

**Testimony of Beth Looney
President and Chief Executive Officer
PNGC Power**

**Before the United States House of Representatives
Committee on Natural Resources
Subcommittee on Water, Power and Oceans**

Legislative Hearing to Consider H.R. 3144 and H.R. 3916

October 12, 2017

Introduction

Chairman Lamborn, Ranking Member Huffman and members of the Committee, my name is Beth Looney, President and Chief Executive Officer (“CEO”) of PNGC Power (“PNGC Power” or “PNGC”).

I appreciate the opportunity to testify before you today on H.R. 3144, legislation to require the federal agencies responsible for management of the Federal Columbia River Power System (“FCRPS”) to operate the hydropower system in compliance with the Biological Opinion (“BiOp”) approved by the National Oceanic and Atmospheric Administration (“NOAA”) in 2008/2010 and supplemented in 2014. I look forward to discussing how this legislation protects PNGC Power’s access to renewable, clean, and reliable federal hydropower while mitigating hydropower impacts and protecting Endangered Species Act (“ESA”) listed salmon populations.

PNGC Power is a Portland, Oregon-based electric generation and transmission (“G&T”) cooperative owned by 15 Northwest electric distribution cooperative utilities. Our company creates value for its member systems by providing wholesale power supply, transmission, and other management services. PNGC Power is an aggregator of geographically diverse loads in a seven state region (Oregon, Washington, Idaho, Montana, Utah, Nevada, and Wyoming). By coming together as PNGC Power, our member cooperatives have more options than any one cooperative could have alone. PNGC Power is also a member of the National Rural Electric Cooperative Association (“NRECA”), the service organization for America’s electric cooperatives.

In addition to my role at PNGC Power, I serve on the Board of Directors of Northwest RiverPartners (“RiverPartners”), an alliance of utilities, farmers, ports and businesses that promote the economic and environmental benefits of the Columbia and Snake Rivers; fish and wildlife policies and programs based on sound science; and clean, renewable, reliable and affordable hydropower. RiverPartners’ 120 member organizations represent more than 4 million electric utility customers, 40,000 farmers, thousands of port employees, and large and small businesses that provide hundreds of thousands of Northwest jobs.

Balancing Environmental Stewardship and Economic Growth

As the President and CEO of a not-for-profit, member-owned electric cooperative, I work closely with my staff and PNGC's Board of Directors to provide high quality power supply and transmission services that improve the quality of life for nearly 200,000 member homes, farms and businesses, including those in rural, underserved communities. In the context of a rapidly changing energy environment, we seek to identify policy solutions that balance the dual priorities of environmental stewardship and a universal desire for economic growth and prosperity. We believe this legislation does just that.

In fact, how the federal hydropower system is operated affects every single individual, family and business in the Northwest because our economy was created and continues to rely on these hydropower resources to stay healthy and thrive. Eighty percent of PNGC's power supply comes from the Bonneville Power Administration ("BPA" or "Bonneville"), a nonprofit federal power marketing administration based in the Pacific Northwest. BPA markets wholesale electrical power from 31 federal hydroelectric projects in the Northwest, one nonfederal nuclear plant and several small nonfederal power plants. BPA provides about one-third of the electric power used in the Northwest and its resources - primarily hydroelectric - make BPA nearly carbon free. ¹

On this 80th anniversary of the Bonneville Power Administration, it is worth recalling President Franklin Delano Roosevelt's ("President Roosevelt's") vision in 1937 when he signed the Bonneville Project Act into law. His goal was "to deliver the massive benefits of Columbia River hydropower - clean, inexpensive electricity - to citizens of the Pacific Northwest. It was a revolutionary and compassionate idea - to bring down the barriers between the rural poor and dreams of a better life by providing power at the cost of production, rather than for profit."²

Much has changed since 1937, but the region's desire for clean, affordable, and reliable energy remains. I am optimistic that in the 21st Century, despite the challenges posed by an ever-changing energy landscape, the many stewards of the Columbia River System can work collaboratively to identify solutions that do right by both the environment and the economy.

