

STATEMENT OF
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BEFORE THE

SUBCOMMITTEE ON WATER AND POWER
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 22, 2011

Mr. Chairman and Members of the Committee, I appreciate the opportunity to offer this statement regarding H.R. 1719 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). This statement is similar to my testimony provided on March 16, 2006 (H.R. 4857).

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.

The Administration shares the interest in accountability that prompts this legislation. 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.

APPROACH FOR PROVIDING COST INFORMATION

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

Fish and wildlife mitigation costs, including ESA costs, would be far easier to report as a percentage of Bonneville's total costs rather than as a specific amount borne by each customer; therefore, it would be Bonneville's preference to display that percentage on each power bill. Total reported costs would include both direct and indirect costs, the latter of which, per Section 2(c) of the proposed legislation, includes 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.

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 ESA compliance, but also for fish and wildlife mitigation under the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (NWPAA), as well as other environmental statutes. Because of this, it would be difficult to accurately specify costs resulting from ESA alone. As such, Bonneville’s preference is to report the combined total of these fish and wildlife mitigation costs (as a percentage of customer’s total bill), rather than reporting on the ESA-only compliance costs. In doing so, Bonneville would proactively work to provide appropriate labeling of total fish and wildlife costs on each power bill. For Fiscal Year 2012, Bonneville estimates that fish and wildlife mitigation costs will total approximately \$745 million; or Bonneville’s power rates would be 30-percent lower without fish and wildlife costs.

Bonneville believes that providing total fish and wildlife mitigation-related cost information on customer bills (if labeled correctly) as a percentage of Bonneville’s overall power service costs would be consistent with the H.R. 1719 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 prefers to follow should the bill become law. Bonneville acknowledges that new long-term power sales contracts with customers and a corresponding change in our rate methodology warrants further and more thoughtful consideration of other approaches. Therefore, Bonneville is open to explore other approaches for meeting the objectives of H.R. 1719.

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. 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.

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. 1719 would take a step toward clarifying the matter. 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 total fish and wildlife mitigation-related costs as a percentage of Bonneville’s overall power service costs in monthly

customer billings would be consistent with H.R. 1719 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 prefers to follow if the bill is enacted into law. 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 statement.