

November 30, 2009

The Honorable Harry Reid,  
Senate Majority Leader  
U.S. Senate  
Washington, DC 20510

**Janice K. Brewer**  
*State of Arizona*

The Honorable Barbara Boxer, Chair  
Senate Environment and Public Works  
Washington, DC 20510

The Honorable James Inhofe, Ranking  
Senate Environment and Public Works  
Washington, DC 20510

**Arnold Schwarzenegger**  
*State of California*

The Honorable Jeff Bingaman, Chairman  
Senate Energy and Natural Resources  
Washington, DC 20510

The Honorable Lisa Murkowski, Ranking  
Senate Energy and Natural Resources  
Washington, DC 20510

**Jim Gibbons**  
*State of Nevada*

The Honorable Max Baucus, Chairman  
Senate Finance Committee  
Washington, DC 20510

The Honorable Charles Grassley, Ranking  
Senate Finance Committee  
Washington, DC 20510

**Ted Kulongoski**  
*State of Oregon*

The Honorable John D. Rockefeller, IV  
Chairman  
Senate Commerce, Science and Transportation  
Washington, DC 20510

The Honorable Kay Bailey Hutchison  
Ranking Member  
Senate Commerce, Science and Transportation  
Washington, DC 20510

**Christine Gregoire**  
*State of Washington*

The Honorable Blanche L. Lincoln, Chair  
Senate Agriculture, Nutrition and Forestry  
Washington, DC 20510

The Honorable Saxby Chambliss, Ranking  
Senate Agriculture, Nutrition and Forestry  
Washington, DC 20510

The Honorable John Kerry, Chairman  
Senate Foreign Relations  
Washington, DC 20510

The Honorable Richard Lugar, Ranking Member  
Senate Foreign Relations  
Washington, DC 20510

Dear Majority Leader Reid and Senators:

As Congress completes work on energy legislation this fall we as Western Governors would like to bring several important policy considerations to your attention. We are articulating these policy positions only as they apply to the cited transmission issues that may be part of the bills pending before Congress, and we reserve to the individual Governors the right to express their respective positions on the remaining portions of the various bills pending before Congress on Climate and Energy.

**Transmission Cost Allocation, American Clean Energy Leadership Act of 2009, S.1462**

We are concerned about federal transmission funding proposals that will hinder our states' efforts to develop renewable resources. S.1462, the American Clean Energy Leadership Act of 2009, authorizes the Federal Energy Regulatory Commission (FERC) to allocate the costs of new transmission projects to utilities across a region. We disagree with this approach. The undersigned Governors support the approach on cost allocation in existing law, which provides for the allocation of transmission costs through tariffs that are charged to transmission users and approved by the FERC. We believe the current user pays approach is the most effective approach for getting transmission built in the Western Interconnection.


Region wide cost allocation proposals are untested, fraught with controversy and likely to be litigated, and thus would delay, rather than advance, our progress in meeting environmental goals. They may also hinder our states' efforts to develop renewable resources and establish federal jurisdiction in an area traditionally handled by states.


In the West, new transmission is generally paid for by the customers using it. We believe it is inappropriate to assess the cost of a transmission build-out to customers that cannot make use of the facilities, or who elect not to because they can access more cost effective options that do not rely on large, new transmission investments to meet environmental objectives. These alternatives are numerous and include among other things, distributed renewable resources, energy efficiency and demand side measures.


The Western Governors' Association's Western Renewable Energy Zones (WREZ) report identified a considerable amount of renewable generation in the West. Some of that generation is far from load centers and would need major investment in new transmission. However, the report also identified a significant amount of renewable generation close to major load centers and existing energy hubs. These resources could be developed quickly with relatively minimal investment and less impact to the environment. Utilities, state regulators, and regional transmission organizations should determine how to meet the environmental goals most effectively by making economic choices among the array of available options, without subsidy of one technology or market segment over others.

We encourage the federal government to take constructive actions to encourage the development of renewable resources along with the necessary transmission. These actions include continued support of existing regional planning efforts that will accelerate the development of transmission infrastructure, and streamline federal processes to site and build transmission. However, we discourage broad, region-wide cost allocation.


Sincerely,

  
Janice K. Brewer  
Governor of Arizona

  
Arnold Schwarzenegger  
Governor of California

  
Jim Gibbons  
Governor of Nevada

  
Ted Kulongoski  
Governor of Oregon

  
Christine Gregoire  
Governor of Washington

cc:

The Honorable Nancy Pelosi, Speaker of the House  
The Honorable Henry Waxman, Chairman, House Energy and Commerce Committee  
The Honorable Joe Barton, Ranking Member, House Energy and Commerce Committee  
The Honorable Edward Markey, Chairman, Subcommittee on Energy and Environment  
The Honorable Fred Upton, Ranking Member, Subcommittee on Energy and Environment  
The Honorable Nick Rahall, Chairman, House Natural Resources Committee  
The Honorable Doc Hastings, Ranking Member, House Natural Resources Committee  
The Honorable Grace Napolitano, Chair, Subcommittee on Water and Power

The Honorable Cathy McMorris Rodgers, Ranking Member, Subcommittee on Water and Power  
The Honorable Madeleine Bordallo, Chair, Subcommittee on Insular Affairs, Oceans and Wildlife  
The Honorable Henry Brown, Ranking Member, Subcommittee on Insular Affairs, Oceans and Wildlife  
The Honorable Raul Grijalva, Chairman, Subcommittee on National Parks, Forests and Public Lands  
The Honorable Rob Bishop, Ranking Member, Subcommittee on National Parks, Forests and Public Lands  
The Honorable Collin Peterson, Chairman, House Agriculture Committee  
The Honorable Frank Lucas, Ranking Member, House Agriculture Committee