



February 22, 2018

Re: Protect the Northwest’s Economy, Environment, and ESA-Listed Salmon: Support H.R. 3144

Dear Members of the Northwest Congressional Delegation:

This letter is submitted by Northwest RiverPartners (“NWRP”), whose member organizations include more than 40,000 farmers, 4 million electric utility customers, inland ports, and thousands of businesses in the region. We were pleased to see the congressional delegation recently join together in a bipartisan manner to oppose ill-advised components of the President’s FY19 budget proposal related to the Bonneville Power Administration’s (“BPA”) transmission assets and rates. At a time defined by partisan rancor, it is refreshing that our elected officials are able to unite to protect constituents in the region and recognize that BPA’s transmission and power generation assets are the backbone of the Northwest economy and the mainstay of our region’s carbon-free electric energy production.

This ongoing bipartisan commitment to protecting BPA’s statutory mission and the longevity of the Federal Columbia River Power System (“FCRPS”) is why we are asking you to support legislation introduced in the House (H.R. 3144) that would protect the region’s access to renewable, carbon free, and reliable federal hydropower while mitigating hydropower impacts and protecting Endangered Species Act (“ESA”) listed salmon.

BPA is facing a crisis: Its power rates are far above market rates, largely driven by uncertainty related to escalating fish and wildlife costs and related litigation, and projected to remain so indefinitely (*See attached “BPA Wholesale Market Position”, presented by Steve Kern, Cowlitz PUD General Manager, to the Northwest Power and Conservation Council, 2/14/2018*). As you well recognize, as long as BPA is competitive and is able to make its annual payments to the U.S. Treasury on time and in full, the agency is well insulated from political attacks from skeptics outside the region. By building in near-term certainty around FCRPS operations, H.R. 3144 does just that.

This commonsense legislation temporarily keeps in place a federal hydrosystem operations plan supported by both the Bush and Obama Administrations, and was extensively vetted by independent scientists, only until an ongoing NEPA review process is concluded in 2021.

H.R. 3144 would allow the NEPA process to continue as the Court has ordered, with a comprehensive and transparent review of federal hydrosystem operations, while postponing costly and potentially harmful experimental spill and hydro operations in the interim.

BPA estimates that the Court-ordered spill experiment could cost its power customers an estimated \$40 million this year. Yet NOAA Fisheries' Science Center modeling shows this additional spill would provide little or no added benefits to protected juvenile salmon or returning adults. BPA's competitiveness and financial crisis would only worsen, with no improvements for the fish that the spill experiment is alleged to help.

Additionally, such spill operations will add 840,000 metric tons of carbon emissions by removing 815 megawatts of carbon-free federal hydrosystem generation and replacing it with fossil fuels. This large loss of hydroelectric generation simply can't be replaced by increasing efficiency, intermittent wind or solar resources. Increasing, instead of reducing, our region's carbon emissions runs contrary to Oregon and Washington's carbon-reduction goals and would undermine progress the states are making toward achieving them.

Again, we implore you to support H.R. 3144 to help protect ESA-listed salmon by keeping in place measures we **know** are working, not experiments, while allowing a thoughtful, deliberative NEPA process to generate credible information about a full range of potential dam operations and salmon-management strategies for the future. H.R. 3144, contrary to critics' statements, **would not** halt or undermine additional "learning" about the system's impacts on salmon or prevent a constructive conversation among agencies, tribes and other stakeholders. The bill will simply allow for a much-needed "time out" from over *20 years* of litigation and allow the federal agencies to focus their limited resources on conducting the best NEPA process possible to comply with the court's order.

We also want to make it abundantly clear that the region is not in agreement on the Court-ordered 2018 spill operations. In fact, the federal Action Agencies (BPA, Army Corps, and Bureau of Reclamation), RiverPartners, Idaho, Montana, Confederated Tribes of the Colville, the Kootenai Tribe of Idaho, and the Salish-Kootenai tribe, have appealed the ruling to the Ninth Circuit. This large group of stakeholders sought an appeal because it makes no sense, and is contrary to the law, for the Court to have discarded federal agencies' best science and expertise, in favor of dictating from the bench an operational "experiment" for the complex and crucial federal hydrosystem. That is not a proper role for any Court.

