Bonneville Power Administration Issues

September 2015

As consumer-owned utilities that have preference to federal power, most members of PPC buy much or all of their power from the Bonneville Power Administration (BPA) as well as using the Bonneville transmission system to deliver that power. Issues impacting the agency weigh heavily on these utilities, their consumers, and their ability to enable job creation throughout Washington, Oregon, Idaho, Montana, and parts of adjacent states.

BPA Mission

- BPA plays an integral role in the economic vitality of the Pacific Northwest.
- By law, the agency’s first mission is to deliver – at cost – the clean, renewable hydropower that is generated at federal dams to the region’s not for profit, consumer-owned electric utilities.
- BPA maintains the reliability of the electric grid and, within its statutory authority, helps advance deployment of energy efficiency and renewable generation, helps keep rates affordable for residential and small farm customers of the region’s investor-owned utilities, and protects regional fish and wildlife resources.

BPA Budgets and Rates

- For most consumer-owned utilities served by BPA, the agency’s charges constitute a majority of the cost of operating their utilities. Increases in BPA rates affect the pocketbooks of residents and the vitality of businesses.
- BPA recently announced a 7.1% average increase to power rates and a 4.4% average increase for transmission rates. This is on top of a 9% increase for power and 11% increase for transmission imposed for the last two-year rate cycle.
- Maintaining affordable rates is critical for the region, and it is also imperative that BPA plan for needed capital investments to maintain the reliability of its generation and transmission infrastructure. By continuing and expanding on recent budget prioritization efforts, we are looking for BPA to meet the dual goals of rate stability and infrastructure investment.

Energy Balancing

- The rise of intermittent renewable resources in the region – with BPA integrating more than 4,500 MW of wind generation – has prompted examination of various mechanisms that could be used to integrate these intermittent resources and efficiently share balancing reserves.
The Northwest Power Pool has initiated a multi-step process to evaluate bilateral and market-based tools.

Considerable effort has been focused on developing a voluntary, market-based mechanism, known now as Centrally Cleared Energy Dispatch (CCED), as one potential tool.

PPC is trying to ensure that the review process is both measured and thorough, and believes the adoption of any market-based mechanism should reflect that:

- The economic benefits outweigh the costs;
- Regional independence is preserved and the effort does not cause expanded FERC jurisdiction over BPA or public power activities;
- The scope of the effort is narrowly drawn, and does not prompt “mission creep” or expansion to a full Regional Transmission Organization (RTO); and
- Non-market mechanisms for various purposes – including bilateral agreements – remain effective options in the region.

Impact of Climate Policy on BPA

- Although BPA does not operate sources that will be subject to EPA’s proposed “Clean Power Plan,” PPC is on the lookout for potential impacts and unintended consequences:
  - Any shift in generation could lead to greater demand placed on BPA’s transmission system. It is essential that BPA’s primary mission of delivering power from the FCRPS remains unimpeded and that direct beneficiaries pay for the use of the BPA transmission system.
  - Reliability of the electric grid is of paramount importance. Given the interconnected nature of the grid, even utilities without affected power plants can face reliability impacts. It is essential that any new regulations afford sufficient time to make needed infrastructure investments (new power plants, transmission lines, natural gas pipelines, etc.) so that reliability isn’t impaired.
- The recent Council on Environmental Quality (CEQ) policy update directing federal agencies to consider the climate impact of their actions is a timely reminder that proposed changes to the output, operations and timing of the FCRPS – such as increased fish spill – can have a negative impact on climate change given that the carbon-free profile of the FCRPS generation would have to be replaced by other sources.
The Public Power Council serves a unique role as the forum where consumer-owned electric utilities come together to create consensus and advocacy on issues impacting regional power supply. Since 1966, the PPC has represented the interests of the consumer-owned utility customers of the Bonneville Power Administration in all BPA-related matters. PPC brings technical capability to the table with a team of experts in utility law, power systems, economics, and government affairs.

Membership in PPC is open to all “preference” customer electric utilities in the Columbia River Basin. The utilities range in size from 10 to 400,000 customers, and are located in parts of seven western states—Washington, Oregon, Idaho, Montana, Nevada, Utah and Wyoming.