Bonneville's Unsustainable Rate Trajectory

President Roosevelt's vision is in peril due to a number of cost variables that are putting BPA's financial health at risk. As Bonneville's fourth largest power customer, PNGC is concerned about BPA's unsustainable rate trajectory. In July 2017, BPA announced a 5.4 percent average wholesale power rate increase for Fiscal Years 2018 and 2019. This follows four sequential rate periods with power rate increases averaging nearly 8 percent,³ meaning BPA's rates have risen roughly 30 percent in the last few years.

¹ BPA.gov. <https://www.bpa.gov/news/AboutUs/Pages/default.aspx>

² BPA.gov. <https://www.bpa.gov/news/AboutUs/80thAnniversary/Pages/80th-Anniversary.aspx>

³ BP-18 Rate Proceeding. Administrator's Final Record of Decision, July 2017 (Page 2).

<https://www.bpa.gov/secure/Ratecase/openfile.aspx?fileName=BP-18-A-04+Final+ROD.pdf&contentType=application%2fpdf>

Even more concerning than the recent large rate increases, is the potential for future rate increases up until 2028, which marks the end of the current Bonneville contract with its customers. If BPA's rates continue to climb at their current trajectory, they will likely not be competitive with alternative power supply choices in the region at that time. If Bonneville's customers seek out other options, the agency will not have a sufficient consumer base to cover its costs, costs that include fish and wildlife program spending. It also puts at risk the agency's ability to make its annual payment to the U.S. Treasury, which would negatively affect the nation's taxpayers. PNGC values the clean, carbon free, flexible hydropower resources that BPA provides. However, as an electric cooperative, we have a responsibility to supply power to our members at an affordable rate whether that comes from Bonneville or elsewhere.

Bonneville understands these tradeoffs very well. According to the Administrator's Preface in the BP-18 Final Record of Decision, "BPA's ability to continue meeting its multiple statutory obligations and public-purpose objectives depends on maintaining cost competitiveness and financial health."⁴ Although BPA's power rates are influenced by a variety of cost-drivers, for purposes of today's testimony, I will focus on one of the largest areas of BPA's budget: BPA's fish and wildlife program costs. Specifically, the uncertainty of ongoing litigation regarding the operations of the FCRPS for Endangered Species Act ("ESA") listed salmon and steelhead.

Rising Fish and Wildlife Costs Driven by the Uncertainty of Litigation

In 1991, NOAA listed Snake River sockeye as endangered under the ESA. Today, 13 Columbia Basin salmon and steelhead species are listed under the Act. Driven by these listings, BPA ratepayers fund the largest mitigation program for threatened and endangered species in the nation.⁵ This is an important point worth repeating. BPA's fish and wildlife program is paid for through electric rates of utilities that buy power from BPA. It is not funded by U.S. taxpayers. Without these fish and wildlife costs, BPA's electricity rate to its Northwest public utility customers would be about a third lower.⁶

PNGC Power, in partnership with the broader consumer-owned power community in the Northwest, remains committed to cost-effective, science-based approaches to ensure ratepayer funds committed to this important endeavor produce measurable results.⁷ In Fiscal Year 2016, Bonneville reported total fish and wildlife costs of approximately \$621.5 million.⁸ BPA has committed nearly \$15.9 billion since 1978 to support Northwest fish and wildlife recovery.⁹

We are pleased that these efforts are yielding real results. More salmon are returning to the Columbia River Basin. According to BPA, performance-standard testing results range from 96 percent to 98 percent survival for Spring Chinook at the lower Columbia and Snake River dams. The BiOp

⁴ BP-18 Rate Proceeding. (Page 1).

