

**H.R. 4857, TO BETTER INFORM CONSUMERS REGARDING COSTS ASSOCIATED WITH COMPLIANCE FOR PROTECTING ENDANGERED AND THREATENED SPECIES UNDER THE ENDANGERED SPECIES ACT OF 1973.**

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**LEGISLATIVE HEARING**

BEFORE THE

COMMITTEE ON RESOURCES  
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

Thursday, March 16, 2006

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BETTER INFORM CONSUMERS REGARDING  
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**Thursday, March 16, 2006  
U.S. House of Representatives  
Committee on Resources  
Washington, D.C.**

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The Committee met, pursuant to call, at 9:00 a.m. in Room 1324, Longworth House Office Building, Hon. Cathy McMorris [Chairwoman of the Committee] presiding.

Present: Representatives Calvert, McMorris, Walden, Gibbons, Radanovich, Grijalva, Christensen, Otter, Fortuno, Pearce, Inslee.

Mr. CALVERT [presiding]. Good morning. I ask unanimous consent that the remainder of the hearing be chaired by the gentlewoman from Washington, Ms. McMorris. Hearing no objection, so ordered. Good morning and good-bye.

**STATEMENT OF THE HON. CATHY McMORRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON**

Ms. McMORRIS [presiding]. Good morning, everyone. Starting at 10:30 this morning, the Subcommittee on Energy and Mineral Resources will be holding a hearing in this room. We also have a series of 10 votes on the Floor starting at that time. Therefore, unlike the Rolling Stones song, time is not on our side.

In order to ensure adequate time for the witness testimony and Member questions, the Chair will use her discretion, under Committee Rule 4[g], and limit opening statements to the Chairwoman and Ranking Member. Any other Members with opening statements may include them in the hearing record, and I ask unanimous consent to do so. Without objection, so ordered. We do expect more Members to arrive shortly.

Today's hearing represents an important step in giving electricity consumers the right to know what they are paying for. It is about disclosure and transparency. As many of the citizens in eastern Washington know firsthand, the promise of low-cost hydropower is key to our economy, whether it is impact on agriculture, manufacturing, technology, or what is left of our aluminum industry, yet over the years we have seen significant increases in electricity cost

for many reasons, including the California energy crisis and drought. Even today, the region's congressional delegation has banded together to fight the Administration's back-door proposal to increase BPA rates.

The Endangered Species Act, or should I add, a Federal judge's ruling of the Act, has also increased Bonneville's costs. Under law, the agency passes all of these costs to its wholesale customers, including our neighborhood public utility districts and rural co-ops. These entities are then forced to pass these costs down to their 10 million retail customers. This is also occurring in other regions served by power marketing administrations.

No one can deny that the Endangered Species Act has impacted recent Bonneville rates, yet many consumers do not know how much they pay for these fish protections or whether they are paying for them at all. In a May 2005 poll, Northwest River Partners found that 70 percent of the respondents either did not know how much they paid for salmon recovery or believed that less than 5 percent of their monthly bills go to salmon recovery, yet in 2004, the ESA components of BPA's fish and wildlife program comprised approximately 23 percent of the agency's wholesale rates. Clearly, this disparity shows that there is a disconnect of what consumers know or have access to versus what is real.

I commend the EPA for publishing the general ESA cost, but as a witness recently told the Committee, "We can do better when it comes to electricity cost transparency." That is what this legislation does. The Endangered Species Compliance and Transparency Act requires the power marketing administrations to estimate and report the direct and indirect ESA costs to each wholesale power customer on a monthly billing basis.

Whether or not you agree with how the Endangered Species Act is being implemented is not the point here. This bill simply gives customers the right to know how much of the Federal government's ESA costs are being passed on at the wholesale level. This will empower consumers so that they make an informed decision on these expenditures. Some may feel the costs are excessive, fair, or inadequate, but they cannot make the decision until we have the information.

My staff has worked with the representatives of the Power Marketing Administration to ensure that this bill would not be an overburdensome mandate on the agencies. This bill is a direct result of other right-to-know bills that have been introduced in the past. The legislation is also based upon input by many customers who believe this transparency is needed.

That is why we have customers here to testify on behalf of the bill. I would especially like to welcome Kris Mikkelsen, the CEO of Inland Power and Light in Spokane, Washington. Kris is not only a constituent, but she is a respected leader in the community, and we are fortunate to have her as well as the rest of the witnesses here today.

In conclusion, our nation's forefathers rightly demanded that our government be accountable and open to its people. This bill embodies that notion. I look forward to hearing from today's witnesses and working with my colleagues on this much-needed legislation.

At this time, I would like to introduce our panel of witnesses. I just mentioned Kris Mikkelsen, CEO of Inland Power and Light, Spokane, Washington; Leslie James, Executive Director, Colorado River Energy Distributors Association, Tempe, Arizona; Greg Delwiche, Vice President for Environment, Fish and Wildlife, Bonneville Power Administration, Portland, Oregon; Michael HacsKaylo, Administrator—I should know this one—Western Area Power Administration, Lakewood, Colorado; Sara Patton, Executive Director, NW Energy Coalition, Seattle, Washington; Scott Corwin, Vice President for Marketing and Public Affairs, Pacific Northwest Generating Cooperative, Portland, Oregon.

I ask unanimous consent that the gentleman from Idaho, Mr. Otter, may join us on the dais and participate in today's hearing. Hearing no objection, so ordered. I welcome our colleague from Idaho.

All witness written statements will be submitted for the hearing record, so please use the timer lights to limit your oral comments to five minutes. I think we are ready. OK.

Kris, if you would start, please.

[The prepared statement of Ms. McMorris follows:]

**Statement of The Honorable Cathy McMorris, a Representative in Congress from the State of Washington**

Today's hearing represents a major step in giving electricity consumers the right to know what they're paying for.

As many of the citizens of Eastern Washington know firsthand, the promise of low-cost hydropower is key to our economy whether the impact on agriculture, manufacturing, technology, or what is left of our aluminum industry. Yet, over the years, we have seen significant increases in electricity costs for many reasons, including the California energy crisis and drought. Even today, the region's congressional delegation has banded together to fight the Administration's back-door proposal to increase BPA's rates.

The Endangered Species Act—or should I add, a federal judge's reading of the Act—has also increased Bonneville's costs. Under law, the agency passes all of these costs to its wholesale customers, including our neighborhood public utility districts and rural cooperatives. These entities are then forced to pass these costs down to their 10 million retail customers. This is also occurring in regions served by other Power Marketing Administrations.

No one can deny that the ESA has impacted recent Bonneville rates. Yet, many consumers don't know how much they pay for these fish protections or whether they're paying for them at all. In a May 2005 poll, Northwest River Partners found that 70 percent of respondents either didn't know how much they paid for salmon recovery or believe that less than 5 percent of their monthly bills go to salmon recovery. Yet, in 2004, the ESA components of BPA's fish and wildlife program comprised approximately 23 percent of the agency's wholesale rates. Clearly, this disparity shows there's a disconnect of what consumers know—or have access to—versus what's real. I commend BPA for publishing the general ESA costs, but as a witness recently told the Committee, "we can do better" when it comes to electricity cost transparency.

That's what my legislation does. The Endangered Species Compliance and Transparency Act requires the Power Marketing Administrations to estimate and report the direct and indirect ESA costs to each wholesale power customer on a monthly billing basis. Whether or not you agree with how the ESA is being implemented is not the point here. This bill simply gives customers the right to know how much of the federal government's ESA costs are being passed on at the wholesale level. This will empower consumers so they can make an informed decision on these expenditures. Some may feel that the costs are excessive, fair, or inadequate but they can't make that decision until they have the information.

My staff have worked with representatives of the Power Marketing Administrations to ensure that this bill would not be over-burdensome on these agencies. This bill is a direct result of other right-to-know bills that have been introduced in the

past. The legislation is also based upon input by the many customers who believe this transparency is needed.

That's why we have customers here today to testify on behalf of the bill. I would especially like to welcome Kris Mikkelsen, the CEO of Inland Power and Light in Spokane, Washington. Kris is not only a constituent, but she's a proven leader in her community. We're fortunate to have her and other witnesses here today.

In conclusion, our Nation's forefathers rightly demanded that our government be accountable and open to its people. This bill embodies that notion. I look forward to hearing from today's witnesses and working with my colleagues on this much needed legislation.

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**STATEMENT OF KRIS MIKKELSEN, CHIEF EXECUTIVE OFFICER, INLAND POWER AND LIGHT, SPOKANE, WASHINGTON**

Ms. MIKKELSEN. Good morning. I appreciate the opportunity to appear before you today representing Inland Power and Light and to share our views on the importance of having timely, accurate, and easy-to-use information about ESA compliance costs.

My name is Kris Mikkelsen, and I am the CEO of Inland Power and Light, a cooperative utility that provides electricity to 35,000 consumers in 13 counties in eastern Washington and northern Idaho. Inland is a full-requirements customer of the Bonneville Power Administration, and BPA costs make up more than half of our operating expenses. Inland is located primarily in the Fifth Congressional District served by Representative McMorris, and we greatly appreciate her ongoing support of the issues facing our consumers.

Over the course of the last several years, I have regularly participated in a variety of meetings that have been focused on the examination of the Bonneville Power Administration's costs. What became apparent almost immediately, and continues to this day, is the widespread lack of understanding and outright misconceptions associated with the costs of BPA's fish and wildlife programs. It is not surprising that confusion exists. More than 350 different programs are managed by a wide variety of different parties. Undoubtedly, the combined programs represent the most far-reaching and expensive environmental undertaking in U.S. history. Over just the last 10 years, costs for the fish program have totaled over \$5 billion as expenses have continually ramped upward and become increasingly volatile.

Eventually, all of these costs end up in the monthly electric bills of the ratepayers of 125 Northwest utilities. Today, costs for fish measures are the single largest component of BPA's costs and make up approximately 30 percent of the agency's total cost of producing electricity, and very few people in the Northwest understand that.

One of the other things that I developed a deeper appreciation for during the Portland meetings is the constant push and pull that the agency deals with as the various parties in the Northwest advocate for their interests and agendas. Bonneville serves many masters, and there will probably always be differing opinions between the utilities, tribes, the environmental community, and a variety of other special interests. Providing clear direction to the agency about their role in reporting ESA costs would be beneficial to the region, and whatever a person's views, the public good will be best served by open and transparent disclosure of the facts.

Several years ago, our utility decided that it was important for Inland Power and Light customers to have a better understanding of the impact of fish and wildlife programs and the role they play in escalating energy prices. About this same time, our utility hired a retired, high-level, BPA manager on a part-time basis. One of his first assignments was to gather information that would allow us to prepare individualized customer bills showing the estimated cost of the BPA fish and wildlife programs.

Some information about total program costs has become more readily available in the last several years. However, making these numbers meaningful for the average ratepayer is another story. It is nearly impossible for an Inland Power and Light consumer to understand what 600 or \$700 million in BPA fish expenditures might mean in terms of their own electric bill, and we felt strongly that the people who were paying the bills had a right to know what it was costing them.

Unraveling the numbers to get the data we needed to print information on our bills was a challenge. To make a long story short, it took many months, and it helped a lot that we had someone working on the project that was familiar with the agency. Bonneville was supportive, but one of the challenges was that BPA itself did not always account for the costs in a way that made them easy to identify or calculate what portion of the wholesale power rate paid by utilities like Inland is attributable to fish programs. We finally got sufficient data on an informal basis and began including estimated fish cost information on our monthly bills.

Court-ordered actions continue to create a significant amount of volatility in BPA's wholesale rates, and utilities are left with having to pass on costs with increasingly short notice. From experience, I can tell you that ratepayers expect clear answers about rising bills, and it is critical that utilities have the information they need to adequately explain increases. I might add that the Fiscal Year 2007 Federal budget proposal for BPA surplus revenues has created the prospect of yet even more uncertainty.

Having good numbers and easy access to ESA costs will go a long way in helping the region's utilities, regardless of their size or level of sophistication, to provide good information to their consumers.

In closing, I would like to thank you for holding this hearing today and providing Inland Power and Light with the opportunity to express our views on this significant issue affecting our utility and the consumers we serve. Thank you.

[The prepared statement of Ms. Mikkelsen follows:]

**Statement of Kris M. Mikkelsen, CEO, Inland Power & Light**

Chairman Pombo, Ranking Member Rahall, Representative McMorris and members of the House Committee on Resources, I appreciate the opportunity to appear before you today representing Inland Power & Light and to share our views on the importance of having timely, accurate and easy to use information about ESA compliance costs.

My name is Kris Mikkelsen, and I am the CEO of Inland Power & Light, a cooperative utility that provides electricity to 35,000 consumers in thirteen counties in eastern Washington and northern Idaho. Inland is a full requirements customer of the Bonneville Power Administration and spends approximately \$20 million per year for power and transmission services. BPA related costs make up more than half of our total cost of doing business. Inland is located primarily in the 5th congressional district served by Representative McMorris and we appreciate her ongoing support of the issues facing our consumers.

Over the course of the last several years, I have regularly participated in a variety of meetings that have been focused on the examination of the Bonneville Power Administration's costs. The meetings have had a series of different names including, Power Function Review, Regional Dialogue, Customer Collaborative, but the purpose has been much the same over time; to create a better understanding of Bonneville's programs and related costs, and through that understanding, to allow the region's various constituencies an opportunity to provide informed recommendations and comments about Bonneville's operations.

What became apparent almost immediately, and continues to this day, is the widespread lack of understanding and outright misconceptions associated with the costs of BPA's fish and wildlife programs. It's not surprising that confusion exists. More than 350 different programs are managed by a wide variety of different parties. Undoubtedly, the combined programs represent the most far reaching and expensive environmental undertaking in U.S. history. Over the last 10 years, costs for the fish program have totaled over \$5 billion as expenses have continually ramped upward and become increasingly volatile.

Eventually all of these costs end up in the monthly electric bills of the ratepayers of 125 Northwest utilities. Today, costs for fish measures are the single largest component of BPA's costs and make up approximately 30% of the Agency's total cost of producing electricity, and very few people in the Northwest understand that.

One of the other things that I developed a deeper appreciation for during the Portland meetings is the constant push and pull that the Agency deals with as the various parties in the Northwest advocate for their interests and agendas. Bonneville serves many masters and there will probably always be differing opinions between the utilities, tribes, environmental community and a variety of other special interests. Providing clear direction to the agency about their role in reporting ESA costs would be beneficial to the region, and whatever a person's views, the public good will be best served by open and transparent disclosure of the facts.

Several years ago, our utility decided that it was important for Inland Power & Light customers to have a fundamental understanding of the impact of fish and wildlife programs and the role they play in escalating energy prices. About this same time, our utility hired a retired high-level BPA manager on a part-time basis. One of his first assignments was to gather information that would allow us to prepare customer bills showing the estimated cost of the BPA's fish and wildlife programs, individualized for each customer. We had attempted to do this about a year earlier, but had not been successful.

In the last couple of years, when the Northwest Power and Conservation Council started publishing a report on the cost of Bonneville's fish and wildlife programs, there has been some information about the total programs costs. However, making these numbers meaningful for the average rate payer is another story. It's nearly impossible for an Inland Power and Light consumer to understand what \$600 or \$700 million in BPA fish expenditures might mean in terms of their own electric bill. And we felt strongly that the people who were paying the bills had a right to know what it was costing them.

Unraveling the numbers to get to the data we needed to print information on our bills was a challenge. To make a long story short, it took many months and it helped a lot that we had someone working on the project that was familiar with the Agency. Bonneville was supportive, but one of the challenges was that BPA itself didn't always account for the costs in way that made them easy to identify or calculate what portion of the wholesale power rate paid by utilities like Inland were attributable to fish programs. We finally got sufficient information on an informal basis and began including fish cost information on our monthly bills.

Inland Power & Light has been very fortunate to have had a presubscription contract with BPA that has insulated us the last four plus years from the rising power costs most others in the region have experienced. However that contract ends this year, and we expect our cost of BPA wholesale power to increase by around 50%, but that is very much a moving target. The uncertainty around ESA costs has made it increasingly difficult to set rates.

Court-ordered ESA actions continue to create a significant amount of volatility in BPA's wholesale rates, and utilities are left with having to pass on costs with increasingly short notice. From experience, I can tell you that ratepayers expect clear answers about rising bills and it is critical that utilities have the information they need to adequately explain increases. I might add that the FY 2007 federal budget proposal for BPA surplus revenues has created the prospect of yet even more uncertainty.

Having good numbers and easy access to ESA costs will go a long way in helping the region's utilities, regardless of their size, or level of sophistication, to provide good information to their consumers. Mr. Chairman, in closing, I would like to

thank you for holding this hearing today and providing Inland Power & Light with the opportunity to express our views on this significant issue affecting our utility, and the consumers we serve.

[An attachment to Ms. Mikkelsen's statement follows:]

B O N N E V I L L E P O W E R A D M I N I S T R A T I O N

## factsheet

Fish and Wildlife

January 2006

### BPA fish and wildlife investments

Since 1978, the Bonneville Power Administration has contributed over \$6 billion to the fish and wildlife effort, of that, over \$4 billion since 1997. The chart on the right shows the amount BPA invested in FY 2005.

BPA's funding for fish and wildlife has five main components:

#### Expense or direct program

BPA funds 350 fish and wildlife projects in the Columbia Basin (habitat restoration, research, hatcheries, land acquisitions, predator control, culvert replacement).

#### Reimbursable

BPA reimburses the U.S. Army Corps of Engineers and the Bureau of Reclamation for a portion of those operation and maintenance costs related to improvements at the dams for fish passage and the U.S. Fish and Wildlife Service for hatchery operations.

#### Capital repayment

BPA reimburses the U.S. Treasury, principal and interest, for constructing capital projects such as hatcheries and fish passage projects at the dams.

#### F&W investments for FY 2005

BPA F&W program expense <sup>1</sup>	\$135.8
(does not include \$12.2 million in capital expenditures)	
Reimbursable	\$ 57.9
Repayment for capital investments	\$ 89.7
Program expenses subtotal	\$283.4
Hydro operations:	
Power purchases	\$110.8
Lost opportunity costs	\$182.1
Hydro operations subtotal	\$292.9
Total F&W Investments	\$576.3

<sup>1</sup> Integrated program and action plan/high priority.

