CALIFORNIA CHAMBER of COMMERCE

Testimony Presented to the Federal Energy Regualtory Commission By the California Chamber of Commerce In Support of the Relicensing of the California State Water Project Lake Oroville Hydroelectric Facilities.

October 29, 2001

The California Chamber of Commerce, representing over 12,000 California businesses, appreciates the opportunity to provide the Commission with comments concerning the relicensing of the Lake Oroville hydropower facilities.

For more than a year, California has struggled to extricate itself from the grips of an energy crisis. Last fall and winter, California weathered a series of rolling blackouts attributable to an insufficient supply of electricity. There were many days where the state's reserve margin dipped below 1.5 percent. Our business leaders and elected officials have come to appreciate that every megawatt counts. Managing the state's electrical grid requires precision and to a certain extent luck.

Over reliance on electricity generated outside of the state made our state and economy vulnerable to blackouts. Recognizing the need for increased generation the state has streamlined the approval process for building new generation. It is expected that by September 1, 2002 the state will bring on line 6000 megawatts of new generation. As we strive to add new generation in California we should also strive to maintain existing generation such as the 762 megawatts generated by the Hyatt Power plant and the Thermalito power complex. Preservation of this existing generation will allow the State Water Project to maintain price stability for its contractors through partial self-sufficiency. Money saved in generating its own power is money that is not spent in a volatile spot market for power and is a cost that is not passed on to contractors. G-02-01

Like electricity, California faces difficult challenges concerning water supply and price. As the state's population continues to grow the demand for water grows as well. It is expected that the price of water will increase with demand. Unlike energy or other commodities, there is little the state can do to control the production of water, it's controlled by a higher authority. Cost control is the most meaningful means by which the price of water can be managed. Allowing the State Water Project to maintain its electrical output from the Lake Oroville facilities will help it keep the cost of water down for its contractors. G-02-02

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