

Mr. Joel Dingman

On behalf of The City of Wheatland

Testimony before the Committee on Resources
Subcommittee on Water and Power
United States House of Representatives

**“Keeping the Lights On and Maintaining Wyoming’s Jobs: Overcoming the Challenges Facing
Western Power Generation Facilities”**

August 9, 2006

Mr. Chairman and Members of the Committee:

My name is Joel Dingman, and I am appearing before the committee today in two separate capacities. I am currently the Mayor of Wheatland Wyoming and a Shift Supervisor at the Missouri Basin Power Projects Laramie River Power Station (LRS). I have served as Mayor of Wheatland for the past 10 years and was on the Wheatland City Council for four years before being elected Mayor. My experience at LRS, however, is far longer than in city politics. This November will mark my 25 th year at LRS.

I would like to welcome the committee members to Wheatland, and to thank you for holding this important hearing and for allowing me the opportunity to discuss energy related issues and their effect on our state. Putting on my mayor’s hat first, I cannot overstate the importance of low cost, reliable electricity to the growth and well being of my community. Recently when heat waves have caused significant disruption in the supply of electricity, we have enjoyed a steady supply of dependable power at prices we can afford. Electricity has long passed the status of a luxury and is now in the category of an essential, if not critical, service equivalent to food, clothing, and shelter. Seeing news reports of electric service disruptions in other states makes many people realize how much we take for granted the ability to flip a switch and have lights or air conditioning.

With this in mind there is one message I would like the members of the committee to leave with today: first, do no harm. We have seen in certain areas of the country where efforts to deregulate the electricity industry or to make significant changes to the ownership or control of electric facilities have caused blackouts or significant rate increases for consumers and business. This is not a situation we want to see in Wyoming or anywhere else.

The United States is facing a time of needing to reinvest in energy. The electric generation and transmission system in the United States is among the best in the world, but today’s system was built 20 to 30 years ago in response to the technology and energy needs of the 1970s and 1980s. Today, demand for energy is growing, and new power plants and transmission facilities must be built to accommodate that demand. There is a generation of people in the electric industry that weren’t a part of the large construction projects of 30 years ago. Legislators and citizens need to look at the alliances that it took to build those projects, and the alliances required to keep those projects going.

Laramie River Station and its water supply from the Greyrocks Reservoir is a perfect example. The reservoir is at dangerously low levels due to the extended drought and now it cannot meet the water demands of the LRS. In response, the plant, farmers, and ranchers in the area have come together to move water from wells in the surrounding areas to a reservoir to at the LRS to keep the plant operating. It takes alliances like these and the one between the six members of the Missouri Basin Power Project that created LRS to make things happen. These types of alliances will continue to be needed as we move forward to meet the electric requirements of the future.

Everyone also must understand that there needs be a balance in life. We must balance the needs for electric power in this country with the needs of businesses and the need for a clean and healthy environment.

LRS and all of the energy industries in Wyoming provide stable jobs that keep the economy of Wyoming and the United States moving along. But these jobs and industries can be threatened when balance is lost and any one group gains too much influence. I am talking about the railroad industry. At the end of 2004, a contract between LRS and the Burlington Northern and Santa Fe (BNSF) railroad expired, causing the rates LRS pays for coal to be delivered from Wyoming mines to double, and they are projected to double again. If these rates are allowed to go unchecked that will mean an increased cost of \$1 billion dollars to the consumer-owners of LRS over the next 20 years.

The plant operator, Basin Electric Power Cooperative, filed a rate case with the Surface Transportation Board (STB) at the end of 2004 and that case has still not been decided. The STB was supposed to issue a decision in the fall of this year, but the agency unilaterally decided to halt the proceedings in March 2006 to rewrite the rules related to rate cases like this one. After assembling thousands of pages of documents and spending more than \$5 million dollars and more than two years time, the LRS owners will have to spend another \$500,000 to \$1 million dollars and wait even longer for a decision to be made. All the while, our consumers will continue to pay the price of the higher rates. The problems here are two fold. 1) LRS is a "captive shipper." This means LRS is unable to get coal any other way except by train, and BNSF controls the only track to the plant. BNSF is taking advantage of this situation and using its market power to extract unreasonable rates. 2) The STB was given the direct responsibility by Congress to make sure those captive shippers who get charged excessive rates have a backstop agency to go to for relief. The problem is the STB is not adequately doing its job. The STB has allowed the railroads to consolidate to the point where four major railroads control over 90% of the freight and revenue in the country. The agency has also allowed railroads to charge whatever freight rates they want with little or no accountability or regulation. The process required for a shipper to seek relief is so long and so complex that very few companies file a rate case because they simply cannot afford it.

Along with excessive rates, captive shippers are increasingly forced to accept poor service. This spring the Laramie River Station was down to a six-day supply of coal, far short of our normal 30-day stockpile. The railroads have a common carrier "obligation to serve" requirement, but the railroads have failed to live up to their obligations, and the STB has not stepped-in to address railroad service problems. Since we had no other recourse, the owners of LRS were forced to pay millions of dollars to find enough coal, and the train cars to deliver it, to keep the plant running. Due to a six-week outage in April and the leasing of additional train cars our stockpile is now at acceptable levels. But with little or no oversight over rail service, we remain highly susceptible to recurring service lapses. LRS is not alone in this situation; many other utilities in the United States are captive shippers and continue to face delays in coal delivery along with large increases in rates and poor delivery service.

Mr. Chairman, I want to make it clear to you and the members of this committee that the members of the Missouri Basin Power Project are not anti-railroad. We strongly believe in the need for a healthy, reliable railroad system in this country. The electric power industry, particularly the coal sector, has been a key partner with the railroads for decades. However, that partnership has become far too one-sided, and we strongly believe that there needs to be more effective federal oversight to stop abuses of monopoly power when they happen. At this time, those protections are sorely lacking. .

This nation survives and thrives on reliable, affordable energy. The electric system we have in place provides well paying jobs that help sustain strong communities. Our energy demands are growing and we need to build more electric infrastructure to meet those needs. Building that infrastructure is going to take the work and support of business, communities, states and the federal government. It is also going to require new alliances which work together to balance everyone's needs to keep this country going and growing.

Again, I want to thank the committee for coming and for allowing me this opportunity to provide input on what is a critical issue for our community, state and country.