These utilities are public or peoples utility districts, municipal, cooperative, or mutual organizations. Collectively, they are often referred to simply as “publics,” “public agencies,” “public power,” and “publicly owned utilities.” They have varying legal structures, but they are all consumer-owned, nonprofit, and locally controlled.

In recognition of the crucial role electricity plays in modern life, consumer-owned utilities reflect two important principles. First, local citizens have a right to own and control the means necessary to provide electricity for their communities. Second, a community availing itself of this right to ownership and control has an obligation to do so reliably, efficiently and at cost.

Community Priorities

Community ownership of electric service means local people working together to meet local needs. In the Northwest, consumer-owned power energizes the most remote rural areas and lights the largest urban centers. It powers large industrial operations, small residential dwellings, and everything in between.

The public invests its trust in consumer-owned utilities and they in turn take on an obligation to help advance the values in their community. Among these values today are energy efficiency, stewardship of the environment, and community service.

Public power plays a major role in the Northwest’s decades-long reputation as a national leader in the area of conservation. In their own service territories and in partnership with other organizations and agencies in the region, publicly owned utilities offer aggressive conservation programs and they continue to explore new technologies and build new paths to deliver cost-effective and innovative energy efficiency measures and services.
Consumer-owned utilities are committed to developing clean and renewable resources to augment the hydroelectric backbone of the region’s electricity system. They have invested in wind energy and hydro power upgrades, and some have been active in emerging technologies like solar and tidal power. Many also offer their customers a billing option that helps to fund more renewable energy development.

Public power also makes an enormous investment annually in protecting the region’s fish and wildlife resources. The Bonneville Power Administration (BPA), which supplies wholesale power to most publics, spends hundreds of millions of public power customers’ dollars every year on its fish and wildlife program. In addition, many individual utilities make direct expenditures for fish and wildlife enhancement, not to mention for clean water, habitat protection and environmental awareness and education.

A spirit of community service is fundamental to public power’s nonprofit, local-control philosophy. Nearly all regional public utilities offer a range of programs such as helping low income customers to pay their bills and weatherize their homes. Many have educational and grant programs that supplement the work of local school districts.

**Consumer-owned Utilities and Preference**

As entities owned by the citizens and providing benefit to the public, consumer-owned utilities have a legal first right to federal power. They are afforded this priority access to federal power generation and transmission through a legal principle called “public preference.” Most members of PPC buy much or all of their power from the Bonneville Power Administration (BPA), whose key mission is to deliver the clean, renewable hydropower that is generated at federal dams to the region’s nonprofit, consumer-owned electric utilities.

Preference was first applied to consumer-owned electric systems in the Reclamation Act of 1902, which gave municipalities preferred access to surplus power from federal irrigation projects. Congress granted preference to ensure that the benefits of federal power were passed through to the public at the lowest possible cost, something only consumer-owned utilities could assure. Another reason was to help extend these benefits to the remote areas of the nation served only by consumer-owned utilities. And, preference was a means of preventing the monopolization of federal power by private interests.

Public preference is emphasized in the 1937 Bonneville Project Act, which authorized completion of Bonneville Dam, creation of BPA, and the construction of federal power lines to transmit the power as widely as practicable. The Bonneville Project Act specifically declares that preference be provided to publicly owned systems to ensure that hydropower projects are operated for the benefit of the general public, particularly residential and rural customers. These principles are just as relevant today, and the preference rights have been affirmed in subsequent laws impacting the Northwest power system, such as the Regional Power Act passed in 1980 (“Pacific Northwest Electric Power Planning and Conservation Act”).

