



Public Power Council

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July 10, 2009

Bill Booth, Chairman
Northwest Power and Conservation Council
851 S.W. Sixth Avenue, Suite 1100
Portland, OR, 97204

Re: Draft Eighth Annual Report on Expenditures of the Bonneville Power Administration

Dear Bill:

We appreciate the opportunity to comment on the Northwest Power and Conservation Council's (Council's) draft of the Eighth Annual Report to the Northwest Governors on Expenditures of the Bonneville Power Administration to implement the Columbia River Basin fish and wildlife program. As you know, PPC members and their customers have a strong interest in this report as they pay the costs of these fish and wildlife mitigation efforts through BPA's power rates.

The Council's annual report is a useful tool for assessing the tremendous investment made by the region's public power ratepayers to improve fish and wildlife impacted by the federal hydroelectric system. This report effectively communicates to governors, Congressional leaders, and regional and national decision makers, the size of the investments made to mitigate for losses and enhancement of fish and wildlife. Unfortunately, while this investment exceeds any similar investment in the country, Pacific Northwest citizens are still largely unaware of the extent of their contribution.

The Council's report can better inform the region of this investment and provide useful information that can be weighed when the region makes decisions on fish and wildlife management. This report is helpful in establishing the relative magnitude of fish and wildlife expenditures annually. For example, last year's total investment climbed to over \$940 million, which clearly illustrates the significant commitment the region's public utility customers are making to protect and recover fish and wildlife affected by the construction and operation of the federal hydropower system. It is significant that revenues lost due to changes in hydropower operations represent 58% of that total investment.

PPC is aware that some argue lost revenues or replacement power purchase costs should not be included in the Council's Fish and Wildlife Expenditures Report. PPC strongly disagrees with that perspective. Reduced generation is a very real cost of fish and

wildlife compliance. Reduced generation means less power revenues or costs to replace power, which increases power rates. This should be included in any accounting of the region's investment in fish and wildlife to ensure that regional ratepayers get full credit for the costs paid through BPA's power rates.

To accurately determine these costs for inclusion in the report, the Council should request that BPA provide a rate-impact analysis of the fish and wildlife program costs. BPA has indicated it can provide the Council with this information and we believe this should be incorporated into the final report. **Calculations made by utility and BPA staff have led us to believe the Council's draft report significantly understates the average fish and wildlife cost for a typical public utility customer.** We ask the Council to work with BPA to update this information. BPA involvement is needed because it has the tools and information necessary to calculate rate impacts as updated for the current rate studies. The Council should annually request this rate and cost impact information from BPA so that it can be included in future annual reports.

In addition to the financial cost implications of lost or increased generation, the Council should note that lost generation by the federal hydroelectric system also increases the production of carbon-dioxide (CO₂) as fossil-fired generation is needed to replace lost hydropower. The Council was influential in helping the region understand this relationship in its "Carbon Footprint" paper, November 2007 and a quick refresher analysis in the report would help to inform the broader debate as the region struggles to respond to climate change concerns.

While it appears that this year's report will focus strictly on the region's 2008 expenditures for fish and wildlife, in the future, a comprehensive assessment of the costs and biological benefits of fish and wildlife recovery, protection and mitigation actions is desperately needed. With rigorous accounting of expenditures and objective measures of biological effectiveness, the Council can help ensure that the region's investments in fish and wildlife are science-based and cost-effective. Without achieving these simultaneous goals, resource protection and recovery could be delayed, and scarce regional ratepayer dollars could be misspent.

Thank you for your work on this report and for this opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Scott Corwin". The signature is written in a cursive, flowing style.

Scott Corwin
Executive Director