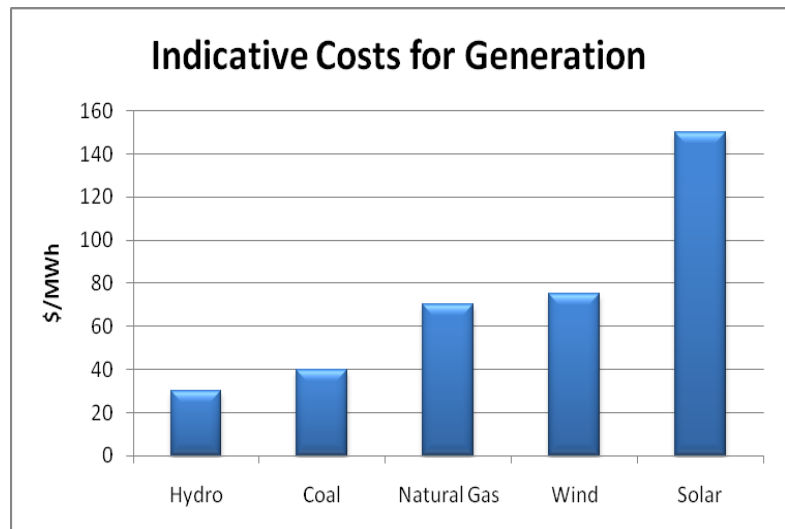


Chris Morgan
Colorado Rural Electric Association
***“Protecting Federal Hydropower Investments in the West: A
Stakeholder’s Perspective”***
Wednesday, May 4, 2011

Chairman McClintock and Ranking Member Napolitano, my name is Chris Morgan. I am currently a board member of Gunnison County Electric Association (GCEA) in Gunnison County, Colorado and I am also currently serving as the Board President of the Colorado Rural Electric Association (CREA). GCEA's service boundaries encompass portions of Gunnison, Hinsdale and Saguache counties in Colorado, and it serves over 10,000 customers on 1,030 miles of distribution lines. CREA is the state association representing the 1.25 million Coloradans spread across 70% of the state’s landmass who depend on an electric cooperative for their electricity.

I am here today to discuss the importance of the Federal Hydropower – a reliable renewable resource– in keeping the rates of Colorado’s 1.25 million electric cooperative member-owners affordable. Specifically, I will confine my testimony to the importance of the Colorado River Storage Project (CRSP) and the integral role that the Bureau of Reclamation’s Aspinall Unit – the facilities of which are in Gunnison County’s backyard -- plays in providing reliable renewable generation during peak times of electric power consumption in the West.

GCEA purchases power under a contract with Tri-State Generation and Transmission. GCEA’s average wholesale cost of power year for year to date 2011 is \$69.24 per MWh. That translates into a wholesale cost of nearly 7 cents a KWh. As you can see from the graph to the right, Hydroelectric power



represents the cheapest portion of the portfolio of the electricity that GCEA purchases at a wholesale rate of less than half of the cost of the blended cost the energy we purchase. In addition, while I do not represent nor is GCEA associated with the power consumed by the municipal utility of the City of Gunnison, the City of Gunnison also enjoys rate relief from the hydropower produced by the Aspinall Unit.

The Aspinall Unit consists of three dams and reservoirs on the Gunnison River in Colorado: Blue Mesa, Crystal, and Morrow Point. The Aspinall Unit is one of the components of the federal multi-purpose Colorado River Storage Project that is operated by the Bureau of Reclamation. CRSP power resources are marketed, under long-term contract, pursuant to federal law, to non-profit entities such as electric cooperative and municipal utilities in the States of Colorado, New Mexico, Wyoming, Utah, Nevada and Arizona. The Glen Canyon Dam in Arizona is the largest generating feature of the CRSP. However, due to environmentally imposed restricted operations at Glen Canyon in Arizona and the Flaming Gorge Dam in Utah, the Aspinall Unit in Colorado currently provides nearly half of the peaking flexibility in the overall CRSP. In other words, the Aspinall Unit is like a light switch in your house – you can turn it on during peak times of electricity usage and turn it off when electricity demand decreases.

