

**Statement of Linda Apsey, President and CEO**

**ITC Holdings Corp.**

**U.S. House of Representatives**

**Select Committee on the Climate Crisis**

**“Powering Up Clean Energy: Investments to Modernize and Expand the Electric Grid.”**

**May 20, 2021**

Thank you, Chair Castor, Ranking Member Graves, and distinguished members of the Select Committee, for inviting me to testify on the critical topic of modernizing and expanding the electric grid.

I am Linda Apsey, Chief Executive Officer of ITC Holdings Corp. (ITC). As the largest independent electricity transmission company in the country, ITC owns and operates electric transmission assets in Michigan, Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma with a combined peak load of 26,000 megawatts along 16,000 circuit miles of transmission lines. Since we have no geographic constraints, ITC is also focused on new areas where significant transmission system improvements are needed. We are proud of our record of investing in the grid to improve resilience, lower costs, and provide access to affordable renewable resources for our customers.

Thank you for holding this hearing and for addressing the clean energy economy and the future of the grid. The Select Committee Staff Report and Action Plan offer a comprehensive menu of policy options designed to spur investment in grid infrastructure and large-scale renewable energy needed to decarbonize the electric system in an efficient and affordable manner that also will enhance resiliency and reliability. Many of these ideas are now carried forward in President Biden’s American Jobs plan.

While recent years have seen some policy steps taken to encourage transmission investment, more needs to be done to address the three major hurdles to transmission development – planning, permitting, and cost allocation. I will first focus on the benefits of transmission investment and then on federal policies that can spur a reliable and affordable low-carbon electric system.

**Transmission Investment Can Accelerate Clean Energy and Create Jobs**

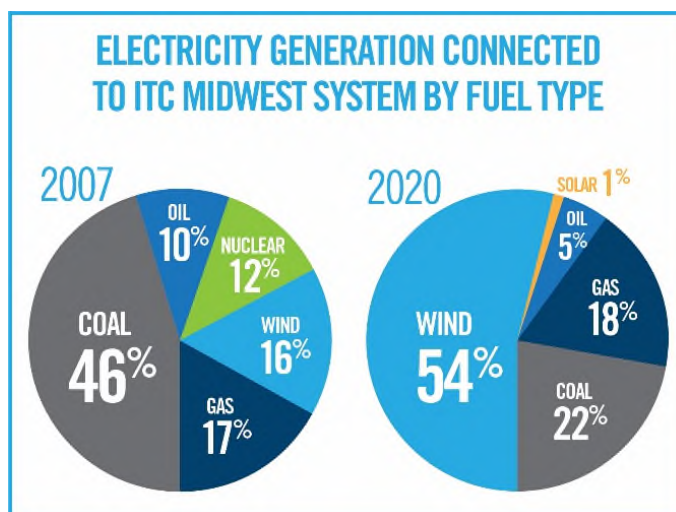
Our nation’s high voltage transmission system holds the key to unlocking the renewable energy future, in much the same way the interstate highway system unlocked prosperity in the middle of the 20th century. Like interstate highways, transformative investments in the high voltage grid will not simply happen. Modernization and expansion of our electric grid will require visionary leadership from federal and state leaders, as well as cooperation among numerous stakeholders,

including the nation’s electric utilities. If we are successful, this transformation of the grid can drive significant economic and environmental benefits for this generation and the next.

Since our inception, ITC has played a critical role in the transformation of the generation fleet to cleaner and more sustainable generation sources. While we have done much – having already connected about 6800 megawatts of renewable capacity to the grid – much remains to be done.

Consider a few of the trends contributing to our changing energy landscape:

- Consumers, governments, corporations and other organizations pursuing sustainability goals are demanding clean energy.
- Traditional baseload generating plants are being retired at an unprecedented pace, as evidenced by this chart showing a significant shift in generating capacity connected to ITC Midwest’s transmission system since 2007.



To meet the demands of customers and policymakers, utilities and renewable energy developers are adding wind and solar farms in Iowa and across the upper Midwest. MISO, the regional grid operator, reports more than 20 gigawatts of renewable energy – enough to power 14 million homes – is proposed in Iowa, Minnesota and western Wisconsin.

The need for major new transmission investments to support the future energy system will only grow. Our three largest customers announced significant generation transformation plans for the years ahead, and at least 30 utilities have made commitments to lower their emissions by 80% or more. Investing in transmission now will allow this transition to take place while maintaining affordability and enhancing system resilience.