#### Power purchases

BPA is obligated to provide its customers with electricity, and if fish operations limit electricity generated at the dams, BPA must purchase power elsewhere to supply customer demand. Cost varies depending on power market prices and water volume.

#### Lost opportunity costs

The water that is spilled over the dams for fish represents "lost" electricity and money that could have been generated if the water had passed through the turbines. Cost varies depending on power market prices and water volume.

What BPA spent for fish and wildlife 1997–2005<sup>1</sup> (\$ in millions)

Cost category	1997	1998	1999	2000	2001	2002	2003	2004	2005
Expense or direct	\$ 82.2	\$104.9	\$108.2	\$108.2	\$104.0	\$144.2	\$147.2	\$145.7	\$135.8
Reimbursable	35.9	36.4	38.9	37.6	42.5	50.9	52.6	57.2	57.9
Capital repayment	76.3	74.1	76.1	76.3	78.2	78.2	80.5	85.4	89.7
Power purchases	0.0	5.4	47.6	64.8	1,389.6	147.8	171.1	191.0	110.8
Lost opportunity costs	107.8	116.5	197.8	272.2 <sup>2</sup>	115.9	12.6	79.2	21.7	182.1
TOTAL	\$302.2	\$337.3	\$468.6	\$559.1	\$1,730.2	\$433.7	\$530.6	\$501.0	\$576.3

<sup>1</sup> For purposes of this presentation, this financial information has been made publicly available by BPA in January 2006 and is consistent with the financial system of record used in preparation of the audited financial statements for the respective period reported.

<sup>2</sup> This includes an estimated cost to BPA of \$79.1 million for an energy-shaping agreement with Idaho Power Company (IPC). FY 2000 was the final year of this contract. As IPC released water from its reservoir on the Snake River for fish flow augmentation, it delivered energy associated with the additional release to BPA. BPA subsequently returned the energy (MWh for MWh) plus energy to repay head losses Idaho suffered while its reservoir was lowered. The additional energy for head losses and the differences in market values of energy between the time BPA received it and delivered the energy back to IPC caused the cost.

www.bpa.gov

BONNEVILLE POWER ADMINISTRATION  
DOE/BP-3687 • JANUARY 2006



Ms. MCMORRIS. Thank you, Kris Mikkelsen.  
Now, I would like to recognize Leslie James for five minutes.

**STATEMENT OF LESLIE JAMES, EXECUTIVE DIRECTOR,  
COLORADO RIVER ENERGY DISTRIBUTORS ASSOCIATION,  
TEMPE, ARIZONA**

Ms. JAMES. Thank you, Madam Chairwoman and Members of the Committee. I am Leslie James, Executive Director of the Colorado River Energy Distributors Association [CREDA]. I am honored to have been asked to speak with you today regarding H.R. 4857 as it relates to the Federal Colorado River Storage Project [CRSP.] CREDA is a nonprofit organization representing consumer-owned electric systems that purchase Federal hydropower from this project. Established back in 1978, our members serve over 4 million consumers in six western states.

Since 1992, CREDA has been a party to a collaborative work program process with the Federal agencies, Western Area Power Administration and the Bureau of Reclamation. This process has been a beneficial relationship and has provided transparency to customers of the agencies work program elements. H.R. 4857 is very consistent with that objective.

The environmental costs incurred by Western and the Bureau of Reclamation in the CRSP are substantial, both in terms of direct program costs, as well as indirect costs, such as replacement power due to restricted generation. It is important that the customers who are paying the bill are apprised of an understand fully these costs. These costs should also include the cost of mitigation and reasonable and prudent alternative compliance. Cost transparency is a sound business practice, and CREDA supports passage of this legislation.

CRSP customers have been ensuring repayment of the Federal investment for 35 years. They have all entered into long-term, cost-based contracts to ensure that all of the Federal investment plus interest, including generation, transmission, O&M, and environmental costs, are repaid. In addition, the CRSP customers are paying over 95 percent of the costs of the irrigation features of this project. There are no taxpayer subsidies to the project.

Let me talk first about the largest generating feature in the CRSP, and that is the Glen Canyon Dam located near Page, Arizona. In 1996, after many years of study and about a \$104 million environmental impact statement, which was paid by power revenues, operations were changed at Glen Canyon Dam, and approximately one-third of the generating capacity has been lost.

In 1991, the Department of the Interior estimated the annual cost of the foregone generation to be \$44 million. That cost likely is much higher, though, given energy market conditions. To date, over \$179 million has been spent on studies at Glen Canyon Dam and paid by CRSP power revenues.

In 2001, due to the requirements of a 1994 Fish and Wildlife Service biological opinion, a low-flow experiment was undertaken during the summer months. The experiment included low, flat flows, which meant reduced generation during the high-energy months of the summer, and restricted the ability to follow load. The principal purpose of those flows was to gain information regarding the endangered humpback chub conditions. The low, flat flows and hydrology, along with the energy market crisis, had a severe impact on costs, requiring CRSP customers and Western to

purchase replacement power. The cost incurred over those months was about \$32 million. The cost of the experiment alone was over three and a half million dollars, also paid by CRSP power revenues.

Since 2000, the expense from lost generation from Glen Canyon has exceeded \$355 million, and the direct program costs of the adaptive management program have exceed \$49 million, also paid by CRSP power revenues.

Smaller generating features of the CRSP include the Flaming Gorge Dam on the Green River, which is a major tributary of the Colorado. Generation has been reduced from that facility due to a biological opinion of about 17 percent.

The Aspinall Unit along the Gunnison River in Colorado is in the process of undergoing an EIS. We expect the EIS to last three to four years. Our concern there is the impact on generation out of that unit, as it is about the last peaking unit in the CRSP.

In summary, we would like to reiterate our support for this legislation. With our work on the work program review process and program elements, this fits very well with that. It provides transparency, it provides information to the customers who are paying the bill, and we thank you for the opportunity of being here today.

[The prepared statement of Ms. James follows:]

**Statement of Leslie James, Executive Director,  
Colorado River Energy Distributors Association (CREDA)**

Madam Chairwoman, members of the Committee, I am Leslie James, Executive Director of the Colorado River Energy Distributors Association (CREDA). I am pleased to have been asked to talk with you today regarding H.R. 4857, the Endangered Species Compliance and Transparency Act of 2006.

CREDA member utilities (contractors) have long-term, cost-based contracts with the Western Area Power Administration (WAPA), an agency within the Department of Energy, for purchase of federal hydropower generation of the Colorado River Storage Project (CRSP). My purpose today is to provide some background on the CRSP facilities, to describe environment-related impacts on the CRSP federal facilities, and to offer our support of H.R. 4857.

CREDA is a non-profit organization representing consumer-owned electric systems that purchase federal hydropower generation of the CRSP. CREDA was established in 1978, and serves as the "voice" of CRSP contractors in dealing with resource availability and affordability issues. CREDA represents its members in working with the Bureau of Reclamation (Bureau), as the owner and operator of the CRSP, and WAPA, as the marketing agency of the CRSP. CREDA members are all non-profit organizations, serving over four million electric consumers in the six western states of Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. CREDA members purchase over 85% of the CRSP hydropower generation.

Attached is a listing of current CREDA members. At the time CREDA was formed, the key issue for its members was the continuing increase in CRSP rates. CREDA members felt it would be more effective and efficient to have a single organizational "voice" for them on rate, federal legislative and environmental issues impacting the CRSP.

CRSP contractors have been ensuring repayment of the federal investment for 35 years, by entering into long-term contracts to purchase the CRSP hydropower generation and by paying all of the federal investment in generation and transmission facilities (with interest), all power-related operation and maintenance costs, and associated environmental costs. In addition, the CRSP contractors are paying over 95% of the cost of the irrigation features of the CRSP—the costs that are determined to be beyond the irrigators' "ability to pay". In fact, in the current CRSP rate, 25% of the total annual revenue requirement is due to irrigation assistance!

It is important to note that the CRSP rate includes costs other than those associated with generation of the hydropower. Specific examples of the environmental-related costs assessed to the CRSP are the program (i.e., "direct") costs of the Glen Canyon Adaptive Management Program (AMP) and the Upper Basin Endangered

Fish Recovery Implementation Program (RIP). More detail on these costs and programs will be provided below.

#### **I. H.R. 4857 AND THE CRSP**

The environment-related costs incurred by the Bureau and WAPA in the CRSP are significant. Those costs are borne almost exclusively by the power customers of the CRSP. By law, these customers are not-for-profit entities; thus they have no option other than to pass those costs on to their consumers.

H.R. 4857 provides a mechanism for the power customers to readily receive information regarding the direct and indirect costs associated with the federal agencies' compliance with the Endangered Species Act and other environmental requirements. These costs should also include those costs associated with mitigation and reasonable and prudent alternative compliance. Each power customer then has the ability to utilize that information in a manner that best fits its individual needs. It is our understanding that this information is readily available and can be provided at little or no incremental cost to the agencies. CREDA supports the additional transparency of these costs as a sound business practice.

In 1992, CREDA, the Bureau and WAPA entered into a contractual arrangement that gives CREDA the ability to review agency work plans and, through a defined process, provide customer input and perspective to the agencies. This has been an invaluable partnership-type relationship and has encouraged transparency in agency cost reporting. H.R. 4857 is consistent with that objective; it provides more information to the customers who ultimately are responsible for "paying the bills".

#### **II. THE CRSP FACILITIES AND ENVIRONMENTAL IMPACTS**

The Colorado River Storage Project (CRSP) was authorized in the Colorado River Storage Project Act of 1956 (P.L. 485, 84th Cong., 70 Stat. 50), as a multi-purpose federal project that provides flood control; water storage for irrigation, municipal and industrial purposes, in addition to the generation of electricity. This testimony will focus on the major generation features of the CRSP, although there are several irrigation projects included in the Project. The CRSP power features include five dams and associated generators, substations, and transmission lines.

##### *GLEN CANYON DAM*

Glen Canyon Dam is located near Page, Arizona and is by far the largest of the CRSP projects. Glen Canyon Dam began operation in 1964. The water stored behind the dam is the key to full development by the Upper Colorado River Basin states of their Colorado River Compact share of Colorado River water. The Glen Canyon power plant consists of eight generators for a total of about 1300 MW, which is more than 76% of total CRSP generation. The ability of the Bureau to generate, and WAPA to market, the total generating capability of Glen Canyon Dam has been impacted over a period of many years, by various processes and laws. In 1978 the Bureau began evaluating the possibility of upgrading the eight generating units at Glen Canyon. This was possible primarily due to design characteristics of the generators and improved insulating materials. This upgrade was completed, and the generation was increased from about 1000 MW to 1300 MW. To fully utilize the unit upgrades would require the maximum release of water from Glen Canyon to be increased from 31,500 cubic feet per second (cfs) to about 33,200 cfs. The Bureau also studied the possibility of adding new units on the outlet works to provide additional peaking capacity. The possibility of increasing maximum releases from Glen Canyon raised concerns with downstream users. After discussion with stakeholders, the Secretary of the Interior initiated the first phase of the Glen Canyon Environmental Studies.

In 1982, the Bureau began Phase 1 of the Glen Canyon Environmental Studies. These studies were primarily to analyze the impacts of raising the maximum release from 31,500 cfs to 33,200 cfs on the transport of sediment downstream from the dam, recreation (including fishing and rafting), endangered species (including the humpback chub in the Lower Colorado River), and the riparian habitat along the river banks. The studies proceeded during the early 1980's and were concluded in 1987. The general conclusion of the Glen Canyon Environmental Studies Phase 1 was that the dam had blocked much of the sediment coming down the Colorado River and therefore beaches were not being replenished with sand. However, the impact on power and water economics was not fully explored.

After reviewing the Glen Canyon Environmental Studies Phase 1 and a review by the National Academy of Science, the Secretary of the Interior determined that the Glen Canyon Environmental Studies should be continued to address the economic impacts, particularly as they relate to power, and also to collect additional data to substantiate some of the conclusions in the Phase 1 report. The Glen Canyon Environmental Studies Phase 2 was initiated in 1989, which included a series

of test flows to evaluate the impact of different operating conditions and to develop response curves for various conditions.

In July 1989, the Secretary of the Interior announced the start of an environmental impact statement (EIS) on the operation of the Glen Canyon Dam. No specific Federal action was identified for study. Meetings were held during 1990 to seek input into alternatives that should be considered, and the Bureau determined the nine alternatives (including a "no action" alternative) to be studied. Meanwhile, in 1992, the Grand Canyon Protection Act (GCPA) (106 Stat. 4672) was signed into law. Section 1804 of the Act required completion of the EIS within two years. The EIS was completed and the Record of Decision (ROD) signed in October 1996. The result was that Glen Canyon operations were changed to reflect a revised flow regime; approximately one-third of the generating capacity was lost (456 MW).

The cost of the Glen Canyon EIS was approximately \$104 million, and was funded by power revenues collected from the CRSP contractors. To date, over \$179 million has been spent on Glen studies, and paid by CRSP power revenues. This figure does NOT include the nearly \$10 million per year spent for the Adaptive Management Program. The GCPA says that CRSP power revenues MAY be used to fund the Adaptive Management Program (emphasis supplied). It is not a mandate, but a permissive use of power revenues, which will be addressed in more detail below. In 1991, the Department of the Interior estimated the expense from lost generation due to the changes in Glen Canyon Dam operation to be \$44.2 million annually (adjusted for inflation). Given what has occurred in the energy markets since that time, the cost is probably much higher. The cost of replacing that power is borne by the CRSP customers.

In April of 2000, it was determined that due to hydrologic conditions and requirements of a 1994 USFWS biological opinion, a low flow summer experiment would be undertaken. The experiment included high spike flows in May and September, with low flat flows (8,000 cfs) all summer. The purpose was to gain information regarding endangered humpback chub conditions. The low, flat flows and hydrology, along with western energy market prices, had a severe impact on power generation, requiring CRSP customers and WAPA to purchase replacement power to meet their resource needs. The cost incurred by WAPA (and to be recovered from CRSP contractors) for this replacement power was \$32 million, just for that summer. The cost of the experiment alone was over \$3.5 million, funded by CRSP power revenues. These figures do NOT include additional costs to CRSP contractors who had to purchase or supplement their CRSP resource with purchases from the energy market.

#### *ASPINALL UNIT*

The Aspinall Unit includes three dams and generating plants along the Gunnison River near Gunnison, Colorado. Blue Mesa is the first dam on the river and has two units producing about 97 MW. Morrow Point is the second dam in the series and consists of two generators producing a total of 146 MW. Crystal is the final dam and has one 32 MW generator. Morrow Point and Crystal Reservoirs allow some regulation of the river flow so that releases from Crystal can be used to regulate downstream flows as necessary.

Since the early 1990's as part of the Upper Colorado River Endangered Fish Recovery Implementation Program, or RIP, studies have been undertaken to determine fish needs in this region. In November 2004, the Bureau held the first Cooperating Agency meeting, which they have opened to the public. One of CREDA's members, Platte River Power Authority (Colorado), is a cooperating agency in the process. It is anticipated this EIS process will take 3-4 years. CREDA's view is that, while maintaining authorized project purposes, the Bureau may operate the facilities to benefit fish and wildlife and recreation resources. Their obligation, however, is to avoid jeopardy to endangered species.

#### *FLAMING GORGE DAM*

Flaming Gorge Dam is on the Green River, a major tributary of the Colorado River, and is located near Vernal, Utah. Flaming Gorge has three units producing about 152 MW of generation. In 1992, the USFWS issued a Biological Opinion on the operation of Flaming Gorge Dam. Approximately 26 MW have been lost to date due to changed operations to benefit endangered fish, estimated at approximately \$2 million per year. The Record of Decision on the operation of Flaming Gorge Dam was signed in February 2006. The cost of the EIS was approximately \$4.3 million. Two CREDA members from Utah were "cooperating agencies" through this process. We expect the same level of operational expense to be incurred following issuance of the ROD.

### III. THE ENVIRONMENTAL PROGRAMS IN THE CRSP

#### *GLEN CANYON DAM ADAPTIVE MANAGEMENT PROGRAM*

CREDA participates on the Federal Advisory Committee charged with making recommendations to the Secretary of the Interior as to operations of Glen Canyon Dam pursuant to the Record of Decision and underlying laws. Funding for the program (Adaptive Management Program) is provided through CRSP power revenues. Proposed funding for this year's program is over \$10 million. On October 27, 2000, President Clinton signed the FY 2001 Energy and Water Development Appropriations Act, which includes language (Section 204) capping the amount of CRSP power revenues that can be used for the Adaptive Management Program at \$7,850,000, subject to inflation. Without this cap, the annual program costs would have continued to increase more rapidly, with power revenues being the primary funding source.

Science findings over the past 12 years indicate that some of the premises on which the EIS/ROD were based may be in error and that the current flow restrictions may not be beneficial to downstream resources (primarily humpback chub and sediment). It is imperative that these science findings be incorporated into recommendations to the Secretary of the Interior to implement flow changes and management actions to benefit the downstream resources and to maximize power production. On February 15, 2006, ESA-related litigation was filed in Arizona District Court by the Center for Biological Diversity, Sierra Club, Living Rivers and Arizona Wildlife Federation against the Department of the Interior and the Bureau. This litigation could have program and cost implications for the Adaptive Management Program.

CRSP contractors have paid, and continue to pay, the majority of costs at Glen Canyon, even while the dam's generating capacity has been depleted by about one-third, and there are significant operating constraints on the remaining available capability, as required by the 1996 ROD. Just since 2000, the replacement power cost (i.e., "indirect" cost) incurred by WAPA (and borne by CRSP power customers) totals \$355 million. This amount does not include costs borne by each CRSP power customer to "make up" any additional resource not provided by WAPA. Also since 2000, the program costs (i.e., "direct" costs) incurred by WAPA total \$49 million. These costs are significant and H.R. 4857 enhances the ability of the power customers to be aware of the environmental costs associated with these programs.

#### *UPPER COLORADO RIVER ENDANGERED FISH RECOVERY IMPLEMENTATION PROGRAM (RIP)*

The RIP was established through cooperative agreements among States and federal agencies in 1988 for a 15-year period to help recover four endangered fish in the Upper Colorado Basin. Power revenues currently fund about 60% of the base research / study program. Federal legislation was passed in October 2000, which authorized a \$100 million capital improvements program. CREDA testified in support of this legislation in both House and Senate hearings. The legislation provides matching funds for the capital program so that, in the event State funding for the program ceases, power revenue funding also ceases.

