

Statement of Bill Sali
Oversight and Government Reform Committee
Hearing on “Governance and Financial Accountability of Rural Electric
Cooperatives: the Pedernales Experience”
June 26, 2008

Mr. Chairman and Ranking Member Davis,

I want to thank you for calling this important hearing about “Governance and Financial Accountability of Rural Electric Cooperatives.”

We will hear today that the Pedernales incident in Texas is indicative of the conduct of rural electric cooperatives across the country. I anticipate we will hear remarks that most rural electric cooperatives are poorly managed and may need further regulation.

Certainly in Idaho, and I would presume in many areas of the country, rural electric cooperatives serve a critical and positive role in our communities -- providing service to rural areas at an affordable rate.

In the Northern part of my district in Idaho there are several electric cooperatives providing electricity to just over 100,000 residential and business consumers. These electric cooperatives serve some of the most

isolated rural consumers in our nation. On average, the electric cooperatives in Idaho serve six customers per mile of wire in contrast to the 20 customers per mile of wire for the investor-owned utilities.

I have serious concerns if, by holding this hearing today, this Committee is suggesting that we must impose more stringent regulations on the rural electric cooperative industry, due to the mismanagement of one cooperative.

Regulations already exist at the cooperative board level and at the state level; and the cooperatives in Northern Idaho already have transparency policies in place where consumers can review all financial data on a website. Most cooperative consumers in Idaho receive a capital credit refund. In the case of Clearwater Power, General Manager Dave Hagen stated, “our consumers have received capital credit refunds since 1988 amounting to a total of \$5 million.”

Additional regulations imposed at the federal level will only increase the cost of electricity to our rural communities and small businesses which are already struggling to get by as they struggle with high food and gas prices.

My constituents cannot afford higher electric bills with the cost of gasoline and food on the rise. New regulations and higher utility bills are an unnecessary burden – especially for my constituents in Northern Idaho who receive electricity from a cooperative because their per capita income is just \$18,555 and they have an average household income of \$6,000 less than the other utility consumers in my state.

For these reasons, Mr. Chairman, I respectfully oppose any new regulatory burden that would increase the costs of doing business for the rural electric cooperative industry, and would ask my colleagues do the same.

Thank you, Mr. Chairman.