

Statement of Larry LaMaack

Executive Director

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Chairman Radanovich, Members of the Subcommittee, my name is Larry LaMaack and I am the Executive Director of the Wyoming Municipal Power Agency (WMPA), headquartered in Lusk, WY. Thank you for the opportunity to testify here today. We appreciate the Water and Power Subcommittee holding this hearing today and are grateful for the role that Representative Cubin plays on the subcommittee.

WMPA is the wholesale electricity supplier for eight municipally-owned, electric utilities located in Wyoming. Collectively, WMPA member utilities and affiliates serve some 10 percent of the state's population.

WMPA's power supply comes primarily from its ownership share in the Missouri Basin Power Project (MBPP), a 1650 MW coal-fired electric generation facility located here in Wheatland. The MBPP was planned and built entirely by a group of six regional, consumer-owned energy organizations, including WMPA.

In addition, WMPA also purchases federal hydropower generated by the Pick-Sloan Western Division of the Missouri River Basin Program (Loveland Area Projects) and the Colorado River Storage Project, through contracts with the Western Area Power Administration (Western). Pick-Sloan Western Division includes hydropower produced by the North Platte Project.

I would like to focus my testimony today on challenges to the federal power program as a result of extended drought conditions in the Missouri River Basin, potential impacts to hydropower production that may result from the Platte River Environmental Impact Statement, and concerns relating to the MRTU proposal of the California ISO.

The ongoing, seven-year drought has reduced power production from the North Platte Project by approximately half, and resulted in significant power production losses from all of the Missouri River power plants. As a result, Western has been forced to go on the open market to purchase power to meet its contract requirements. This increased demand for non-hydro power places additional stress on the purchase power market and results in higher rates from Western, which must recover all the purchase power costs through its rates.

- Since 2001, Western has increased wholesale rates four times to the Western Division of Pick-Sloan resulting in a total increase of 26%. It is expected that additional rate increases are imminent through a "drought rate adder" to cover the exceptional purchase power costs associated with the extended drought. These increased costs, along with other higher energy costs for gasoline, diesel and natural gas, have had a significant impact on the communities WMPA serves.

Another challenge facing the federal power program on the North Platte Project is the uncertainty resulting from the Platte River Recovery Implementation Program. After more than ten years in preparation, a Final Environmental Impact Statement (EIS) was released this spring by the Bureau of Reclamation and the Fish and Wildlife Service. It calls for a \$317 million plan to manage water use and wildlife habitats along the Platte River in order to avoid jeopardy to four threatened and endangered species. The plan must now be signed by the Governors of Wyoming, Colorado and Nebraska as well as the Secretary of the Interior. Although the EIS attempts to minimize the impact to power production, we remain concerned that the analysis was not sufficiently thorough in its assessment of economic impacts to hydropower customers.

Before concluding, I would like to mention another power supply issue of concern to WMPA and many other electric utilities in the West. The California Independent System Operator – which currently operates most of the transmission grid in California – has filed a proposal with the Federal Energy Regulatory Commission (FERC) to make major changes in the way the California electricity market operates. This proposal is known as the Market Redesign and Technology Upgrade (MRTU) and it includes many of the "market mechanisms" that are currently in place in the Eastern and Midwestern electricity markets.

As we all learned during the energy crisis of 2000-2001, whatever happens in the California electricity market affects the entire Western Interconnection. Last time around, FERC failed to give enough consideration to how California's "experiment" would affect consumers throughout the West. We cannot afford to repeat history. For that reason, I want to alert this subcommittee to the fact that many Western utilities, including the Western Area Power Administration, have raised concerns about MRTU because its proposed pricing and scheduling rules are different than those used by the majority of other utilities in the West.

In addition, and of concern to WMPA, MRTU does not provide long-term transmission rights to load-serving entities, which

was directed by Congress in the electricity title of the Energy Policy Act of 2005. Further, MRTU plans to substitute “financial” transmission rights for the physical transmission rights that currently exist in the rest of the West. These are just a few of the MRTU changes that concern me and others throughout the West.

I urge Congress and FERC to take a long, careful look at MRTU and at the concerns expressed by utilities in other Western states. On July 12, a bi-partisan group of 12 US Senators, including Sen. Craig Thomas, expressed the same sentiment in a letter to FERC that I am attaching to my testimony.

I appreciate the opportunity to present this testimony and would be happy to answer any questions you may have.