The legislation requires CRSP power revenue funding for monitoring and research of up to \$6 million per year. In addition, the Upper Basin States and CRSP power customers each contributed \$17 million toward capital features. The legislation recognized that changes in operation of Flaming Gorge and Aspinall generation as a result of Biological Opinions cost CRSP contractors \$2 to \$5 million per year.

### IV. RECOMMENDATION

CREDA encourages passage of H.R. 4857 as a sound business practice and an important measure, which will provide transparency and cost information to the customers of the federal Power Marketing Administrations.

Thank you for the opportunity of appearing today.

COLORADO RIVER ENERGY DISTRIBUTORS ASSOCIATION (CREDA)  
MEMBERSHIP

#### ARIZONA

Arizona Municipal Power Users Association  
Arizona Power Authority  
Arizona Power Pooling Association  
Irrigation and Electrical Districts Association of Arizona, Inc.  
Navajo Tribal Utility Authority (also New Mexico, Utah)  
Salt River Project

**COLORADO**

Colorado Springs Utilities  
 Intermountain Rural Electric Association  
 Platte River Power Authority  
 Tri-State Generation & Transmission Cooperative  
 (also Nebraska, Wyoming and New Mexico)  
 Yampa Valley Electric Association, Inc.

**NEVADA**

Colorado River Commission of Nevada  
 Silver State Power Association

**NEW MEXICO**

Farmington Electric Utility System  
 Los Alamos County  
 Tri-State Generation & Transmission Cooperative  
 City of Truth or Consequences

**UTAH**

City of Provo  
 City of St. George  
 Strawberry Electric  
 Utah Associated Municipal Power Systems  
 Utah Municipal Power Agency

**WYOMING**

Wyoming Municipal Power Agency

Ms. MCMORRIS. Thank you, Ms. James.  
 I would like to now recognize Greg Delwiche for five minutes.

**STATEMENT OF GREG DELWICHE, VICE PRESIDENT FOR  
 ENVIRONMENT, FISH AND WILDLIFE, BONNEVILLE POWER  
 ADMINISTRATION, PORTLAND, OREGON**

Mr. DELWICHE. Good morning, Madam Chair and Members of the Committee, I appreciate the opportunity to be here today to I had House Bill 4857, which, if enacted, would direct the administrators of the Federal Power Marketing Agencies to include on customers' monthly bills information about the costs the PMAs are incurring to comply with the Endanger Species Act.

My name is Greg Delwiche, and I am Bonneville's Vice President for Environment, Fish and Wildlife. The Endangered Species Act compliance costs incurred by Bonneville include the power share debt service and operations and maintenance expenses for fish passage facilities at Federal dams on the Columbia and Snake Rivers, the economic effects of operational changes at those dams to benefit fish, such as flow and spill; and offsite mitigation costs for both hatcheries and habitat restoration.

In the proposed legislation, we would consider "direct costs" to have three components, those being debt service, operations and maintenance expenses, and offsite mitigation costs, and indirect costs to include the economic effects of flow and spill changes. Many of Bonneville's fish and wildlife mitigation costs relate to actions undertaken to comply with both the Endangered Species Act, as well as the Pacific Northwest Electric Power Planning and Conservation Act of 1980, otherwise known as "Northwest Power Act." Because of this, it would be our preference to report the combined total of these costs rather than reporting on the ESA-only compliance costs, which only partially represent our fish and wildlife recovery and mitigation efforts. For Fiscal Year 2007, Bonneville

estimates that these combined costs will total approximately \$700 million.

In my testimony today, I will discuss two approaches that Bonneville could employ for providing ESA and Power Act-related cost information.

The first approach, which is our preference, would be to provide ESA and Power Act-related costs on customer bills as a percentage of customers' overall power costs. We believe this approach would be consistent with the bill's requirement that monthly customer billings include estimates and reports of the customers' share of direct and indirect costs for fish and wildlife mitigation. The information necessary to report these costs as a percentage is much more readily available and efficiently calculated than that needed to specify these costs in dollars and cents for each type of service and specific product or products purchased by a customer. Therefore, this would be the approach that Bonneville would propose to follow if this bill was enacted into law.

The alternative approach would be for us to develop a specific calculation in dollars and cents for each power customer. This, however, would be extremely difficult and complicated to put into practical because unlike a retail utility bill, many of our customers' bills are based on services provided under more than one contract, and each contract often involves more than one rate schedule and applies to a variety of services. Consequently, calculating these costs for each customer, given their unique and individual mix of products, would require development of some very complicated algorithms.

So our preferred approach would be to clearly show customers what percentage of their bill is attributed to direct and indirect costs for fish and wildlife recovery. This level of information would be system specific but not customer specific and could be shown on the summary page of each customer's bill, immediately under the line showing their total bill. Application of the percentage to the customers' monthly bill would tell the customer its estimated cost responsibility that month for fish and wildlife mitigation actions.

As noted earlier, the reported costs would include both direct and indirect costs, the latter of which, per Section 2[c] of the proposed legislation, include foregone generation and replacement power costs. In economic terms, these costs are often called "opportunity" costs. While these costs are real costs, in that they directly impact Bonneville's rates, we recognize there is substantial debate in the region as to how water in the system should be allocated between competing uses.

In conclusion, the Administration shares the interest in accountability that prompts this legislation. Power bills result from complicated calculations, and the public debate about what affects power rates often strays from hard numbers. This bill would take a step toward clarifying the matter.

There are many ideas in the legislation that are feasible and many concepts that are in line with the overall Administration policy in terms of properly reflecting the costs of regulation to ratepayers. The Administration has no position on this legislation at this time, but there are many concepts in the legislation which the Administration would not oppose. The Administration is still

studying the legislation as a whole and looks forward to participating in the broader debate as it unfolds. Thank you very much.  
[The prepared statement of Mr. Delwiche follows:]

**Statement of Gregory K. Delwiche, Vice President, Environment, Fish and Wildlife, Bonneville Power Administration, United States Department of Energy**

Madam Chairwoman and Members of the Committee, I appreciate the opportunity to be here today to discuss H.R. 4857 which would, if enacted, direct the Administrators of the Federal Power Marketing Administrations (PMA) to include on customers' monthly bills information about the costs the PMAs are incurring to comply with the Endangered Species Act (ESA).

ESA compliance costs incurred by Bonneville Power Administration (Bonneville) include the power share of debt service and operations and maintenance expense for fish passage facilities at Federal Columbia and Snake River Dams; the economic effects of operational changes at those dams to benefit fish, such as flow and spill; and off-site mitigation costs for hatcheries and habitat restoration. These costs are far easier to report as a percentage of BPA's total costs than as a specific amount borne by each customer; therefore, it would be BPA's preference to display that percentage on each power bill.

In the proposed legislation, we would consider "direct costs" to include debt service and operations and maintenance costs for fish facilities and off-site mitigation costs; and "indirect costs" to include the economic effects of flow and spill changes. Many of Bonneville's fish and wildlife mitigation costs relate to actions undertaken for both ESA compliance and for fish and wildlife mitigation under the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (NWPAA). Because of this, it would be Bonneville's preference to report the combined total of these costs, rather than reporting on the ESA-only compliance costs, which only partially represent the fish and wildlife mitigation recovery efforts funded by Bonneville. For Fiscal Year 2007, Bonneville estimates that these costs will total approximately \$700 million, or about 30 percent of Bonneville's power rates.

In my testimony today, I will discuss the approach Bonneville would intend to use for providing ESA-related cost information.

**APPROACH FOR PROVIDING COST INFORMATION**

Bonneville believes that providing ESA- and NWPAA-related cost information on customer bills as a percentage of Bonneville's overall power service costs would be consistent with the bill's requirement that monthly customer billings include estimates and reports of the customer's share of the direct and indirect costs incurred by the Administrator related to fish and wildlife mitigation. The information necessary to report these costs as a percentage is much more readily available and efficiently calculated than that needed to specify costs applicable to each type of service and specific product(s) purchased by a customer. It is therefore the approach that Bonneville proposes to follow if the bill is enacted into law.

An alternative approach of developing a specific calculation of mitigation costs for each power customer would be extremely complicated to put into practice. This is because, unlike a retail utility bill, many of Bonneville's customer bills are based on services provided under more than one contract, and each contract often involves more than one rate schedule and applies to a variety of services. Each service is billed on the basis of what is called a "billing determinant." A billing determinant is a measure of electric power usage at a customer's metered point of delivery used in the computation of a customer's bill for the particular service for which they are being charged. Consequently, calculating these costs for each customer, given their unique and individual mix of products, would require development of very complicated algorithms. We do not believe this is intended by the bill.

Therefore, in order to clearly show customers what percentage of their bill is attributable to direct and indirect ESA-related costs, Bonneville would calculate the percentage of its overall power costs attributable to ESA- and NWPAA-related activities and investments, and specify that percentage on the customer's bill. This level of information would be system-specific, but not customer-specific, and could be shown on the summary page on each customer's bill, immediately under the line showing the total (see Attachment 1). Application of the percentage to the customer's monthly bill would tell the customer its estimated cost responsibility that month for fish and wildlife mitigation actions. As noted earlier, the reported costs would include both direct and indirect costs, the latter of which, per Section 2(c) of the proposed legislation, include foregone generation and replacement power costs and associated transmission costs. In economic terms, such costs are often called

“opportunity” costs. While these are real costs, in that they impact Bonneville rates, we recognize there is substantial debate as to how water in the system should be allocated between competing uses.

**CONCLUSION**

In conclusion, the Administration shares the interest in accountability that prompts this legislation. Power bills result from complicated calculations and the public debate about what affects power rates often strays from hard numbers. H.R. 4857 would take a step toward clarifying the matter. There are many ideas in the legislation that are feasible and many concepts that are in line with the overall Administration policy in terms of properly reflecting the costs of regulation to the ratepayers. The Administration has no position on the legislation at this time, but there are many concepts in the legislation which the Administration would not oppose. The Administration is still studying the legislation as a whole and looks forward to participating in the broader debate as it unfolds.

Bonneville believes that the approach of specifying Bonneville's ESA and NWP-related costs as a percentage of Bonneville's overall power service costs in monthly customer billings would be consistent with the bill's requirement that those billings include estimates and reports of the customer's share of the direct and indirect costs incurred by the Administrator related to ESA compliance. It is an approach that is readily and efficiently calculated, and it is the approach that Bonneville proposes to follow if the bill is enacted into law. Bonneville recommends the approach of reporting its combined ESA-related and NWP fish and wildlife mitigation costs assigned to power as a percentage of total power costs. While this would be an approximation of the actual amount of cost recovered from each individual customer, it would seem to be consistent with the intent behind this proposed legislation and the information would be more readily available and efficiently calculated.

I thank the members of the Committee for the opportunity to offer this testimony and welcome any questions you may have at this time.

ATTACHMENT 1

SAMPLE BONNEVILLE POWER ADMINISTRATION CUSTOMER POWER BILL

# Bonneville

## POWER ADMINISTRATION

POWER BILL

FINAL

Bill ID:	DEC05-PWR01-
Issue Date:	January 05, 2006
Bill Period:	December 2005
Period Ending:	December 31, 2005

PAYMENT SUMMARY

Total Amount Calculated For This Bill	\$1,434,663
Total Amount Due	\$1,434,663

PAY THIS AMOUNT TO:

Bonneville Power Administration	\$1,434,663
<b>FINAL</b>	Due on or before January 25, 2006

Bills should be paid by electronic funds transfer unless otherwise specifically provided. If pre-approved by BPA, mail check or money order payable to Bonneville Power Administration, P O Box 894196, Los Angeles, CA 90189-4196 and send a copy of the bill or write identifiable account numbers on or attached to your check.

Late payment charges will be assessed if this bill is not paid on or before the close of business on the due date. See Section 1.B and C of the General Rates Schedule effective October 1, 2001. All debts are subject to collection under applicable Federal laws.

Thank you, we appreciate your business.

**POWER BILL**

Purchaser:		Billing Period:	December 2005
Invoice Number:	DEC05-PWR01-M01-	Period Ending:	December 31, 2005
Issue Date:	January 05, 2006		

**GENERATION**

Rate Schedule	Service Description	Contract Number	Service Amount	Service Unit	Rate	Revenue \$
PF-02	Demand		68,466	kW @	2.8700000	196,497
PF-02	FB Demand		68,466	kW @	0.1000000	6,847
PF-02	SN Demand		68,466	kW @	0.0400000	2,739
PF-02	Energy HLH Flat		22,662,246	kWh @	0.0281800	638,622
PF-02	FB Energy HLH Flat		22,662,246	kWh @	0.0010000	22,662
PF-02	SN Energy HLH Flat		22,662,246	kWh @	0.0004000	9,065
PF-02	Energy LLH Flat		12,494,204	kWh @	0.0216100	270,000
PF-02	FB Energy LLH Flat		12,494,204	kWh @	0.0007700	9,621
PF-02	SN Energy LLH Flat		12,494,204	kWh @	0.0003000	3,748
PF-02	Load Variance		46,316,450	kWh @	0.0010000	46,316
PF-02	FB Load Variance		46,316,450	kWh @	0.0000400	1,853
PF-02	SN Load Variance		46,316,450	kWh @	0.0000100	463
PF-02	LB CRAC True Up		3,678,806	Doll @	0.0022860	8,410 1/
FPS-96R	Energy HLH		6,480,000	kWh @	0.0206700	133,942
FPS-96R	Energy LLH		4,680,000	kWh @	0.0206700	96,736
	C&R Discount		-25,715,345	kWh @	0.0005000	(12,858) 2/
<b>Total</b>						<b>\$1,434,663</b>

Notes :

Percent of power cost due to fish and wildlife mitigation costs under the Northwest Power Act and compliance with the Endangered Species Act: \_\_\_\_\_ Percent.

1/ The LB CRAC True Up is computed by multiplying the customer's Net Non-Slice LB CRAC revenues for Apr - Sep times the Non-Slice Adjustment Factor. Net Non-Slice LB CRAC revenues = Actual dollars received from the sale of energy, capacity and load variance products with LDD and C&RD subtracted out. This includes adjustments for the Apr - Sep revenues made through 11/10/05. The Adjustment Factor used in this calculation appears in the bill's rate column for illustration. The Adjustment Factor itself is not a rate nor does it modify any previously published rate.

2/ Conservation and Renewables Discount monthly credit is 1/12 of annual eligibility, which is determined by net requirements forecast. To obtain the cumulative value of monthly eligibility, access the RTF web site or eligibility letter.

Questions concerning this POWER BILL may be directed to Rod Kelley, (503) 230-7546. Mail inquiries may be directed to Bonneville Power Administration; Revenue, Metering and Contract Analysis - PSR; PO Box 2784; Portland, OR 97208-2784.

U.S. Department of Energy  
**BONNEVILLE POWER ADMINISTRATION**  
 POWER ATTACHMENT

Customer: [REDACTED]	Bill Period: December 2005
Bill ID: DEC05-PWR01-M01	Period Ending: December 31, 2005

**GENERATION**

Monthly Federal Generation System Peak 12/15 @ 1800 (Power Supply Account 202100)

POD's/Meter Points	Meter No.	Meter Loss Factor	kW After Losses
Nehalem	[REDACTED]	1.0042	6,909
South Fork (In)	[REDACTED]	(1.0118)	0
South Fork (Out) <sup>1</sup>	[REDACTED]	1.0118	223
Beaver	[REDACTED]	1.0122	3,274
Garibaldi <sup>2</sup>	[REDACTED]	1.0058	9,334
Mohler	[REDACTED]	1.0056	4,314
Tillamook # 2	[REDACTED]	1.0063	11,673
Tillamook # 2 Reverse	[REDACTED]	(1.0063)	0
Tillamook # 3	[REDACTED]	1.0063	6,541
Tillamook # 4	[REDACTED]	1.0045	23,104
Trask River Out <sup>3</sup>	[REDACTED]	1.0040	7,410
Hebo	[REDACTED]	1.0038	2,750
Nestucca Out	[REDACTED]	1.0018	7,934
			83,466

**Demand Charge**

Demand	83,466	kW			
Less Energy Block	(15,000)	kW			
Demand	68,466	kW	@	\$2.870000	\$196,497
FB Demand	68,466	kW	@	\$0.100000	\$6,847
SN Demand	68,466	kW	@	\$0.040000	\$2,739

Energy Charge	Meter No.	Meter Loss Factor	kWh After Losses
HLH Nehalem	[REDACTED]	1.0060	2,496,222
HLH South Fork (In)	[REDACTED]	(1.0275)	0
HLH South Fork (Out)	[REDACTED]	1.0275	90,068
HLH Beaver	[REDACTED]	1.0193	1,066,315
HLH Garibaldi	[REDACTED]	1.0094	3,164,997
HLH Mohler	[REDACTED]	1.0075	1,523,055
HLH Tillamook # 2	[REDACTED]	1.0067	4,056,010
HLH Tillamook # 2 Reverse	[REDACTED]	(1.0067)	0
HLH Tillamook # 3	[REDACTED]	1.0067	2,393,323
HLH Tillamook # 4	[REDACTED]	1.0060	8,206,643
HLH Trask River Out	[REDACTED]	1.0041	2,505,026
HLH Hebo	[REDACTED]	1.0046	906,008
HLH Nestucca Out	[REDACTED]	1.0010	2,734,579
			29,142,246
Less Energy B [REDACTED]			(6,480,000)
			22,662,246

U.S. Department of Energy  
**BONNEVILLE POWER ADMINISTRATION**  
 POWER ATTACHMENT

Customer: [REDACTED] Bill Period: December 2005  
 Bill ID: DEC05-PWR01-M01 Period Ending: December 31, 2005

**GENERATION (continued)**

Energy HLH Flat	22,662,246	kWh	@	\$0.028180	\$638,622
FB Energy HLH Flat	22,662,246	kWh	@	\$0.001000	\$22,662
SN Energy HLH Flat	22,662,246	kWh	@	\$0.000400	\$9,065

Energy Charge	Meter No.	Meter Loss Factor	kWh After Losses
LLH Nehalem	[REDACTED]	1.0060	1,520,023
LLH South Fork (In)	[REDACTED]	(1.0275)	0
LLH South Fork (Out)	[REDACTED]	1.0275	56,527
LLH Beaver	[REDACTED]	1.0193	636,640
LLH Garibaldi	[REDACTED]	1.0094	1,946,717
LLH Mohler	[REDACTED]	1.0075	929,147
LLH Tillamook # 2	[REDACTED]	1.0067	2,264,926
LLH Tillamook # 2 Reverse	[REDACTED]	(1.0067)	0
LLH Tillamook # 3	[REDACTED]	1.0067	1,363,379
LLH Tillamook # 4	[REDACTED]	1.0060	4,786,166
LLH Trask River Out	[REDACTED]	1.0041	1,383,816
LLH Hebo	[REDACTED]	1.0046	535,772
LLH Nestucca Out	[REDACTED]	1.0010	1,751,091
			17,174,204
Less Energy B [REDACTED]			(4,680,000)
			12,494,204

Energy LLH Flat	12,494,204	kWh	@	\$0.021610	\$270,000
FB Energy LLH Flat	12,494,204	kWh	@	\$0.000770	\$9,621
SN Energy LLH Flat	12,494,204	kWh	@	\$0.000300	\$3,748

**Load Variance**

HLH Energy	29,142,246	kWh
LLH Energy	17,174,204	kWh

Load Variance	46,316,450	kWh	@	\$0.001000	\$46,316
FB Load Variance	46,316,450	kWh	@	\$0.000040	\$1,853
SN Load Variance	46,316,450	kWh	@	\$0.000010	\$463

**LB CRAC True Up**

LB CRAC True Up	3,678,806	Dol	@	0.002286	\$8,410
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**Energy Block Ourca**

Energy HLH	6,480,000	kWh	@	\$0.020670	\$133,942
Energy LLH	4,680,000	kWh	@	\$0.020670	\$96,736

U.S. Department of Energy  
**BONNEVILLE POWER ADMINISTRATION**  
 POWER ATTACHMENT

Customer: [REDACTED] Bill Period: December 2005  
 Bill ID: DEC05-PWR01-M01 Period Ending: December 31, 2005

**GENERATION (continued)**

**Conservation & Renewables Discount Credit**

C&R Discount	(25,715,345)	kWh	@	\$0.000500	(\$12,858)
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**TOTAL**

**\$1,434,663**

**NOTES:**

- <sup>1</sup> Outage occurred [REDACTED] 5 until 11:05 due trouble on line from Winter Storm.
- <sup>2</sup> Outage occurred [REDACTED] until 1:00 due trouble on line from Winter Storm.
- <sup>3</sup> Outage occurred [REDACTED] 0 until 11:00 due trouble on line from Winter Storm.