There are proposals to restrict power-generating operations at the Aspinall Unit, which would have a direct impact on the ability of the Western Area Power Administration (“WAPA”) to deliver power to its customers – ultimately leading to increased rates. (WAPA delivers the hydropower generation to Tri-State Generation and Transmission Association, a power supply co-op headquartered in Colorado, which in turn provides the power to GCEA).

As the economy struggles to make its way out of the “Great Recession” -- Colorado’s electric cooperative consumers cannot afford increased electricity rates.

In order to understand the importance of the Aspinall Unit, it is important to know the history of Federal power generation in the Upper Colorado River Basin. The Colorado River Basin resources are split between the needs of the Upper (Colorado, Wyoming, Utah and New Mexico) and Lower (Utah, Arizona and California) Basin states as codified in the Colorado River Basin Compact of 1922. The compact calls for the Upper Basin states not to deplete the flow of the Colorado below 75 million acre feet during any period of 10 consecutive years. During the post World War II boom years the population density of the U.S. began to shift to the West and Southwest increasing demand on the resources of the Colorado River Basin. In a bid to sustain economic development in the Upper Basin and prevent the catastrophic consequences to the Upper Basin states of a Lower Basin Compact “call,” Congress passed and President Eisenhower signed into law the Colorado River Storage Project Act of 1956.

The CRSP Act authorized the construction of the Glen Canyon, Aspinall, Flaming Gorge and Navajo facilities. This Act had three purposes: *“the reclamation [irrigation] of arid and semiarid land, control of floods, and for the generation of hydroelectric power...”* The CRSP Act excluded fish, wildlife and recreation from its purposes.

About a decade after President Eisenhower signed the CRSP Act into law, further population shifts to the Southwest prompted Congress to pass the Colorado River Basin Project Act (CRBPA). The 1968 Act included language stating that *“...improving conditions for fish and*

wildlife” was a purpose of the Act, but it also explicitly states that “*Nothing in this chapter [act] shall be construed to alter, amend, repeal, modify, or be in conflict with the provisions of...the Colorado River Storage Project Act.*” In other words, the language included in the 1968 law for fish and wildlife does not, in any way, change the original purposes of the 1956 law which were to promote irrigation, flood control and hydropower generation.

Unfortunately, questions still arise regarding the authorized purposes of facilities constructed under the authority of both laws. Those questions over the last 10 years have created the following debate: should the Aspinall Unit be operated *primarily* to meet the flow requirements of two endangered species of fish, the Razorback Sucker and Bonytail Chub OR should Reclamation have the **discretion** to operate Aspinall to meet its statutory obligations and authorized purposes while at the same time benefitting the additional resource needs of fish, wildlife and recreation? I would argue that Reclamation should operate the three dams on the Gunnison to meet both power generation needs and to protect endangered species.

Nearly 10 years ago, the National Park Service asked for a reserved water right in the Black Canyon of the Gunnison, which is immediately downstream from the Aspinall Unit. In the meantime, Reclamation began work on an environmental impact statement (EIS) process which was intended to provide for operational changes at Aspinall to help meet flow recommendations thought to be necessary for the endangered fish species. After several years of negotiation with multiple federal agencies and stakeholders, a consensus draft EIS was prepared. The draft was put “on hold” until the Black Canyon water right issues were settled.

After seven years of federal litigation and a mediated settlement, the Black Canyon Consent Decree was signed on December 31, 2008. The drafting of the consent decree involved approximately 30 parties, including the relevant federal agencies (Reclamation, National Park Service, and Western Area Power Administration), the State of Colorado, environmental interests, recreational enthusiasts and federal hydropower customers. The decree was intended to “split the baby” by allowing for the Aspinall Unit to be operated for two concurrent purposes – a Spring Peak flow release to meet flow recommendations which should assist in the recovery of endangered species while at the same time providing a peak for the National Park Service resources in the Black Canyon of the Gunnison National Park..