The need for significant new investment in transmission to support clean energy and reduce emissions may sound daunting and expensive, but it does not need to be. A recent study from

Americans for a Clean Energy Grid concludes that a "transmission-first" approach to clean energy deployment will save customers money compared to current electricity costs<sup>1</sup>. Transmission-first means planning and building transmission infrastructure and upgrading existing systems in areas ripe for developing abundant and cheap wind and solar generation. By contrast, the current practice of planning incremental additions to the system for each new generation source imposes significantly higher costs over the long run.

Returning to an earlier analogy, the interstate highway system was proactively built on a vision of future access and need. If it had been built the way transmission is today, based on incremental demand, we would not have nationwide highway infrastructure and millions would be denied access to its economic benefits. To unlock our energy future, we need to begin work today on a transmission system that prioritizes renewable resource development, anticipates growth, and expands access to reliable, low-carbon electricity for all.

In addition, investments in transmission can create and support thousands of jobs, both directly during construction and over the lifetime of the investments. According to a recent report on transmission benefits released by the WIRES Coalition and London Economics, job creation and economic benefits achieved through transmission development can be substantial and long-lasting<sup>2</sup>.

### **Transmission in Action: MISO Multi-Value Projects (MVPs)**

There are many real-world examples of transmission development leading to increased penetration of low-cost renewables. For instance, ITC constructed major portions of MISO's Multi-Value Project portfolio in the Upper Midwest that were approved in 2011. These 17 high-voltage projects were designed to deliver renewable energy to load centers in the Midwest to facilitate compliance with state renewable energy standards and enhance grid reliability.

Retrospective analysis of these major projects confirms that they have led to significant renewable development, enhanced reliability and lower costs for customers. MISO affirmed the savings benefits from the MVPs in its most recent Triennial Review, issued in 2017<sup>3</sup>. That review indicated that the MVP portfolio will generate benefits in the range of \$2.20 to \$3.40 for each dollar spent. MISO estimates that the average electricity customer in the region will see \$33 in annual benefits for a \$12 per year investment in the entire MVP portfolio.

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<sup>1</sup> Consumer, Employment, and Environmental Benefits of Electricity Transmission Expansion in the Eastern U.S. <https://cleanenergygrid.org/wp-content/uploads/2020/10/Consumer-Employment-and-Environmental-Benefits-of-Transmission-Expansion-in-the-Eastern-U.S..pdf>

<sup>2</sup> Repowering America: Transmission investment for economic stimulus and climate change. <https://wiresgroup.com/repowering-america-transmission-investment-for-economic-stimulus-and-climate-change/>

<sup>3</sup> MTEP17 MVP Triennial Review. <https://cdn.misoenergy.org/MTEP17%20MVP%20Triennial%20Review%20Report117065.pdf>

The final MVP Project underway is Cardinal-Hickory Creek and it will run from Dubuque, Iowa to Madison, Wisconsin. It will enable 42 generators in the upper Midwest to deliver 7,566 MW of low-cost, reliable wind and solar power in the region. During construction and installation, which will be done by union labor, the project will generate approximately 2,500 jobs and \$274 million in economic impacts (GDP), according to the NREL's modeling. During operation, it will result in 135 permanent jobs and \$17 million in annual economic impact.

As customer demand for low-cost clean energy increases, transmission lines like the Cardinal-Hickory Creek project will meet the need by providing consumers with access to electricity generated in renewable energy-rich areas of Iowa and Minnesota. With the right policies in place, this model of transmission development can be repeated in the Midwest and across the country.

### **Investments are Needed to Ensure Resilience and Grid Security**

Reliability is always going to be an important issue for our nation as electricity is a key driver for our growth, prosperity, safety and security. This importance will only grow as electrification of the economy proceeds apace.

The threats faced by the system are both natural and man-made. The array and capabilities of hostile forces seeking to attack the U.S. electric grid and destabilize the nation have increased in size and sophistication over the past decade.

To date, ITC has invested approximately \$9.8 billion in our 16,000 miles of transmission lines and about 670 substations to date. Significant ongoing, long-term investment is still needed in grid security to harden our systems against man-made and natural threats and address aging infrastructure, reliability needs, NERC criteria, and other infrastructure considerations.

Grid resilience means increasing our ability to anticipate, withstand, recover and adapt to a wide variety of dynamic and material risks to our electric systems.

