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Thank you for the opportunity to address you today. I appear on behalf of the Independent Energy Producers of California and affiliated groups that are members of the newly formed Independent Power Producers Coalition – West.

The West’s independent power producers, who continue to drive development of new base- load, peaking and variable renewable resources, are looking to FERC for leadership in meeting two fundamental objectives:

- First, to facilitate the timely investment in transmission infrastructure particularly for multi-state transmission. New transmission built cost-effectively, in a timely fashion, needed to deliver energy from remote resource-rich areas to serve customers in load center throughout the west.

- Second, revisit transmission policies erected in the name of clearing the interim queues of speculators that sometimes results in penalizing otherwise viable generation projects.

I will address what the IPPs are looking for in each of these objectives in turn.

First, how can we facilitate timely, cost-effective investment in multi-state transmission in the West?

It's well known that the costs of building long-distance transmission line segments needed to access renewable resource zones are expensive.

Nothing, (even an act of Congress), can be done to bring the resources themselves any closer to load; nature has determined the windy, sunny and hot spots for us. However, this is not a new issue; in the last century thousands of miles of transmission were built to access hydropower and coal resources equally distant from load centers. In short, we've done it before and can do it again.

IPPs are prepared to contribute a fair share of the costs of new investment. The challenge is to create an approach that equitably allocates costs and find a mechanism that actually moves forward in constructing transmission.

The Bonneville Power Administration's network open season (NOS) process points in the right direction.

BPA took the time and exercised the imagination to recognize its share of the costs in building the new high voltage John Day – Big Eddy transmission line both for reliability for its system and bringing on more wind power. The NOS approach also solicited developers to make significant

deposits based on a year's expected transmission service – a not inconsiderable cost that separated the serious and well-funded developers from the speculators.

BPA leaned on its borrowing authority – recently tripled as part of the stimulus package – to enable its first NOS to succeed. And this is where its success could be replicated.

The most efficient way to move forward with transmission in the West would be to seek federal support enabling incumbent Transmission Providers, collaborative organizations like NTTG and Transcos to secure revolving federal loans similar to BPA's to finance transmission construction.

This would remove the “who puts up the money first” problem, provides security for the transmission owners and resolves the cost concerns for those entities not benefitting immediately from the transmission investment.

IPP generators could contribute their fair share by advancing transmission service payments just as they did – to the tune of tens of millions of dollars – in BPA's process.

Federal participation would, by its very nature, subsume the provincialism that threatens to erode interstate investment and the standard monopolistic convention that has to date mostly kept transmission investment to within balancing authority boundaries.

This is a “big idea” to be sure. But a federal entity has demonstrated that it can be done. Why limit federal underpinning of transmission investment to federal entities when TOs and Transcos can do the job just as well?

Second, what are current obstacles standing in the way of IPP participation in fair cost allocations for new transmission?

One example is high “project securities” imposed on new project developers. Certainly, developers paving the way for new generation ought to be required to put up deposits in the form of “earnest money” to remain in the transmission queue. There is a need to distinguish real development from speculation and money can be a good indicator. However, there are examples, (California) where security deposits are being imposed in amounts that far exceed this stated purpose. This is certain to have counter-productive effects of discouraging real generation. Policies requiring security deposits need to be based upon transmission projects actually moving forward and payment structured accordingly.

Other ways to enable fair cost allocation by IPPs would be for project sponsors to establish a “floor” under generator-required deposits that is sufficiently high to collect “earnest money” from viable projects. This could be accomplished on a per MW cost that matches the security to the project size.

Developers who do “invest” in a project also need – and can reasonably expect – to be able transfer their position to another generator as may be necessary. It’s also vital that the terms and conditions being offered by the transmission project sponsor do not arbitrarily change or, for that matter, contractually enable such a change since only certainty is bankable.

Speaking on behalf of IEP and the coalition of IPP groups with which we are affiliated, we commend you for taking up the difficult topic of cost allocation. Our industry fully recognizes both its role – and its responsibilities. We look forward to working with you in cutting this particular

Gordian knot – one of several – that has seriously slowed the pace of transmission infrastructure investment in the West. We are ready to build the next generation of clean generation. We are looking to the FERC to help us get it to market.