



**Statement of Kris M. Mikkelsen, CEO
Inland Power & Light
Hearing on H.R. 4857
Committee on Resources
U.S. House of Representatives
March 16, 2006**

Chairman Pombo, Ranking Member Rahall, Representative McMorris and members of the House Committee on Resources, I appreciate the opportunity to appear before you today representing Inland Power & Light and to share our views on the importance of having timely, accurate and easy to use information about ESA compliance costs.

My name is Kris Mikkelsen, and I am the CEO of Inland Power & Light, a cooperative utility that provides electricity to 35,000 consumers in thirteen counties in eastern Washington and northern Idaho. Inland is a full requirements customer of the Bonneville Power Administration and spends approximately \$20 million per year for power and transmission services. BPA related costs make up more than half of our total cost of doing business. Inland is located primarily in the 5th congressional district served by Representative McMorris and we appreciate her ongoing support of the issues facing our consumers.

Over the course of the last several years, I have regularly participated in a variety of meetings that have been focused on the examination of the Bonneville Power Administration's costs. The meetings have had a series of different names including, Power Function Review, Regional Dialogue, Customer Collaborative, but the purpose has been much the same over time; to create a better understanding of Bonneville's programs and related costs, and through that understanding, to allow the region's various constituencies an opportunity to provide informed recommendations and comments about Bonneville's operations.

What became apparent almost immediately, and continues to this day, is the widespread lack of understanding and outright misconceptions associated with the costs of BPA's fish and wildlife programs. It's not surprising that confusion exists. More than 350 different programs are managed by a wide variety of different parties. Undoubtedly, the combined programs represent the most far reaching and expensive environmental undertaking in U.S. history. Over the last 10 years, costs for the fish program have totaled over \$5 billion as expenses have continually ramped upward and become increasingly volatile.

Eventually all of these costs end up in the monthly electric bills of the ratepayers of 125 Northwest utilities. Today, costs for fish measures are the single largest component of BPA's costs and make up approximately 30% of the Agency's total cost of producing electricity, and very few people in the Northwest understand that.

One of the other things that I developed a deeper appreciation for during the Portland meetings is the constant push and pull that the Agency deals with as the various parties in the Northwest advocate for their interests and agendas. Bonneville serves many masters and there will probably always be differing opinions between the utilities, tribes, environmental community and a variety of other special interests. Providing clear direction to the agency about their role in reporting ESA costs would be beneficial to the region, and whatever a person's views, the public good will be best served by open and transparent disclosure of the facts.

Several years ago, our utility decided that it was important for Inland Power & Light customers to have a fundamental understanding of the impact of fish and wildlife programs and the role they play in escalating energy prices. About this same time, our utility hired a retired high-level BPA manager on a part-time basis. One of his first assignments was to gather information that would allow us to prepare customer bills showing the estimated cost of the BPA's fish and wildlife programs, individualized for each customer. We had attempted to do this about a year earlier, but had not been successful.

In the last couple of years, when the Northwest Power and Conservation Council started publishing a report on the cost of Bonneville's fish and wildlife programs, there has been some information about the total programs costs. However, making these numbers meaningful for the average rate payer is another story. It's nearly impossible for an Inland Power and Light consumer to understand what \$600 or \$700 million in BPA fish expenditures might mean in terms of their own electric bill. And we felt strongly that the people who were paying the bills had a right to know what it was costing them.

Unraveling the numbers to get to the data we needed to print information on our bills was a challenge. To make a long story short, it took many months and it helped a lot that we had someone working on the project that was familiar with the Agency. Bonneville was supportive, but one of the challenges was that BPA itself didn't always account for the costs in way that made them easy to identify or calculate what portion of the wholesale power rate paid by utilities like Inland were attributable to fish programs. We finally got sufficient information on an informal basis and began including fish cost information on our monthly bills.

Inland Power & Light has been very fortunate to have had a presubscription contract with BPA that has insulated us the last four plus years from the rising power costs most others in the region have experienced. However that contract ends this year, and we expect our cost of BPA wholesale power to increase by around 50%, but that is very much a moving target. The uncertainty around ESA costs has made it increasingly difficult to set rates.

Court-ordered ESA actions continue to create a significant amount of volatility in BPA's wholesale rates, and utilities are left with having to pass on costs with increasingly short notice. From experience, I can tell you that ratepayers expect clear answers about rising bills and it is critical that utilities have the information they need to adequately explain

increases. I might add that the FY 2007 federal budget proposal for BPA surplus revenues has created the prospect of yet even more uncertainty.

Having good numbers and easy access to ESA costs will go a long way in helping the region's utilities, regardless of their size, or level of sophistication, to provide good information to their consumers. Mr. Chairman, in closing, I would like to thank you for holding this hearing today and providing Inland Power & Light with the opportunity to express our views on this significant issue affecting our utility, and the consumers we serve.