

**TESTIMONY OF EDWARD N. KRAPELS BEFORE THE UNITED STATES SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES**

March 11, 2009

Chairman Bingaman, Senator Murkowski, and members of the committee, I thank you for the opportunity to present testimony on the VERY important subject of our Nation's electric transmission infrastructure. My name is Edward N. Krapels and I am the President of Anbaric Transmission LLC, which is an incubator of electric transmission projects. I am a Principal of the Neptune Regional Transmission System and the Hudson Transmission Project. Neptune is a 660MW, high voltage direct current underwater transmission line which connects New Jersey and Long Island and was built on-schedule and on-budget between 2004 and 2007. Neptune, now run by my partner, Ed Stern, provides between 10 and 20 percent of the energy used on Long Island. Hudson Transmission, which connects New Jersey and Manhattan, is similar in size and scope, and is scheduled to go into construction this summer. Both Neptune and Hudson were selected in highly competitive procurement processes conducted by New York State Authorities. As an electric transmission developer entirely without any affiliation with a public utility company, we were not without our critics and skeptics who said there was no need for nor value in independent transmission providers. The success of Neptune and Hudson serves, however, as a compelling rejoinder to these skeptics and these two projects now serve as an ideal illustration of the feasibility and value of *regulated competition* in transmission development.

Anbaric is also leading the development of a number of other innovative projects in the United States. We believe we can efficiently develop several thousand megawatts of additional, renewables-enabling transmission lines and have them ready for construction by 2011. We have

excellent relationships with financiers willing and eager to invest in transmission infrastructure. Capital availability – debt and equity – while challenging, is not a major constraint on our activities. We are ready, willing, and able to develop additional projects under careful regulation and under the strict disciplines of project finance, properly executed.

We also do not consider siting to be among the top challenges to the development of our kind of transmission. By and large, we take the difficulty of siting terrestrial, overhead lines as a given, and seek alternative ways to install our cables. As a result, we have focused on sub-sea, sub-river projects. Even under intense environmental scrutiny, the installation methods we use are minimally disruptive and – because we will typically seek to access renewables – present a strong and compelling net environmental benefit. We have not needed eminent domain in our projects, nor have we sought to invoke the designation as a “National Interest Transmission Corridor” under the 2005 Energy Policy Act.

All that said, Mr. Chairman, our successful development efforts have not been without obstacles. The top challenges, **and our proposed solutions**, to building modern and environmentally responsive transmission, are as follows:

1. **Out-dated planning objectives.** The regional organizations that conduct electric system planning do so with the single-minded purpose of meeting specified reliability criteria. Nowhere are they empowered, let alone mandated, to explicitly incorporate state and federal environmental policies to advance the construction, development, and integration of transmission to support new renewable energy generation resources. As a result, despite the best efforts to date by FERC to broaden the range of reasons for which system planners choose transmission projects, there have been no major “environmental projects”

approved in the Eastern Intertie. Indeed, Anbaric and others have encountered this problem first hand in New England with our “Green Line” and competing projects. Despite an express finding by FERC in February 2007 that we were “independent and capable,” this regulated transmission line has been mired in an outdated planning process that does not properly assess the value of bringing new renewable resources into the grid. Similar proposals by other developers and utilities have been similarly thwarted by the “reliability-only” criteria used by regional planning processes to determine which transmission projects are needed. Today, Texas, with its Competitive Renewable Energy Zones, provides the best example of how to develop renewable resources as well as the transmission to support them in an effective and competitive manner. Texas’s “CREZ” approach opens up transmission development and has made Texas the leading area in our country for renewable energy development. **We urge Congress to empower and direct FERC to require that regional transmission planning efforts explicitly include environmental policies and requirements and identify and incorporate access to renewable energy resources within approved regional plans.**

2. **Lack of inter-regional planning cooperation.** In our experience, most transmission planning can and should be done at the regional level. Regional planning organizations have attempted, and should be encouraged, to work cooperatively to identify and facilitate projects that meet inter-regional needs. At times, however, cooperation can, and will, break down, as regional organizations focus on their regional interests. When this occurs, FERC must be given the

necessary tools to intervene in the national interest and remove the planning impediments to sensible, inter-regional projects. **We urge Congress to empower FERC to approve inter-regional transmission projects on their merits when a lack of inter-regional cooperation or agreement becomes an obstacle to development.**

3. **Disagreement over cost allocation.** The inability of state governments to agree upon a fair and equitable allocation of transmission infrastructure expenses is impeding the development of needed and desirable projects. The interstate nature of our electric transmission grid makes it difficult, indeed impossible, to track with precision each beneficiary and the benefit they receive over time from the addition of new transmission infrastructure. The perfect has become the enemy of the good. Today, the need for a clear, national policy on transmission cost recovery has never been greater, now that our Nation is poised for a major build-out of transmission facilities to support a smart-grid concept and to deliver new supplies of renewable power to the customers that need them. **We urge Congress to expressly empower and direct FERC to impose cost allocation solutions on ISO or RTO regions (and possibly across an entire interconnect) that allow the cost to be borne equally across a market area when the regions are unable to agree upon another cost allocation solution, and especially when those costs are associated with the delivery of new renewable resources.**
4. **The need for competition in transmission.** Independent transmission companies, like Anbaric and its competitors, have already demonstrated their ability to provide the cost-effective development, construction, and operation of

new transmission facilities. We respect the obligations electric utilities have to build transmission under certain circumstances. The development of renewable and economically-oriented transmission, however, will benefit from competition from independents, who typically bring innovation and financial discipline to their proposed projects. Indeed, at a recent FERC hearing, we were encouraged when we heard one of the Nation's foremost electric companies, Exelon, endorse the notion of a competitive process for the development of new transmission facilities to deliver renewable power. We believe competition in transmission is viable, valuable and should be the norm, not the exception. **We urge Congress to expressly provide for the right of independent transmission providers to compete with incumbents and to make explicit the presumption of competition for the development of all new transmission resources.**

In closing, let me thank the Committee once again. We hope that our views are helpful to your deliberations and we stand ready to assist the Committee in any way we can.