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**Hearing on H.R. 1719
“Endangered Species Compliance
and Transparency Act of 2011”**

**Committee on Natural Resources
Subcommittee on Water and Power
House of Representatives
September 22, 2011**



Introduction and Background

Chairman McClintock, Ranking Member Napolitano, Representative McMorris Rodgers and members of House Subcommittee on Water and Power, I appreciate the opportunity to appear before you today representing Inland Power and Light Company to share our views on the importance of having timely, accurate and easy to use information about ESA compliance costs.

My name is Fred Rettenmund. I am the Power Resources and Communications Manager for Inland Power and Light Company. Inland Power is a cooperative utility that serves approximately 39,000 consumers in thirteen counties in eastern Washington and northern Idaho. Inland Power currently purchases all its wholesale power from the Bonneville Power Administration. Over 80% of our total power supply comes from clean, renewable hydroelectric power. Inland Power spends about \$27 million a year for BPA power and transmission services. BPA related costs make up about half of our total cost of doing business with the other half covering the costs of delivering power to our members. Inland Power primarily serves residential consumers and has a largely rural service territory averaging only five members per mile of distribution line.

Inland Power is located principally in Washington's 5th Congressional District served by Representative Cathy McMorris Rodgers. We appreciate her ongoing support regarding issues facing our consumers.

Inland Power Supports H.R. 1719

Inland Power supports H.R. 1719, the Endangered Species Compliance and Transparency Act of 2011. BPA should report to its utility customers what portion of each utilities' monthly wholesale power and transmission bill is related to direct and indirect fish costs. This information will assist utilities in their efforts to better inform their consumers.

BPA costs are paid for by the consumers of utilities that purchase power from BPA. The policies BPA adopts, actions it takes and costs it incurs have a large impact on our members. Accordingly, we participate in a large number of BPA related forums and meetings. We commit the time and effort to these activities to create a better understanding of BPA's programs and their related costs, and in turn provide informed recommendations and comments about BPA's policies, operations and practices. H.R. 1719 will be of significant value in these efforts.

Challenges Utilities Face with Fish and Wildlife Costs

Key amongst the challenges faced by BPA are issues dealing with salmon and steelhead programs. The BPA funded, or should I say consumer or ratepayer funded, actions regarding fish are very complex, diverse and on a scale unmatched anywhere else in the United States or possibly the world. As shown in the BPA's January 2010 Fact Sheet ("BPA invests in fish and wildlife") attached to this testimony, in the eleven years from 1999 to 2009 BPA's fish and wildlife expenditures increased from approximately \$470 million to about \$745 million per year. What was spent in total for fish and wildlife during this period was about \$8 billion, and

almost \$12 billion has been spent since 1980. Fish related costs are one of the fastest growing BPA cost categories, have a significant impact on BPA wholesale power rates and what utility customers like Inland Power, and our consumers, pay for electric power.

All these costs end up in the monthly electric bills of the ratepayers of 125 Northwest utilities. It is our understanding that fish and wildlife costs represent more than 30 percent of the rate that is charged to Inland Power and other utilities. We doubt that many of the consumers in the region are aware of what they are paying towards BPA's fish related costs. Providing clear direction to BPA about their responsibilities in reporting Endangered Species Act related costs would be useful to the region and the public. Having readily accessible and transparent cost information would be most beneficial.

Providing Valuable Information

We are aware that the Northwest Power and Conservation Council annually provides a report to the Northwest Governors on the expenditures of Columbia River Basin Fish and Wildlife Program. Using data primarily supplied by BPA this report provides extensive information on the varied aspects of the BPA funded fish program. However, making these very large and program-wide numbers meaningful to the typical consumer is another story. It is very difficult for an Inland Power consumer to understand what \$700 to \$800 million per year in BPA fish costs might mean in terms of their own electric bill. Inland makes an effort to convey what fish costs are included in an Inland members' retail electric bill. However, it would be a big improvement if the monthly wholesale power bill Inland Power receives from BPA would provide information regarding what portion of that bill is related to fish costs.

