Subcommittee on Energy

Hearing on

"Modernizing Energy and Electricity Delivery Systems: Challenges and Opportunities to Promote Infrastructure Improvement and Expansion"

February 15, 2017

Comments
of

Paul N. Cicio
President
Industrial Energy Consumers of America

Chairman Upton, Ranking Member Rush, members of the Subcommittee, thank you for holding this important hearing and providing an opportunity for public comment.

1. Position on electric transmission infrastructure

Congress and the Administration should not place electric transmisson infrastructure projects as a high priority. The majority of the electric transmission projects are not needed and needlessly increase the cost of electricity to all consumers and can result in the shutdown or the idlling of electric generating capactity of existng natural gas, coal or nuclear facilities. All of which are generating assets that we consumers are paying for in our electric rates. Transmission is the fastest growing cost portion of our electricity bill.

2. Industrial Energy Consumers of America

IECA is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales and with more than 1.6 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets.

IECA membership represents a diverse set of companies from industries that include: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, glass, industrial gases, building products, independent oil refining, and cement. Member companies are energy intensive trade exposed (EITE) and are some of the largest industrial consumers of electricity and natural gas in the U.S. As a result, the cost of energy can directly impact competitiveness. The manufacturing sector consumes 26 percent of all U.S. electricity.

3. IECA supports natural gas pipeline infrastructure projects

IECA is concerned that Congress and the Administration will include electric transmission projects as a priority. They are not. Energy infrastructure projects like natural gas pipelines are a priority. Without increases in pipeline capacity, industrials cannot get the fuel needed to expand facilities directly impacting economic and job growth.

4. Electric transmission projects are driven by mandates and subsidies

The majority of the electric transmission projects are driven by state mandated renewable portfolio standards (RPS) and federal subsidies for renewable energy production, such as the production tax credit (PTC). The cost of the transmission projects will be passed onto us, the consumer, thereby increasing electricity prices and impacting manufacturing competitiveness. And, the federal government should not place a priority on projects that are paid for by "socializing" the costs of electric transmission. (FERC Order 1000) Many electric consumers will pay for these projects but few would benefit.

5. Future electric demand does not justify new electric transmission

According to the Energy Information Administration (EIA)[1], electricity demand will increase only 0.44 percent per year from 2016 to 2025. Low electric demand growth means that these expensive

[1] "Electricity Sales by Sector," U.S. Energy Information Administration (EIA), Annual Energy Outlook (AEO) 2017, http://www.eia.gov/outlooks/aeo/tables_ref.cfm

electric transmission projects are not needed for purposes of serving the needs of the electric consumer. The North America Electric Reliability Corporation (NERC) data indicates that there is significant existing electrical reserve capacity.

6. Electric transmission projects are neither an emergency or a national security issue
Some electric transmission projects are promoting themselves as "Emergency & National Security" related. In our view, they are neither. Renewable electricity capacity is unreliable and can weaken grid reliability. Transmitting renewable energy capacity into other markets can result in the shutting down of existing baseload nuclear, coal, and natural gas-fired electric capacity, a detriment to reliability. These existing generating assets are already included in our electric rates. Existing capacity of electric generation can reliably supply the market. Electric consumers, especially manufacturing companies, need reliable baseload power for security and safety. Industrial company electric demand is most often 24/7, which requires reliable power generation.

7. Market distortion
Renewable energy transmission projects move electricity from states that generate renewable power to other states for purposes of competing with local non-renewable electric power. This is a form of unfair competition because of the economic advantages of the PTC. The economic advantage is so great that sellers of renewable energy often sell power to the grid for free and still generate a handsome profit.

The real beneficiaries of the electrical transmission projects are a small group of companies who build transmission lines and sell renewable energy – not the electric consumer.

Thank you.