

February 19, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

Re: Allocating the Costs of New Long-Distance Transmission Lines

Dear Majority Leader Reid and Minority Leader McConnell:

As you are aware, the American Clean Energy Leadership Act of 2009 (S. 1462), as passed by the Senate Energy & Natural Resources Committee, includes provisions addressing allocation of the costs of transmission system expansion. We are writing on behalf of consumer and investor-owned utilities in the Northwest and California to reiterate our support for language in S. 1462 that allocates costs based on measurable benefits.

We strongly support the development of renewable and other clean energy sources. However, decisions about when and where to build new generating resources involve market choices by resource developers and customers. The only way to ensure that these decisions are made in a cost-effective manner is to provide price signals that show the true costs of these decisions. Transmission planning and cost allocation must support price transparency and the access to accurate cost and price information so that the power purchasers can make informed resource purchase decisions and consumers do not end up paying more than necessary.

A policy that assigns costs of new transmission facilities to the users of new transmission facilities will properly allocate the costs. The load that consumes the power transmitted on the new facilities will ultimately pay those costs, either directly in transmission charges or indirectly through the wholesale price charged by the generator. If developers and potential customers of the new resources don't have to pay the costs of transmission associated with their decisions, the price signal is lost and distant resources will have an unwarranted price advantage over local, less costly ways of getting to the cleaner energy future we all desire. Alternatives to imported renewable generation include energy conservation investments, demand-side management, and distributed resources. Some regions will find renewable resources at or near the consuming customer, such as on-shore and off-shore wind closer to the load centers of the East Coast, or carbon-free nuclear and hydro generation. To avoid market distortions that will harm consumers, transmission cost allocation policy should place the costs of transmission on the parties (generation or load) that create the need for the new investments, rather than allocate transmission costs across a broad area. Deference should be provided to consensus regional cost allocation solutions developed through open and collaborative processes, and parties being asked to contribute to the recovery of costs should have significant input and involvement in the decision-making process.

In addition, with respect to transmission planning, we want to note that voluntary coordination through successful, existing local and regional processes is enabling significant transmission expansion in the Northwest, both for reliability and to clear the queue created by the rapid growth of new generating resources in our region. These planning processes are well underway and producing viable transmission plans that participating utilities are executing. One of the reasons for this success is that these processes result in voluntary agreements to site lines and undertake investments, without the delay of regulatory processes and litigation.

In light of our success in the Northwest and California so far, and to ensure that low-carbon electricity will be produced and delivered in the most cost-effective and consumer-friendly manner possible in the future, we urge you to maintain the provision in S. 1462 that calls for allocation of costs based on measureable benefits.

We look forward to working with you closely on these issues that are so important to the consumers we serve.

Sincerely,

Clark Public Utilities
Eugene Water & Electric Board
Northwest Requirements Utilities
Oregon Municipal Electric Utilities Association
Pend Oreille Public Utility District
PNGC Power
Portland General Electric
Public Power Council
Puget Sound Energy
Sacramento Municipal Utility District
Seattle City Light
Snohomish County Public Utility District
Tacoma Power
Washington PUD Association