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PPC Members 2015

**COOPERATIVES**

Blachly-Lane County Electric Cooperative, Oregon
Central Electric Cooperative, Oregon
Clearwater Power Company, Idaho
Columbia Rural Electric Assoc., Washington
Consumers Power, Inc., Oregon
Coos-Curry Electric Cooperative, Oregon
Fall River Electric, Idaho
Flathead Electric, Montana
Glacier Electric Cooperative, Montana
Harney Electric Cooperative, Oregon
Hood River Electric Cooperative, Oregon
Idaho County Light & Power, Idaho
Inland Power & Light, Washington
Kootenai Electric Cooperative, Idaho
Lakeview Light and Power, Washington
Lane Electric, Oregon
Lincoln Electric, Montana
Lost River Electric Cooperative, Idaho
Midstate Electric Cooperative, Oregon
Missoula Electric Coop., Montana
Okanogan County Electric Coop, Washington
Oregon Trail Elec. Cooperative, Oregon
Peninsula Light Company, Washington
Raft River Electric, Idaho
Ravalli County Electric Cooperative, Montana
Salem Electric, Oregon
Umatilla Electric, Oregon
United Electric, Idaho
Vigilante Electric Cooperative, Montana
Wasco Electric, Oregon
West Oregon Electric, Oregon
Wells Rural Electric Cooperative, Oregon

**MUNICIPALS**

City of Ashland, Oregon
City of Bandon, Oregon
City of Blaine, Washington
City of Bonners Ferry, Idaho
Canby Utility, Oregon
City of Cascade Locks, Oregon
Centralia City Light, Washington
Cheney Electric Service, Washington
Eugene Water & Electric Board, Oregon
City of Forest Grove, Oregon
Idaho Falls Power, Idaho
McMinnville Water & Light, Oregon
Milton-Freewater City Light & Power, Oregon

**Municipals (cont.)**

Monmouth Power & Light, Oregon
Richland Energy Services, Washington
Port of Seattle, Washington
Rupert Electric Dept., Idaho
Seattle City Light, Washington
Springfield Utility Board, Oregon
City of Sumas, Washington
Tacoma Power, Washington
Vera Water & Power, Washington

**PUDs**

Asotin PUD, Washington
Benton PUD, Washington
Central Lincoln PUD, Oregon
Chelan County PUD, Washington
Clallam County PUD, Washington
Clark Public Utilities, Washington
Clatskanie PUD, Oregon
Columbia River PUD, Oregon
Cowlitz PUD, Washington
Emerald PUD, Oregon
Ferry County PUD, Washington
Franklin PUD, Washington
Grant County PUD, Washington
Grays Harbor PUD, Washington
Jefferson PUD, Washington
Kittitas County PUD, Washington
Klickitat PUD, Washington
Lewis County PUD, Washington
Mason County PUD #1, Washington
Mason County PUD #3, Washington
Northern Wasco PUD, Oregon
Okanogan PUD, Washington
Pacific County PUD #2, Washington
Pend Oreille PUD, Washington
Skamania County PUD, Washington
Snohomish County PUD, Washington
Tillamook PUD, Oregon
Wahkiakum PUD, Washington
Whatcom County PUD #1, Washington

**TRIBAL-OWNED**

Yakama Power, Washington
The Columbia River Treaty

September 2015

The Columbia River Treaty is an agreement between Canada and the United States guiding the development and operation of some water resources in the Columbia River Basin for flood control and power needs. The Treaty was first implemented in 1964. Either country may terminate most Treaty provisions on or after September 16, 2024 by providing a ten year advance notice. Some provisions terminate on that date without any action being taken.

Today, the Treaty is grossly imbalanced, with some estimates showing Canada receiving almost ten times the benefits that Northwest interests receive from coordinated system operations according to studies by the U.S. Army Corps of Engineers (ACOE) and Bonneville Power Administration (BPA), who serve as the U.S. Entity representing the United States in Treaty discussions with Canada. The ACOE operates many of the federal dams in the Columbia River basin. BPA markets federal hydropower, mostly to the preference utilities that make up the membership of the Public Power Council (PPC).

On December 13, 2013, the U.S. Entity sent its Final Recommendations on the Columbia River Treaty to the U.S. State Department. The document appropriately emphasizes the need to rebalance the sharing of power benefits. To date, there has not been an official engagement with Canada on this matter. Continued work and coordination are needed to encourage that the U.S. Interagency Policy Committee and the State Department act expeditiously on the region’s recommendation.

Treaty Impacts on Northwest Electricity Ratepayers

The Treaty obligates the United States to send an estimated $250 to $350 million in clean hydropower benefits annually to Canada (called the Canadian Entitlement). This cost is paid by electricity ratepayers in the Northwest receiving power from BPA and the Mid-Columbia PUDs, and has a clear impact on power rates paid in the Northwest.

