TESTIMONY OF GREGORY K. DELWICHE

VICE PRESIDENT, ENVIRONMENT, FISH AND WILDLIFE

BONNEVILLE POWER ADMINISTRATION

UNITED STATES DEPARTMENT OF ENERGY

TESTIMONY ON

IMPLEMENTATION OF H.R. 4857 PROVISIONS

TO INCLUDE IN CUSTOMER BILLINGS INFORMATION ON COSTS INCURRED

TO COMPLY WITH THE ENDANGERED SPECIES ACT

BY THE FEDERAL POWER MARKETING ADMINISTRATIONS

BEFORE THE

COMMITTEE ON RESOURCES

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 16, 2006

Madam Chairwoman and Members of the Committee, I appreciate the opportunity to be here today to discuss H. R. 4857 which would, if enacted, direct the Administrators of the Federal Power Marketing Administrations (PMA) to include on customers' monthly bills information about the costs the PMAs are incurring to comply with the Endangered Species Act (ESA).

ESA compliance costs incurred by Bonneville Power Administration (Bonneville) include the power share of debt service and operations and maintenance expense for fish passage facilities at Federal Columbia and Snake River Dams; the economic effects of operational changes at those dams to benefit fish, such as flow and spill; and off-site mitigation costs for hatcheries and habitat restoration. These costs are far easier to report as a percentage of BPA's total costs than as a specific amount borne by each customer; therefore, it would be BPA's preference to display that percentage on each power bill.

In the proposed legislation, we would consider "direct costs" to include debt service and operations and maintenance costs for fish facilities and off-site mitigation costs; and "indirect costs" to include the economic effects of flow and spill changes. Many of Bonneville's fish and wildlife mitigation costs relate to actions undertaken for both ESA compliance and for fish and wildlife mitigation under the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (NWPA). Because of this, it would be Bonneville's preference to report the combined total of these costs, rather than reporting on the ESA-only compliance costs, which only partially represent the fish and wildlife mitigation recovery efforts funded by Bonneville. For Fiscal Year 2007, Bonneville estimates that these costs will total approximately $700 million, or about 30 percent of Bonneville's power rates.

In my testimony today, I will discuss the approach Bonneville would intend to use for providing ESA-related cost information.

APPROACH FOR PROVIDING COST INFORMATION

Bonneville believes that providing ESA- and NWPA-related cost information on customer bills as a percentage of Bonneville's overall power service costs would be consistent with the bill's requirement that monthly customer billings include estimates and reports of the customer's share of the direct and indirect costs incurred by the Administrator related to fish and wildlife mitigation. The information necessary to report these costs as a percentage is much more readily available and efficiently calculated than that needed to specify costs applicable to each type of service and specific product(s) purchased by a customer. It is therefore the approach that Bonneville proposes to follow if the bill is enacted into law.

An alternative approach of developing a specific calculation of mitigation costs for each power customer would be extremely complicated to put into practice. This is because, unlike a retail utility bill, many of Bonneville's customer bills are based on services provided under more than one contract, and each contract often involves more than one rate schedule and applies to a variety of services. Each service is billed on the basis of what is called a "billing determinant." A billing determinant is a measure of electric power usage at a customer's metered point of delivery used in the computation of a customer's bill for the particular service for which they are being charged. Consequently, calculating these costs for each customer, given their unique and individual mix of products, would require development of very complicated algorithms. We do not believe this is intended by the bill.

Therefore, in order to clearly show customers what percentage of their bill is attributable to direct and indirect ESA-related costs, Bonneville would calculate the percentage of its overall power costs attributable to ESA-and NWPA-related activities and investments, and specify that percentage on the customer's bill. This level of information would be system-specific, but not customer-specific, and could be shown on the summary page on each customer's bill, immediately under the line showing the total (see Attachment 1). Application of the percentage to the customer's monthly bill would tell the customer its estimated cost responsibility that month for fish and wildlife mitigation actions. As noted earlier, the reported costs would include both direct and indirect costs, the latter of which, per Section 2(c) of the proposed legislation, include foregone generation and replacement power costs and associated transmission costs. In economic terms, such costs are often called "opportunity" costs. While these are real costs, in that they impact Bonneville rates, we recognize there is substantial debate as to how water in the system should be allocated between competing uses.

CONCLUSION

In conclusion, the Administration shares the interest in accountability that prompts this legislation. Power bills result from complicated calculations and the public debate about what affects power rates often strays from hard numbers. H.R. 4857 would take a step toward clarifying the matter. There are many ideas in the legislation that are feasible and many concepts that are in line with the overall Administration policy in terms of properly reflecting the costs of regulation to the ratepayers. The Administration has no position on the legislation at this time, but there are many concepts in the legislation which the Administration would not oppose. The Administration is still studying the legislation as a whole and looks forward to participating in the broader debate as it unfolds.

