

Testimony of Gary Chandler
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Good morning, my name is Gary Chandler. I'm Vice President of Governmental Affairs for the Association of Washington Business.

AWB is the oldest and largest business organization in the state. Our 6,000 members provide jobs for 600,000 people in Washington State.

Thank you for this opportunity to speak about the impact that rising electricity rates have on our economy.

First, I'd like to make a personal note, if I might. When people talk about this subject, we usually talk in statistics. I'm as guilty of this as anyone. Because the impact is so significant and the potential impact is devastating, statistics seem to be the best way to make the case:

But we need to remember that there are real people behind each of those statistics. Each "data point" is a human being with a family and a home and the right to work for a decent future.

But now, that future seems in doubt because of all the money we're spending on fish.

Now, let me be very clear. We all have a responsibility to protect the environment...but there must be a balance.

This morning, I'd like to talk about the money that's being spent on salmon programs; why rising power costs are so important; and take a look at some of the consequences.

First, the money.

The Bonneville Power Administration has spent \$5 billion on fish programs over the last nine years. That's an impressive number. But to put that figure in perspective, let's look at it another way.

How much *is* \$5 billion?

- For \$5 billion, Habitat for Humanity could build 100,000 homes for poor people.
- \$5 billion is enough to have provided health insurance for 100,000 low-income families in Washington State *for the last nine years*.
- Or, \$5 billion is enough to have provided 11,000 Washington residents with a \$50,000 a year job over the last nine years.

BPA has spent that much money on fish programs over the last nine years. Those costs get factored into what BPA charges for electricity. Higher costs mean higher prices.

I'd like to talk about *why* higher energy costs are so important.

Generally speaking, Washington State is not the greatest place to do business.

- We have the highest unemployment insurance costs in the nation.
- We have the 4th highest workers comp benefits in the country.
- Our regulatory costs are high, and employers pay the lion's share of the taxes in the state.

But historically, our low power rates have made up for that. We used to have a real advantage over other states because of our low cost hydropower. But that advantage is slipping away.

Now, for employers who must deal with all the other costs of doing business in Washington, rising energy costs can be the straw that breaks the camel's back.

Salmon programs strike at the very heart of our state's economy because they target hydropower – the main reason for

our competitive advantage.

For example:

- In 1999, our electricity rates for residential and industrial customers were the lowest in the nation. Our commercial rates were second lowest.
- By 2003, that advantage had disappeared. Our industrial rates were higher than 18 other states had our commercial rates were higher than 12 other states.

Here in Eastern Washington, irrigators have seen their power costs jump by 50 percent over the last few years. That's a bigger increase than the last 20 years combined.

We're already seeing the impact of rising electricity costs in Washington State.

- Farmers are taking land out of production because they can't afford to irrigate it. Some are getting out of the business altogether or selling their family farms to corporations.
- Our once-thriving aluminum industry is now on the endangered species list. In 1998 we had seven aluminum plants operating in Washington – now there are only two. We've lost 6,000 aluminum jobs since 1998 – jobs that paid an average of \$80,000 a year in wages and benefits.
- Will our wood products and paper industries be the next to die?

Amazingly, things could get even worse.

U.S. District Court Judge James Redden seems intent on removing four Snake River dams to protect the salmon. He keeps rejecting the federal government's management plans because they don't talk about breaching the dams.

In fact, Redden once complained that the agencies – quote – have failed to demonstrate a willingness to put the needs of salmon first – unquote.

If Judge Redden gets his wish, our economy will be devastated.

According to the Corps of Engineers, breaching the dams would cost the state economy \$300 million a year for the next one hundred years.

- Electricity bills for Northwest ratepayers would jump by \$300 million;
- Transportation costs would rise by \$40 million;
- We'd lose 37,000 acres of prime irrigated farmland;
- 2,300 people would lose their jobs;
- And personal income would be cut by \$278 million a year.

All of us have a responsibility to help protect the environment. Washington's employers stand ready to do their part.

But our strategy must be guided by common sense and take into account the impacts on people, as well as salmon.

The key is balance.

Thank you.