarial Order" calling for DOI to not only establish renewable energy zones on public lands, but also to handle the permitting and environmental review? Should FERC be given the coordinator role? Should we expedite environmental or judicial reviews?

#### Response

The challenges have been related to receiving timely review and approval. The existing guidance documents for the development of environmental assessments (EA) and environmental impact statements (EIS) should contain defined timeframes for the completion of the processes on federal lands. After the guidelines are established, federal agencies must have adequately trained staff to complete the required work within those timeframes. For example, a federal agency is generally expected to complete an EA within 12 months. Our western members report that this process often takes 2 to 3 years. Similarly, while most expect that an EIS can be completed within 24 to 30 months, utilities in the west report that the EIS process often takes 3 to 4 years to accomplish. We believe that firm process deadlines, additional resources and focused leadership will help ensure schedules are met and improve the processes.

Ultimately, the most important criteria for completing siting and environmental processes in a timely and efficient manner is to have federal agency coordinators/project managers with sufficient direction, authority and skilled resources to handle major infrastructure projects. There is a need for improvements in staffing at the ground level (real estate specialists, biologists, cultural resource specialists, etc). While entities seeking siting approval help to facilitate the process by funding the use of third party specialists, the work of the third parties still need to be reviewed by the federal staff. In addition, more direct involvement from high level policy and technical people will provide the needed support and direction to local offices to bring projects to completion.

We are hopeful that Secretary Salazar's recent Order establishing the development of renewable energy as a priority for the Department of the Interior will help to coordinate federal efforts in this area. We are also encouraged by the Order's call to create joint, single point of contact offices to improve coordination and efficiency, and to expedite the permitting process. The identification of renewable energy zones by the Department of the Interior can lead to the identification of transmission corridors from these zones to load centers. We are pleased to see the Order's focus on identifying electric transmission corridors for renewable resources in cooperation with other state and federal agencies and its requirement to prioritize the permitting and environmental reviews for transmission rights-of-way. To the extent preliminary environmental review can be performed on these corridors, the siting process may be expedited for related transmission development. However, siting challenges exist for transmission development beyond transmission for renewable resources. In any case, we believe the challenges and delays ultimately relate to adequate project management and staffing levels as noted above.