Bonneville believes that the approach of specifying Bonneville's ESA-and NWPA-related costs as a percentage of Bonneville's overall power service costs in monthly customer billings would be consistent with the bill's requirement that those billings include estimates and reports of the customer's share of the direct and indirect costs incurred by the Administrator related to ESA compliance. It is an approach that is readily and efficiently calculated, and it is the approach that Bonneville proposes to follow if the bill is enacted into law. Bonneville recommends the approach of reporting its combined ESA-related and NWPA fish and wildlife mitigation costs assigned to power as a percentage of total power costs. While this would be an approximation of the actual amount of cost recovered from each individual customer, it would seem to be consistent with the intent behind this proposed legislation and the information would be more readily available and efficiently calculated.

I thank the members of the Committee for the opportunity to offer this testimony and welcome any questions you may have at this time.

ATTACHMENT 1

SAMPLE BONNEVILLE POWER ADMINISTRATION CUSTOMER POWER BILL

Bonneville
POWER ADMINISTRATION

POWER BILL

FINAL

Bill ID:	DEC05-PWR01-
Issue Date:	January 05, 2006
Bill Period:	December 2005
Period Ending:	December 31, 2005

PAYMENT SUMMARY	
Total Amount Calculated For This Bill	$1,434,663
Total Amount Due	**$1,434,663**

PAY THIS AMOUNT TO:

Bonneville Power Administration		**$1,434,663**
	Due on or before	**January 25, 2006**

FINAL

Bills should be paid by electronic funds transfer unless otherwise specifically provided. If pre-approved by BPA, mail check or money order payable to Bonneville Power Administration, P O Box 894196, Los Angeles, CA 90189-4196 and send a copy of the bill or write identifiable account numbers on or attached to your check.

Late payment charges will be assessed if this bill is not paid on or before the close of business on the due date. See Section I.B and C of the General Rates Schedule effective October 1, 2001. All debts are subject to collection under applicable Federal laws.

Thank you, we appreciate your business.

POWER BILL

Purchaser:		Billing Period:	December 2005
Invoice Number:	DEC05-PWR01-M01-	Period Ending:	December 31, 2005
Issue Date:	January 05, 2006		

GENERATION

Rate Schedule	Service Description	Contract Number	Service Amount	Service Unit		Rate	Revenue $	
PF-02	Demand		68,466	kW	@	2.8700000	196,497	
PF-02	FB Demand		68,466	kW	@	0.1000000	6,847	
PF-02	SN Demand		68,466	kW	@	0.0400000	2,739	
PF-02	Energy HLH Flat		22,662,246	kWh	@	0.0281800	638,622	
PF-02	FB Energy HLH Flat		22,662,246	kWh	@	0.0010000	22,662	
PF-02	SN Energy HLH Flat		22,662,246	kWh	@	0.0004000	9,065	
PF-02	Energy LLH Flat		12,494,204	kWh	@	0.0216100	270,000	
PF-02	FB Energy LLH Flat		12,494,204	kWh	@	0.0007700	9,621	
PF-02	SN Energy LLH Flat		12,494,204	kWh	@	0.0003000	3,748	
PF-02	Load Variance		46,316,450	kWh	@	0.0010000	46,316	
PF-02	FB Load Variance		46,316,450	kWh	@	0.0000400	1,853	
PF-02	SN Load Variance		46,316,450	kWh	@	0.0000100	463	
PF-02	LB CRAC True Up		3,678,806	Dol	@	0.0022860	8,410	1_/
FPS-96R	Energy HLH		6,480,000	kWh	@	0.0206700	133,942	
FPS-96R	Energy LLH		4,680,000	kWh	@	0.0206700	96,736	
	C&R Discount		-25,715,345	kWh	@	0.0005000	(12,858)	2_/

Total	**$1,434,663**

Notes :

1_/ The LB CRAC True Up is computed by multiplying the customer's Net Non-Slice LB CRAC revenues for Apr - Sep times the Non-Slice Adjustment Factor. Net Non-Slice LB CRAC revenues = Actual dollars received from the sale of energy, capacity and load variance products with LDD and C&RD subtracted out. This includes adjustments for the Apr - Sep revenues made through 11/10/05. The Adjustment Factor used in this calculation appears in the bill's rate column for illustration. The Adjustment Factor itself is not a rate nor does it modify any previously published rate.

2_/ Conservation and Renewables Discount monthly credit is 1/12 of annual eligibility, which is determined by net requirements forecast. To obtain the cumulative value of monthly eligibility, access the RTF web site or eligibility letter.

Questions concerning this POWER BILL may be directed to Rod Kelley, (503) 230-7546. Mail inquiries may be directed to Bonneville Power Administration; Revenue, Metering and Contract Analysis - PSR; PO Box 2784; Portland, OR 97208-2784.

