

TESTIMONY OF

ROMAN GILLEN

PRESIDENT AND CEO
CONSUMERS POWER, INC.

PRESIDENT
OREGON RURAL ELECTRIC COOPERATIVE ASSOCIATION

BEFORE THE
COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON WATER AND POWER

U.S. HOUSE OF REPRESENTATIVES

HEARING ON
PROTECTING FEDERAL HYDROPOWER INVESTMENTS
IN THE WEST: A STAKEHOLDER'S PERSPECTIVE

MAY 4, 2011

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United States House of Representatives
Committee on Natural Resources Committee, Subcommittee on Water and Power
Protecting Federal Hydropower Investments in the West: A Stakeholder's Perspective

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I. Introduction

Mr. Chairman and Members of the Subcommittee, I am Roman Gillen, President and CEO of Consumers Power, Inc. (CPI), an electric cooperative located in Western Oregon in Philomath, just outside of Corvallis. Thank you for the opportunity to testify before the Subcommittee today, and for holding this hearing on this important topic. I also wish to thank Committee Chairman Rep. Doc Hastings and Committee Members Rep. Rob Bishop, Rep. Peter DeFazio and Rep. Raúl Labrador for their work to protect federal hydropower investments in the Northwest on behalf of their constituents who are customers of the Bonneville Power Administration (BPA). CPI is a customer of BPA through our Generation and Transmission Cooperative, PNGC Power.

Today I am representing both CPI and the Oregon Rural Electric Cooperative Association (ORECA). We are members of NRECA, the National Rural Electric Cooperative Association, and we are members of the Public Power Council, a trade association of BPA customers led by my fellow panelist Scott Corwin. I would also like to recognize my other panelists, especially Tom Karier of Washington State, a member of the Northwest Power and Conservation Council.

CPI is an electric distribution cooperative formed in 1939. CPI's 60 employees serve 17,500 members in parts of six counties covering a 3,500 square mile service area, from the Cascade Mountains to the Pacific Ocean. We are the fourth largest electric cooperative in Oregon with 22,000 meters and 46 aMW in electricity sales in 2010. 70% of our sales are to residential members, 14% small commercial, 14% industrial, and 2% irrigation and street lighting.

My career at CPI began in 1986 in the Information Technology area and I have served as President and CEO for the last five years. I am CPI's representative on the board of PNGC Power, and I currently serve as the board president of ORECA. ORECA represents the legislative and regulatory interests of all 18 Oregon electric co-ops, serving over 200,000 members in mostly rural and remote parts of Oregon with over 30,000 miles of wire. According to Oregon State University, our economic activity directly and indirectly contributes to over 3,000 jobs in Oregon.

As you know, electric cooperatives are owned by our customers, who we refer to as members. Electric cooperatives are not owned by a government or city agency. We are chartered under state cooperative statutes and we are governed by a locally elected Board of Directors from our membership. Unlike a for-profit business we do not retain profits.

Any income above expenses is, by law, returned to our members. Our goals of accountability, efficiency and meeting customer needs resemble those of a for-profit electric utility, but our means of getting there are different.

My testimony today will focus on three issues of concern to CPI's ratepayers that are driven by federal policy. These include:

1. High wind/high water overgeneration conditions.
2. Proposals to force Power Marketing Agencies (PMAs) to sell electricity at market based rates.
3. Salmon recovery in the Columbia River Basin.

II. Overgeneration

As this Committee knows, the Northwest is blessed with a valuable federal asset, the Federal Columbia River Power System (FCRPS). As a preference customer of BPA, CPI has shared in those benefits for many years, and we have shared in paying for them through the rates we pay. Today, that same federal system is playing a lead role in supporting the growth of non-hydro, low variable-cost, renewable resources, especially wind. BPA Administrator Steve Wright told this Committee in March that the region's wind generation system may triple in the next six years. I am concerned that the Northwest is not ready for that rapid growth.

In June 2010 the region experienced overgeneration conditions, when too much wind and water arrived in the system at the same time. We expect more high wind/high water events in the future. These events could threaten BPA's ability to protect migrating salmon. Some of the proposed remedies could cause BPA's customers to pay higher rates for electricity. We encourage the Subcommittee to closely examine these issues, and we support BPA's ongoing efforts to develop policies that protect our ratepayers and maintain reliability in the federal system.

III. PMAs at Cost Based Rates

We are aware that proposals have reemerged to force PMAs to sell power at market rates. We oppose these and any other proposal that arbitrarily taxes power rates in some regions. Ratepayers at CPI and throughout the Northwest pay all of the costs of operations and maintenance of the federal hydropower system. In addition to the annual revenue requirement for BPA power of over \$2.2 billion, ratepayers fund an annual payment on principal and interest of debt to Treasury of over \$860 million. In exchange, BPA sells power at cost. Power sales at cost have been a legal requirement since BPA's inception and are the foundation of the contracts that BPA customers signed through 2028. Forcing PMAs to sell power at market rates would clearly force CPI to raise our rates, perhaps dramatically. This would cause great harm to the residential members that we serve, especially those on fixed incomes. With the cost of food and gasoline already increasing, it doesn't make sense to add an additional energy tax, especially upon consumers who can least afford it.

IV. Salmon Recovery

We are hopeful that Federal Judge James Redden will approve the 2008 FCRPS Biological Opinion (BiOp) when he hears arguments on the plan next Monday, May 9. In that vein, I wish to thank Chairman Hastings and Member DeFazio for their excellent March 11 opinion piece that so strongly endorsed this BiOp. CPI and other BPA customers also strongly support the BiOp, even though it comes at a high cost to our members and other BPA customers who are footing the bill. We also wish to thank Chairman Hastings and others on the Committee for their work to ensure that salmon recovery investments are working, and that they are cost effective. As the Chairman knows, the dams at issue in this salmon plan provide our region with clean, renewable hydroelectric power. In addition, these dams offer residents of the Northwest multiple benefits, including a valuable transportation system and irrigation source.

BPA customers have paid over \$13 billion for fish and wildlife mitigation in the Columbia Basin over the past 32 years. The good news is that some of those investments are working. The BiOp is the product of a recent historic and unprecedented collaboration of Native American tribes, federal agencies, and the states of Washington, Idaho and Montana. It is based on the best available science and has been reviewed and approved by an independent panel of scientists. It has also been reviewed and approved by one of Oregon's best and brightest, former Oregon State University professor and current National Oceanic and Atmospheric Administration Director, Dr. Jane Lubchenco. We hope that May 9 will mark the beginning of a new, successful chapter in salmon recovery in the Northwest.

V. Conclusion

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to testify at this hearing. As a representative of PMA customers, I appreciate the opportunity to highlight several issues that are of concern to PMA customers in the Northwest: high wind/high water overgeneration conditions, proposals to force Power Marketing Agencies (PMAs) to sell electricity at market based rates and salmon recovery in the Columbia River Basin.

I thank the Subcommittee for allowing me to participate in this discussion.