

September 26, 2018

RE: Proposed Extensions of BPA’s 2008 Columbia Basin Fish Accords

In response to the proposal to extend the 2008 Columbia Basin Fish Accords (Accords), the Public Power Council (PPC) offers the following comments. PPC represents most of the preference customers purchasing power from the Bonneville Power Administration (BPA). PPC and its members have a strong interest in both the effectiveness and cost of programs funded through rates BPA charges its customers. This includes support for science-based, cost-effective programs that help BPA meet its obligations to the region for fish and wildlife.

BPA fish and wildlife mitigation decisions should be viewed through two lenses: (1) Expected biological benefits; and (2) Impacts to BPA’s overall cost-competitiveness. PPC’s members and their customers have felt the impact of BPA power rate increases of 35 percent since the original Accords were signed in 2008. The Accords, with their 2.5% annual escalations, were a significant part of those rate increases.

How seriously BPA (and the Army Corps of Engineers and Bureau of Reclamation) can turn the corner on power costs will impact the extent to which PPC members make future purchases of BPA power. *Those future power purchases, from a competitive BPA, will provide the revenue stream that funds these mitigation efforts and all other BPA programs.* The long-term health and stability of BPA depends on its ability to turn this cost corner in the next several years so that BPA’s current customers choose to make their own “accords” with BPA for the bulk of their future power supply. The following are some of our expectations regarding performance metrics, cost control, and biological benefits of these extensions.

Expectations of Performance

Our understanding is that the proposed agreements would be a four-year extension of the prior 10-year agreements regarding funding of approximately \$100 million annually of BPA’s integrated fish and wildlife program. Without extension, most of those agreements expire this month. We also understand that the costs of these agreements are included within the total amount of \$249 million annually in BPA’s direct program that is reviewed by the Northwest Power and Conservation Council.

BPA has outlined its expected benefits to extending these Accords. These are stated to include:

- Improved cost control of BPA’s direct fish and wildlife program via a slightly decreased and firmly locked-in amount of its fish and wildlife mitigation costs;

- Greater efficiency in project implementation and management through increased coordination and reporting;
- Firmly holding Accord parties to their commitments to work with and support BPA in forums such as the NEPA Environmental Impact Statement development, Biological Opinion work and litigation, and the Northwest Power and Conservation Council’s Fish and Wildlife Program Processes; and,
- Fulfilling, or helping to fulfill, BPA’s environmental and legal compliance responsibilities.

Expectations Regarding Costs

BPA has stated that these agreements are designed to help turn BPA’s cost curve downward by locking in lower mitigation costs with the Accords partners than might otherwise be projected. For example, these extensions do not escalate each year like the prior agreements did. That said, extending the agreements also comes with the risk associated with committing the BPA mitigation program to a more than \$100 million annual baseline during a volatile period for the agency. While these agreements are of relatively short duration, we are concerned about the lack of flexibility for BPA, with regard to any expense, as it tries to reduce costs in future rate periods.

There is a question about whether the agreements adequately address unforeseen circumstances. Language in the extension agreements suggests that in times of change in management actions or material change to BPA’s financial situation, BPA and the Accord partners can discuss amending the agreements or increasing or reducing budgets. However, in the instance of the financial situation, there is no clear definition of “material.”

Additionally, there is no mechanism that requires an Accord party to accept BPA’s budget reduction proposals if it determines there has been a “material” change in its financial condition. While BPA believes it can unilaterally remove itself from the agreement in this situation, there is little in its history that leads us to believe that it would.

It will be crucial for customers to see continued commitment by BPA, during the period of these extensions and beyond, to continue to reduce costs agency-wide. With respect to the fish and wildlife program BPA should commit, at a minimum, to its own budget proposal and cost reduction efforts outlined in the recent Integrated Program Review. It should do this in several ways, including:

- Holding Accord parties to their commitments to aggressively manage budgets and promote the most effective mitigation programs;
- Finding savings throughout the rest of the current integrated program budget;
- Reprioritizing funding of projects that are not exhibiting expected benefit; and,
- Offsetting any operations-related cost increases with direct reductions in the program.

BPA should also commit to customers that it will stick to a rigorous budget and competitiveness strategy even as several predictable but still undefined factors come into play over the four-year extension period. These might include additions of other Accord parties, possible increases in

operations costs, increased litigation-related obligations, and volatile water years or market conditions.

Expectation of Strong Commitment to Scientific Review and Biological Benefit

Customers have always stood behind the principles of meeting legal obligations in cost-effective ways that utilize the best available science. Over the last decade, BPA's coordinated work with Accord partners toward a common goal often yielded productive results. The proposed extensions are intended to be part of an improving BPA program that more purposefully manages fish and wildlife mitigation projects and operations. BPA should stay committed to rigorous best available science and benefit determinations when implementing any Accords or when proposing operational changes.

The proposed extensions are primarily focused on the hydro and habitat elements of the "All-H Approach". It is worth reemphasizing that the fish and wildlife mitigation effort must be multifaceted to address needs in each part of the fish lifecycle, including hatchery and harvest. The hydropower system should bear its share, but it is only one element of the equation in fish and wildlife mitigation and management. BPA and Accord parties need to continue to adequately recognize the other "H's" in the overall regional strategy and ensure Accord funding is not being spent on items that appropriately belong elsewhere. Additionally, BPA and Accord parties need to be certain the other "H" actions are symbiotic with the efforts of the Accords.

Project prioritization is critical in maximizing the biological benefits of the program. Funding should go towards those projects exhibiting the maximum amount of biological benefit. Where projects have significant feasibility concerns or dubious mitigation benefits, the approach should be one of further study rather than implementation and ongoing evaluation. For transparency, BPA should publish its prioritization of projects as well as the results of project monitoring and evaluation.

If the agency chooses to sign these extensions, that decision and the many implementation actions to follow should be analyzed through the two lenses of biological benefit and impact to BPA costs and competitiveness. As the agency works to navigate out of its financial straits, PPC and its members are looking for BPA to have a solid understanding not only of its mitigation obligations but also its responsibilities to the ratepayers who fund them.

We appreciate your consideration of these comments and look forward to working with you on the common goals of meeting regional obligations while ensuring continued availability of a cost-competitive federal power supply.