Analysis by the federal agencies indicates that the U.S. does not receive much of the reciprocal benefit originally anticipated by this arrangement. Much has changed in the river system since the 1960s. In addition, much of the flood control allowance received from Canada expires in 2024 even if the Treaty continues. So, Canada will be looking to negotiate for payment for flood control measures. And, meanwhile the U.S. would remain obligated to pay the Canadian Entitlement unless the Treaty is terminated or renegotiated.
**Treaty Recommendation: Moving Forward**

It is incumbent upon the State Department and National Security Council– with guidance from the Northwest congressional delegation and regional stakeholders – to expedite initiation of formal discussions with Canada on the future of the Treaty. PPC continues to believe that if a reasonable outcome with Canada cannot be achieved soon, the United States must consider all available options including providing notice of intent to terminate as was envisioned during the original Treaty negotiation and drafting.

The inequity to electricity ratepayers in the current Treaty implementation begs for correction as soon as possible. Rebalancing power benefits should be the top priority in Treaty negotiations. PPC wants to ensure that there is a fair and equitable arrangement for Northwest electricity consumers, and that federal negotiators stay focused on objective analysis of Treaty-related scenarios as the process moves forward.

In light of the extensive ecosystem effort underway pursuant to the Biological Opinion (BiOp) for the Federal Columbia River Power System and the BPA fish and wildlife program, it is critical that ecosystem measures discussed in the Treaty context are limited to issues truly international in scope. As with other regional efforts, ecosystem measures must be based on sound science, be subject to cost and benefit analysis, provide practicable, measurable outcomes, and not adversely impact electric system reliability or irrigation needs.

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Hydropower and Fish and Wildlife Issues

September 2015

Value of Hydropower in the Northwest

Hydropower from the Federal Columbia River Power System is a key economic driver for jobs in the Northwest. This efficient and renewable resource provides low-cost power without carbon emissions.

Hydro provides over 60% of the region’s electrical generation capacity, and it makes up almost 90% of the generation within the Bonneville Power Administration’s resource portfolio. As such, it is the primary resource used to serve electricity to the millions of customers of publicly and cooperatively owned utilities in the Northwest with preference rights to federal power.

The hydropower system in the Northwest also provides other key benefits that are part of our economy and way of life. These include provision of critical flood control, irrigation, navigation, and recreation.

Fish and Wildlife Considerations

PPC has long supported cost-effective actions to protect and enhance fish and wildlife in the Columbia River Basin, and has worked within the regional processes to advance alternatives that are scientifically sound and economically prudent.

*Investments Paying Dividends*—Since 1980, BPA customers have invested over $14 billion in Endangered Species Act and other statutory fish and wildlife obligations (not including other efforts that utilities fund in addition to the BPA programs). Because BPA recovers all of its costs through rates, PPC members have contributed an enormous amount towards salmon recovery and wildlife mitigation in the region. **About 30% of the power cost charged by BPA is attributable to fish and wildlife measures.**

While there is plenty of room for further efficiency and improvement, these efforts are showing significant success. Twelve of the thirteen ESA-listed salmon and steelhead populations in the Columbia River Basin are showing striking improvement, and there are more salmon and steelhead returning now than at any time since the first federal dams were constructed in 1938. An estimated 2.7 million adult salmon and steelhead returned past Bonneville Dam in 2014. The most recent 10-year average return for salmon and steelhead was 1.6 million fish.

New measures and infrastructure have increased survival of fish passing through the federal hydro system. In addition, spawning and rearing habitat has improved in many tributaries, and hatchery programs are being modified to reduce impacts on wild fish. Long term, the strength of these
populations is increasingly dependent upon continued improvement of ocean conditions, reduced harvest of wild fish, and adequate protection of available habitat.

**NOAA Supplemental BiOp**

In January, 2014, NOAA Fisheries released the latest iteration of the Federal Columbia River Power System Biological Opinion (FCRPS BiOp). We are pleased that the updated salmon plan continues to emphasize the best available science to protect listed species and continues the path of progress seen over the past decade.

