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Environmental Compliance Cost Transparency Act of 2015

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Introduction

Good morning Chairman Fleming, Ranking Member Huffman, and Members of the Subcommittee. My name is Bo Downen. I am a Senior Policy Analyst of the Public Power Council. Thank you for the opportunity to testify today on H.R. 1869, The Environmental Compliance Cost Transparency Act of 2015.

The Public Power Council is a trade association representing the consumer-owned electric utilities of the Pacific Northwest with statutory first rights (known as “preference”) to purchase power that is generated by the Federal Columbia River Power System and marketed by the Bonneville Power Administration (BPA). These preference rights were granted to publicly and cooperatively-owned utilities because they have a mandate to pass the benefits through to the citizens of the Northwest, the consumers who are their owners. Our member utilities have service territories in portions of seven western states and serve approximately 40% of the electricity consumers in the region.

These utilities, being both some of the largest and the smallest in the Northwest, are committed to preserving the value of the Columbia River system for clean, renewable hydropower and for the system’s multiple other uses. Customers pay for all of the power costs incurred by BPA; the agency is a pass-through entity of its costs and obligations. Because the utility members of PPC are owned by and answer directly to their customers, they are very sensitive to the rates they pay for wholesale power and transmission of electricity.

We appreciate the initiative of Representatives Gosar and Newhouse in raising this issue, and for proposing this legislation. H.R. 1869 is narrowly tailored to require the power marketing administrations to display costs related to compliance with Federal environmental laws impacting fish and wildlife conservation on the monthly wholesale power bill sent to utilities. Local utilities can then decide what to do with that information.

Local control over management of the utility is a fundamental priority of each consumer-owned utility in the Northwest, and this bill offers the opportunity for ratepayers to be better informed consumers. Our members provide retail electricity service to millions of citizens throughout the Northwest, including Washington, Oregon, Idaho, and parts of Montana, California, Nevada, and Wyoming. While these consumers often ask about the nature of the costs that make up their electricity rates, some have little knowledge about the level of fish and wildlife costs affecting those rates.

Fish and Wildlife Costs

In the case of BPA, the fish and wildlife costs in the rates the agency charges for wholesale power are inordinately large. At \$757 million last year alone, this single category of costs accounted for about 30 percent of the BPA power costs charged in rates. The total BPA ratepayer cost for fish and wildlife since 1980 is more than \$15 billion. That does not count the amounts contributed through other federal, state, and local entities.

The latest assumption for fish and wildlife annual costs in the BPA power rates for the period that started on October 1, 2015 is likely to include \$736 million annually, broken down as follows:

- \$271 million for direct expenditures under the Integrated Program;
- \$6 million for internal costs of the Northwest Power and Conservation Council related to fish and wildlife;
- \$33 million for the U.S. Fish and Wildlife Service;
- \$49 million for the U.S. Army Corps of Engineers;
- \$6 million for the Bureau of Reclamation;
- \$200 million of indirect operational costs; and,
- \$171 million in capital investments.

The efficiency and effectiveness of some of the specific projects and methods for salmon recovery are questions with which the region has struggled significantly over the last two decades as the underlying science continues to develop. Certainly, highlighting the costs on power bills could lead to more scrutiny over the effectiveness of salmon mitigation measures. If it does, then that would be a useful byproduct of H.R. 1869 that would benefit fish and wildlife as well as ratepayers. In the meantime, the federal agencies overseeing salmon recovery efforts, along with most of the states and tribes in the region, have collaborated in support of a scientifically sound plan (“biological opinion”) under the Endangered Species Act. This biological opinion commits to an enormous sustained effort for the region’s salmon and steelhead.

More knowledge about fish and wildlife costs is not an impetus to do less for fish and wildlife. Rather, it creates ownership in the efforts underway and serves as an inducement to create better, more effective means of assisting fish and wildlife in the future.

Providing Valuable Information

Support for this bill should not depend upon whether you believe these expenditures in the name of fish and wildlife should be lower, higher, or are just about right. The issue here is information. Certainly, it would make the understanding of these costs clearer if they were displayed directly on the power bill each month. What happens to the information after that, or to the opinions of consumers receiving that information, will vary greatly from utility to utility and from customer to customer.

Some may argue that a utility and its ratepayers could gain this information without this bill. This is not necessarily the case. In the case of BPA, only the agency itself is in the best position to determine with accuracy the costs it expends on fish and wildlife. The processes in place to determine those costs and inform customers about them are lengthy and complex. Utilities would benefit from having one official estimate that is produced by the agency and disclosed on the actual power bill.

Some might question why only fish and wildlife related costs should be displayed on the bill. There are very few costs in BPA’s power rates that are of this magnitude and this level of volatility. In addition, these costs are particularly driven by federal laws that do not directly relate to the business of producing power. This distinguishes them from many of the cost categories that flow into the rates of power marketing administrations. Existing accounting systems would allow the agency to produce the amount of fish and wildlife costs with little additional administrative burden.

Defining Costs Related to Compliance with Federal Environmental Law

Under H.R. 1869, some may argue about whether the number that a power marketing administration displays is the correct reflection of fish and wildlife costs. Those arguments are inevitable, and there are plenty of venues in the region for all of us to voice our concerns to the agency. That discussion, however, should not inhibit the agency from making a final determination and getting that information to customers.

H.R. 1869 correctly includes the indirect costs as well as the direct costs of compliance with Federal environmental laws. To a ratepayer they are one and the same. Water spilled over a dam rather than creating electricity impacts ratepayers just as much as direct projects, capital costs, or operations and maintenance. Whether the action causes a loss of generation or whether it is a direct expenditure, the impact is pressure on rates to be higher than they otherwise would be.

Conclusion

H.R. 1869 is a straightforward approach to providing more information and accountability regarding a major factor in the power rates of consumer-owned utilities. Timely release of useful information is a worthy goal in and of itself. Just as important is the potential that this information may create incentives for better management of our natural resources that could benefit fish and wildlife and ratepayers alike. Thank you for this opportunity to testify today. I look forward to working with you on this matter and addressing any questions.