Therefore, we urge members of the delegation to support this commonsense bill in the bipartisan spirit with which it was introduced. We need your leadership to keep BPA's hydropower generation assets affordable and to improve the agency's competitiveness as quickly as possible. We appreciate and support your tireless efforts to defend BPA from ill-advised policy proposals, but that's only part of the story. Without a competitive product to transmit over the wires, BPA will remain in a very precarious position and will be challenged to meet all of its important statutory obligations—for providing power, and for protecting fish and wildlife.

There is still time for the delegation to work together to help avoid BPA's current perilous trajectory and further harm to the fisheries. Passage of H.R. 3144 is critical to that effort. It is far preferable to take modest, sensible action now to help BPA avoid the financial cliff it faces, then to wait and attempt later to bail out the agency—at enormous costs to regional ratepayers and taxpayers.

Thank you for your time and thoughtful consideration of one of the most crucial issues facing the Northwest in years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jennifer Flores". The signature is written in a dark ink and is positioned below the word "Sincerely,".

Cc: Elliot Mainzer, Administrator, Bonneville Power Administration
Major General Scott A. Spellmon, Commander, Western Division, U.S. Army Corps
Lorri Gray, Regional Director, Northwest Region
Jim Yost, Chairman, Northwest Power and Conservation Council

BPA Wholesale Market Position

Cowlitz PUD's Perspective

January 11, 2018

BPA Rates Are Significantly Higher Than the Current and Future Market

Worrying Trends:

BPA:

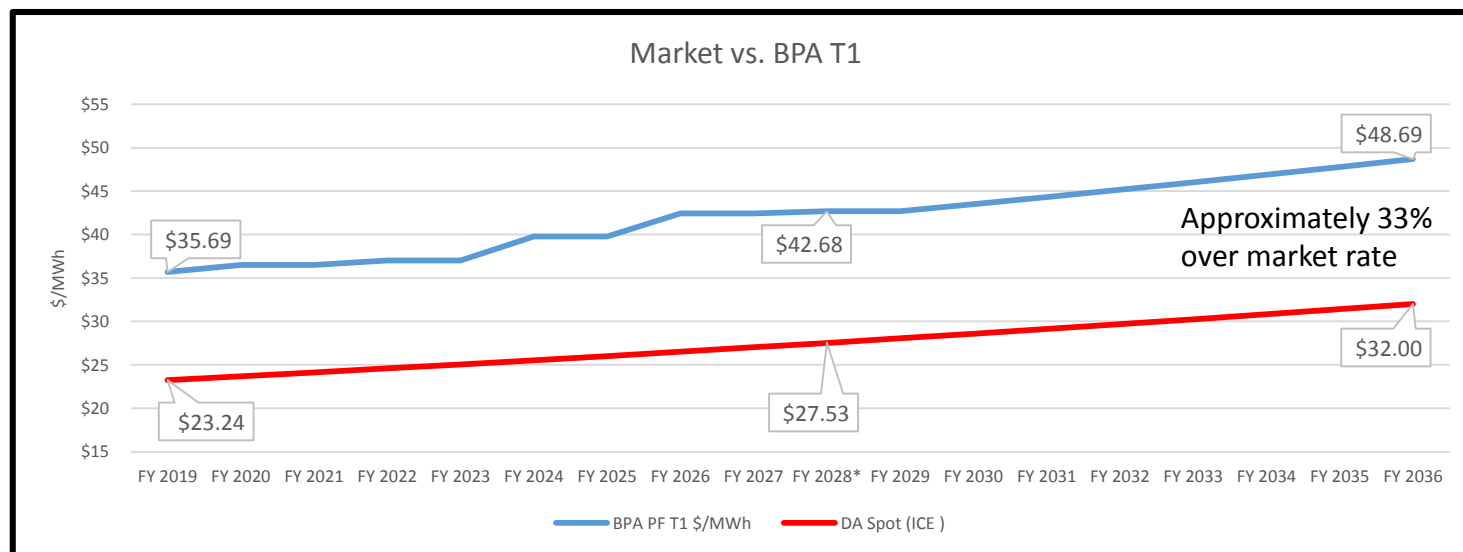
- Increased court mandated spill
- Increasing F&W costs
- Net Secondary revenues down dramatically

