

Promoting BPA Competitiveness and Customer Interests

April 2022

The Challenge of BPA Competitiveness

- Public Power Council (PPC) members buy much or all their power and transmission from the Bonneville Power Administration (BPA).
- BPA's role as an essential economic engine is all the more important as individuals, businesses, communities and public power systems grapple with the impact of the COVID-19 pandemic, inflation and economic uncertainty.
- For a variety of reasons, BPA's position as the supplier of choice is less secure, and public power customers will have other supply options when their BPA contracts expire in 2028.
- At the same time, the value of a clean, reliable power supply – delivered over a high voltage transmission grid with dedicated “preference” for consumer owned utilities – is an important consideration for public power ratepayers as utilities look to the decades ahead.
- Gone are the days when unrelated or excessive costs can be assigned to BPA without risks of economic ruin for the Northwest or BPA.
- Central to advancing BPA's competitiveness is assuring that costs are accurately and equitably assigned and revenue opportunities are appropriately assessed.

Willamette Project Deauthorization

- The Willamette Basin projects are the most expensive resource in BPA's portfolio, with power from those projects costing five times more than the output of the Lower Snake River Dams. Moreover, the Willamette projects provide little output and lack the operational value of other projects in the system.
- The 2020 Water Resources Development Act (WRDA) included language directing the Corps to complete a study on whether to deauthorize power production at Cougar, Detroit and Big Cliff dams in the Willamette Basin. The Corps' prioritization of this study is critical in early 2022.
- As Congress begins to compile 2022 WRDA, PPC has advocated for the inclusion of language that would deauthorize the power functions of the Willamette Basin dams and ensure no adverse consequences negatively impact the other authorized purposes.

PPC urges Congress to “conditionally deauthorize” hydropower development at the Willamette Basin dams.

Aligning Treasury Payment Credits with Current Fish Mitigation Measures

- BPA power customers remain committed to fulfilling our fish and wildlife obligations, and PPC is not seeking changes in any current or future fish measure.
- Rather, we seek proper sharing of those costs.
- Targeted steps are needed to properly align cost responsibilities for regional fish mitigation efforts, especially as societal demands increase.
- Under existing law (Section 4(h)(10)(C) of the Northwest Power Act), BPA receives a credit against its Treasury repayment obligation for those fish and wildlife expenditures it makes on behalf of other project purposes (such as flood control and navigation).
- The cost inputs for this credit have not been updated in decades – and fail to reflect many of the ways that BPA ratepayers fund fish mitigation efforts, such as the direct and indirect costs of fish-mandated spill.
- PPC believes that the time is right for a bipartisan effort to update this Treasury repayment provision to properly capture all relevant fish expenditures and align these costs with program responsibilities.

PPC urges Congress to revise Section 4(h)(10)(C) to align the Treasury credit program with current fish mitigation efforts.

Update Project Cost Allocations to Reflect Actual Use and Operations

- The experience in the Willamette Basin underscores the need to accurately align costs and benefits at the federal projects.
- Today, 75% of the “joint costs” of the Columbia and Snake River dams are assigned to power customers for repayment – cost allocations that haven’t changed since the projects were initially authorized.
- In the decades since the projects were authorized and the costs allocated, the amount of federal hydropower production has been substantially reduced and the operational flexibility and value of the remaining power output has been constrained.
- By contrast, the value of other authorized purposes has increased significantly.
- Despite these shifts in benefits – and a statutory assumption that the costs would be reviewed and realigned – the cost allocation for these projects have remained static.
- Congress took an important step in the past three appropriations bills directing the Corps of Engineers, Bureau of Reclamation and BPA to develop a plan for redressing project cost allocation.
- Unfortunately, little meaningful progress has occurred.

PPC urges Congress to establish a mechanism for expedited review of the cost allocation of Bureau and Corps projects, without raising the costs for irrigators and other project beneficiaries.

Columbia River Treaty

- The Columbia River Treaty with Canada has created a large inequity, with Northwest electricity consumers losing approximately \$1 million every two to three days, as the U.S. overpays Canada 70-90% for the presumed downstream power benefits.
- We continue to support the 2013 Regional Recommendation for the Treaty.
- The process for renegotiating the Treaty and reestablishing equity has dragged on for years, with little to show for it.
- Public power is exploring a range of international and domestic options that seek to restore the inequity that currently exists in Canada's favor. Vehicles to arrive at a restoration of value to the U.S. could include a range of options, from pursuing legislative paths to issuance of the 10-year notice of termination of the Treaty's power provision. After years of discussion without progress, we are open to a variety of options to get across the finish line.
- Flood control costs must be addressed through federal appropriations and not borne by BPA customers.

Lower Snake River Dams

- The four LSRD hydroelectric projects are a crucial component of BPA's resource mix, playing a vital role in maintaining system reliability, integrating intermittent renewable resources, meeting climate objectives, and maintain affordable electric rates.
- The operational flexibility of the Lower Snake River Dams has been vital in preventing blackouts in both hot and cold weather extremes.
- These projects are among the least cost resources in BPA's mix and cannot be replaced without significant rate increases.
- The federal agencies studied breaching these projects and determined that it was not a cost effective option.

Current operational and economic analyses do not support breaching the Lower Snake River Dams