From Inland Power's perspective H.R. 1719 is about information sharing. While from time to time there is much debate about the effectiveness of various specific fish programs and actions, information and knowledge about fish and wildlife costs should be seen as a means to improve the overall discussions about the fish and wildlife programs.

Inland Power, like many other utilities, has in recent years experienced increases in retail electric rates and will undoubtedly have to raise its rates in the not too distant future. Our members want and deserve to have quality information about the factors impacting their electric bills. That would include information related to Inland Power's own costs of operating and maintaining over 7,500 miles of distribution lines, other costs of providing reliable and safe electrical service and information regarding BPA costs, including fish costs.

Conclusion

In summary, having easy access to factual numbers about how much each utility is spending on ESA costs and related activities would be very helpful to the region's utilities as they seek to provide information to their consumers. Mr. Chairman, I would like to thank you for holding this hearing and providing Inland Power with the opportunity to share our views on this significant issue affecting our utility and the members we serve.

FactSheet

January 2010

BPA invests in fish and wildlife

The Columbia River hydroelectric system produces emissions-free electricity that provides a host of benefits to our region. BPA is committed to mitigating impacts of the federal hydropower system on fish, wildlife and habitat. As a result, BPA funds and manages one of the largest fish and wildlife protection programs in the nation, and invests hundreds of millions of dollars a year to make dams safer for fish, restore damaged habitat, protect threatened lands and more. The fish and wildlife program is guided by on-the-ground partnerships with conservation agencies, states and Tribes, and is responsive to regional and federal environmental protection regulations.

BPA's funding for fish and wildlife has five main components:

EXPENSE OR DIRECT PROGRAM: BPA funds more than 450 fish and wildlife projects in the Columbia Basin including habitat restoration, research, hatcheries, land acquisitions, predator control and culvert replacements.

REIMBURSABLE: BPA reimburses the U.S. Army Corps of Engineers and the Bureau of Reclamation for a portion of those operation and maintenance costs related to improvements at the dams for fish passage and the U.S. Fish and Wildlife Service for hatchery operations.

CAPITAL REPAYMENT: BPA reimburses the U.S. Treasury, principal and interest, for constructing capital projects such as hatcheries and fish passage projects at the dams.

POWER PURCHASES: BPA is obligated to provide its customers with electricity, and if fish operations limit electricity generated at the dams, BPA must purchase power elsewhere to supply customer demand. Cost varies depending on power market prices and water volume.

LOST OPPORTUNITY COSTS: The water that is spilled over the dams for fish represents "lost" electricity and money that could have been generated if the water had passed through the turbines. Cost varies depending on power market prices and water volume.

BPA's investment in protections for fish and wildlife is part of a broader federal effort in the region by agencies including the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, the U.S. Bureau of Reclamation, and the National Oceanic and Atmospheric Administration that total over \$1 billion each year.

What BPA spent for fish and wildlife 1999–2009¹ (\$ in millions)

Cost category	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expense or direct	\$ 108.2	\$ 108.2	\$ 104.0	\$ 144.2	\$ 147.2	\$ 145.7	\$ 135.8	\$ 137.9	\$ 139.5	\$ 148.9	\$ 177.9
Reimbursable	38.9	37.6	42.5	50.9	52.6	57.2	57.9	60.7	60.3	62.2	64.3
Capital repayment	76.1	76.3	78.2	78.2	80.5	85.4	89.7	87.5	112.9	116.2	120.0
Power purchases	47.6	64.8	1389.6	147.8	171.1	191.0	110.8	168.2	120.7	274.9	240.3
Lost opportunity costs	197.8	272.2 ²	115.9	12.6	79.2	21.7	182.1	397.4	282.6	273.5	142.8
TOTAL	\$ 468.6	\$ 559.1	\$ 1730.2	\$ 433.7	\$ 530.6	\$ 501.0	\$ 576.3	\$ 851.7	\$ 715.9	\$ 875.8	\$ 745.3

¹ For purposes of this presentation, this financial information has been made publicly available by BPA in January 2006 and is consistent with the financial system of record used in preparation of the audited financial statements for the respective period reported.

² This includes an estimated cost to BPA of \$79.1 million for an energy-shaping agreement with Idaho Power Company (IPC). FY 2000 was the final year of this contract.