⁵ BPA.gov. <https://www.bpa.gov/news/pubs/FactSheets/fs-201305-BPAs-Fish-and-Wildlife-Program-the-Northwest-working-together.pdf>

⁶ BPA.gov. <https://www.bpa.gov/news/pubs/FactSheets/fs-201402-BPA-invests-in-fish-and-wildlife.pdf>

⁷ Public Power Council 2017 Fish Facts. http://www.ppcpdx.org/wp-content/uploads/PPCFishFactsMar17_003.pdf

⁸ 2016 Columbia River Basin Fish and Wildlife Costs Report. Northwest Power and Conservation Council. <https://www.nwcouncil.org/media/7491102/2017-2.pdf>

⁹ BPA.gov. <https://www.bpa.gov/news/pubs/GeneralPublications/gi-BPA-Facts.pdf>

performance standard is 96 percent average per dam survival for Spring Chinook. The federal system is meeting and in some cases exceeding the targets for fish passage at the dams. Combined with refined spill operations, the installation of surface passage has reduced the percentage of fish that go through the powerhouses, decreased fish travel time through the system, and increased overall fish survival. Additionally, the large-scale structural and operational improvements for fish passage at the dams and the large-scale habitat improvement program have resulted in safer conditions for fish passing through the system and improved conditions for rebuilding capacity.

Unfortunately, positive results for returning salmon have not put an end to the ongoing court battles. For a number of years, over multiple Administrations, NOAA and the federal Action Agencies (Bonneville, the U.S. Army Corps of Engineers, and Bureau of Reclamation) have been in litigation over operations of the FCRPS for ESA listed salmon and steelhead.

Most recently, as a result of plaintiff-filed motions for injunctive relief, the U.S. Court for the District of Oregon is likely to order increased spill for the 2018 migration season. This approach is not without risk to the species,¹⁰ could threaten electric reliability,¹¹ and according to hydro system modeling, result in approximately \$40 million dollars in reduced BPA revenues and/or increased power acquisition costs each year for a total of \$80 million over the two-year period of the requested injunction.¹² A rough rule of thumb with BPA power rates is that rates increase 1% for every additional \$20 million per year in costs. Given these estimates, we expect to see a 2% rate increase from the spill surcharge alone.

To address the litigation-driven uncertainty and ensure cost recovery, the BPA Administrator announced the adoption of a spill surcharge in the agency's Final Record of Decision in the BP-18 Rate Proceeding. He wrote:

*"Although not included in the rate increase, another source of significant rate pressure we will face this rate period is the March 27 spill ruling, amended April 3, by the U.S. District Court for the District of Oregon. The court indicated that it will order increased spill for the 2018 spring migration season. The ruling will have cost implications for BPA that we are still evaluating. Therefore, I am adopting a spill surcharge that will allow us to adjust rates in both FY 2018 and 2019 based on the cost associated with increased spill and lost generation relative to current spill assumptions. I recognize the uncertainty this places on our customers . . ."*¹³

The uncertainty of a spill surcharge coupled with years of sequential rate increases is death by a thousand cuts for PNGC's 200,000 member homes, farms and businesses.

¹⁰ United States District Court District of Oregon Portland Division. 2017 Declaration of Ritchie J. Graves, National Marine Fisheries Service, West Coast Region (Page 4).

¹¹ United States District Court District of Oregon Portland Division. 2017 Declaration of Kieran Connolly, Bonneville Power Administration (Pages 5-14).

¹² 2017 Declaration of Kieran Connolly, Bonneville Power Administration (Page 16).

¹³ BP-18 Rate Proceeding. Administrator's Final Record of Decision, July 2017 (Page 2).

<https://www.bpa.gov/secure/Ratecase/openfile.aspx?fileName=BP-18-A-04+Final+ROD.pdf&contentType=application%2fpdf>

A Common Sense Solution

My members are frustrated that the federal science is continually scrutinized and litigated by plaintiff groups with an agenda. For close to 20 years, over several Administrations, rigorous data collection, modelling and actions have been undertaken by the federal government only to be litigated again and again. The 2008/2010 FCRPS BiOp (supplemented in 2014) was developed in an unprecedented collaboration among the region's states and tribes. It triggered massive investments in salmon restoration measures and was based on the best available science.

