

**BEFORE THE STATE CORPORATION COMMISSION STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

MAR 07 2011

**In the Matter of the Application of Grain)
Belt Express Clean Line LLC for a Limited)
Certificate of Public Convenience to)
Transact the Business of a Public Utility in)
the State of Kansas)**

Susan K. Duffy
Docket No. 11-~~GPEE~~ 624-COC

DIRECT TESTIMONY OF

BRYAN BEGLEY

ON BEHALF OF

GRAIN BELT EXPRESS CLEAN LINE LLC

1 **Q. Please state your name, present position and business address.**

2 A. My name is Bryan Begley. I am a Managing Director of ZBI Ventures, L.L.C. (“ZBI
3 Ventures”). I am also a limited partner in ZAM Ventures. L.P. (“ZAM Ventures”).
4 ZAM Ventures is the principal investment vehicle for ZBI Ventures. My business
5 address is ZBI Ventures, 1701 W. Northwest Highways, 1st Floor, Grapevine, Texas
6 76051.

7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. I am testifying in support of the request by Grain Belt Express Clean Line LLC (“Clean
9 Line”) for a Certificate of Public Convenience and Necessity to operate as a public utility
10 in Kansas. Specifically, I will address Clean Line’s request from the perspective of ZAM
11 Ventures, which is the majority owner of Clean Line’s ultimate parent company, Clean
12 Line Energy Partners LLC (“Clean Line Energy Partners”). I will discuss the reasons
13 ZAM Ventures has invested in Clean Line Energy Partners and ZAM Ventures’ support
14 of Clean Line Energy Partners’ business objectives.

15 **Q. Please describe your education and professional background.**

16 A. I received a Bachelor of Science in Mechanical Engineering from Oklahoma State
17 University in 1994 and earned a Masters of Business Administration from Harvard
18 Business School in 1998. I began my career at Phillips Petroleum, where I worked as an
19 engineer at the Research Center in Bartlesville and in the Oil and Gas division in
20 Norway. After business school, I joined McKinsey & Company, a management
21 consulting firm, and worked there for nine and a half years. While at McKinsey, I advised
22 clients across the energy industry, including electric utility companies and domestic and

1 international oil and gas companies. I joined ZBI Ventures in early 2007 to help build a
2 team seeking investment opportunities across the energy sector.

3 **Q. What is your affiliation with Clean Line?**

4 A. I am a member of the Board of Directors of Clean Line Energy Partners. Additionally, as
5 previously stated, I am a Managing Director of ZBI Ventures, and a limited partner in
6 ZAM Ventures, which is the principal investment vehicle for ZBI Ventures and the
7 majority owner of Clean Line Energy Partners.

8 **Q. What is your role with ZBI Ventures and ZAM Ventures?**

9 A. I am one of four Managing Directors of ZBI Ventures and one of four limited partners of
10 ZAM Ventures. My specific responsibilities include financing and managing
11 investments within the energy sector.

12 **Q. Have you testified previously before regulatory commissions?**

13 A. I have provided testimony in proceedings before the Arkansas Public Service
14 Commission and the Oklahoma Corporation Commission.

15 **Q. Are you familiar with the Application filed by Clean Line in this proceeding for a
16 Certificate of Public Convenience and Necessity to operate as a public utility in
17 Kansas, and the supporting testimony of witnesses Skelly, Glotfelty, Galli and
18 Berry?**

19 A. Yes, I am.

20 **Q. Please describe ZAM Ventures' investment strategy.**

21 A. ZAM Ventures is the principal investment vehicle for ZBI Ventures. ZBI Ventures
22 focuses on long-term investments in the energy sector. As a private family investment
23 firm, we think very long-term. We spend most of our time focused on the next decade

1 and beyond. Over that time horizon, we believe that world energy demand will grow at a
2 rapid pace and that global energy supplies will be hard-pressed to meet this growth. Our
3 team's mandate is to make growth investments in companies and assets that have the
4 potential to develop and deliver energy from various sources so that the United States and
5 the world will have sufficient reliable and increasingly clean energy.

6 **Q. Can you give examples of a few of ZAM Ventures' investments?**

7 A. Yes. Many of our investments are in the oil and gas industry around the world. The
8 companies in which we have invested include OGX, an offshore Brazilian oil company,
9 Athabasca Oil Sands Company, an Alberta oil sands developer, and several other private
10 oil and gas investments in Oklahoma, Texas and Canada. We are substantial supporters
11 of the oil and gas business as a whole in the United States. We also have several
12 investments in alternative energy companies, including several energy biotechnology
13 investments in the United States and a sugar-based ethanol business in Brazil. And of
14 course, we have invested in Clean Line Energy Partners, a company that we believe is
15 important to the future of energy in this country.

16 **Q. Why did ZAM Ventures find it prudent to invest in Clean Line Energy Partners?**

17 A. We believe that existing and potentially new renewable portfolio standards ("RPS") and
18 the general demand for carbon-free power are going to continue to grow in the U.S.
19 Overall, one of the best locations for wind generation facilities is in the Great Plains
20 states. The best way to deliver the power produced by those facilities to markets with
21 high demand is to build new transmission. We think there is a good investment
22 opportunity for investors like ourselves to accelerate the pace at which this transmission
23 development occurs. In the 1990s and 2000s, entrepreneurs, not the giant utilities, built

1 the vast majority of the new power plants in this country. When we had the opportunity
2 to partner with Michael Skelly, one of the leaders in the renewable energy field, by
3 investing in Clean Line Energy Partners, we viewed it as an opportunity to invest behind
4 a team that can successfully develop new transmission projects. We see our partnership
5 as being the natural cycle of entrepreneurship and capitalism in the United States, which
6 delivers new energy to load centers. We feel this is the perfect marriage of capital,
7 people, and opportunity.

