

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

**Before the United States Senate Committee on  
Energy and Natural Resources  
March 12, 2009**

My name is James A. Dickenson and I am Managing Director & CEO of JEA, a municipally owned electric, water and sewer utility system located in Jacksonville, Florida. JEA's electric system serves more than 400,000 customers in Jacksonville and parts of three adjacent counties. I am testifying today on behalf of JEA and the Large Public Power Council ("LPPC").<sup>1</sup> LPPC is an association of 23 of the nation's largest municipal and state-owned utilities. Together, its members own approximately 34,000 miles of transmission, representing nearly 90% of the transmission investment owned by non-Federal public power entities in the United States. LPPC members are located in states and territories representing every region of the country. Our members are not-for-profit entities that are directly accountable to our customers – the citizens in our communities. Our commitment is to provide highly reliable, low cost and environmentally responsible electric service to our citizen-customers.

LPPC members are among the industry's leaders in development of renewable generation and energy efficiency, having invested, on average, in renewable generation at a level above the industry average. For example, Seattle City Light made its first wind purchase in 2000, far before most utilities. Austin Energy now receives about 12% of its energy from new wind

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<sup>1</sup> LPPC's members are Austin Energy, Chelan County Public Utility District No. 1, Clark Public Utilities, Colorado Springs Utilities, CPS Energy (San Antonio), IID Energy (Imperial Irrigation District), JEA (Jacksonville, FL), Long Island Power Authority, Los Angeles Department of Water and Power, Lower Colorado River Authority, MEAG Power, Nebraska Public Power District, New York Power Authority, Omaha Public Power District, Orlando Utilities Commission, Platte River Power Authority, Puerto Rico Electric Power Authority, Sacramento Municipal Utility District, Salt River Project, Santee Cooper, Seattle City Light, Snohomish County Public Utility District No. 1, and Tacoma Public Utilities.

resources, and will more than double this in the next few years. Los Angeles Department of Water and Power (LADWP) plans to receive 35% of its power from new renewables by 2020, perhaps the most aggressive renewable goal in the nation. The Sacramento Municipal Utility District will have 20% of its energy resources in renewables in 2010, with a goal of having 33% in renewables by 2020. Snohomish County Public Utility District leads the country in FERC-approved tidal applications. Our members in Florida and the Southeast, however, have significant challenges when it comes to renewables, with biomass and landfill gas resources as our best options.

On Monday, March 9 LPPC received proposed legislative language entitled Siting of Interstate Electric Transmission Facilities, which proposes to amend Section 216 of the Federal Act (16 U.S.C. 824p). LPPC has not yet had the opportunity to fully review and discuss this proposal. However, we will comment on it in a supplemental submission for the record and I will be prepared to discuss the proposal during the hearing on March 12.

My testimony today addresses the need for federal legislation to spur the development of transmission facilities to bring new renewable resources to market. I address four policy issues relating to new transmission: siting, planning, cost allocation and proposals for dedicating new transmission exclusively or predominantly to use by renewable resources. LPPC members support transmission development needed to deliver renewable and other generation resources, and believe that enhanced federal siting authority would be particularly useful. With respect to system planning, while we recognize that there may be room for improvement in existing planning institutions and processes, much is now being done at FERC's recent behest. We believe it would not be productive to layer a new planning bureaucracy on top of the current regime.

As to cost allocation, LPPC believes that the users of the proposed new transmission facilities should pay for them. Some current policy proposals provide for interconnection-wide cost allocation for new transmission facilities – that is, spreading the costs of new transmission facilities constructed in the Eastern or Western Interconnection to all consumers in the Interconnection.<sup>1</sup> This cost allocation policy is not necessary to encourage needed new facilities, and may well discourage the development of more economical alternatives for reducing greenhouse gas (“GHG”) emissions, such as energy efficiency and local renewables. I am particularly concerned, from the standpoint of JEA and its customers, that the large subsidies for construction of transmission contemplated by some current proposals would provide little benefit to Florida, and would prove to be a costly burden. If Congress establishes environmental goals for our industry through implementation of an RES or carbon control measures, or both, Congress should let utilities, state regulators, and regional transmission organizations determine how to meet those goals most effectively by making economic choices among an array of available options.