U.S. Department of Energy
BONNEVILLE POWER ADMINISTRATION
POWER ATTACHMENT

Customer:	[redacted]	Bill Period:	December 2005
Bill ID:	DEC05-PWR01-M01	Period Ending:	December 31, 2005

GENERATION

Monthly Federal Generation System Peak 12/15 @ 1800 (Power Supply Account 202100)

POD's/Meter Points	Meter No.	Meter Loss Factor	kW After Losses
Nehalem	[redacted]	1.0042	6,909
South Fork (In)		(1.0118)	0
South Fork (Out) [1]		1.0118	223
Beaver		1.0122	3,274
Garibaldi [2]		1.0058	9,334
Mohler		1.0056	4,314
Tillamook # 2		1.0063	11,673
Tillamook # 2 Reverse		(1.0063)	0
Tillamook # 3		1.0063	6,541
Tillamook # 4		1.0045	23,104
Trask River Out [3]		1.0040	7,410
Hebo		1.0036	2,750
Nestucca Out		1.0018	7,934
			83,466

Demand Charge

Demand	83,466	kW			
Less Energy Block	(15,000)	kW			
Demand	68,466	kW	@	$2.870000	$196,497
FB Demand	68,466	kW	@	$0.100000	$6,847
SN Demand	68,466	kW	@	$0.040000	$2,739

Energy Charge		Meter No.	Meter Loss Factor	kWh After Losses
HLH	Nehalem	[redacted]	1.0060	2,496,222
HLH	South Fork (In)		(1.0275)	0
HLH	South Fork (Out)		1.0275	90,068
HLH	Beaver		1.0193	1,066,315
HLH	Garibaldi		1.0094	3,164,997
HLH	Mohler		1.0075	1,523,055
HLH	Tillamook # 2		1.0067	4,056,010
HLH	Tillamook # 2 Reverse		(1.0067)	0
HLH	Tillamook # 3		1.0067	2,393,323
HLH	Tillamook # 4		1.0060	8,206,643
HLH	Trask River Out		1.0041	2,505,026
HLH	Hebo		1.0046	906,008
HLH	Nestucca Out		1.0010	2,734,579
				29,142,246
Less Energy B[redacted]				(6,480,000)
				22,662,246

U.S. Department of Energy
BONNEVILLE POWER ADMINISTRATION
POWER ATTACHMENT

Customer:	[redacted]	Bill Period:	December 2005
Bill ID:	DEC05-PWR01-M01	Period Ending:	December 31, 2005

GENERATION (continued)

Energy HLH Flat	22,662,246	kWh	@	$0.028180	$638,622
FB Energy HLH Flat	22,662,246	kWh	@	$0.001000	$22,662
SN Energy HLH Flat	22,662,246	kWh	@	$0.000400	$9,065

Energy Charge		Meter No.	Meter Loss Factor	kWh After Losses
LLH	Nehalem	[redacted]	1.0060	1,520,023
LLH	South Fork (In)		(1.0275)	0
LLH	South Fork (Out)		1.0275	56,527
LLH	Beaver		1.0193	636,640
LLH	Garibaldi		1.0094	1,946,717
LLH	Mohler		1.0075	929,147
LLH	Tillamook # 2		1.0067	2,264,926
LLH	Tillamook # 2 Reverse		(1.0067)	0
LLH	Tillamook # 3		1.0067	1,363,379
LLH	Tillamook # 4		1.0060	4,786,166
LLH	Trask River Out		1.0041	1,383,816
LLH	Hebo		1.0046	535,772
LLH	Nestucca Out		1.0010	1,751,091
				17,174,204
Less Energy B[redacted]				(4,680,000)
				12,494,204

Energy LLH Flat	12,494,204	kWh	@	$0.021610	$270,000
FB Energy LLH Flat	12,494,204	kWh	@	$0.000770	$9,621
SN Energy LLH Flat	12,494,204	kWh	@	$0.000300	$3,748

Load Variance

HLH	Energy	29,142,246	kWh
LLH	Energy	17,174,204	kWh

Load Variance	46,316,450	kWh	@	$0.001000	$46,316
FB Load Variance	46,316,450	kWh	@	$0.000040	$1,853
SN Load Variance	46,316,450	kWh	@	$0.000010	$463

LB CRAC True Up

LB CRAC True Up	3,678,806	Dol	@	0.002286	$8,410

Energy Block Ourca

Energy HLH	6,480,000	kWh	@	$0.020670	$133,942
Energy LLH	4,680,000	kWh	@	$0.020670	$96,736

U.S. Department of Energy
BONNEVILLE POWER ADMINISTRATION
POWER ATTACHMENT

Customer:	[redacted]	Bill Period:	December 2005
Bill ID:	DEC05-PWR01-M01	Period Ending:	December 31, 2005

GENERATION (continued)

Conservation & Renewables Discount Credit

C&R Discount	(25,715,345)	kWh	@	$0.000500	($12,858)

TOTAL	**$1,434,663**

NOTES:

[1] Outage occurred [redacted] 5 until 11:05 due trouble on line from Winter Storm.
[2] Outage occurred [redacted] until 1:00 due trouble on line from Winter Storm.
[3] Outage occurred [redacted] 0 until 11:00 due trouble on line from Winter Storm.