Once and for all, the Northwest's BPA ratepayers who fund the largest mitigation program for threatened and endangered species in the nation, need certainty around BPA's ongoing fish and wildlife costs. Let's take a time out from the courtroom and rally around a practical solution.

On behalf of PNGC Power and Northwest RiverPartners, I am pleased to support H.R. 3144. At a time when common cause across the political aisle appears elusive, a bipartisan group of Northwest lawmakers have come together to propose a common sense solution.

Specifically, H.R. 3144 would:

- Require the federal agencies responsible for management of the FCRPS (BPA, the Army Corps of Engineers, and the Bureau of Reclamation) to operate the hydropower system in compliance with the BiOp approved by NOAA in 2008/2010 and supplemented in 2014.
- Carry directed federal hydropower operations through the later of September 30, 2022 or until the court-ordered, comprehensive environmental National Environmental Policy Act ("NEPA") process concludes and judicial review is complete.
- Allow for limited agency flexibility in hydropower operations should there be a need to protect public safety, transmission and/or grid reliability and stability.
- Prohibit studies, plans or structural modifications at the dams, which would impair hydroelectric power generation or navigation on the Columbia River without the prior approval of Congress.

From a practical standpoint, this legislation provides much needed relief from the endless litigation by keeping in place a 2014 BiOp built upon the best available science from two consecutive Administrations (the George W. Bush and Obama Administrations). This BiOp has resulted in wild salmon numbers trending significantly upward and improved young salmon survival at dams due to changes in operations and the installation of new passage technologies.

Keeping the 2014 BiOp in place allows the relevant federal agencies to focus on the court-ordered NEPA environmental review process without being distracted by litigation. Without this legislation, the agencies would be compelled to use their strained resources to author a new 2018 BiOp without the benefit of the updated science and public input provided by the comprehensive NEPA review. That review is looking at the entirety of federal hydropower system operations in the Columbia River Basin (the "Columbia River System Operations Review") as well as the suite of measures in the 2014 Biological Opinion to ensure that those measures providing the most benefit to the salmon are

implemented in a new BiOp. In other words, the legislation appropriately sequences the court's processes.

Dam Removal is Not a Reasonable Alternative under NEPA

PNGC has been actively involved in the court-ordered NEPA scoping process, and on February 3, 2017, provided public comments on the Columbia River Power System Operations Environmental Impact Statement ("EIS"). Consistent with these comments, we urge the federal Action Agencies to evaluate all major federal actions affecting listed salmon throughout their lifecycle. This includes hydropower, habitat, harvest, and hatchery actions (the four "H's"). An all "H" approach will give the visibility needed to ensure the highest survival gains for ESA listed salmon.

Furthermore, PNGC believes that dam removal should not be considered as an alternative under NEPA because it requires congressional authorization and appropriations for such action. Notably, in the case of the lower Snake River dams, Congress would have to reverse course on decades of funding for the operation and maintenance of the FCRPS and navigation system created by these dams.

Conclusion

The Columbia River is a cherished resource that provides the Northwest with the multipurpose benefits of affordable, reliable and carbon free electricity, flood control, navigation and recreation.

As stewards of this great asset, it is our responsibility to get off the sidelines and identify practical solutions to tough problems. The challenges discussed in my testimony are not new and there is no silver-bullet fix, but I am convinced the answer is not to be found in the courtroom. PNGC applauds the Republican and Democratic cosponsors of H.R. 3144 for coming together to identify a carefully balanced way forward. PNGC looks forward to supporting this proposal as it moves through the legislative process.

Thank you for holding this hearing today and for the opportunity to testify. I would be pleased to respond to any questions you might have today or in the future.