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TO THE COMMITTEE ON NATURAL RESOURCES
WATER AND POWER SUBCOMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

FOR THE SUBCOMMITTEE HEARING OF MARCH 18, 2010

Thank you, Madam Chairwoman and distinguished members of the Subcommittee. I very much appreciate the opportunity to share Southern California Edison's perspective on the Hoover Power Allocation Act of 2009, HR 4349. My name is Stuart Hemphill and I am Senior Vice President of Power Procurement for Southern California Edison, an investor-owned utility that has been providing electric service for 124 years. SCE serves over 13 million people and 535,790 businesses in more than 406 communities in southern and central California.

SCE has been working with other contractors to develop this legislation because its passage, and enactment into law, is vital to SCE and our customers. HR 4349 allows the present Hoover contractors, including SCE, to continue to obtain Hoover Dam power through 2067, while re-directing five percent of Hoover capacity and associated energy from current contractors to a resource pool that will be made available to new allottees in California, Nevada and Arizona.

SCE has a long history with Hoover Dam. Our company committed to support Hoover Dam before it was even built. At that time, there was no market for the output of Hoover Dam because the energy was priced above the prevailing market rates, so much so that other public and investor-owned utilities refused to participate. This was also a time when the country was mired in the Great Depression and there was a substantial drop in the demand for electricity. Despite this, SCE committed to participate in funding the project and partnered with the federal government and the other contractors to construct Hoover Dam.

To date, all of the Hoover contractors have invested over \$1.3 billion in Hoover Dam to construct, upgrade, operate, maintain, and replace power equipment. From 2010 to 2017, these contractors will continue to invest more than \$600 million in Hoover Dam. If the proposed legislation is enacted, the contractors would invest an additional \$1.6 billion, beginning in 2017, for operation, maintenance, replacement, and equipment upgrades.

The Hoover contractors have also committed to providing over \$150 million over 50 years to support the Lower Colorado River Multi-Species Conservation Program (MSCP) that was enacted by the 110th Congress on March 30, 2009. This program protects 26 endangered, threatened and sensitive species on the lower Colorado River. The proposed legislation provides a guarantee that the Conservation Program will continue to be funded without interruption.

Hoover Dam power remains vital to SCE and our customers today. The power that SCE provides to our customers includes more renewable resources than nearly any other utility in the world – 13.7 billion kilowatt hours in 2009, representing 17 percent of SCE's energy

portfolio. SCE procures energy from a variety of resources including solar, wind, biomass, small hydropower and geothermal sources. Some of these renewable resources are intermittent by nature (solar and wind are key examples). Solar photovoltaic power resources, for example, can stop producing power very quickly when a cloud passes over the panels. Wind resources produce less power when the wind speed suddenly declines. When the output from intermittent resources decreases and customers' usage remains constant, SCE must turn to other power sources that can meet customers' instantaneous demands.

One of the ways that SCE achieves its goal of leading the nation in the procurement of clean, renewable energy while ensuring that our customers always have the energy that they need is through Hoover Dam power. Hoover Dam can quickly and effectively ramp energy up or down to meet our customer's instantaneous needs – even faster than gas-fired units. It makes sense, wherever possible, to back up instantaneous changes in customer load and intermittent resources with a fast ramping resource like Hoover. Moreover, because Hoover Dam power, coming from a hydroelectric source, is itself renewable, it is a clean way to back up renewable resources. Replacing the ramping capability of Hoover would require building additional gas-fired resources in Southern California where strict emission requirements introduce significant challenges. The current permitting process and access to the necessary emission credits has delayed the construction of new gas fired resources in Southern California. This is one reason why Hoover power is so important to SCE's customers and why Congress should pass HR 4349.

There are other reasons as well. Congressional action is needed to provide certainty to the estimated 29 million beneficiaries of Hoover power throughout three states and to avoid any disruption in decades of careful generation resource planning, procurement and integration by contractors in California, Arizona, and Nevada, including SCE. Certainty in the allocation of Hoover power is also needed for effective regional transmission planning, as states work with the Federal government to re-design and upgrade the regional electric transmission grid. And finally, water providers depend on Hoover power to ensure cost-effective, efficient, and reliable Colorado River water deliveries.

As I mentioned, the present legislation also establishes a resource pool of 5% of Hoover power for those that currently do not receive Hoover output but would like to obtain a share. For the first time, this would make Hoover power available to other allottees, including Native American tribes, and would allow them to receive an allocation that they may not otherwise qualify for under the current administrative process. In creating a pool of power for new entrants, the present contractors are voluntarily foregoing a portion of our own historic allocation. As such, the legislation represents an important compromise by the present Hoover contractors.

In closing, SCE would like to state that it is firmly committed to continuing to invest in Hoover Dam. And, in turn, SCE requests that those who have invested and helped build Hoover Dam over the last century be allowed to continue to receive the benefits of their investment.

Thank you for the opportunity to share our views on this vital legislation.