### **Options for Reducing Carbon Emissions**

Building transmission to access remotely located renewable resources is only one of many means by which utilities may respond to requirements to reduce greenhouse gases (GHGs). The Electric Power Research Institute (“EPRI”) through its “Full Portfolio” analysis and McKinsey and Company in its 2007 “U.S. Greenhouse Abatement Mapping Initiative” show a wide variety of options that we may employ, including: energy efficiency initiatives (many calling for capital investment); conversion of existing generation to more efficient operations; the

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<sup>1</sup> The Eastern and Western Interconnections are the separate interconnected transmission systems in the Eastern and Western United States. A separate Interconnection operates in Texas.

development of additional nuclear capability; advanced coal generation and carbon capture and storage; distributed renewable resources (including distributed solar); plug-in hybrid vehicles and the development of large-scale remotely located renewable generation.<sup>2</sup> Many of these options are also useful in meeting a Renewable Electricity Standard (“RES”).

The EPRI and McKinsey studies demonstrate that we should take advantage of the full range of alternatives available to us to reduce carbon emissions. When considering these options from Florida’s standpoint, or the entire Southeast for that matter, we must also remember that the available options depend very much on geography. It is clear that in the Southeast, unlike the West, Pacific Northwest and Mid-West, we are not blessed with substantial wind resources. The Department of Energy’s nation-wide study of wind resources shows plainly that there are no significant on-shore wind resources in the Southeast, and limited off-shore capability.<sup>3</sup> It is telling that even American Electric Power’s ambitious proposal for a nation-wide transmission build-out does not propose facilities in the Southeast.<sup>4</sup>

What we do have in the Southeast is biomass capability, some limited solar capability, the potential for nuclear development and the opportunity to consume energy more efficiently. These options do not call for an extensive transmission build-out, and it does not seem reasonable or fair to me to call upon electric customers in the Southeast to pay for transmission they cannot use. Certainly, I would not expect others to fund the options we will choose for addressing RES or GHG reduction requirements, including, potentially, new transmission to

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<sup>2</sup> See [mydocs.epri.com/docs/public/DiscussionPaper2007.pdf](http://mydocs.epri.com/docs/public/DiscussionPaper2007.pdf); and <http://www.mckinsey.com/client-service/ccsi/greenhousegas.asp>.

<sup>3</sup> See [http://www.windpoweringamerica.gov/wind\\_maps.asp](http://www.windpoweringamerica.gov/wind_maps.asp).

<sup>4</sup> See: <http://www.aep.com/about/i765project/docs/WindTransmissionVisionWhitePaper.pdf>. The map at p. 8 of that proposal shows no facilities planned for the Southeastern United States.

reach off-shore wind resources. I believe that it makes a lot more sense to permit utilities to make intelligent choices from among the realistic alternatives they have available to them to meet RES and GHG control requirements, without burdening them with costs of transmission facilities useful only in distant regions.

### **Transmission Siting**

LPPC believes that where transmission to remotely located renewable resources is sensible, there are measures Congress should take to facilitate that development. LPPC agrees that state siting authority is not sufficient to address interstate transmission to benefit renewable resources. State authorities are generally restricted to considering the best interests of their jurisdictions in isolation when deciding whether to issue a Certificate of Public Convenience and Necessity or make state eminent domain powers available for a project, leaving any state in a proposed interstate transmission pathway in a position to exercise an effective veto. Nor is current federal authority adequate to overcome this barrier. While the Energy Policy Act of 2005 (“EPAAct 2005”) did amend the Federal Power Act by creating a new Section 216, authorizing the Federal Energy Regulatory Commission (“FERC”) to exercise “backstop” siting authority, the authority is of limited utility for renewable resources. New Section 216 authorizes FERC to issue certificates in instances in which states delay siting facilities that would address transmission constraints in so-called “national interest corridors” previously designated by the Department of Energy. However, it is my understanding that these designations are generally not intended to address transmission for renewable resources. I also understand that the scope of federal authority was recently narrowed by the Fourth Circuit Court of Appeals’ decision in *Piedmont Environmental Council v. Federal Energy Regulatory Commission* (Case No. 07-1651,

