Mr. Joel Bladow
Senior Vice President, Transmission
Tri-State Generation and Transmission Association, Inc.
Testimony on *"The Chu Memorandum: Directives Could Increase Electricity Costs for over 40 Million Families and Small Businesses.”"*
September 11, 2012

Mr. Chairman, Ranking Member Markey, my name is Joel Bladow. I currently serve as Tri-State Generation and Transmission Association Inc.’s Senior Vice President of Transmission. I appreciate having another opportunity to testify before the committee on the impact the “Chu Memorandum” will have on Tri-State’s ability to provide affordable and reliable electricity to small businesses and residential consumers throughout the Intermountain West.

Tri-State Background

Tri-State is a not-for-profit wholesale electric cooperative based in Colorado. Our mission is to provide reliable, cost-based wholesale electricity to our 44 not-for-profit member systems (electric cooperatives and public power districts) while maintaining high environmental standards. Our members serve 1.5 million predominantly rural consumers over 200,000 square miles of territory in Colorado, Wyoming, Nebraska and New Mexico. To meet our membership’s electricity needs, Tri-State generates, or purchases power produced by coal, natural gas, and hydropower, as well as from intermittent renewables like solar and wind. Since the end of 2010, we have integrated just over 30 megawatts of solar from the Cimmaron Solar facility in Northern New Mexico and 50 megawatts of wind from Duke’s wind farm in Burlington, Colorado. Tri-State recently signed a 20 year agreement to purchase all 67 megawatts of generation from the Colorado Highlands Wind Project located in Logan County, Colorado. In addition to these larger scale projects, Tri-State’s Board of Directors has established policies to encourage local renewable energy projects on our member systems. Under this policy our members have added, or are scheduled to add, another 42 megawatts of distributed renewable generation resources. Tri-State is not unique with respect to the integration of traditional sources of coal, natural gas, federal hydropower and intermittent resources. Other customers of the Western Area Power Administration (WAPA) have undertaken similar initiatives and have comparable generation portfolios.

We are proud of the great strides we have taken to integrate intermittent renewable and local distributed generation into our production fleet. However, our most important source of renewable generation is still the reliable, dispatchable hydropower generated at the multi-purpose projects of the U.S. Army Corps of Engineers and Bureau of Reclamation and marketed by WAPA. Hydropower purchased from WAPA accounts for approximately 12% of our generation needs. Given that it is an important component of fulfilling our mission to provide affordable and reliable electricity to the rural membership we serve, we are very concerned about the directives for WAPA and the other power marketing administrations laid out in the Chu memo of March 16th, 2012.

Affordability and Reliability

As I noted, Tri-State's 44 members serve the predominantly rural areas of our four state service territory, which includes New Mexico, Nebraska, Wyoming and Colorado. On average these member systems serve five consumers per mile compared to 37 consumers per mile served by investor owned utilities. Many of the tribal customers served by our member systems reside in the poorest economies in the country. We are similar to other electric cooperatives nationwide who collectively maintain 41% of the electric distribution network, yet only have 12% of the consumers to shoulder the costs of building and maintaining this infrastructure. In times of economic recovery our consumers – whether it be the residential customer struggling to pay their mortgage, or the small business struggling to meet payroll – cannot be burdened with additional costs leading to unaffordable electricity. Unfortunately, we believe the Chu memorandum will add costs to our consumers' electricity bill, not reduce them. The DOE/WAPA sponsored workshops and listening sessions on the Chu Memo that took place this summer have not reduced our concerns over the DOE undertaking initiatives that may compromise the fundamental core principle of providing affordable electricity.

DOE/WAPA Workshops

During June and July 2012, the DOE and WAPA jointly sponsored workshops to discuss and further explain WAPA's future mission as outlined in the Chu Memo. These meetings were billed as an opportunity to discuss the memo in an "open and transparent" manner. In other words, the sessions were an opportunity for DOE to collaborate with customers and other interested parties on the initiatives laid out in the memo. Unfortunately, they focused on what the DOE thought the future should be as opposed to listening to the participants to better understand what the people most directly impacted by Secretary Chu's proposed realignment of the agency thought.

As Tri-State noted in the submission of its comments, the DOE/WAPA workshops were, -- to put it lightly – disorganized. This appeared to be a direct result of a goal to get the workshops done quickly as opposed to a focus on collaborating with customers and stakeholders to identify and prioritize issues and concerns of impacted consumers. It was clear from the meeting I attended that significant resources and cost, on both WAPA and the participants' parts, were expended on this effort. It is shame that time was not allowed to conduct a more meaningful, collaborative process that could have built support for important changes as opposed to a top-down, time constrained process that has no support from those it will impact the most.

Given the superficial nature of the DOE workshops and listening sessions that transpired over the summer – Tri-State remains concerned about the initiatives highlighted in the Chu Memo and the associated costs. It is important to re-emphasize that the Federal power system operates under the fundamental principle that the beneficiary pays for the initiatives from which it benefits. Therefore, the existing Federal power customers should see no harm to their rates as a result of these initiatives; if the initiatives do not benefit existing customers, the funding should come through the form of non-reimbursable appropriations. One customer should not be burdened with the subsidization costs of an initiative which solely benefits another customer.

If DOE publishes a report proposing new initiatives for WAPA based on the findings of the DOE listening sessions and workshops, or other feedback collected since the issuance of the Chu Memo, these initiatives should be non-reimbursable appropriations unless they can specifically demonstrate direct benefit to Federal power customers. As operators of the Federal transmission grid, WAPA has an obligation to deliver electricity generated at Bureau of Reclamation and U.S. Army Corps of Engineers facilities at a cost-based rate. This rate ensures recovery of operation, maintenance and investment costs (principal and interest to the U.S. Treasury). If there is excess transmission capacity available for purchase, it is WAPA's obligation to offer it on a non-discriminatory basis via the OASIS. The additional revenues realized from such sales should be used to help pay for the transmission system that is used and not diverted to pay for other public policy initiatives.

Conclusion

Little has changed since Secretary Chu released his March 16th, 2012 memo outlining new initiatives for WAPA and the other three Federal power marketing administrations. If anything, the series of workshops and listening sessions have only hardened our view that DOE embarked upon this mission without a fundamental understanding of WAPA's mission and the underlying statutes providing the framework for its mission. As I noted during my last testimony, WAPA is a real utility with real obligations to its customers, not a test-bed for policy initiatives and technology deployment. Many of the new missions outlined in the Chu memo are better suited for implementation by retail utilities, not a wholesale supplier such as WAPA. If the DOE is really interested in implementing changes that benefit consumers and the nation, a fresh start at examining WAPA's future is in order, not the continuation of the present top-down unsupported initiative.

Thank you, Mr. Chairman. I'd be happy to take any questions from the committee.