Ms. McMORRIS. Thank you, Mr. Delwiche.

At this time, I will recognize Michael Hacsckaylo for five minutes.

**STATEMENT OF MICHAEL S. HACSKAYLO, ADMINISTRATOR,  
WESTERN AREA POWER ADMINISTRATION, LAKEWOOD,  
COLORADO**

Mr. HACSKAYLO. Thank you very much, Madam Chair and Members of the Committee, for the opportunity to testify today on H.R. 4857. I am Michael Hacsckaylo, Administrator of the Western Area Power Administration, headquartered in Lakewood, Colorado.

Western is one of four Federal Power Marketing Agencies under the Department of Energy. We market and transmit about 10,000 megawatts of electricity generated from 56 federally owned, hydropower plants located primarily on the Missouri and Colorado Rivers and the Central Valley Project in California.

In any given year, Western sells about 40 percent of the regional hydropower in our 1.3 million-square-mile service territory that spans 15 western and midwestern states. Western has allocated this Federal power to more than 750 customers, including cities and towns, rural electric cooperatives, public utility and irrigation districts, Native American tribes, and Federal and state agencies.

The Western Area Power Administration and its generation partners, the Bureau of Reclamation and the Army Corps of Engineers, incur a variety of expenses related to complying with the Endangered Species Act. Some of these expenses are direct costs, such as personnel, operations and maintenance, and capital projects. Others are indirect costs, including replacement power purchases and lost sales revenues.

Since Fiscal Year 2000, Western has incurred, on average, approximately \$96 million per year in Endangered Species Act-related expenses. Of this amount, approximately 85 percent goes to the Colorado River Storage Project because of the extensive remediation and compliance programs on that river.

Western will be able to meet the requirements of this bill with no additional staff and with minimal effort in terms of providing more information on the bill to customers, and as Mr. Delwiche has testified, the Administration has taken no position on this legislation at this time, but there are many concepts in the legislation which the Administration would not oppose. The Administration is still studying the legislation as a whole and looks forward to participating in the broader debate as it unfolds.

That concludes my testimony. Thank you.

[The prepared statement of Mr. Hacsckaylo follows:]

**Statement of Michael S. Hacsckaylo, Administrator,  
Western Area Power Administration, United States Department of Energy**

Thank you, Madam Chairwoman and other members for inviting me here today to speak on H.R. 4857 and more specifically about the costs Western and its power customers incur as part of our responsibilities to protect and recover plant and animal species covered under the Endangered Species Act of 1973 and Western's role in working with the Fish and Wildlife Service and the generating agencies to mitigate impacts to and restore habitat used by threatened and endangered species.

Western is one of four Federal Power Marketing Agencies under the Department of Energy. We market and transmit about 10,000 megawatts of electricity generated from 56 Federally-owned hydropower plants located primarily on the Missouri and Colorado rivers and from the Central Valley Project in California. Western also markets the United States' entitlement from the coal-fired Navajo Generating Station near Page, Arizona. Western sells power from these 15 separately authorized and

managed projects at cost-based rates and delivers it using our 17,000-mile transmission system and the transmission systems of other utilities to consumers across the West.

In any given year, Western sells about 40 percent of regional hydropower in our 1.3 million square mile service territory that spans 15 western states. Western has allocated this Federal power to more than 750 customers including cities and towns, rural electric cooperatives, public utility and irrigation districts, Native American tribes and Federal and state agencies.

The Western Area Power Administration, the Bureau of Reclamation, and the Army Corps of Engineers incur various expenses related to complying with the Endangered Species Act (ESA). Such expenses include direct expenditures for personnel, operations & maintenance, capital projects, and studies related to the preservation and restoration of threatened and endangered species. An example is the temperature control device at Shasta Dam. This device is used to regulate downstream water temperature for the benefit of salmon and steelhead in the Sacramento River.

Western also incurs indirect costs attributable to the Endangered Species Act. Two types of indirect costs are: (1) replacement power purchases that Western buys to meet its contractual commitments when the Federal hydropower operations are constrained for ESA reasons, and (2) lost sales revenue when ESA operating constraints prevent the generation of hydropower when it is most valuable. For example, if on-peak water releases are limited for ESA reasons, hydropower that could have sold for a higher price during on-peak hours must, instead, be shifted to off-peak hours when power prices are lower, reducing the project's revenue.

Since FY 2000, Western has incurred on average approximately \$96 million per year in ESA-related expenses. Western's ESA costs, and the generating agencies' ESA costs related to power generation, are repaid by Western's customers through their power rates, unless Congress directs that such costs be nonreimbursable. The Colorado River Storage Project (CRSP) makes up roughly 85 percent of that estimate. In the case of the CRSP, which operates using a revolving fund, nonreimbursable costs affect the cash flow of the revolving fund even though such costs are not included in customers' power rates. This feature is unique to the CRSP; for other projects ESA costs assigned to power are fully reimbursable.

Since 1983, the CRSP Basin Fund has provided nearly \$275 million of non-reimbursable funding for environmental programs and compliance activities including increased purchase power to meet our contractual obligations. Non-reimbursable costs are funded from CRSP revolving fund cash flow. Since 1983, CRSP has also spent approximately \$46 million on reimbursable compliance activities. In addition, CRSP power customers bear the burden of additional power purchases for lost generation due to environmental activities.

Not all of the generating agency ESA compliance costs included in Western's rates are related to the Bureau of Reclamation and the Colorado River. For example, efforts to recover the pallid sturgeon, the least tern and the piping plover on the Missouri River are related to Corps of Engineers generation. Costs for ESA efforts on the Missouri River are in transition with the implementation of a new Master River Operations Manual and implementation of an adaptive management program for recovery of the species. Costs are expected to increase in the future. The EIS is not yet final on the Platte River which is facing similar recovery efforts on the same species and will see increased ESA costs in the future.

Costs related to wildlife habitat restoration, outside the scope of the ESA, may also be paid by Western's customers. For example, since the passage of the Central Valley Project Improvement Act in 1992, power beneficiaries have contributed over \$120 million to environmental habitat improvement. These costs are not always included in Western's power rates; they may be paid through direct assessments to customers. In the case of the Central Valley Project Improvement Act, environmental funding is accomplished through a monthly restoration fund bill.

Western also incurs ESA-related costs through the construction of transmission lines and related power delivery infrastructure. These costs might be an obligation of transmission customers, in which case they would not be fully recovered through bills to power customers.

It is my understanding that H.R. 4857 would require only reimbursable costs included in the monthly billing to the customers. Even though an ESA line item on our power customer's bill would not report the total cost of ESA compliance, our annual report to the Committee on Resources of the House of Representatives and the Committee on Environment and Public Works of the Senate, would include an estimate of all costs as described above for each of Western's projects.

In conclusion, the Administration shares the interest in accountability that prompts this legislation. Power bills result from complicated calculations and the

public debate about what affects power rates often strays from hard numbers. H.R. 4857 would take a step toward clarifying the matter. There are many ideas in the legislation that are feasible and many concepts that are in line with the overall Administration policy in terms of properly reflecting the costs of regulation to the ratepayers. The Administration has no position on the legislation at this time, but there are many concepts in the legislation which the Administration would not oppose. The Administration is still studying the legislation as a whole and looks forward to participating in the broader debate as it unfolds.

Thank you, Madam Chairwoman. I would be pleased to answer any questions that you or the members may have.

Ms. MCMORRIS. Thank you very much.  
Ms. Patton?

**STATEMENT OF SARA PATTON, EXECUTIVE DIRECTOR,  
NW ENERGY COALITION, SEATTLE, WASHINGTON**

Ms. PATTON. Thank you, Ms. Chairwoman and Members of the Committee. I appreciate the opportunity to be here. My name is Sara Patton. I am the Executive Director of the NW Energy Coalition. We are a coalition of more than 100 consumer, environmental, faith-based, and low-income groups, unions, clean energy businesses, and progressive utilities in the four Northwest states and British Columbia working together for a clean and affordable energy future. I am testifying today to address concerns about H.R. 4857, and my remarks will focus on the Bonneville Power Administration because that is our area of expertise and concern. I have already submitted some written comments, so I will be brief, and I will be happy to answer questions.

For the groups that I represent, H.R. 4857 raises a number of concerns, but first I would like to emphasize that the environmental and consumer public interest groups enthusiastically support transparency in economic analyses. I would be surprised to find anybody who did not support transparency, but we definitely strongly support it, and we would support H.R. 4857 if it mandated a full and thorough accounting of the costs and benefits of Federal dam operations on fish, anglers and fishing communities, irrigators, recreation businesses, and other users of the river along with power consumers. Only by looking at the whole picture can in any particular cost category be put into perspective. H.R. 4857 looks at only a small part of how the Columbia River System is shared and paid for.

My next concern is that the bill is unnecessary in the Northwest. Information on fish and wildlife restoration costs is already readily available from BPA and the Northwest Power and Conservation Council, and utilities such as Inland Power and Light and others are free to inform their customers of this service, and many of them already do. Further, it must be noted that BPA's fish and wildlife restoration is required by a number of Federal laws and treaties dating back to 1855, so separating ESA costs is fairly difficult. H.R. 4857 proposes no way to separate them, and that may not be possible.

Fourth, H.R. 4857 should not count the cost of foregone revenue as an ESA-compliance cost. Including foregone revenues as a cost implies that BPA can claim savings for violating Federal laws or that BPA owns the river. BPA does not own the river. It shares the river with all of the other users, including fish and wildlife. BPA

is not entitled to all of the possible revenue it can squeeze out of the river; only its share.

An analogy will help. Trucking companies must obey a number of safety regulations. These include providing seat belts and equipment at inspections. Equipment costs should be counted as a cost of compliance with the regulations. However, we do not count as a cost the foregone revenue that the company could have utilized if its drivers could drive over the speed limits or ignore weight limits. Trucking companies do not own the highways, and the cost of sharing them with other users is not revenue somehow owed to them.

Similarly, the various uses and users of the river do not owe each other money; they are all simply sharing this great resource. In fact, when the Northwest Power and Conservation Council recently reported that irrigation water withdrawals account for about \$250 million per year in foregone revenues, does that mean that BPA ratepayers are subsidizing farmers? Of course, not. Farmers and power users are sharing the river with recreation, flood control, navigation, and, of course, fish and wildlife. However, if Congress believes it is important to report such costs, then it should require a calculation of all of the costs of the Federal river system and report all of them on a consistent basis.

Furthermore, true transparency will look at both costs and benefits. A real examination of ESA impacts must include the economic benefits to the region of salmon restoration in terms of jobs and revenue. This legislation would only identify costs and, therefore, would not give the public or utilities a clear and complete picture of Federal and regional investments in salmon recovery unless it includes the enormous benefits these expenditures provide. In fact, we believe that a truly transparent economic analysis would show that removal of the four lower Snake dams is the lowest-cost and most effective way to recover these salmon.

Finally, if we accept foregone revenues for ESA compliance as a cost, BPA rates will still be more than 40 percent below market prices, and we do not think it is a good idea to jeopardize the low-cost hydropower the Northwest depends on by failing to meet our legal and stewardship responsibilities for God's creation.

In conclusion, the NW Energy Coalition supports objective and transparent accounting of BPA's fish and wildlife-related costs, but H.R. 4857 introduces a number of concerns and difficult issues which need to be resolved before we could support it. Thank you.

[The prepared statement of Ms. Patton follows:]

**Statement of Sara Patton, Executive Director,  
NW Energy Coalition**

The NW Energy Coalition is a coalition of more than one hundred consumer, environmental, faith-based and low-income groups, unions and progressive utilities from the four Northwest states and British Columbia, working toward a clean and affordable energy future. I am testifying today in opposition to H.R. 4857. Although H.R. 4857 applies equally to all Federal Power Marketing Agencies (PMAs), this testimony is focused mainly on the Bonneville Power Administration (BPA) because that is our area of expertise and concern. However, in most cases, we believe the intent of these comments is applicable to the other PMAs.

### Summary

The proposal in H.R. 4857 to require the Bonneville Power Administration (BPA) to report the costs of compliance with the Endangered Species Act (ESA) raises a number of concerns:

- Transparency of BPA's costs is a laudable goal, if there is full and honest accounting to inform the public of the whole story.
- This bill is unnecessary: the information is already readily available from BPA, and utilities are free to inform their customers if they wish.
- BPA's fish and wildlife funding is required by a number of federal laws and treaties; separating out ESA costs is difficult or impossible.
- Proposals to include foregone revenues in these costs imply that BPA can claim savings for violating federal laws, and that BPA owns the river.
- Meaningful economic transparency should address both costs and benefits.
- The definition of the firm customers' share of BPA's ESA costs can be interpreted in different ways, leading to starkly different conclusions. If not done correctly such accounting fosters more confusion than transparency.
- This issue is likely to focus national attention on the fact that BPA's rates are currently about 60 percent below market rates.

### The NW Energy Coalition Supports Real Transparency

Environmental and consumer public interest groups would enthusiastically support H.R. 4857 if it mandated honest accounting of the costs and benefits of federal dam operations on fish, anglers and fishing communities, irrigators, recreation businesses and other users of the river—along with power consumers. Only by looking at the whole picture can any particular cost category be put into perspective. H.R. 4857 looks at only a small part of how the Columbia River system is shared and paid for. This issue will be addressed in detail later in this testimony.

### H.R. 4857 is Unnecessary

H.R. 4857 does not compel the production of any information that is not already available to the public, electricity utilities, or anyone else who seeks it. BPA currently provides information to the region regarding the costs of its fish and wildlife programs (including so-called "indirect costs").<sup>1</sup> Bonneville also provides a detailed walk through of all of its costs as part of its Power Function Review preparatory to its rate case. Any utility wishing to provide this information to its retail consumers may do so; some do this now. This bill is not needed and would not change current practice at all.

### Salmon Recovery Actions Meet a Myriad of Federal Responsibilities

BPA's investments in rebuilding fish and wildlife populations are required by a number of federal laws and treaties, including the Endangered Species Act, the Northwest Power Act, the Fish and Wildlife Coordination Act, the Clean Water Act and United States treaties with Indian Tribes and Canada. It is not possible to categorize which of the costs are related solely to the ESA.

Even without an ESA, Bonneville and the federal family have obligations to recover these valuable fish. H.R. 4857's mandate to isolate ESA costs is impossible, since most of the actions being taken for endangered and threatened fish and habitat overlap or are also required by these other laws and treaties.

For example, The Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act), Section 16 U.S.C. 839b(h)(6)(E), requires the Northwest Power and Conservation Council (NPCC) to include measures in its Fish and Wildlife Program (Program) that:

- (i) provide for improved survival of such fish at hydroelectric facilities located in the Columbia River system; and
- (ii) provide **flows of sufficient quality and quantity** between such facilities To improve production, migration, and survival of such fish as necessary to meet sound biological objectives. (emphasis added)

More generally, the Northwest Power Act requires the Administrator and other Federal agencies to exercise their responsibilities "in a manner that provides equitable treatment for such fish and wildlife with the other purposes for which such system and facilities are managed and operated." (Section 16 U.S.C. 839b(h)(11)(A); emphasis added). BPA's obligation "to adequately protect, mitigate, and enhance fish and wildlife..." (ibid.) is not a secondary "cost" of the power system, it is a co-equal purpose along with irrigation, navigation, recreation and flood control.

<sup>1</sup> See, e.g., Bonneville Power Administration, Financial Data for Fish and Wildlife Projects at <http://www.efw.bpa.gov/Integrated—Fish—and—Wildlife—Program/financialdata.aspx>

Similarly, there are numerous treaty obligations to Native American Tribes that require BPA and the Federal agencies to restore and enhance their native fisheries. At the same time, the Federal Columbia River Power System (FCRPS) Biological Opinion requires specific flow and spill operations to ensure that the operation of the FCRPS does not jeopardize the continued existence of listed species under the ESA.<sup>2</sup> It is evident that these various obligations overlap and cannot be separated into ESA and non-ESA obligations.

