



Department of Energy
Washington, DC 20585

May 12, 2017

The Honorable Fred Upton
Chairman
Subcommittee on Energy
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

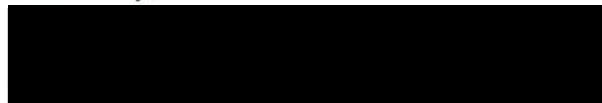
Dear Mr. Chairman:

On March 15, 2017, Kieran Connolly, Vice President, Generation Asset Management, Bonneville Power Administration, testified regarding "Modernizing Energy Infrastructure: Challenges and Opportunities to Expanding Hydropower Generation."

Enclosed are answers to three questions that you submitted for the hearing record.

If you need any additional information or further assistance, please contact me or Lillian Owen, Office of Congressional and Intergovernmental Affairs at (202) 586-5450.

Sincerely,



Shari Davenport
Principal Deputy Assistant Secretary
Congressional and Intergovernmental Affairs

Enclosures

cc: The Honorable Bobby L. Rush
Ranking Member



QUESTIONS FROM CHAIRMAN FRED UPTON

Q1: Your testimony raised an important issue relating to the ongoing litigation in the U.S. District Court in Oregon.

Q1a: How could the safety and reliability of the power generation and transmission system be affected by proposals to add significant spill and stop investment in the four Lower Snake River dams?

A1a: The requested change in operations would increase the frequency with which the Lower Columbia and Lower Snake projects operate at minimum generation levels during the spring season, especially during low water conditions, and this would decrease the operating flexibility of the interconnected transmission system. Furthermore, limits on capital spending at these projects can have impacts to both safety and reliability. The generation and reserve capacity available at these projects contributes to maintaining the reliability of the interconnected transmission system, including stability, preventing blackouts, and assuring adequate reserves and system balancing needs. Without the flexibility to adjust hydroelectric power generation up and down as conditions of the system require, Bonneville may need to declare transmission system emergencies more frequently.

Q1b: How would removal of the Lower Snake River Dams affect Bonneville's ability to provide adequate power during peak periods?

A1b: Without the energy and capacity these projects supply, the region's "loss of load probability" increases. Loss of load probability is an important metric that Bonneville and the Northwest Power and Conservation Council use to assess whether generation resources are adequate to meet load. Without power generation from the four lower Snake River dams, loss of load probability increases from 5 percent to 7 percent. To maintain the probability at the regional standard of 5 percent likely would require new gas-fired generating resources that can be called upon at any time of day or season of the year.

Q2: Your testimony indicated that about 30% of Bonneville's rates go toward fish and wildlife mitigation.

Q2a: How much does Bonneville spend on its fish and wildlife program on an annual basis?

A2a: Over the last ten years, the cost of Bonneville's fish and wildlife actions has averaged \$727 million per year. This includes Bonneville's spending on its direct fish and wildlife program, the power share of Corps of Engineers and Bureau of Reclamation fish and wildlife spending, the Lower Snake Compensation Plan hatcheries of the U.S. Fish and Wildlife Service, 50 percent of the Northwest Power and Conservation Council budget, interest and depreciation of related

capital investments, as well as foregone revenues and replacement power purchases.

Q2b: How does Bonneville budget for fish and wildlife costs? Are ratepayers included in the process?

A2b: Bonneville's spending on its direct fish and wildlife program covers Federal Endangered Species Act obligations, Fish Accords with various Tribal and state governments, and implementation of fish and wildlife actions consistent with the Northwest Power and Conservation Council's Fish and Wildlife Program as recommended by the Council through a public process. Bonneville works closely with the Corps of Engineers and Bureau of Reclamation to develop their spending forecasts. Bonneville engages its customers and other interested parties every two years in the Integrated Program Review (IPR) and Capital Investment Review (CIR), which are comprehensive reviews of Bonneville's forecast of spending that will be used in rate setting. The IPR and CIR processes include detailed publications, public workshops, and a comment period.

Q3: Bonneville's contracts come up for renewal in 2028. What is Bonneville's strategy for addressing rate pressures?

A3: Our central strategic objective is to be the provider of choice for our preference customers when long-term contracts are up for renegotiation. Our first step is to demonstrate our capacity to be competitive by starting on a more sustainable rate trajectory in Fiscal Years 2018 and 2019.

Bonneville's customers will judge our power rates in the context of and comparison against alternative power supply options. With that competition in mind, as well as our congressional mandate for low rates consistent with sound business principles, Bonneville will strive to manage all of its costs, maximize the value of its surplus power marketing, and secure a rate trajectory that positions Bonneville to be an attractively-priced power supply option for the value it delivers.

While Bonneville's strategic plan is under development and slated for publication at the end of 2017, we have a variety of efforts contributing to the plan and addressing rate pressures. These efforts include:

- a cost management initiative to improve decision making and controls on Bonneville's costs;
- an assessment of available rate tools Bonneville may consider in future rate periods to enhance stability and predictability of rates;
- improving asset management practices to optimize and prioritize implementation of capital investments and return on investment;

- refreshing Bonneville's financial plan, including assessment of financial policies that could assist in stabilizing rates;
- continuous optimization of Bonneville's surplus power marketing operations to maximize revenues available to address rate pressures.

Q3a: Are all costs on the table for review?

A3a: Yes, subject to statutory mandates and other established legal requirements. Bonneville's statutory mandates include obligations for a variety of programs but do not establish specific funding requirements. Bonneville intends to examine all of its cost drivers, in consultation with the region, for levels appropriate to meet its obligations while ensuring an adequate, economic, and reliable power supply.