8 Additionally, while I cannot speak directly for the other initial equity investors in
9 Clean Line Energy Partners, I note that they include knowledgeable private equity
10 investors with a commitment to and track record of success in investments in the
11 alternative and renewable energy fields. Like ZAM Ventures and ZBI Ventures, I
12 believe these are investors who would not provide capital to a renewable energy-related
13 venture unless they saw strong prospects for success.

14 **Q. Do you believe that Kansas has a need for additional transmission infrastructure of**
15 **the type that Clean Line Energy Partners' subsidiary Clean Line proposes to build?**

16 A. Yes. As consumer demand for electricity continues to grow in the United States,
17 generation reserves are diminishing and regional reliability concerns are increasing,
18 driving the need for new transmission facilities. Further, both state governments,
19 including Kansas, and the federal government have expressed the desire to meet the
20 growing power demand with clean energy. This cannot occur, however, unless the
21 expansion of the transmission system becomes a priority. The development of Clean
22 Line's transmission project will enable consumers in Kansas and in regions to the east to
23 benefit from the abundance of renewable resources in western Kansas. Kansas is

1 geographically well positioned to make Clean Line Energy Partners' and Clean Line's
2 efforts to connect the nation's best renewable resources to the load and population centers
3 that need renewable energy a reality. In addition to being a current and future consumer
4 of renewable resources (due to both a Kansas RPS standard and a need to limit the share
5 of electricity demand growth that is served by carbon-based power), Kansas is part of a
6 bridge between some of the nation's strongest wind resources and the eastern United
7 States, an area of the country lacking in renewable resources.

8 **Q. Do you believe Clean Line Energy Partners' has the financial ability to develop, own**
9 **and operate its proposed transmission projects, including the Grain Belt Express in**
10 **Kansas?**

11 A. The equity owners believe that Clean Line Energy Partners has the ability to develop, and
12 ultimately operate, the Grain Belt Express and its other proposed transmission projects,
13 the Plains & Eastern Clean Line in Oklahoma, the Rock Island Clean Line in Illinois, and
14 the Santa Fe Clean Line in New Mexico; otherwise we would not have made this kind of
15 investment and agreed to provide significant start-up capital to Clean Line Energy
16 Partners to get its projects to a point in development at which they can be financed from
17 external sources.

18 **Q. Please discuss the ability of Clean Line Energy Partners to raise additional capital**
19 **to finance the construction of the Grain Belt Express along with Clean Line Energy**
20 **Partners' other projects.**

21 A. First and foremost, the early stages of financing these types of ventures require investors
22 like ZAM Ventures and the other initial equity investors, who are willing to place
23 development capital behind capable, experienced entrepreneurs such as Mr. Skelly and

1 his management team. As the venture evolves and progresses, ZAM Ventures,
2 independently or along with other financial sponsors, will raise the additional capital
3 needed to further development progress. A key objective is to advance the development,
4 permit and licensing activities to a point at which potential customers of the transmission
5 facility will be willing to enter into contracts for capacity on the transmission line, which
6 can then be used as a basis for raising capital from outside sources to finance
7 construction. ZAM Ventures, together with the other initial equity investors in Clean
8 Line, have both the commitment and the financial capability to provide start-up capital
9 and initial financing assistance to allow Clean Line to advance its projects to this point.
10 Additionally, ZAM Ventures' role in the start-up and development process is to initiate
11 action and encourage progress. If we did not have the confidence that our role as
12 financial sponsor for Clean Line Energy Partners was a prudent economic investment, we
13 would not have entered into the partnership.

14 **Q. What will ZAM Ventures' role be relative to the ongoing operations of Clean Line**
15 **Energy Partners and its subsidiaries?**

16 A. ZAM Ventures and ZBI Ventures are not actively involved in the operations of the
17 companies in which we invest. My colleague, Neil Wallack, and I have been appointed
18 by ZAM Ventures to serve on the Board of Directors of Clean Line Energy Partners. As
19 members of the Board of Directors, Mr. Wallack and I provide advice to the company
20 and approve certain major activities and expenditures affecting the company. However,
21 we do not involve ourselves in day-to-day management decisions. We fully expect the
22 day-to-day operations of Clean Line Energy Partners and its subsidiaries, including Clean

1 Line, to be carried out by Michael Skelly and the management team and staff that he has
2 assembled.

3 **Q. Does ZAM Ventures agree with the discussion in Clean Line's Application and the**
4 **supporting testimony of the other witnesses explaining why Clean Line's proposed**
5 **operations will be beneficial to the public in Kansas?**

6 A. Yes, ZAM Ventures does agree with and support Clean Line's demonstration of how its
7 proposed operations will benefit the public in Kansas. On behalf of ZAM Ventures, I
8 would respectfully urge the Commission to grant Clean Line's Petition.

9 **Q. Does this conclude your prepared direct testimony?**

10 A. Yes, it does.