**Adding “Indirect Costs” is Improper and Obscures The Actual Monetary Contribution BPA Makes to Salmon Recovery**

H.R. 4857 requires PMAs to include “foregone generation and replacement power costs” as indirect costs in their ESA-compliance calculations (Sec. 2 (c)). As explained below, it is false and highly misleading to include these items as “costs.” It also improperly distorts the actual monetary contribution BPA makes to salmon recovery. H.R. 4857 would set a dangerous precedent by codifying this type of accounting. BPA states that its combined net costs include more than \$300 million for fish and wildlife related hydrosystem operations, which accounts for over 50% of BPA’s total fish and wildlife “investments” (if one assumes that such indirect costs can properly be deemed “investments”).<sup>3</sup> BPA counts the revenue foregone and the cost of replacement power from operating the FCRPS to meet the requirements of the Endangered Species Act, the Northwest Power Act, the Clean Water Act, and other laws and regulations as a part of these costs.

**Foregone Revenue**

“Foregone revenue” is the cost of foregone generation; that is, the money BPA speculates it could have made if it did not have to operate the river to assist salmon migration. It is the lost generation from water spilled over the dams plus the difference in prices BPA forecasts it might have received if it could shift timing of generation into higher priced periods rather than when salmon need a push out to sea. Considering as a “cost” the revenues or profits that a business or agency could have made if it had violated federal laws, regulations, or court orders is a curious accounting concept, to say the least.

An example is illustrative. Trucking companies must obey a number of safety regulations. These include providing seat belts, equipment inspections and rest breaks for drivers. These are all proper costs of compliance with these regulations. However, we do not count as a cost<sup>4</sup> or even “indirect cost” the foregone revenue that the company could have realized if it did not have to give its drivers rest breaks, or if those drivers could drive over the speed limits or ignore weight limits. On the contrary, it is understood that the trucking companies do not own the highways, and the “cost” of sharing it with other users is not revenue somehow owed to them.

Given its practice of reporting foregone revenue for fish and wildlife protection, it is important to note that BPA does not report the foregone revenue associated with meeting other legal constraints on power generation such as providing irrigation water, flood control, maintaining minimum flow depths for river transportation, limiting rapid variations (“ramping”—which can damage streambeds and banks) in flow rates, or recreation. All of these other federally-mandated purposes limit the ability to generate electricity and reduce BPA’s potential revenue. Hence, to be consistent, BPA would need to count them as “costs” as well.

For example, the NPCC has calculated that the 14.4 million acre-feet withdrawn for irrigation could generate an additional 625 average megawatts if the water remained in the river—about five percent of the total output of the BPA system.<sup>5</sup> (For comparison, the same study estimated the impact of fish operations at 9% of the output of BPA’s system.) Analysis by the NPCC calculated that at average market rates, the foregone revenue of this irrigation would be \$250 million per year.<sup>6</sup> At the market prices for the summer of 2005,<sup>7</sup> the lost revenue associated with

<sup>2</sup>It is important to note that the flow targets in the Program and Biological Opinion are constrained by the current configuration of the hydroelectric system. Average spring flows in the Columbia before the dams were 450,000 cubic feet per second. The current target is 200,000 cubic feet per second—less than half the historical average. Unfortunately, the federal agencies have not been successful in meeting the Columbia and Snake River flow targets 53 percent of the time between 1995 and 2005.

<sup>3</sup>See, for example the presentation from BPA’s Power Function Review: <http://www.bpa.gov/power/pl/review/meetings.shtml>, slide 38, which estimates indirect costs averaging \$356.9 million per year for the FY2007-09 period.

<sup>4</sup>No tax deduction is provided for these costs, for example.

<sup>5</sup>“Multiple Use Memorandum,” NPCC, February 7, 2006, p.5 6

<sup>6</sup>Ibid.

<sup>7</sup>Averaging over \$75/MWhr.

irrigation withdrawals was over \$380 million. Neither BPA nor H.R. 4857 counts this “cost.”

All of this begs the important question of whose costs these are. Are irrigation foregone revenues a “cost” for BPA’s ratepayers? Is a requirement to keep rivers flowing at minimum levels for navigation another “cost”? If so, then one would conclude that the irrigators and barge and boat operators are being subsidized by Bonneville.

This logic is absurd. Bonneville does not own the river, it shares the river with all the other uses, including fish and wildlife. BPA is not entitled to all of the possible revenue it can squeeze out of the river, only its share. NW Energy Coalition recommends that Sec. 2(c) be deleted from the bill. The various uses and users of the river do not owe each other money, they are all simply sharing in this great resource.

However, if Congress believes it is important to report such costs, then it should require BPA to calculate the costs of each of the other purposes of the dams and report all of them on a consistent basis. After all, every use of the river, from navigation to flood control to irrigation, reduces BPA’s revenues, and its ability to fund its obligations.

#### **Foregone salmon**

We should also note, if the Committee wants to continue down the road of assigning indirect costs, that the NPCC found that 5 to 11 million salmon lost each year (compared to the period prior to dam construction) were attributable to damage caused by the hydroelectric system. Based on this estimate, the Columbia River Indian tribes, anglers and fishing businesses have “foregone” 340 to 750 million salmon and steelhead since the dams were built.

Salmon and steelhead are invaluable to tribal culture and religion—the tribes would not put a price on this loss. Non-tribal economists, on the other hand, would value the annual losses in the hundreds of millions of dollars.

#### **Replacement Power Costs**

H.R. 4857 also requires that BPA include “power purchases” due to fish and wildlife operations in its estimate of indirect costs. These costs can vary dramatically depending on water availability, market energy prices, and load demand—none of which can be properly attributed to salmon recovery.

This problem was made very clear in 2001 when BPA’s power purchase costs alone exceeded \$1 billion.<sup>8</sup> But that was a year when the agency eliminated “spill” for salmon, so it would be fair to say that Bonneville’s salmon restoration efforts were reduced because the impact of fish operations on generation was even less than in previous years. Instead, BPA counts that as a year when its indirect costs skyrocketed. It is bad public policy to pin power purchase costs that could arise for any number of non-salmon-related reasons on salmon recovery. In fact, the reason power purchase costs were so high that year had nothing to do with fish and everything to do with energy deregulation problems, BPA’s failure to foresee or control its subscription process that resulted in having to serve about 3,000 MWs of unexpected load in a very short period of time, and a drought in the Columbia Basin. BPA’s own studies estimate that its decision to serve more load than it had power to provide cost it \$3.9 billion over the FY2002-06 period!<sup>9</sup>

#### **Costs Must be Balanced with Benefits**

Any meaningful effort to provide real transparency should include both the cost and the benefits of actions to recover salmon. H.R. 4857 would require that only costs be reported, and therefore would fail to provide the public a complete picture. The economic benefits of salmon recovery efforts come in at least two forms: the economic benefit from increased fishing opportunities and the impact of actually implementing recovery measures.

<sup>8</sup>Bonneville Power Administration, Fact Sheet on Fish and Wildlife Investments (January 2006). Available at: [http://www.efw.bpa.gov/Integrated\\_Fish\\_and\\_Wildlife\\_Program/FWCosts\\_primer.pdf](http://www.efw.bpa.gov/Integrated_Fish_and_Wildlife_Program/FWCosts_primer.pdf) (viewed on March 13, 2006).

<sup>9</sup>What led to the current BPA financial crisis? A BPA report to the region, April 2003, p. iii. “The cost of augmenting the Federal Base System—including both power purchases and load reductions—makes up about three-fourths of the increase in costs over the last rate period. This increase in costs of \$3.9 billion occurred because BPA assumed responsibility for serving about 3,300 average megawatts (aMW) of load beyond the firm generating capability of the Federal Base System.”

### Economic Impact of Implementing Salmon Recovery Measures

BPA funds implementation of habitat improvements and other restoration measures through its "Integrated Program." Most of these fish and wildlife activities are implemented in rural areas east of the Cascade Mountains (Figures 1).<sup>10</sup>

Figure 1 shows the geographic distribution of BPA average annual fish and wildlife spending from its Integrated Program budget for the Fiscal Years 2001 through 2004. These investments pay salaries and purchase materials creating additional jobs and economic activity. The effects of these investments over the next several years can be expected to ripple through tribal and rural economies, creating thousands of additional jobs and significant economic activity. If this work is implemented over the next ten years at the level recommended by state and tribal scientists, the annual funding would support more than 5,000 jobs over the next ten years (assuming \$40,000 per job).<sup>11</sup>

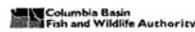
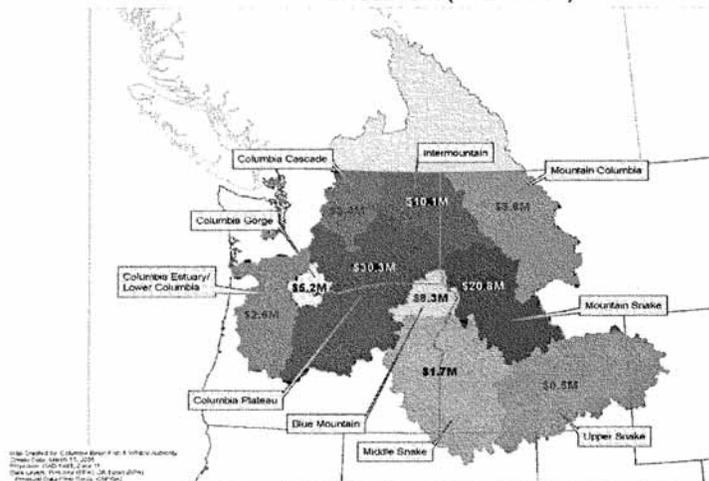
 Columbia Basin Fish and Wildlife Authority

Figure 1. BPA Fish and Wildlife Average Investment (FY2001-04)



<sup>10</sup> APPENDIX 1: CBFWA Workgroup Analysis of Future Fish and Wildlife Budget Needs in Support of the BPA Rate Case for FY2007 – FY2009, April 25, 2005

<sup>11</sup> Ibid, p.2.

### Economic Benefits of Commercial and Recreational Fishing Opportunities

If fish and wildlife populations increase, the Pacific Northwest will experience increased spending by fishers, hunters, and recreationalists creating additional jobs and economic benefits. Increased fishing opportunities for the commercial fishing industry will also have a ripple effect on local coastal communities.

To illustrate the economic benefit of increased fishing opportunities, one need not look further than 2001, when the region experienced better-than-average adult salmon returns due to improved ocean conditions. In that year, salmon runs increased sufficiently for Idaho to open a recreational fishing season on salmon. A report by credentialed independent economists examined the economic impact of the 2001 salmon season and found that the increased fish opportunity was responsible for almost \$90 million in angler expenditures.<sup>12</sup> These expenditures were split evenly between the local river communities and the rest of the state. However, impacts were more significant in the smaller local economies. Angler expenditures in

<sup>10</sup> APPENDIX 1: CBFWA Workgroup Analysis of Future Fish and Wildlife Budget Needs in Support of the BPA Rate Case for FY2007—FY2009, April 25, 2005

<sup>11</sup> Ibid, p.2.

<sup>12</sup> Ben Johnson Associates, Inc. The Economic Impact of the 2001 Salmon Season in Idaho (Prepared for the Idaho Fish and Wildlife Foundation), April 2003.

Riggins, Idaho (on the Salmon River) during the salmon fishing season stimulated 23 percent of the town's annual sales.<sup>13</sup>

Any presentation of economic costs must also provide the important benefits to local economies of investments in fish and wildlife while considering the costs of the actions.

**BPA's Firm Customers' "Share" of Fish Costs is not Well-Defined.**

H.R. 4857 requires that PMAs report each firm power customer's "share" of ESA compliance costs, but leaves the determination of what constitutes a share to the PMAs (in coordination with other Federal agencies). How shares are calculated, and what constitutes a firm customer, is left open in the legislation, but these issues are highly contentious. How shares are calculated can vary tremendously, depending on various assumptions. Statements we have seen in the press over the past year on the proportion of fish restoration costs in Bonneville's rates, for example, have ranged from less than 5% to 30%, using the same basic information!

While this information is extremely important, we all know that statistics can be presented or "spun" in different ways depending on the desired outcome. It is important that this information be fair and objective.

There are several reasons why this calculation is not straightforward and will most likely foster confusion rather than transparency. First, Bonneville cannot make a profit, being cost-based, so its total sales must equal its total costs. But that is in aggregate. To recover its costs, the agency sells to many different types of firm customers at different rates. Some of these rates are determined by BPA, some by the market. Some rates to firm customers are fixed for many years, while others can vary periodically. An important and large group of customers, the investor-owned utilities, receives monetary benefits linked to the price of preference power.

This complicated web of arrangements can lead to confusion and misinterpretations of what, at first, seem easy questions. For example, BPA has stated that its power rates could go down 30% if it didn't have any fish costs.<sup>14</sup> This was reported by the press and electricity utility representatives as a statement that 30% of electric bills go for fish costs. This deductive leap is incorrect and troubling for several reasons:

1. All of BPA's sales help pay its fish costs, but many of BPA's firm customers' rates are fixed or set by the market. Therefore, if costs are reduced, only a subset of BPA's customers would get all the benefit of the reduction. How much those customers' rates would be reduced is not the same as how much of BPA's rates go to fish.
2. BPA was referring to its power rates only. But almost a quarter of BPA's budget is transmission, whose costs are recovered through a separate rate. Those rates were not included in the calculation, but all customers have to pay for transmission.
3. BPA was referring to its wholesale rate, but consumers pay retail bills. Retail bills contain all the other costs of delivering electricity, such as meter reading, distribution wires, billing, etc. Only about 50-60% of a homeowner's bill is due to the actual wholesale cost of power.
4. Finally most consumers in the region are served by utilities that buy only some of their power from BPA, if any. These consumers' bill-impacts would be proportionally less.

The attached table shows that actual rate impacts are more like 3-12% (Attachment A)

The Congressional Research Service also looked at this question and calculated that on a per kilowatt-hour (kwhr) basis (assuming that each kwhr sale helps pay for fish equally—though one could argue that since some kwh sell for twice the price of others, a fairer calculation would be an equal contribution from each dollar of revenue.) BPA's fish costs are about 15-17% of BPA's total costs.<sup>15</sup> But even this result is inflated, because the analysis failed to account for the fact that about 2,200 megawatts (MW) of power that BPA provides to investor-owned utility residential and small-farm customers is monetized instead of delivered as power. But those customers' monetary benefits are reduced or increased if fish costs are increased or decreased, as well, so they share in all of BPA's expenses. Adding them into the equation reduces the cost to closer to 12% on a per kwhr basis.

<sup>13</sup> Id.

<sup>14</sup> Second Declaration of Paul, E. Norman, Sr. VP of BPA, in National Wildlife Fed'n, et al. v. NMFS, et al., p.6, Nov. 21, 2005.

<sup>15</sup> Memorandum, April 29, 2005 from Pervaze Sheikh and Larry Parker to the House Committee on Resources. Endangered Species Costs for Power Marketing Agencies.

This discussion is not meant to argue the “correct” number, but to emphasize how controversial and complicated this issue is—and how open to misinterpretation it will be.

**There are less costly, and more effective ways to restore wild salmon and steelhead.**

Public interest groups, fishing based businesses, taxpayer advocates and others support a full and honest accounting of BPA’s fish-restoration costs. This is because we know that the public supports the goal of restoring wild salmon and steelhead to the Columbia Basin, but only if that effort is successful. That is why we believe that there is a better way: the removal of the four lower Snake River Dams; replacing their modest amount of power with energy efficiency and renewables; extending irrigation pumps to continue irrigation to the 13 or so affected farms; and refurbishing the rail and highway system to ensure farmers can economically ship their goods to market.

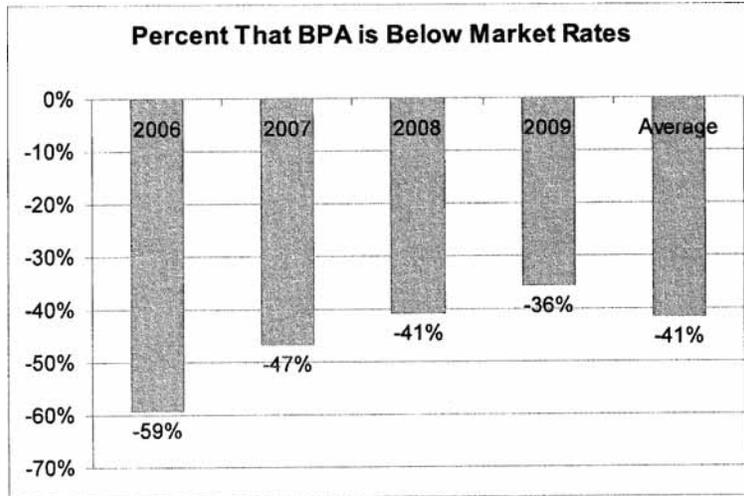
As the true costs of the expensive and ineffective path we are currently on becomes clear, the region will realize that removing those four dams is a less-expensive option. Every day these dams continue to exist, the federal government is wasting money and holding back the quality of life for people in the region.

The federal government can act responsibly by taking down these four dams. Eliminating them will be less costly than allowing them to exist, and will create a more reliable energy source in the Pacific Northwest that is paid for by people in the region. Taking down these dams will also reverse the decline of an important natural resource, Pacific salmon.

**BPA Electricity Rates—Shining a Spotlight**

Bonneville’s wholesale preference power rates are currently 59 percent below the market rates that Bonneville has assumed for FY 2006 in the current BPA rate case. On average, Bonneville would be 41 percent below the lower market rates it projects during the rate period. (Figure 2)<sup>16</sup>

These comparisons include all of the current fish and wildlife costs and impacts on BPA power operations. Even with those costs included, BPA power is significantly below market rates.