4th Cir., February 18, 2009), where the court held that a state order directly denying a certificate application did not serve as a predicate for the exercise of federal backstop authority.

I also believe that any additional federal siting and eminent domain authority that Congress creates should be respectful, to the maximum extent feasible, of state and local concerns regarding siting options and land use. State agencies historically responsible for siting transmission facilities are well-equipped to consider environmental and land use issues, the impact on local economies and rates. These agencies have an important role to play in determining routes subject to federal siting authority.

LPPC's Western members have experienced significant obstacles to the development of interstate renewable transmission projects from such federal agencies as the Department of the Interior's Bureau of Land Management, the Forest Service and the Department of Defense, to the extent they are responsible for the administration of federal lands that may be crossed by transmission for renewable resources. Federal land is often traversed by large-scale transmission projects, and LPPC's Western members report that lengthy review processes, and difficulty in valuing benefits of renewable goals can be problems for these agencies. Here, empowering a single federal agency, preferably FERC, to facilitate the federal siting process would be very helpful.

Finally, I note that LPPC believes it would be a mistake for new legislation extending federal siting authority to include restrictions on the use of this new capacity. Some of the current policy proposals would restrict the use of new transmission to renewable resources. These proposals raise difficult issues regarding compliance with open access requirements, verification and equity. In addition, dispatching power into the grid under such a system would

be tremendously complex. Such requirements simply may not work when one considers the physics of the electric grid and the intermittent nature of renewable resources.

## **Planning**

Coordinated interregional planning will be important in the development of new transmission to interconnect renewable resources. There may be room for improvement in the existing planning institutions and processes – but with the changes mandated by FERC in Order No. 890, I think they are up to the task. In Order 890, issued last year, FERC directed the implementation of new, region-wide planning processes that call for an unprecedented level of regional coordination, transparency, and federal oversight.<sup>5</sup> Compliance filings by all utilities reflecting these principles were accepted by FERC only a few months ago, and the implementation process is now under way. Utilities in the Southeastern United States, including JEA, are actively participating in a new, region-wide planning process designed to address pan-regional planning challenges and proposals.

Layering a new planning bureaucracy on top of what we are currently developing is likely to be time-consuming and costly, and may delay rather than expedite transmission development. As the industry moves toward a more open, transparent and coordinated process under the Order No. 890 framework, we have been careful to preserve the “bottom up” nature of the planning function, since doing otherwise would risk system reliability. There is no doubt that the focus of this process will change as an RES or other measures governing GHG emissions are implemented. But I believe Congress should be wary of turning the industry’s planning process

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<sup>5</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)

upside-down at the very time we most need a careful, considered response to the new stresses that will be placed on the grid.

### **Cost Allocation**

The cost of the proposed transmission build-out is unknown at this time. However, a recent transmission study undertaken by the Midwest ISO, SPP, PJM, TVA and MAPP in the Joint Coordinated System Plan 2008 (“JCSP”) estimates that the investment in transmission in the Eastern Interconnection alone to meet the 20% wind energy scenario studied by the Department of Energy in its Eastern Wind Integration and Transmission Study would be \$80 billion. I think it is reasonable to assume that a nationwide program may cost as much as twice that amount.