The updated plan:

- Meets the U.S. District Court’s requirement that NOAA submit an amended plan that specifies additional habitat action.
- Builds on the success of the existing plan, which NOAA found has yielded positive results.
- Does not result in further significant degradation of the generating capability of the FCRPS.

Plaintiffs in the BiOp proceedings have again filed suit and the latest iteration of the BiOp will be litigated in 2015.

**Proposed 10-Year Experimental Spill Test Fatally Flawed**

Over the past two years, some parties have sought to radically increase the current program of spilling water over the dams. On proposal was for a 10-year experimental test to dramatically increase spill at all eight federal projects in the FCRPS. The proposed test would:

- Increase the total dissolved gas cap beyond state and federal limits to levels that could seriously harm or kill salmon and other aquatic species.
- Cost ratepayers more than $1 billion to implement at a time when many residents already struggle to pay their electricity bills.
- De-rate the hydro system by another 600 average megawatts (beyond the 1,000 average megawatts lost already under current spill agreements), thereby threatening system reliability and hampering the ability to integrate intermittent resources.
- Add 1.9 million additional tons of carbon dioxide into the atmosphere from combustion turbines needed to replace lost hydro generation.

That spill proposal was based on a study that has been found fundamentally defective during independent review, and NOAA Fisheries rejected the proposal from inclusion in the BiOp because of substantial weaknesses in the analysis and numerous harmful effects. The above statistics are from a preliminary analysis released by the Bonneville Power Administration.

In summary: the framework of the current collaborative process for Northwest salmon is working as it should. Fish runs remain high and juvenile survival targets have been met or are close to being met. New extreme measures would be harmful and are not needed to achieve regional goals.

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Federal Energy Legislation

September 2015

The Public Power Council is pleased that Congress is looking to advance broad, bipartisan legislation to update energy policies and promote a reliable, affordable, and resilient electric system.

As the regional representative of consumer-owned utility customers of the Bonneville Power Administration (BPA), PPC is most focused on those provisions of pending legislation impacting the operations of BPA. Below are key issues for PPC in the pending legislation.

Grid Reliability

- The electric utility industry is the only critical infrastructure sector operating under mandatory, enforceable rules on cyber and physical security. This structure works and should not be altered.
- The NERC-FERC system focuses on identifying and addressing vulnerabilities, with standards, audits, and fines for violations.
- House and Senate bill provisions granting DOE authority to require emergency actions by grid operators to prevent or respond to an attack are helpful, though cost recovery language may need some clarification.
- PPC supports the Senate provision extending liability protection for emergency actions to federal utilities and public power systems.

Transmission Maintenance on Federal Lands

- It is common for utilities to have transmission lines that cross federal lands.
- Maintaining these lines and doing critical vegetation management is increasingly difficult when federal land managers apply burdensome and inconsistent requirements for permits.
- PPC supports language in the Senate energy bill clarifying that federal utilities, like BPA, must have continuous access on federal lands for needed maintenance on existing lines.
- PPC supports legislation approved by the House Natural Resources Committee streamlining permitting for all utilities needing access to federal lands.

Capacity Markets

- Several Regional Transmission Organizations (RTOs) in the East have “mandatory capacity markets,” requiring all utilities to bid into and withdraw from the market. While capacity markets are intended to ensure adequate generation, they have not incented new construction. Rather, they have dramatically raised consumer rates and threatened the self-supply of public power systems.
The House energy bill has placeholder language on capacity markets, and the Senate energy bill includes a study provision that touches on capacity markets.

Although the Northwest does not directly participate in an RTO, the trend in this area leads PPC to be mindful of any legislative or regulatory effort around uniform market structures.

PPC urges the Northwest delegation to resist any legislative language promoting mandatory capacity markets.

**Hydro Licensing Reform**

- Although the dams of the Federal Columbia River Power System are not licensed by the Federal Energy Regulatory Commission (FERC), FERC-licensed dams provide much of the Northwest’s electricity.
- Given the importance of this resource to the region’s affordable and reliable electricity supply, PPC supports the provisions in the Senate energy bill streamlining the hydropower licensing process and urges expansion of those reforms.