External:

- Avalanche of \$0 marginal cost power (CA & PNW)
- Increased WECC region RPS mandates
- Persistently low Natural Gas forward market prices

BPA Focus 2028 Assumptions:

- 50% California RPS by FY 2030
- Henry Hub gas prices increase from \$2.15 per MMBtu in CY 2016 to \$5.61 per MMBtu in CY 2030 (nominal) with risk variation
- Regional annual load growth 0.7% with weather and economic risk variation
- No significant changes in BPA firm requirements power obligations or BPA resources (only moderate changes to the Tier 1 system are forecast, keeping Tier 1 loads relatively constant).

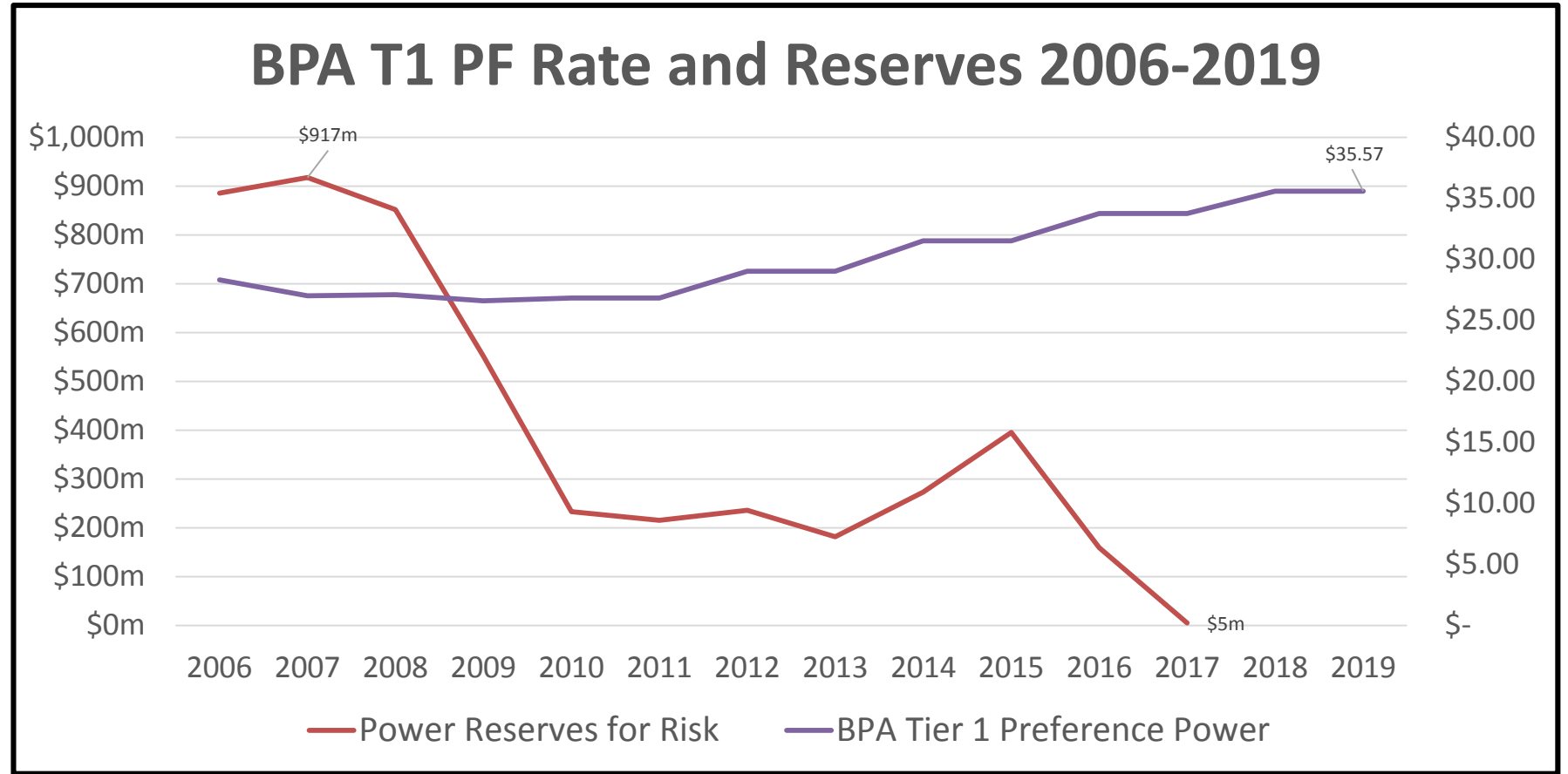


BPA Rates Have Climbed Substantially

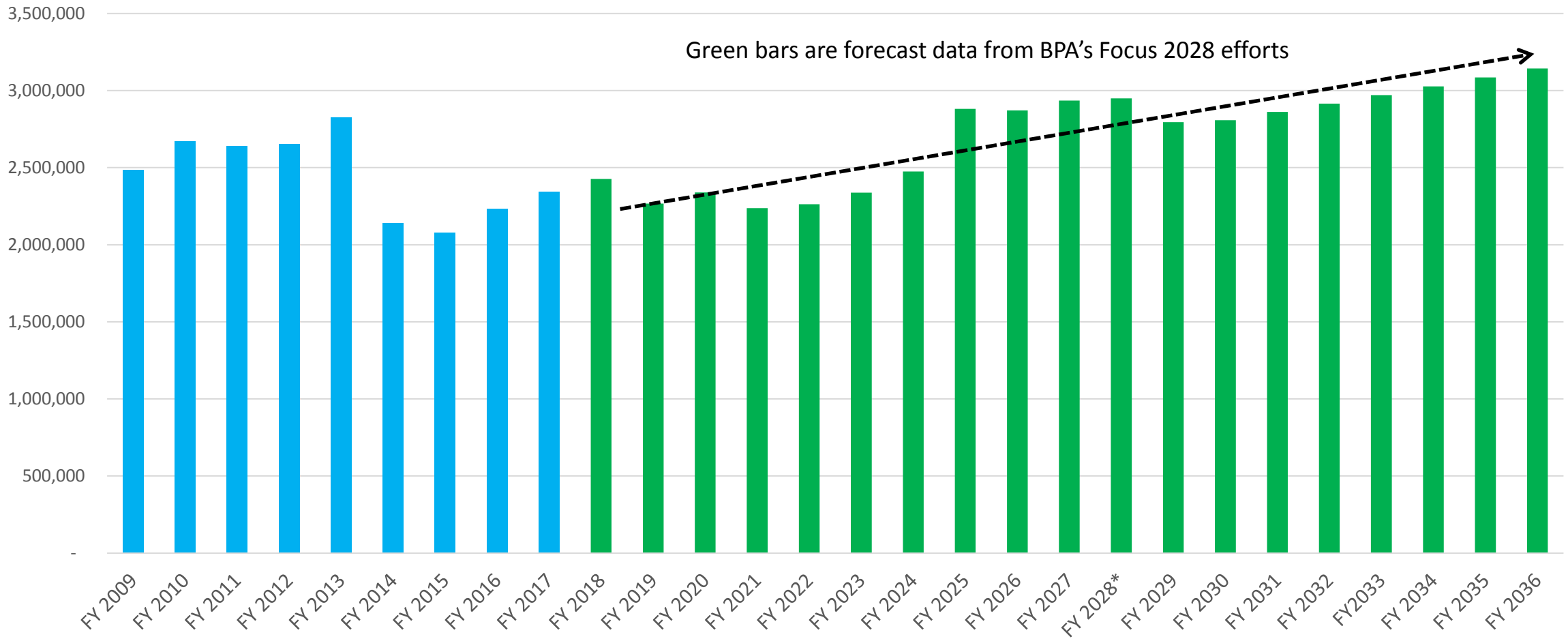
Power Business Line Cash Reserves are Depleted

- BPA went to 2 year rate case cycles in 2012
- Beginning FY18, BPA will collect an extra \$20 Million annually from rate payers to increase reserve level

Year	Rate Change %
2007	-4.6%
2008	0.4%
2009	-1.9%
2010	0.8%
2012*	8.2%
2014	8.6%
2016	7.1%
2018	5.4%