If Congress adopts an RES, and with the potential for other carbon control measures, utilities will have every incentive to respond in the most cost-effective manner possible, in view of the resources available to them. Utilities will do what they need to do to meet these goals, and if building transmission to access remote renewable resources is the most economical alternative, that is what they will do. However, allocating the cost of that transmission on an interconnection-wide basis will tilt the playing field dramatically away from any alternatives that do not depend heavily, or at all, on transmission. If the cost of transmission to remote resources is essentially free from a system planner’s standpoint, other alternatives to meeting carbon control requirements will be significantly less economical by comparison. Low cost, subsidized transmission for distant renewables should not be allowed to crowd out energy efficiency and local renewables.

At such time as a Federal RES and some form of carbon control regime is in place, utilities will have a powerful incentive to employ all available options for GHG emission

reductions. Of course, many utilities will make plans to build new transmission facilities to access remotely located renewable resources, while project developers will have reason to invest in such facilities in order to access newly motivated markets.

A good deal of work on transmission for renewables is already being undertaken, particularly where state RES requirements are already in place. According to the North American Electric Reliability Corporation's (NERC) 2009 Long-Term Reliability Assessment, approximately 11,000 more transmission miles are planned between now and 2012, a substantial addition to the existing network of 164,000 miles, and more than the system has experienced for many years. Much of this is specifically aimed at integrating new wind resources into the electric grid. For example, there are two major transmission projects in the West planned for completion in 2014 to integrate renewable resources. Each of these 1,000-plus mile lines will facilitate the delivery of 3,000 MW of primarily wind generation from the northern plains to load centers in the Southwest.

Some argue that without an interconnection-wide funding mechanism, needed transmission would not be built. This seems incorrect to me, and it ignores the unavoidable incentive that an RES or carbon control framework will establish. Faced with a direct mandate, or a substantial financial incentive, utilities will respond in full compliance with the law. Where economical, they will build or fund new transmission systems. Whether the investment compelled by these new requirements will support all of the high voltage facilities contemplated by some project developers is an open question. But it doesn't make sense to judge the economics of these lines in a vacuum. If it makes economic sense to build new transmission facilities, when one looks at the available resources and demand and compares the cost of construction to all of the available alternatives, they should be built. Project developers should

be making these judgments based on projected generating capacity, anticipated demand and the cost and efficiencies of the facilities. There is no need for legislation addressing cost allocation that would effectively prejudge those decisions.

### **What Interconnection-wide Cost Allocation Would Mean For Florida**

The options for renewable generation to meet the RES in the Southeast include further reliance on biomass resources, the development of additional solar facilities, a substantial investment in efficiency and demand response initiatives, and the potential development of off-shore wind resources. These options do not depend on a large scale transmission build-out, and no one has made a good case for facilities that would cross half a continent in order to supply Florida with additional wind resources. As I noted above, the transmission build-out proposals I have seen leave Florida and the Southeast out of the mix.<sup>6</sup>

The effect of this, from the standpoint of JEA's customers, would be to call for what amounts to a substantial tax, with no practical benefit from an environmental standpoint. JEA will do what it must to meet RES requirements, generate renewables or purchase renewable energy credits, but adding an interconnection-wide fee for transmission facilities we cannot use makes no sense.

### **What Congress Should Do**

LPPC's view is that Congress should focus on clearing away obstacles to transmission development where they exist. These steps include implementing further federal transmission siting authority that is respectful of state and local concerns. Further, a full review of existing statutes and federal agencies involved in authorizing transmission across federal lands should be

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<sup>6</sup> See AEP's proposal for building the new green grid at <http://www.aep.com/about/i765project/docs/WindTransmissionVisionWhitePaper.pdf>. The map at p. 8 of that proposal shows no facilities planned for the Southeastern United States.

undertaken, in order to respond to what I am told is the substantial need for coordination among all federal permitting processes.

What Congress should not do, in LPPC's view, is create an additional bureaucracy to oversee system planning, or require the interconnection-wide cost allocation of new transmission investment. The need to respond to an RES will drive transmission investment where that makes sense. The "socialization" of transmission costs would be a costly subsidy that would suppress other, potentially more economical, alternatives to meeting renewable energy and GHG control goals.