**Figure 2**

While NW Energy Coalition supports full transparency, it is important to note that even with BPA’s large fish obligations, BPA’s rates are the envy of other regions. If BPA’s customers want to avoid these fish costs, they are free to get their power elsewhere—at about twice the price! We are concerned that shining a

<sup>16</sup>Declaration of Roger Schiewe of BPA, in National Wildlife Fed’n, et al, v. NMFS, et al., spreadsheet entitled “River Ops, Genesys”, November, 2005.

spotlight on BPA's rates will only renew calls by some outside the region who believe our rates are heavily subsidized as it is.

### Conclusion

Although the NW Energy Coalition supports objective accounting of BPA's fish and wildlife-related costs, indirect costs are not appropriate to assign to one party in a shared system that is put to multiple uses. However, if Congress believes it is important to attempt to quantify these costs, it should insist that the impacts from other users such as irrigation and navigation are also accounted for. Unfortunately, H.R. 4857 introduces a number of difficult issues that need to be resolved before our Coalition could support it.

Thank you for this opportunity to provide these comments.

**Costs to Ratepayers of BPA's Fish Costs**  
By the NW Energy Coalition  
March 9, 2006

	Fish Costs in BPA's proposed PFR budget (\$millions) (note 3)	4(H)10(c) Credit (\$millions) (note 2)	Net Cost to BPA ratepayers (\$millions)	Costs as percent of total BPA Budget (note 5)	BPA Fish Costs in Average Residential Electricity Bills per month (note 1)		
					PGE (Portland Area) (note 6)	Seattle City Light (Seattle Area) (note 7)	Full Requirements Customers (note 8)
BPA's Fish Budget	\$334.7	(\$75.0)	\$259.7	7.1%	\$0.68	\$0.97	\$3.25
BPA's "Foregone Revenues" (note 4)	\$356.9		\$356.9	9.8%	\$0.94	\$1.34	\$4.46
<b>Totals</b>	<b>\$691.6</b>	<b>(\$75.0)</b>	<b>\$616.6</b>	<b>16.9%</b>	<b>\$1.62</b>	<b>\$2.31</b>	<b>\$7.71</b>
Percentage of Average Residential Electricity Bill (note 9)					2.5%	3.6%	11.9%

Analysis by Steve Weiss, NW Energy Coalition

**Notes -- Key Assumptions:**

- 1) Assumes 1,000 kw-hrs per month. Average cost per month. Note that typical costs are about \$60-70 per month total, because utilities add their distribution costs (trucks, meters, power lines, labor, etc.) in addition to power costs.
- 2) NW Power Act Section 4(H)10(c) provides that taxpayers pay for "non-power" portion of fish costs; that is the dams provide multiple purposes (irrigation, navigation, power, etc.) and ratepayers only have to pay for their fraction of the use and costs of the dams. So taxpayers pay for fish costs of irrigators, etc. Amount is estimate provided by BPA.
- 3) BPA Power Function Review February 7, 2005 workshop handout.
- 4) BPA Power Function Review February 7, 2005 workshop handout. This is revenue BPA could have possibly generated if it did not have to operate the river to assist salmon migration. This is the lost generation from water spilled over the dams plus the difference in prices BPA forecasts it might have received if it could shift timing of generation into higher priced periods rather than when salmon need a push out to sea. NWECC, tribes and salmon advocates disagree that operating the dams to provide some help for fish is a "cost." BPA does not list other "costs" such as irrigation withdrawals (about \$250 million/yr.), opening locks to enable ships and barges to cross the dams, industrial and municipal water use, or flood control operations. The river is not owned by utilities, so "foregone revenues" are simply the cost of sharing the river with fish and other users.
- 5) Total BPA budget is about \$2.6 billion for power, \$700 million for transmission, \$350 million for "foregone revenues". Total = \$3.65 billion annually.
- 6) PGE's residential customers receive a credit from BPA of about \$7.00/mo. through a complicated formula. This is fraction of that represented by fish costs.
- 7) Seattle City Light's customers get about 30% of their power from BPA, so the bill affect is 30% that of full requirements customers.
- 8) Full requirements customers get 100% of their power from BPA. \$80 million changes their rate by about \$.001/kwh.
- 9) Assumes an average retail rate of 6.5 cents/kwh and 1000 kwhs/month.

Ms. McMORRIS. Thank you very much.  
Next, Mr. Corwin.

**STATEMENT OF R. SCOTT CORWIN, VICE PRESIDENT FOR MARKETING AND PUBLIC AFFAIRS, PACIFIC NORTHWEST GENERATING COOPERATIVE, PORTLAND, OREGON**

Mr. CORWIN. Good morning. On behalf of PNGC Power, my name is Scott Corwin. I thank you for the opportunity to be here today.

PNGC Power is a cooperative of 15 consumer-owned utilities in the Northwest. They have a population base of those utilities of about 300,000 customers, and these are utilities that banded together to meet their power and transmission needs. It is Bonneville's fourth largest customer.

H.R. 4857 is a bill that is short and to the point, and so I will attempt to do the same with my testimony. PNGC Power supports H.R. 4857. We appreciate the initiative of Representative

McMorris and the co-sponsors in raising the issue before us. We support the bill because it offers an opportunity for ratepayers to be better-informed consumers. Consumers often ask about the nature of costs in their rates, but they know little about the level of fish and wildlife costs affecting those rates.

In fact, we were surprised at the results of some research just last year conducted. Most respondents did not know there were any costs in their rates related to fish and wildlife. Of course, in the case of BPA, there are significant costs. You heard something about that already. Thirty percent of the rates are charged to cover fish and wildlife.

But we are not just focused on costs. What we want to see is real success, and attention to costs can actually lead to benefits for fish as well as ratepayers in the case of salmon recovery in the Northwest. There are good examples and bad examples of the focus on costs in the Northwest right now.

A good example is the focus on costs of spill which loses generation off the hydropower system which led to the development of something called a "removal spillway," where, in tests, these devices actually passed fish with a 98 percent survival rate using about one-fifth of the water that would otherwise be used in a normal spill operation. The Army Corps of Engineers is to be commended for that one example.

On the negative side, the Army Corps of Engineers is currently proposing to spend \$30 million on a feasibility study regarding the effects of different flow regimes for fish. We do not think that is likely to lead to any useful results for the region, but it is likely to lead to a large cost for ratepayers.

Regardless of what you think about the costs of particular efforts or the level of spending in general, the issue here is information, and I would like to take a minute to respond to a couple of the comments made. We think getting better information is useful on many levels.

Some argue that utilities and ratepayers could gain this information without this bill. That is not the case. Some would argue that these particular costs should not be displayed or that other costs should be displayed instead. There are not other costs in Bonneville's rates that are of this magnitude or of this volatility. In addition, these are costs particularly driven by Federal laws that do not relate to the business of creating power, as most of the other costs do.

Some argue about whether the number that the power market agency would come up with is the correct number. I think that debate is a reason to pass this bill. There are plenty of things in the region for all of us to voice our concerns about what the right number is, and we will argue that back and forth, but that discussion should not inhibit a power marketing administration from creating the final determination and getting that information to consumers.

Also, on the issue of indirect costs, I think this bill correctly includes those costs, as well as direct costs, because, to a ratepayer, they are one and the same. Water spilled over a dam, rather than creating electricity, creates impacts on ratepayers just as much as direct projects or capital expenditures or operations and

maintenance. The question is, without that set of actions, would the power rates be lower?

Also, on defining ESA costs, particularly, versus other fish and wildlife costs, I was glad to hear Bonneville suggest that they would include all fish and wildlife costs in their calculations for purposes of this bill because the ESA does have such broad implications in the Northwest that most, if not all, fish and wildlife mitigation could be defined as related to implementation of that Act.

To sum up, we support H.R. 4857 because it is a straightforward approach to providing more information about a major factor in our power rates of consumer-owned utilities. Timely release of useful information is a worthy goal in and of itself. But just as important is the potential that this information may create incentives for better management of our natural resources that would benefit endangered species and ratepayers alike. Thank you.

[The prepared statement of Mr. Corwin follows:]

**Statement of R. Scott Corwin, Vice President of  
Marketing and Public Affairs, PNGC Power**

Mr. Chairman, members of the committee, on behalf of PNGC Power, I thank you for the opportunity to testify today. PNGC Power is a cooperative of fifteen consumer-owned utilities who banded together to meet their power and transmission needs. Member utilities have service territory in portions of seven western states. We are committed not only to preserving the economic value of the Columbia River system, but also to ensuring effective recovery of salmon and steelhead listed under the Endangered Species Act.

**Filling the Knowledge Gap**

PNGC Power supports H.R. 4857, the Endangered Species Compliance and Transparency Act of 2006. We appreciate the initiative of Representative McMorris and the cosponsors in raising the issue before us. H.R. 4857 is narrowly tailored to require the power marketing administrations to display these costs on the monthly wholesale power bill sent to utilities. It is then up to the local utility to decide what to do with that information. Local control over management of the utility is a fundamental priority of each consumer-owned utility in the Northwest.

We support this bill because it offers the opportunity for ratepayers to be better informed consumers. PNGC Power provides electricity to retail utilities that have about 159,000 accounts serving a population of over 300,000 citizens of the Northwest. While these consumers often ask about the nature of the costs that make up their electricity rates, they have little knowledge about the level of fish and wildlife costs affecting those rates.

In fact, we were surprised at the results of research that was conducted last year on behalf of Northwest RiverPartners ([www.nwrivernpartners.org](http://www.nwrivernpartners.org)), a consortium of river users and utilities who support a balanced approach to the multiple uses of the Columbia and Snake River system. The polling found that about 60% of respondents did not know there were any costs in their rates related to implementation of the Endangered Species Act.

**Fish and Wildlife Costs**

Of course, in the case of the Bonneville Power Administration (BPA), there are significant fish and wildlife costs in the rates the agency charges for wholesale power. According to BPA, the fish and wildlife category will account for about 30 percent of the rates charged for the upcoming rate period. The total BPA ratepayer cost since 1980 is well over \$7 billion. That does not count the amounts contributed through other federal, state, and local taxing entities.

Are all of these costs warranted? Are they effective? Those are questions with which the region has struggled significantly over the last two decades as the underlying science slowly develops. We have offered our testimony on some of those issues before, and would be happy to do so again in depth. I will only touch upon a couple of points today.

It is difficult to know the extent to which highlighting the costs on power bills will lead to more scrutiny over the effectiveness of salmon mitigation measures. If it does, then that would be a useful byproduct of H.R. 4857 that would benefit fish as well as ratepayers.

We saw a good example of the ability to do things better for fish in a more efficient way earlier this month. Hatchery fish were passed by Bonneville Dam using a new method that avoided spilling water that would have lost \$1.3 million worth of power generation. The so-called "corner collector" device passed 7.6 million fish from the Spring Creek Hatchery at a fraction of the cost seen in prior years. Used in conjunction with the screened bypass system at the dam, this method passes fish with a survival rate of over 99 percent.

Another new technology aimed at improving fish passage around the dams is called the removable spillway weir. This device enabled juvenile fish to pass with a 98% survival rate in tests at both Lower Granite Dam and Ice Harbor Dam. This creates better fish passage while only using one-fifth of the water used in normal spill operations. The Army Corps of Engineers (ACOE) is to be commended for these improvements to fish survival and cost effectiveness.

On the negative side, the ACOE is currently proposing to spend \$30 million on a feasibility study regarding the effects of different flow regimes for fish. The faulty assumptions behind this effort lack any real scientific basis, and threaten a loss of focus from the ACOE's mission of preserving important flood control capability. If similar studies in the past are any guide, this "Columbia River Fish Mitigation System Flood Control Review" is likely to lead to very certain and large costs to ratepayers without any certainty that so-called results will serve to inform important scientific and policy questions.

Clearly, a survey of expenditures for salmon includes some good and some not so good models. More knowledge about fish and wildlife costs is not an impetus to do less for fish. Rather, it can create ownership in the efforts underway and serve as an inducement to create better, more effective means of assisting fish in the future. And, it should be noted that any approach to salmon recovery that will be successful long-term must take into account all aspects of the salmon lifecycle including impacts from hatcheries, harvest, and all areas of habitat whether inside the hydro-power system or not.

#### **Providing Valuable Information**

Support for this bill should not depend upon whether you believe these expenditures in the name of salmon should be lower, higher, or are just about right. The issue here is information. Certainly, it would make the understanding of these costs clearer if they were displayed directly on the power bill each month. What happens to the information after that, or to the opinions of consumers receiving that information, will vary greatly from utility to utility and from customer to customer.

Some may argue that a utility and its ratepayers could gain this information without this bill. This is not necessarily the case. Only federal agencies are in a position to determine with accuracy the costs they expend on fish and wildlife. The processes in place to determine those costs and inform customers about them are lengthy and complex. Utilities would benefit from having one official estimate that is produced by the agency and disclosed on the actual power bill.

Some might question why these particular costs should be displayed and not other costs. There are very few costs in BPA's power rates that are of this magnitude and this level of volatility. In addition, these costs are particularly driven by federal laws that do not directly relate to the business of producing power. This distinguishes them from many of the cost categories that flow into the rates of power marketing administrations.

#### **Defining ESA Costs**

Under H.R. 4857, some may argue about whether the number that a power marketing agency displays is the correct reflection of fish and wildlife cost. Those arguments are inevitable, and there are plenty of venues in the region for all of us to voice our concerns to the agency. But, that discussion should not inhibit the agency from making a final determination and getting that information to customers.

For example, H.R. 4857 correctly includes the indirect costs as well as the direct costs of ESA implementation. To a ratepayer they are one and the same. Water spilled over a dam rather than creating electricity impacts ratepayers just as much as direct projects, capital costs, or operations and maintenance. The pertinent question is: without the set of actions in question would the power rate be lower? Whether the action causes a loss of generation or whether it is a direct expenditure, the impact is pressure on rates to be higher than they otherwise would be.

In addition, we would hope that BPA would administer this provision by including all fish and wildlife costs in its calculation of cost for purposes of this bill. While the bill refers specifically to costs incurred related to compliance with the Endangered Species Act (ESA), it also refers to "activities related to such Act". In the case of mitigation paid for by BPA and its ratepayers, the ESA has such broad impact

on the region that most if not all fish and wildlife mitigation could be defined as related to that Act even if it is more formally associated with another law such as the Northwest Power Act. Also, from a practical standpoint, many projects may serve multiple purposes under multiple laws and are difficult to parse in a definitive way.

**Conclusion**

We support H.R. 4857 because it is a straightforward approach to providing more information about a major factor in the power rates of consumer-owned utilities. Timely release of useful information is a worthy goal in and of itself. But, just as important is the potential that this information may create incentives for better management of our natural resources that would benefit endangered species and ratepayers alike.

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Ms. MCMORRIS. Thank you very much, and thank you to everyone for being here today and offering your testimony. We really appreciate it.

I wanted to start just with an open question to anyone who would like to answer, but just to speak to how informed you think people are of the endangered species costs and why you think it is the case.

Mr. CORWIN. I can take that one. You know, you mentioned a poll before that was done last year by a consortium of river users and other utilities, and it really was striking. Consumers are not well-informed at all, and I do not know why that is the case. In our world, we certainly talk about these issues a whole lot. Occasionally, they get some media attention, but I think folks in general know when their rates go up; they do not know why, and it is not displayed in a clear and easy-to-use manner on the power bills for utilities to use.

Ms. MCMORRIS. OK.

Ms. PATTON. I just wanted to say that I have not seen the results of the River Partners' poll, but there are many polls that have been done over the course of the last 10 years anyway asking customers what they really would be willing to pay in order to preserve salmon, and the numbers that come back from those polls ranged from up to \$5 a month on bills, which is so much larger than any of the actual costs that it would be interesting to look at those polls together.

Ms. MCMORRIS. I might just ask Mr. Corwin and Ms. Mikkelsen just to comment, since you work for utilities, how accessible is this information, and then I know because I am a customer of Inland Power and Light—it is on our bill, but would you just comment as to what the customers' response has been to that line item on the bill?

Ms. MIKKELSEN. Certainly. I think that the customers' response to the line item has been largely related to the size of their electric bill, and so we would have a local grocery operation that pays in excess of \$25,000 a year for the fish and wildlife component of the BPA program, the BPA power, and clearly that particular element of their bill has gotten more attention than with a residential consumer who is paying in the neighborhood of \$10 a month.

So my sense is that the response from the customers and the interest from the customers in terms of the total amount has at least in some measure been related to the actual dollar amount of the bill. I think that from our commercial sector customers especially

this has been a very eye-opening exercise in terms of informing them about the nature of fish and wildlife programs in the Pacific Northwest.

We also have had a number of residential consumers, especially those living on low and fixed incomes, that have been very concerned over the levels and have appreciated the information.

Ms. MCMORRIS. Can you speak to how difficult it was to get the information?

Ms. PATTON. Yes. Let me describe the process we used, and that may give you a sense of it. So we had a retired, high-level, BPA manager that came to work for Inland Power and Light, and as I said, one of his first jobs was to try and get information about fish and wildlife costs. We knew at the get-go that we would not have perfect information, but we felt that if we could get in the ball park and feel comfortable that generally that we were providing good information to the members, that good information was better than perfect information.

It took many months to do that, and the process went something like this: We would ask some questions of a BPA person, and that person would kind of ask the next level up and the next level up and the next level up. It was a very iterative process in terms of trying to make sure that the agency was comfortable with releasing the information. Also, I think it is fair to say that had we not had somebody with a familiarity of the organization and a familiarity of the basic, underlying issues and the rocks to look under and those sorts of things, that it would have been extremely difficult to have done this.

So I am not at all convinced that had we not had the person working on the project that we did that we would have ever gotten to the result that we did.

Ms. MCMORRIS. Very good. A quick question to BPA. The—of the spills has been in the forefront of our minds and the impact that it has had on electricity generation. It was due to Judge Redden's decision related to the Endangered Species Act. Do your agencies consider that cost one that should be passed on to the customer, the consumer?

Mr. DELWICHE. Thank you, Madam Chair. Your question is, does Bonneville believe that the costs associated with Judge Redden's orders should be passed on to the customer? Well, the costs associated with this order are real costs that affect Bonneville's financial bottom line, and being that we sell power at cost, and our costs are recovered fully through our power rates, we have no choice but to pass those costs on to our customers.

I might also opine that in the Northwest the ratepayer burden associated with Endangered Species Act compliance relative to the taxpayer burden is probably different than other parts of the country where ESA activities in other parts of the country are more borne by the taxpayer and less by the ratepayer.

