**TESTIMONY OF**

**Mr. VIC SIMMONS**

**GENERAL MANAGER**

**RUSHMORE ELECTRIC POWER COOPERATIVE**

**BEFORE THE**

**SUBCOMMITTEE ON WATER AND POWER**

**HOUSE NATURAL RESOURCES COMMITTEE**

**U.S. HOUSE OF REPRESENTATIVES**

**MAY 4, 2011**

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify before you today on protecting federal hydropower investment in the west.

My name is Vic Simmons. I am the General Manager of Rushmore Electric Power Cooperative. Rushmore Electric is a Generation and Transmission cooperative serving western South Dakota. Our hydro power comes from the Bureau of Reclamation and Corps of Engineers dams on the Missouri River and its tributaries through allocations from the Western Area Power Administration. Rushmore Electric's allocation along with allocations to five Native American Tribes located within our western South Dakota service territory make up just short of one-fourth of our power supply resources.

I also serve as the Chairman of the Water and Power Planning Committee of the Mid-West Electric Consumers Association. The Mid-West Electric Consumers Association is a regional coalition of over 300 consumer-owned utilities (rural electric cooperatives, public power districts, and municipal electric utilities) serving over 3 million consumers through purchases of hydropower generated at federal multi-purpose projects in the Missouri River basin under the Pick-Sloan Missouri Basin

Program. The nine states included within the Mid-West footprint are Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wyoming. Midwest and its members enjoy an excellent working relationship with our federal partners.

Rushmore Electric strongly supports the funding necessary to keep the federal hydropower resources operating as a vital part of our power supply. Without dependable funding in the federal budget, the reliability of this system will suffer. Replacing this renewable hydropower with other resources would cost the consumers of western South Dakota over $2.7 million dollars per year. This extra burden is not affordable in an area that continually ranks among the lowest income areas in the United States. This is an area where we often measure the number of miles of line it takes to serve a customer, rather than the number of customers per mile of line.

The continually rising costs of regulations, compliance with the Endangered Species Act requirements, and rules that seem to lack common sense take up valuable time and resources. As an example, the spring rise scenario to encourage the pallid sturgeon to spawn, would release water when electrical loads are at their lowest, thus wasting the stored water. If that water is not there when it is needed for peak conditions later in the summer, expensive natural gas fired turbines would need to be used.

Like most of the infrastructure in this country, a safe and reliable federal hydropower system needs adequate and dependable funding for capital improvements, operations, and maintenance. These facilities were built over 45 years ago. While the Bureau of Reclamation and the Corps of Engineers has done a remarkable job of keeping these facilities in top condition, as they get older, these facilities will take more funds to maintain and update, not less.

Federal hydropower facilities are part of the multi-purpose projects that serve a variety of purposes – flood control, municipal and industrial water supply, irrigation, recreation, navigation, fish and wildlife. Unlike most other federal capital projects, much of the costs of constructing, operating, and maintaining these hydropower projects are repaid to the federal government with interest.

Power customers purchase electrical power generated at federal multi-purpose projects that have been authorized for hydropower development, and are paying back 100% of the costs of these facilities:

- the federal capital investment in generation and transmission facilities, with interest, including all of the original investment and the repair and replacement costs;
- an allocated share of the original multi-purpose capital investment (the dam, the reservoir, etc.) and an allocated share of the repair and replacement with interest of multi-purpose facilities;
- all of the annual operations and maintenance cost of generation and transmission facilities;
- an allocated share of the annual operations and maintenance costs of multi-purpose facilities; and
- the portion of the cost of federal irrigation projects that is deemed to be beyond the ability of the irrigators to repay.
- $1.2 billion of the $2.8 billion total federally financed power facilities (Power's share of the dams and transmission) have been paid back.

Protecting the Federal Hydropower Investments in the West is not only about providing hydropower, flood control, municipal and industrial water supply, irrigation, recreation, navigation, fish and wildlife, it is also a sound business decision for the United States. The Corps of Engineers has determined that the Missouri River dams have prevented $25 billion in flood damage since 1938, thus repaying the original invest in just the dams of $1.2 billion many times over. The federal hydro system has returned the investments of the past and will continue to return the investments of the future.

Thank you.