In late December, 2010, after nearly two years of being “on hold”, the draft EIS was reissued to the cooperating agencies. It was significantly revised by the Department of the Interior in Washington, D.C. with no consultation among the stakeholders that had worked diligently for several years during the drafting process. Several aspects of the revised EIS appear to elevate Park resources above the originally authorized Project purposes, and could have significant impact on the flexibility and timing of hydropower generation.

Cooperating agencies submitted comments on April 1, but as of this time, it is uncertain as to what the next steps will be. The State of Colorado, the Platte River Power Authority and the Western Area Power Administration all submitted detailed comments recommending that those consensus provisions contained in the draft be reinstated in the revised EIS and that the careful balancing of resource purposes and benefits that was sought by those involved in the drafting be reinstated. This “balance” is critical when federal multi-purpose projects are operated. As noted in a recent District Court decision, Judge David Campbell, in ruling for the United States, highlighted the importance of “balance”. Although he was referring to the operation of Glen Canyon Dam, I believe that his ruling is equally applicable to Reclamation’s operation of the Aspinall Unit because the projects of the CRSP are inextricably linked. “This experience aptly illustrates the complex set of interests Reclamation must balance in operating the Dam. Those interests include not only the endangered species below the Dam, but also tribes in the region, the seven Colorado River basin states, large municipalities that depend on water and power from Glen Canyon Dam, agricultural interests, Grand Canyon National Park, and national energy needs at a time when clean energy production is becoming increasingly important.”¹

In addition, Mr. Chairman, GCEA has sought the evaluation of the possibility of pursuing the addition of a hydroelectric generation facility to an existing BOR dam within our service territory. The specific storage facility is known as Taylor Park Reservoir Dam. We have conducted a feasibility study of the possibility of adding a hydroelectric generator to that existing dam alongside two other partners – The Upper Gunnison River Conservation District and the Uncompahgre Water Users Association. The results of this study concluded that there were two feasible options for electric generation from this facility, shown below. These conclusions are based upon historic hydrological conditions, existing and possible electric distribution line capacity, power generation potential and a comprehensive economic analysis. The two preliminary recommendations provided by the URS Corporation are briefly outlined below.

- 1.960 MW hydropower plant. This would be possible under the current single phase transmission capabilities existing in the Taylor River Canyon currently.
- 3.675 MW hydropower plant. This option would require a complete rebuild of the transmission facilities from Taylor Reservoir in order to place the energy on the grid.

This power would be available from an existing water storage facility. In addition, the power would be emissions-free and potentially be dispatchable in order to help mitigate peak demands of electric energy. As you are aware, mitigation of peak demand periods eliminate or delay the need to build new generation resources, reduce emissions and reduce costs to the consumer.

¹ Grand Canyon Trust v. United States, No. CV-07-8164-PHX-DGC, Order of March 29, 2011

However, GCEA is very concerned that as we are a very small not for profit utility with limited revenues. The financial risks associated with the navigation of the governmental regulatory process in pursuing this project may be a hurdle we cannot overcome. A small utility such as GCEA needs regulatory certainty or we can not pursue a project, and GCEA has observed historically that regulatory certainty is not something we can count on. In order for a small utility such as GCEA to help coordinate the use of an existing government owned water storage facility for the production of reliable, emission free and reliable electric energy, we need your help.

In closing, Mr. Chairman, I think Judge Campbell's decision is correct and speaks to the title of this hearing. If we are moving toward a cleaner and greener energy future, there must be a recognition of the fact that hydropower is the cheapest, and most abundant renewable energy resource. In my view, protecting Federal Hydropower Investments in the West means primarily utilizing Aspinall and other CRSP facilities for one of the purposes for which they were originally intended – the generation of clean, renewable and affordable hydropower.

Thank you, Mr. Chairman, I'd be happy to answer any questions you or members of the committee might have.