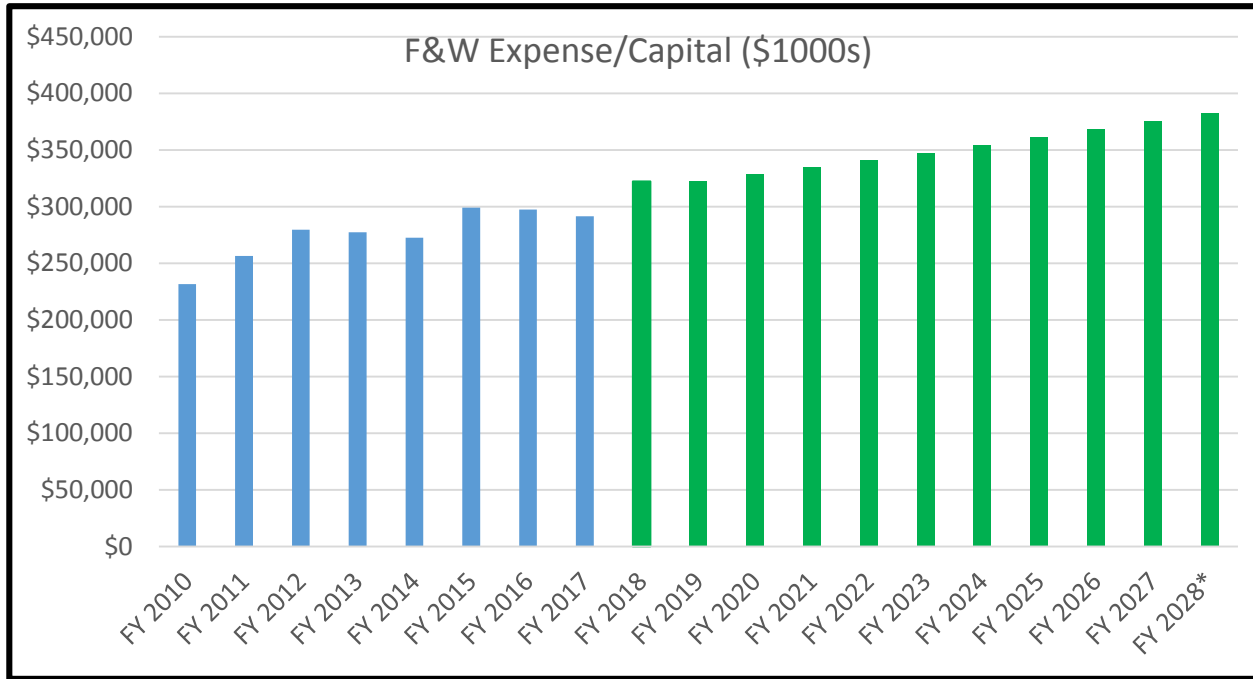
BPA's Total Operating Expenses projected through 2036 (thousands \$)



F&W Spending Expected to Steadily Increase

Currently Represents Over 30% of BPA's Annual OpEx

Annual Historical and projected F&W Expense:



If current trends hold, F&W spending by BPA will have increased by 84% (2009-2028):