Ms. MCMORRIS. OK. Thank you.

Mr. Grijalva?

Mr. GRIJALVA. Thank you, Madam Chair. With your concurrence, if I may enter this statement into the record.

Ms. MCMORRIS. Yes.

[The prepared statement of Mr. Grijalva follows:]

**Statement of The Honorable Raúl M. Grijalva, a Representative in Congress  
from the State of Arizona**

Thank you Madame Chairwoman:

I must voice my opposition to this bill. This bill is unnecessary and would create a cumbersome and expensive new procedure for Power Marketing Administrations in the West, while unfairly demonizing the Endangered Species Act in the process.

This bill purports to require disclosure of the cost of compliance with the Endangered Species Act to power customers in Western states. However, to a great extent, the reason many species, particularly those in the Columbia River, are listed is because of dam operations and power generation. If the way in which hydropower was generated weren't so damaging to the environment and to wildlife and fish in particular, these costs would not be necessary.

In addition, this bill seems designed to demonize the Endangered Species Act by singling out compliance with that law as a cost on its own. The fact is, you can't separate out costs to comply with that particular Act, because the PMAs are required under numerous laws and treaties to take certain actions with regard to fish and wildlife that overlap partly or completely with ESA compliance.

For example, there is significant overlap between the requirements of the ESA and laws such as the Pacific Northwest Electric Power Planning and Conservation Act. In addition, the federal government must fulfill its trust responsibilities to Northwest tribes under various treaties by preserving aboriginal fishing rights on the Columbia river and its tributaries.

So to single out the Endangered Species Act as the reason for all fish and wildlife costs related to dam operation is an oversimplification and is disingenuous considering all these other obligations.

Moreover, despite there being these costs related to fish and wildlife, utility rates in the Pacific Northwest are among the lowest in the nation.

This bill would add an unnecessary, burdensome and costly procedure to Power Marketing Administration's reporting duties. While I look forward to hearing testimony today, I believe there is absolutely no need for this legislation and I am firmly opposed to it.

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Mr. GRIJALVA. Thank you. Just a couple of questions, Madam Chair, and let me, if I may, begin with Mr. Hacskaylo. On page 2 of your testimony, you say ESA operating constraints prevent the generation of hydropower when it is the most valuable, creating lost sales and revenue. If Western is required to abide by ESA—this is my question—how can ESA compliance be a cost? Does not Western also consider water delivered to meet irrigation contracts, flood control as lost revenues because water is not being used at that time to generate power?

Mr. HACSKAYLO. In response to your question, sir, that Western views the issue of lost revenues as a result of the timing of when water can be released through the generators in order to comply with Endangered Species Act requirements; that is where we see the lost revenue coming in.

Mr. GRIJALVA. And with regard to irrigation contracts and flood control, that is not a lost-revenue question as well?

Mr. HACSKAYLO. We do not deal with irrigation or flood control. I will defer to the Bureau of Reclamation on those issues.

Ms. MCMORRIS. As used in Section 2[a], who would be the firm power customers to receive the monthly estimate of ESA costs incurred? Who would they be?

Mr. HACSKAYLO. The firm customers would be approximately the 750 customers we have, cities and counties—

Mr. GRIJALVA. The utilities.

Mr. HACSKAYLO. Yes, sir, wholesale utilities.

Mr. GRIJALVA. Will any residential customers receive these monthly billing revenues?

Mr. HACSKAYLO. Not for Western Area Power Administration, no, sir.

Mr. GRIJALVA. And do you track ESA costs specifically at this point?

Mr. HACSKAYLO. We track ESA costs specifically with regard to the Colorado River Storage Project, which is where most of our costs are. On our other projects, as these costs and programs are developing, we will be tracking those costs, yes, sir.

Mr. GRIJALVA. OK. The discussion was about objective accounting and uniform accounting. So all of the power marketing administrations track cost of revenues the same at this point?

Mr. HACSKAYLO. I do not know the answer to that, sir.

Mr. GRIJALVA. I think, at some point, that is an important question because, if not, does it make sense to amend H.R. 4857 to require this uniformity?

Mr. HACSKAYLO. I am not sure what additional burden that would require, to have a uniform system of accounts for all of the PMAs. I just do not know, sir.

Mr. GRIJALVA. Let me ask Ms. Patton, if I may, right now, the discussion on 4857 focuses on the costs of ESA compliance, and maybe from your perspective and hearing some of it in your testimony, but maybe you can elaborate, what have been the economic benefits to restored fisheries, in your experience?

Ms. PATTON. Well, it does not even have to be my experience. The Army Corps of Engineers actually completed an economic analysis in 1999 that showed that some of the economic benefits of a restored river could be certainly as high as \$300 million a year. We have also seen studies in Idaho of the sort of surprise fishery that came out, and this is in my written testimony, that towns like Riggins and others that depend on tourist dollars saw several million dollars, in the tens of millions of dollars, of revenue just from that restored fishery. In Washington and Oregon, there are all kinds of communities that are facing now a huge economic disadvantage because of the impact on commercial fishing of loss of salmon.

So benefits are very substantial, and we can direct you to a number of studies on the issue.

Mr. GRIJALVA. I would appreciate that. I think it would be useful information for the Committee.

Mr. Corwin, just a little follow-up on the question that I was asking previously. If PMAs are required to calculate the costs of revenues used for ESA, should they be uniform? Second of all, should they be required to calculate the value of water for other purposes such as irrigation?

Mr. CORWIN. As far as uniformity across PMAs, I cannot really speak to that. We specialize in BPA, and they have a pretty well-established way of accounting for total fish and wildlife costs.

As far as lost revenues relating to other matters, like I said, there is nothing with this level of volatility and certainly nothing with this magnitude, irrigation included. The study that Ms. Patton referred to regarding the level of supposed value of water used for irrigation in the region was a study from one staffer at the Northwest Power and Conservation Council. It is a draft. It is out for comments, and it is going to receive several. As far as the assumptions used in that study, it was based on a lot of old studies

on other topics, so I think there are a lot of questions. It is a tough thing to measure. The water returns to the river off of the land used for irrigation at certain points. You have to try to measure that evaporation.

The ESA costs are unique in that, unlike other costs, there are many ways to achieve the objectives of ESA implementation, and we would say, in a lot of cases, more efficient ways to achieve those objectives. They are well defined. They are easily measured. Most of the large losses of generation from ESA implementation came into the Northwest starting in about 1995 when the implementation kicked in.

Mr. GRIJALVA. I think the Northwest Power Conservation Council recently, and I do not know how recent this might be, found \$250 million is lost by using water to irrigate crops rather than leaving it in the river to generate electricity. Shouldn't that be part of the accountability?

Mr. CORWIN. That is a memo I was just referring to. The council did not find that; one staffer did, and it is out for comment, and it is in draft, and I think there are a lot of flaws in that. Whether there is some level of loss there that can be accurately measured and included is up for debate. It has not been measured previously, and it would be a difficult thing to do.

Mr. GRIJALVA. The question is about the whole picture, not part of the picture.

Mr. CORWIN. Yes. Philosophically, perhaps, but Bonneville could answer that.

Ms. MCMORRIS. OK. Mr. Pearce has to leave, so we are going to go to him next. Thank you.

Mr. PEARCE. Thanks. Ms. Mikkelsen, you heard the comment that ratepayers would pay up to \$5 to support the salmon. If you disaggregate and look at the senior citizens on fixed income, would they be willing, in your estimation, to add five bucks to their monthly fee?

Ms. MIKKELSEN. Thank you. I think that it is fair to say that many of the senior citizens and low-income consumers that we serve struggle mightily to pay their electric bills and that \$5 represents a significantly higher proportion of their disposable income than for the rest of the population. My sense is that their willingness to have the costs be anything higher than \$5 would be limited.

Mr. PEARCE. Thank you.

Ms. Patton, there are some states that really try to mandate conversion to a certain amount of green electricity; that is, if a producer is using a coal-fired plant, they have to have a certain amount of green-generated power. Is that something your group supports or you personally support, that mandatory conversion?

Ms. PATTON. The NW Energy Coalition supported and worked with our members in Oregon to achieve what is called the "public benefits charge," which is providing both low-income weatherization and low-income energy assistance, as well as energy efficiency and renewable energy.

Mr. PEARCE. You would vote for mandatory conversion.

Ms. PATTON. There is a mandatory requirement that the utilities, and we are talking about industrial utilities here, would set aside—

Mr. PEARCE. I would ask that if you would not remind my reclaiming my time, so you would support this mandatory conversion, even though it is very difficult. In some places, there might not be enough green power to really fill the requirement, but you still think we should push the envelope just a little bit.

Ms. PATTON. We think that there is going to be green power, and we think it is the best thing for our country and for the ratepayers, yes. It is cleaner, affordable power, and we think it is a good idea.

Mr. PEARCE. So you would be in favor of mandating things that would be somewhat difficult to achieve in order to, even though it might be hard to get into the—

Ms. PATTON. We do not think that they are difficult to achieve. We think they are a little bit unfamiliar, and the main issue is that your costs are up front.

Mr. PEARCE. So whatever the objections, they should overcome the objections and try to get it done.

Ms. PATTON. We want them to look at the long range, yes.

Mr. PEARCE. When I look at your testimony, I find that you say that this bill is not possible because it would be difficult or impossible, and yet I find you having a different value set on one set of issues, that we should push the envelope just a little bit, even though it is difficult or impossible, but on this particular bill, you would not want to do that, and I find that curious.

Ms. PATTON. I think we were just talking about separating USA from Pacific Northwest electric power planning and treaty obligations. That is not the same thing—

Mr. PEARCE. One of your bullet points also says it is likely to focus national attention on the fact that rates are 60 percent below. Isn't that part of transparency? Isn't it true for the part of transparency, even though it might bring attention? I find that very curious that you would not want the rest of the Nation to know the truth, that hydroelectric is a somewhat better, lower-priced energy source. Why is that a particular objection for you?

Ms. PATTON. I am fine with the transparency so long as we are meeting our responsibilities to salmon and to make available the cleanest and cheapest power to our customers.

Mr. PEARCE. But not to bring to the attention of the Nation that hydroelectric power is 60 percent less.

Ms. PATTON. There is always an interesting phenomenon attached to that, special attention, as opposed to transparency all by itself.

Mr. PEARCE. I think transparency myself is good in all regions.

Now, if the Bonneville Power Administration is forced by environmental standards to convert from clean-burning or clean-produced hydroelectric power to coal because of certain endangered species actions, isn't that part of transparency that would be good for the customers to know, that this law is being used to shut down hydroelectric power, and then, in the meantime, we want to convert to coal power, and we want to generate more coal power. That seems like that is very powerful and good information, and yet—

Ms. PATTON. It would be good if it were true, but, in fact, the Northwest Power and Conservation Council, which is the four Governors of the four Northwest states, has already done a 20-year forecast that shows there is plenty of clean electricity from energy

efficiency and renewables to meet all load growth and to cover those issues, so it is not an issue of needing the coal. If that were true, I would certainly want that to be transparent, but it is not the case.

Mr. PEARCE. So you are saying there is plenty of renewable power, so we could go ahead and just shut down the hydroelectric now.

Ms. PATTON. No, not the whole system. Of course, not.

Mr. PEARCE. Well, there are people who would do that.

Ms. PATTON. I do not know any of them.

Mr. PEARCE. I am sure you would not.

Madam Chair, I have extended beyond my time, and I appreciate the consideration to let me go ahead of the rest of the group. Thanks.

Ms. MCMORRIS. Thank you. Mr. Inslee?

Mr. INSLEE. Thank you. Ms. James, do you support repeal of the Endangered Species Act?

Ms. JAMES. Mr. Inslee, thank you for the question. My organization supports reform of the Endangered Species Act.

Mr. INSLEE. Do you think that the ESA should be repealed if it ends up that consumers are paying \$2.80 a month for household electricity due to efforts to keep salmon in the rivers for our grandchildren?

Ms. JAMES. As I stated, we support reform, not repeal.

Mr. INSLEE. Have you been advised that Mr. Sheets—all fish and wildlife costs would be about \$2.80 a month for a household in the Pacific Northwest associated with fish and wildlife expenses?

Ms. JAMES. Mr. Inslee, I have no knowledge of that. My region is the Colorado River Basin, so maybe the question needs to go to another witness.

Mr. INSLEE. Well, I just want to read to you an e-mail from Ed Sheets that says these ESA cost estimates would translate into about \$6.90 per month for a consumer that is served by a utility that buys 100 percent of its power from BPA. BPA serves 40 percent of the Northwest. The average impact on consumers would be about \$2.80 a month. So all of this hullabaloo is about trying to make sure that is on one piece of paper that goes to the utilities when this information is available to the public already.

Ms. JAMES. I would like to turn the response over to Ms. Mikkelsen. I do not even know who Mr. Sheets is, and I think he is probably referring to her region and not mine.

Mr. INSLEE. I have his official title. I want to make sure I get his official title right—former head of the Northwest Public Power Council for 15 years.

The point I am making, this information is available. I am just asking a question, if I can. I assume the purpose of this bill is to share information for the public. Do you think should the public be told the cost of the nuclear experiment that did not work in the Northwest? Do you think they should be told the cost of that debacle on their bills once a month?

Ms. JAMES. In terms of consumer transparency, again, that is not my region, but I would think that would be an appropriate thing. If what we are looking for is disclosing true and actual costs to consumers, I think that is a good idea.

Mr. INSLEE. Well, now we are getting somewhere. So now you are going to put on the bills the cost of the nuclear debacle. How about the debacle of the Federal budget where we are paying over \$100 billion a year for Federal interest payments because the deficit has ballooned in the last six years? Do you think we should give that information to consumers, too?

Ms. JAMES. I am not sure who would do that, but, you know, in theory, again, what we are supporting is increased understanding and education and transparency of the costs that the customers are paying. If the taxpayers are paying that cost, I think it would be appropriate to disclose it.

Mr. INSLEE. That would be interesting. I represent a district in western Washington, and we do not have huge irrigated agriculture. I used to represent a district that did have irrigated agriculture. They are both great districts. My concern is, in my particular region, the district that I now represent, they do not have a lot of irrigated agriculture. Do you think they should be told the cost of providing irrigated agriculture to the districts that do use irrigated agriculture so they can see how their money is being spent for a district that is not—do you think that is important for them to know?

Ms. JAMES. If they are paying those costs, yes, I do.

Mr. INSLEE. OK. How about the cost of the Iraq war? Do you think people ought to be told the cost of the Iraq war?

Ms. JAMES. I think, since the American taxpayers are paying the cost of the Iraq war that, yes, they should be able to know those costs.

Mr. INSLEE. Well, they do, and they can because it is publicly available information just like this is already, and my concern about this bill is to add unnecessary duplication, litigation, hassle, heartache, and confusion to something that is already publicly available, and if this bill is not required to go to the consumers, I am not sure what is going to be gained here. As I understand this bill—let me ask you, does this bill simply require this information to be given to utilities? Is that correct?

Ms. JAMES. Yes, it is, and I think there are some differences in our region versus what I have heard this morning on Bonneville and the Northwest. The Northwest appears to be a step ahead of our region in terms of that type of transparency. Certainly, the costs are available if we ask for them and seek them out. By having, at minimal, expense in time, the costs actually provided to the wholesale consumers, they can then each choose how they decide to share those with their retail consumers.

Mr. INSLEE. I want to make sure I understand. It is your position that if this bill advanced, you would support an amendment that would make available to the same people that this bill would the cost of the compliance with the nuclear debacle and irrigation costs to provide irrigation services to people in these affected areas. You would support that amendment. Is that correct?

Ms. JAMES. No, not without seeing the actual text, I could not.

Mr. INSLEE. OK. Well, we may provide that to you if this bill advances at all.

Ms. Patton, I just wondered, do you think there should be any distinction? The motivation, I am sure, is sincere of those who

proposed this legislation, and it is to share information with the public, which normally is a laudable goal. Sharing information with the public in a democracy is a laudable goal.

I do have some concerns about this, though, of, first off, being able to actually segregate compliance with ESA costs compared to compliance 2[e] responsibilities, contractual obligations to the states, just basic good government decisions made by these appointed and elected officials. Trying to segregate these things; I think it would be very, very difficult, actually, to comply.

My perspective on this, actually, I think consumers would be more interested in the sort of total cost we spend, investment we make, in trying to keep salmon in the rivers for our grandchildren. I think that is what people would be most interested in, and trying to segregate ESA from treaties and everything else is going to drive people nuts, frankly, and they will all end up in litigation and everything else, and it really will not achieve a purpose. Do you have any comments in that regard?

Ms. PATTON. Yes, definitely. And I think BPA also has said, and Mr. Delwiche has said, that it would be much easier to report, which they already do, the costs for the full program for fish and wildlife restoration, and we would strongly support that, obviously, along with the costs of the rest of the program, and we would like to see the benefits weighed as well when we do that kind of analysis. It is sort of like the question earlier that you pay up front for a wind turbine, and then you do not have any fuel costs. So you have to look at the long term in order to see what the costs and the benefits are.

So, yes, we would like to see all of the fish and wildlife costs, as well as the irrigation withdrawal costs and as well as the nuclear debt costs as well as the benefits that we see on the other side because that is the only way we can make a fair determination of the wisdom of the decisions that are being made for us.

Mr. INSLEE. My reaction to this is if we head down this path, we are going to have this, you know, 50-page document with all of this information that is already pretty much publicly available and really no public benefit. I am over my time. Thank you.

Ms. MCMORRIS. Mr. Otter. Yes, Mr. Walden, I do know you are a Member, but Mr. Otter has been patiently waiting and also worked on this legislation in years past.

**STATEMENT OF HON. C.L. "BUTCH" OTTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO**

Mr. OTTER. Thank you, Madam Chairman. Thank you very much for your leadership on this. As I was just explaining to Mr. Walden, I had an amendment last year to the Endangered Species Act very much similar to this, and what I had envisioned, and all of the confusion that you could possibly add to this to try to mask the subject, I think, flies in the face of most of those advocates like the former questioner from this bench who constantly requires advocacy and transparency, I should say, of Enron, who we meet every day at the gas station, and the list goes on and on.