ITC's systems serve Michigan, Iowa, Minnesota, Illinois, Missouri, Kansas and Oklahoma, with a combined peak load exceeding 26,000 megawatts (MW). These areas frequently experience blizzards, windstorms, flooding and other natural disasters. ITC has observed an increase in the frequency and severity of these and other extreme weather events, as well as their potential to disrupt the reliable delivery of energy to customers.

The widespread power outages caused by last summer's devastating derecho in Iowa – estimated by NOAA to cost more than \$11 billion in damages – and the recent extended sub-freezing temperatures across much of the U.S., demonstrate the importance of a resilient and reliable electric power grid. Extreme weather events of an intensity comparable to the Midwest derecho in August 2020 can no longer be considered “black swan” or one-in-a-hundred-year events.

Consequently, continued investments in transmission are essential to ensure older transmission lines are rebuilt to provide greater system resiliency and reliability during extreme weather

events. At ITC, we are hardening our systems to provide greater redundancy to the entire grid, and keep power flowing to consumers during storms.

### **Investments are Needed to Realize Electrification**

Automakers, states and corporate players have declared ambitious transportation electrification commitments – all with a focus on the decarbonization of transportation. For example, General Motors announced on January 28, 2021, that it plans to phase out gas and electric vehicles and offer an all-electric lineup by 2035.

A study for WIRES conducted by the Brattle Group indicates the investment in transmission in the U.S. must rise from \$15 billion annually today to as much as \$40 billion per year between 2031 and 2050 to meet this electrification challenge<sup>4</sup>. Other studies (Princeton, E3, NREL) have indicated that the transmission system will need to double or even triple in size if we are to electrify the economy.

### **Federal Policy and Transmission Investment**

High-voltage transmission is essential both to meeting President Biden's goal of decarbonizing the U.S. electricity sector by 2035 and to reducing costs. A recent study from the University of California, Berkeley and GridLab indicates that achieving a 90% clean-powered grid by 2035 could deliver wholesale electricity costs 13% lower than today, boosted by about \$100 billion in transmission expansion investment.

Currently, many transmission projects are hampered by severely backlogged interconnection queues, outdated planning processes, and cost allocation debates that remain polarized. Lead times for large-scale transmission projects spanning up to a decade or more are unacceptable. Policymakers and stakeholders must act swiftly to address the regulatory and policy bottlenecks that threaten America's path to a cleaner energy future.

What is needed to meet the challenge? In short, we must address the three major policy hurdles to transmission development – planning, cost allocation, and permitting. First, as mentioned above, we need to plan the system in a way that anticipates future needs and unlocks our nation's abundant renewable resource potential. Second, we need to put in place cost allocation policies that equitably spread costs to beneficiaries of major projects, rather than placing all these costs on each incremental generator. Finally, we must ensure that permitting and siting processes are efficient and timely without undermining important environmental protections.

As part of this framework for policy reform, President Biden's proposal for an Investment Tax Credit for transmission offers a valuable tool to help lower costs for large projects and make it easier to achieve cost allocation agreements, which is a key hurdle to project approval and construction.

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<sup>4</sup> The Coming Electrification of the North American Economy. <https://wiresgroup.com/the-coming-electrification-of-the-north-american-economy/>

## **Regulatory Improvements Are Also Essential**

While Congress has many tools to address the policy roadblocks mentioned above, the Federal Energy Regulatory Commission (FERC) will continue to play a central role in moving towards a proactive and broadly beneficial grid planning approach.

To create a policy environment for proactive investments in transmission, FERC should:

- Improve planning processes by requiring regions to recognize and "count" all the benefits of a given transmission project;
- Require planning scenarios to include state and corporate clean energy goals and realistic estimates for electrification growth;
- Develop new cost allocation policies to equitably and expeditiously integrate the significant amount of renewable energy projects waiting to be connected to the grid;
- Reform policies that make transmission development slower and more complex, especially those processes imposed under the rubric of "competition";

## **Conclusion**

ITC supports the bipartisan goal of investing in the nation's transmission grid. We stand ready to work with Congress, FERC and others to ensure that we can seize this opportunity to improve the nation's transmission system, encourage and realize the blessings of abundant, affordable clean energy, as well as increase the resilience of our energy system. By doing so, we can chart a pathway to a low-carbon energy system with benefits that are broadly shared across the economy. If we fail to act with urgency, the grid could become a significant roadblock to climate progress.

Thank you again for the opportunity to testify before the Committee. I look forward to working with Congress and the Administration to invest in America's clean energy future.