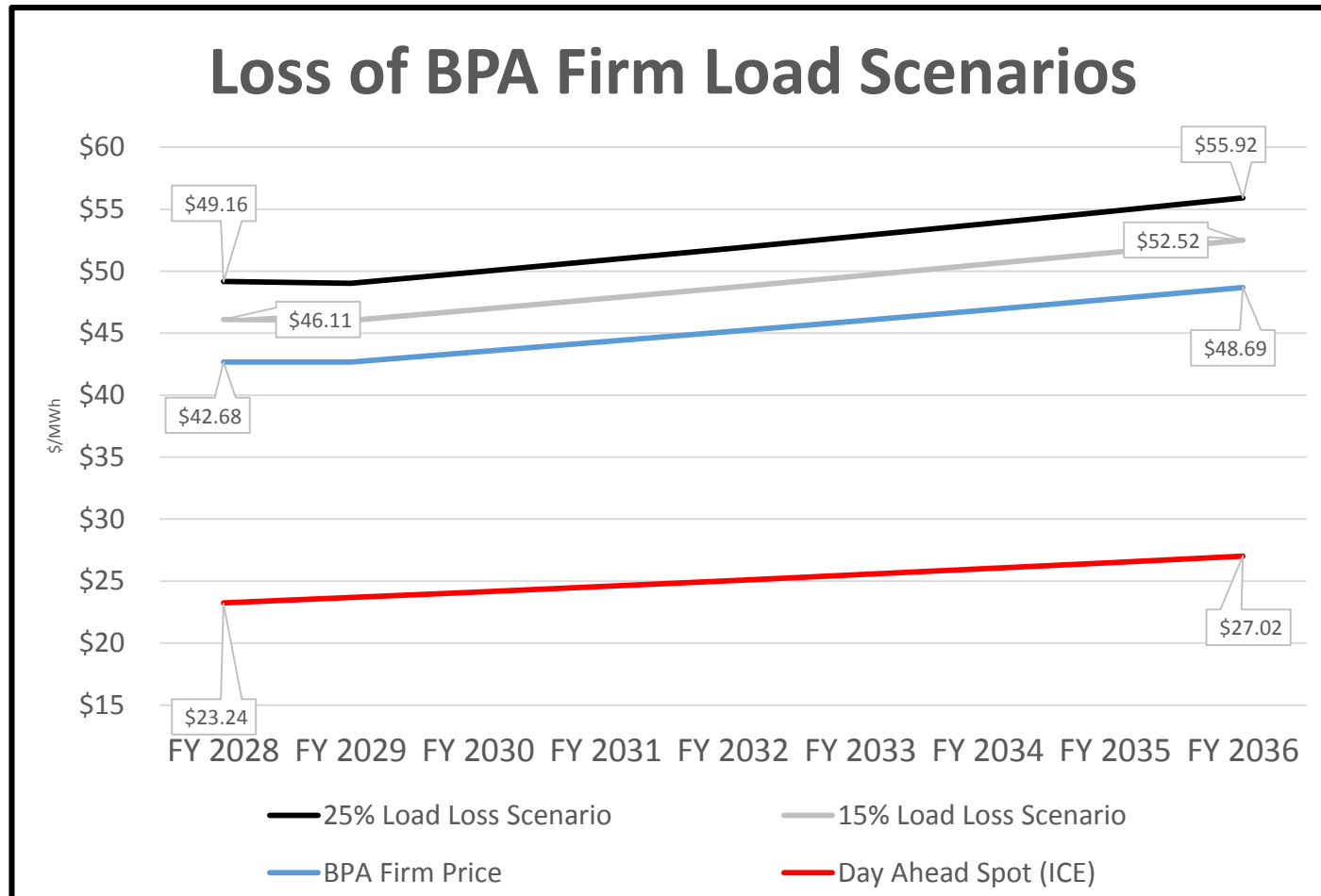
FY 2009 to FY 2028 % Increase	
FY 2009	\$ 207,569
FY 2028	\$ 382,767
84%	

Total FY16 Costs:

F&W Major Area (FY16):	Millions
Power Purchase for Fish Enhancement	\$50.3
Direct F&W Program	\$258.1
Foregone Revenue	\$76.6
Reimbursable Costs	\$88.2
Fixed Costs (interest, amortization/dep)	\$148.2
Total:	\$621.5

BPA Faces Significant Customer Loss of Load Risk in 2028

Which Will Increase Future Rate Pressure



Loss of Load FY 2028 Impact	15% Load Loss Scenario	25% Load Loss Scenario
BPA Rate Increase \$:	\$3.43	\$6.48
BPA Rate Increase %:	7.44%	13.18%
Lost Load aMW:	-1101	-1835
Remaining BPA Load aMW:	6239	5505

Going Forward

In attempt to be competitive now and in the future, BPA must immediately take all possible steps and actions necessary to further reduce its operating expenses and risks going forward including:

1. Control and reduce Fish and Wildlife spending. Work with the region to bring about increase program oversight and real accountability.
2. Challenge all operating expenses. Set firm operating expense reduction targets (e.g. 20%) across the entire organization to achieve savings.
3. Power supply and portfolio risk management. Improve management of BPA's power supply portfolio through additional hedging and/or completion of new creative power supply agreements.