If there were a question about how much information was available in the travel expenses or in the executive compensation or bonuses or anything else, I am quite confident that that information

would not only be forthcoming from my colleagues but also in many other sectors.

I would like to state for the record, Madam Chairman, that the study referred to by Ms. Patton was a study that was, indeed, put on in Idaho and that there was, indeed, some \$300 million that was felt that the state would benefit from the free-flowing river and the loss of the four dams, 3,000 megawatts, the shipping, the siltations of the river on down, the total disruption of the flows for years to come. That was, indeed, a \$300 million study benefit.

However, an analysis by the University of Idaho, and, Madam Chairman, I would like to ask unanimous consent that both the study referred to by Ms. Patton and the analysis by the University of Idaho which indicated that the numbers were inflated, and if not, they were involved in some advocacy accounting, I would like to have both of those submitted to the record so that the statement made by Ms. Patton does not go unchallenged or at least unclarified.

Ms. MCMORRIS. Without objection.

[NOTE: The study and analysis submitted for the record by Mr. Otter have been retained in the Committee's official files.]

Mr. OTTER. What we had envisioned is when I get my property tax in Idaho, I get a property tax, and it says, this is what schools are costing you, and this is what fire department and police department and the sheriff's department—it goes right on down the line. So I need a list of all of those who the government uses their authority to collect taxes from my property and the value of my property. I know exactly, if I look at this year's tax bill compared to last year's tax bill, I know exactly who is costing me more money, and if it is the schools, and if I am not getting the product out of the schools, then I have a legitimate complaint. That is the kind of transparency that I believe that I envisioned and I believe Ms. McMorris, in her leadership effort on this bill, also envisioned.

If I am getting bit by mosquitoes in the summer months, and I look down, and mosquito abatement is part of that, and I am not getting my money's worth, I know who to complain to. So that is exactly what we were talking about. The community that has resisted this effort, my effort, for the last three years and is now resisting this effort, as far as I am concerned, do not want the rate-payers to know.

Every month when I get my power bill, it always comes with how to protect yourself, do not lift your hand line and hit the power line because it could electrocute you. It comes with all kinds of information, including conservation information—turn the lights off, put a jacket around your hot water heater—all of these things, but it does not give you the information of how much I am paying per kilowatt hour for the power that I consume. That is exactly what I had envisioned, and I think that Ms. McMorris has envisioned, by this bill.

I find it extremely curious, to use Mr. Pearce's word, that we would not be able to identify these costs. Mr. Delwiche, you said that the three primary categories were debt service, M&O, and what was the third one? I wrote them down here right quick.

Mr. DELWICHE. The revenue effect of flow and spill and operations changes at the dams.

Mr. OTTER. That is right. Last year during the spill period, we were spilling a million dollars a month worth of water, to what benefit we are still not sure, and we will not know for three years because we have not studied that two years. We have only studied 25 percent of the fish's life span. We did not study the 75 percent of the time that they spend out in the ocean, so we are just studying a very short period.

My point is this: We are going to be voting this afternoon on a bill to add, I think, another \$700 million to—heap while we are spending a million dollars a day with water in Idaho. Some of that money is obviously going to go to the Northeast, but it is going to go to the Northwest.

Madam Chairman, I apologize for making a speech here instead of asking the questions, but I thank you all very much for your testimony. I have it. That will become, as you know, a matter of this record, and I appreciate you all being here today. Thank you, Madam Chair.

[The prepared statement of Mr. Otter follows:]

**Statement of The Honorable C.L. "Butch" Otter, a Representative in Congress from the State of Idaho**

Madam Chairman, thank you for allowing me to join you in this hearing today and I am proud to be a co-sponsor of your legislation. H.R. 4857 is similar to an amendment I offered last year to the Threatened and Endangered Species Recovery Act.

By requiring Power Marketing Administrations, like Bonneville Power Administration, to include costs related to the Endangered Species Act in their customers' monthly billings, this is a common-sense bill aimed at empowering electricity consumers with the "right to know" what they're paying for. The bill simply provides "sunshine" and transparency to the way our federal government does business.

In the Pacific Northwest alone, the Bonneville Power Administration accounts for 45 percent of the region's electricity sales and 75 percent of its transmission lines.

The regions hydropower is no longer cheap by today's standards due to a number of reasons. One of those is the Endangered Species Act. The ESA has a tremendous impact on the electricity backbone of the nation. In siting new transmission lines, in relicensing hydroelectric projects and in generating power, the ESA impacts almost every facet of how consumers receive electricity.

Bonneville's rates have risen 46 percent since 2001, due in part to the ESA's impact on the Columbia/Snake hydropower system. The agency spends an average of \$500 million per year on ESA compliance. Since these costs are passed directly to the regions consumers, it's safe to say that when many turn their light switches on; the ESA meter is literally running.

When I get my bill for my property tax, I know exactly where all of my money is going. Everything is listed out from dog catcher to education to police department and so on. When my bill goes up I can compare it to last years bill and know who was responsible for my increase. We should have the same ability with our electricity bills.

The point of all this is that few Pacific Northwest consumers have a notion of what amount of their monthly bills go towards ESA compliance. Nor do the other end-use customers of the other Power Marketing Administrations. It is estimated that as much as one-third of the power bill is devoted to salmon recovery—but no one knows for sure.

I get a bill once a month from my power company and it includes all sorts of information about tips on conserving energy and warnings on how to keep from electrocuting myself, but nowhere does is detail what I am paying for. How much is for generating power, how much is for transmission costs and how much is ESA? All we're asking for is a little transparency and better government accounting, and that's what this bill does. So thank you, Madam Chairman, for having a hearing on this bill and for your leadership on this issue.

Ms. MCMORRIS. Very good. Mr. Walden?

Mr. WALDEN. Thank you, Madam Chairman. I want to commend you for bringing this legislation forward and Mr. Otter for his work in this area as well. I think the consumers have a right to know, and that is what this really gets down to. As Mr. Otter and others have said, I get my property tax bill, and I know what the port district costs me and the school district costs me, and I know what bonded indebtedness, and all of those costs, and I do not have any problem trying to also know what the WHOOPS debt is and what we are paying on it and some of these other costs. Now, I am not sure we need to put the Iraq war cost on my electric bill, or maybe it goes on my phone bill, some bill, but it is publicly available—

Mr. OTTER. Would the gentleman yield?

Mr. WALDEN.—put it on your credit card, Mr. Otter.

Mr. OTTER. Would the gentleman yield? I think you will find that out in about another 30 days. It is called April 15.

Mr. WALDEN. Yes. It is on our tax bill. What a consequence. So I think people need to know the costs. I also serve on the Energy and Commerce Committee. We looked at the E-rate program. Pick up your phone bill, and there is how much we pay for the E rate, how much we pay for E-911. I do not see anything wrong with that unless you are on the side that is panicked that people might actually, once they know the costs, develop a different view of how we manage things and the process involved.

I have spent a lot of time on these issues. I am a native Oregonian. I love getting out in the woods and everything else, and I think there is a lot we can change in the process without ever lowering environmental standards. Sometimes that change does not come about, frankly, until people understand there is a cost associated with it. I will keep myself under control here because I get tired of seeing my little rural communities have their economies shut down by people who only think they come through there to have a park, a place to play, and they do not mind the forest being burned to the ground and nothing happening afterward as long as they are not affected by it.

In the Northwest, we are all affected by these issues. We just had a study come out somewhere that questions whether the spill being ordered by the Federal judge is actually having a positive effect. Now, it is heresy to even raise that as an issue in some quarters, that we would question what we are doing works. Congressman Norm Dixon and Brian Baird and I have been raising some questions about how our hatcheries operate, how our harvest is done.

Why is it we allow as an incidental take 45 percent of the Wild Falls Chinook Run going up the Snake River that we are trying to save. Forty-five percent of that run, an endangered run, was allowed to be harvested as part of a bigger harvest, and then we call it incidental. For God sakes, if we cut 100,000 trees out in the forest and happen to take 45 percent of the spotted owl nests, and I think somebody would chain themselves to a skidder, and yet we sort of ignore this when it comes to fish.

So I think it is important to put these issues on the table. I think consumers have a right to know. I think public policy people have a right to know. I think there are limits, trying to calculate everything, but it sounds like this information is generally available, so

what is wrong with sharing it in a more effective way? So I guess that is my question for Mr. Corwin, folks from the BPA. Is what we are proposing here something that is reasonable to get the information out?

I do not want to burden our folks with new costs, new equipment needs to the point we are driving up electrical costs. We are fighting the Administration on a proposal to do that. Can you all respond? In what you see in this bill, are we doing it in a way that is not going to add costs to ratepayers but will just give the public the right to know what these ESA costs are? Greg, do you want?

Mr. DELWICHE. Mr. Walden, thank you. As I had indicated in my testimony, if we report these costs on a percentage basis, a percentage of the customer's total bill, that information is readily available, and it would be easy for us to provide.

Mr. WALDEN. Mr. Corwin?

Mr. CORWIN. I think it is a very reasonable proposal, and it is not something that is easy to grab otherwise. One of the Members mentioned a consultant saying the cost was \$2.80 a month. Well, not in our utilities area. It is much higher, and, in fact, if you are using \$300,000 worth of electricity a year to run your agricultural operation, the costs would be enormous. This bill, I think, could clarify for people what the cost is.

Mr. WALDEN. All right. Mr. Hacskaylo?

Mr. HACSKAYLO. Thank you. As with Bonneville, we can accomplish the goals of this bill with no additional staffing, with minimal cost, and provide the information to our wholesale firm power customers.

Mr. WALDEN. So if it does not take more staff, it really takes no more cost, and you can acquire these data, then what is the harm with sharing it? And I am out of town. I will leave it as a rhetorical question. Thank you.

Ms. MCMORRIS. Thank you. I wanted to follow up. I am just not confident maybe that the information placed on the table earlier is accurate as far as what we are facing when we think of energy demand versus energy supply because over the next 20 years there is a lot that can be done related to conservation, and I think we need to be promoting that and encouraging people and educating people as to how they can better use energy and conserve. There is a lot of potential there. We need to be promoting the alternatives, but there is still a lot of work that needs to be done.

I wanted to ask whoever wants to respond what they see as the realities of demand versus supply, and maybe, Greg, if you would start with BPA, just what you know and some of the impacts on hydro, and then we will go from there.

Mr. DELWICHE. Thank you, Madam Chair. There was a question raised earlier about if we generate less electricity, what resource is used as a replacement resource, and on a forward-looking basis, of course, the Northwest Power Planning and Conservation Council suggested that we use green power to meet the load growth needs of the Northwest. However, in real time, as we spill water instead of generating electricity, we have to use conventional resources, the existing resources, the constructed resources to generate electricity, and generally speaking, those are resources that combust fossil

fuel, be it natural gas or coal or even, in some cases, oil if we are at the most expensive part of the resource stack.

On a forward-looking basis, as I indicated, the council has suggested that the region can meet its load growth needs through construction of green resources such as wind farms. I should point out, though, that, of course, wind is an intermittent resource. It requires a farming resource to absorb the intermittent nature of wind and reshape it into a form that is consistent with demand, and the Federal Columbia River power system is unique in its ability to do that in a very efficient way. However, the more constraints that get placed on the system, the greater the risk will be in the future that we will be unable to use the system to farm wind, which is the very resource the council is suggesting that we place most of our eggs in the basket of for meeting the region's load growth needs.

Ms. MCMORRIS. Does anyone else wish to comment?

Mr. HACSKAYLO. Very briefly, Madam Chair, the Energy Policy Act of 2005 provides for a number of studies by the Department of Energy, the Department of the Interior, the secretary of Army looking at hydropower enhancement and improvements, as well as additional means to streamline rights-of-way so that we can build the appropriate transmission to move, for example, wind or other generation to load as the demand increases in the years ahead.

Ms. PATTON. I would just like to add that the BPA is really to be commended for the work it has done to use the hydro system to begin that process of farming wind and farming other kinds of intermittent resources. It has been a really huge contribution to figure it out. I think that the Northwest Power and Conservation Council did account for that aspect of farming wind with hydro and not having to put on fossil fuels to do that in their study for forward-looking.

The other thing I would say is that these witnesses would agree that transparency is a good thing, and more of it is a good thing. I think we would also agree that certainty is a good thing, and more of it would be a good thing, and that is why I think that it is important to get some certainty into the fish and wildlife constraints on the river so that we know then and can start building the resources that are going to not have to rely on the spot market, as Mr. Delwiche is noting that the spot market can give you some pretty nasty stuff. So that is my position.

Ms. MCMORRIS. OK, OK. Just quickly, then, BPA and Western, are you currently using any fossil-based fuels to replace hydro?

Mr. HACSKAYLO. Western, I am sure that we are, yes, ma'am.

Mr. DELWICHE. Similarly, ma'am, as we need to enter the spot market to match gaps between supply and demand, as I pointed out earlier, oftentimes the resources that are generating energy that is sold into the spot market are resources that use fossil fuel as an energy source.

Ms. MCMORRIS. To Mr. Corwin, Ms. James, or Ms. Mikkelsen, do you think the PMAs currently have clear direction in reporting ESA costs to customers? Is there easy and uniform access to these numbers, and is the bill unnecessary, as has been stated?

Mr. CORWIN. Thank you. I would say no to all of the above.

Ms. MCMORRIS. OK. Ms. James?

Ms. JAMES. I would say the bill is necessary. The information is available on an as-request basis. So I think the bill takes that step forward in requiring the disclosure and transparency in our region.

Ms. MCMORRIS. OK.

Ms. MIKKELSEN. And I have spoken to this earlier, but I think that the bill is clearly needed. We would feel much more comfortable providing information to our consumers with information that came directly from Bonneville and was easily substantiated.

Ms. MCMORRIS. OK. Mr. Otter?

Mr. OTTER. I just have one more question, and that would be of everyone. Right now, the Elks Canyon complex in Idaho is going through relicensure, and the bill thus far we know is up around \$600 million for relicensing, in mitigation and relicensing those dams.

A couple of years ago, probably five years ago now, we had a similar on the middle Snake where we had to relicense several small dams on the middle Snake. Those costs were outrageous. Those dams have been in place obviously for 30 years; that is why they had to be relicensed.

Those are costs that folks who receive their power bill feel like it is the BPA or it is Idaho Power or it is Seattle Power or whoever, but they are the ones that raise the rates. They do not know that the fish and wildlife has raised the rates. The state parks—these people who are unelected are actually setting the power rates to some extent, and that is the clarity that we are trying to bring here with the ESA and the cost to the ESA is who is setting your power rates? I can understand their objection to it because I agree with Mr. Walden.

So the question that I would have is, on your relicensure cost, couldn't that also become an item on your power bill that says, this is what it is costing you every kilowatt hour to relicense these dams, for instance, up around the Box Canyon dam when they put a bicycle path—isn't that nice—all the way around there so that about maybe 2 or 3 percent of the power ratepayers could enjoy the bicycle path around the new reservoir and the dam? Couldn't we also include those costs in that? Whoever wants to yield to that.

Ms. PATTON. I think it is an interesting question. I was working for CLC Light when it went through relicensure for its three dams on the Skagit River, and ultimately the changes that they made because of that relicensing led the NW Energy Coalition and Save Our Wild Salmon and a number of other organizations to, in fact, endorse the power as green power, and now CLC is commanding a premium for 300 average megawatts of power because of what they did under relicensing.

So that is the issue: Do you want to have just the costs, or do you want to have the benefits because their power costs now are going down because of the benefits of that relicensing?

Mr. OTTER. And that bicycle path that went around the Box Canyon dam; that added to the production of power?

Ms. PATTON. I am not familiar with the Box Canyon dam, but I am very familiar with the Skagit, and that was the relicensing changes that they made, made it premium power.

Mr. OTTER. BPA is going to be going through or has already gone through relicensure requirements. What about those costs?

Mr. DELWICHE. Mr. Otter, by relicensure, I assume you are referring to new costs associated with Endangered Species Act compliance, and those additional costs would be part of the costs that we would be reporting if this bill becomes legislation or is passed.

Going to your example regarding Pend Oreille Public Utility District, they are what is called a "partial-requirements customer," Bonneville, so they have their own resource, Box Canyon dam, and they also buy some energy from Bonneville. So under this proposed legislation, we would be reporting on a percentage basis the share of their costs that we bill them for that are attributed to our fish and wildlife recovery efforts. They could, as a utility, also choose to reflect on their customers' retail bills their relicensing costs associated with things like the bicycle path and show them both, but that would be their choice.

Mr. OTTER. I am going to go to the question on percentages, reported percentages. If you are producing, let us just say for round figures, if you are producing 1,000 kilowatts, and 20 percent of the production of that 1,000 kilowatts is ESA costs, let us say, why couldn't you get that right down to the kilowatt hour and say, you used 100 kilowatt hours, and so 20 percent of that 100 hours of kilowatts that you used is the cost of the Endangered Species Act? Now you know what the Endangered Species Act is costing you. Why do we have to do it just in percentages?

Mr. DELWICHE. Thank you, sir. In my written testimony, attached to it is a sample copy of one of our customer's bills, and as I noted, many of our customers buy a whole suite of products from us that, in aggregate, are used by them to meet their retail needs, and ESA-compliance costs hit each of those products—our rate design is intended to spread the cost in a proportional way, but we would have to develop some very complicated billing algorithms to actually attribute dollars and cents the ESA-compliance costs associated with each product that adds up to the whole. So the percentage approach would be just much easier from a manpower point of view.

Mr. OTTER. But then if I were a consumer, and let us say my power bill was \$100, and you said the percentage of ESA cost to your power bill is 20 percent. It would not take a phi beta kappa in accounting to figure out that that is 20 bucks.

Mr. DELWICHE. Exactly. That is why we are proposing the percentage basis. It is simpler. It is easier for us on the billing side, and the consumer can do the calculation, like you described, or the retail utility could.

Mr. OTTER. I thank all of the witnesses once again and you, Madam Chairman, for your endurance.

Ms. MCMORRIS. Thank you for being here, and thank you to all of the witnesses. Again, I appreciate you taking the time to be here. I think we agree with the overall intent of information and transparency, and that is the intent of this bill. I look forward to working with all of you as we hopefully get ultimate passage of the legislation. Thanks again. The hearing is adjourned.

[Whereupon, at 10:28 a.m., the Committee was adjourned.]