March 8, 2023

The Honorable Cliff Bentz
Chairman
Subcommittee on Water, Wildlife and Fisheries
1324 Longworth House Office Building
Washington, D.C. 20515

The Honorable Jared Huffman
Ranking Member
Subcommittee on Water, Wildlife and Fisheries
1332 Longworth House Office Building
Washington, D.C. 20515

Chairman Bentz and Ranking Member Huffman:

The American Public Power Association (APPA) appreciates the opportunity to submit a statement for the record for the House Natural Resources Committee's Subcommittee on Water, Wildlife, and Fisheries hearing, "Benefits and Access: The Necessity for Multiple Use of Water Resources." APPA supports and agrees with the testimony submitted by Mr. Scott Corwin, the Executive Director of the Northwest Public Power Association (NWPPA).

APPA is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. APPA represents public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ.

Hydropower Benefits
Hydropower is one of many uses of water resources. Making full use of the nation's hydropower resources is key to ensuring that the nation's grid remains reliable and resilient, and that utilities can meet emission reduction goals. Hydropower is a source of emissions-free, baseload power. Furthermore, hydroelectric generators can be started or stopped quickly, which makes them more responsive than most other energy sources for meeting demand for electricity at its "peak" or highest volume. Hydropower's "black start" capability makes it especially valuable in restoring power when there are widespread outages or disruptions on the system—this capability allows the generating units to cycle back on quickly if they have been tripped off in a power outage.

Federal Hydropower
The federal Power Marketing Administrations (PMAs)[1] provide millions of Americans served by not-for-profit public power and rural cooperative electric utilities with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers and Bureau of Reclamation.[2] The Corps and Reclamation are the largest and second largest (respectively) generators of hydropower in the country. The PMAs market federally generated hydropower, with a statutory right of first refusal granted to not-for-profit entities, including public power utilities and rural electric cooperatives (called "preference customers"), at rates set to cover all of the costs of generating and transmitting the electricity, as well as repayment, with interest, of the federal investment in these hydropower projects.

[1] The four PMAs are: the Bonneville Power Administration (BPA), Western Area Power Administration (WAPA), Southwestern Area Power Administration (SWPA) and Southeastern Power Administration (SEPA).
[2] Given the jurisdiction of the Subcommittee, this statement focuses exclusively on federal hydropower. However, in addition to buying hydropower from federally owned dams, many APPA members own and operate their own dams, which are licensed by the Federal Energy Regulatory Commission.

In accordance with federal law, PMA rates are set at the levels needed to recover the costs of the initial federal investment (plus interest) in the hydropower and transmission facilities. The PMAs annually review their rates to ensure full cost recovery. None of the costs are borne by taxpayers. Power rates also help to cover the costs of other activities authorized by these multipurpose projects, such as navigation, flood control, water supply, environmental programs, and recreation. The annual appropriations process is also important to the PMAs. Although the customers pay all the PMA costs through their power rates, as mentioned above, for the Western Area Power Administration, Southeastern Power Administration, and Southwestern Power Administration, those monies flow back to the U.S. Treasury and then must be appropriated by Congress. (Bonneville Power Administration's (BPA) governing statute, amended in the 1980s, allows for a "revolving fund" so ratepayer money goes directly to BPA rather than to the Treasury.) In addition, the PMAs must receive yearly funding levels from Congress for purchasing and wheeling (transmitting) power in a drought situation or when the water at the dams is used for purposes other than for electricity production (i.e., recreation and environmental mitigation). This money for "purchase power and wheeling" will then be paid for by the PMA customers through their rates.

Challenges Facing Federal Hydropower

Federal hydropower and the PMAs are critical, though often overlooked, elements of the nation's power supply. Each PMA is unique in its authorizing statutes and the challenges it faces. We would welcome the opportunity to work with the subcommittee to address the PMA-specific issues highlighted below.

Southwestern Power Administration (SWPA) – APPA strongly supported S. 3719, the Southwestern Power Fund Establishment Act, introduced by Senators Jerry Moran (R-KS) and Roger Marshall (R-KS) in the last Congress, and urges the reintroduction and passage of the legislation this Congress. The current funding process for SWPA has increasingly failed to provide the financial certainty necessary to ensure steady power rates to customers during drought and other extreme weather events. This legislation would move SWPA to a "revolving fund" model where receipts from power sales would be deposited into a permanent mandatory Treasury revolving fund and retained across fiscal years to fund future expenses as necessary. Future annual discretionary appropriations would no longer be needed. This change will provide SWPA and its not-for-profit customers funding certainty for purchase power and wheeling and other costs. This is a proven model of success for federal utility programs with business-like functions. *[See July 28, 2022, statement for the record submitted by APPA and NRECA to the Senate Energy and Natural Resources Committee].*

Western Area Power Administration (WAPA) – The protracted drought in the West has caused reservoir levels to drop precipitously, thereby reducing the production of hydropower at several Bureau of Reclamation projects that is marketed by WAPA. It is possible that reservoir levels may drop so far that hydropower production is no longer possible. To make up for this reduction or even loss of hydropower production, WAPA's customers have long-term contracts for a fixed amount of power. When that power is unable to be generated at hydropower projects, replacement power must be purchased on the wholesale energy market. This means that public power utilities and other WAPA customers are paying twice: once for the ongoing capital repayment and operation and maintenance of the Reclamation project that is unable to produce the contracted amount of hydropower *and* again for the cost of replacement power. As not-for-profit electric utilities, increased costs are shouldered directly by public power customers at a time when the country is already facing high inflation and energy prices.

Last Congress, Congressman Chris Stewart (R-UT) drafted legislation to help address the declining hydropower production in the Upper and Lower Colorado River Basins by providing a pro-rata credit to customers' monthly invoices for service shortfalls in hydropower delivered that are below the contracted amount. Senators Mark Kelly (D-AZ) and Kyrsten Sinema (I-AZ) introduced similar legislation (S. 4233). APPA urges the reintroduction and passage of this legislation. *[See November 10, 2022, letters to Congressman Stewart and Senate Energy & Natural Resources Committee Leadership; APPA Resolution 22-11, "In Support of Colorado River Basin Drought Assistance"].*

Bonneville Power Administration (BPA) – The United States and Canada agreed to the Columbia River Treaty in 1964 for the mutual development of the Columbia River power and flood control systems. Under the Treaty, the U.S. provides payments to Canada, called the Canadian Entitlement (CE), in the form of returned power generation. The CE amount is calculated using a formula from 1961, which was based on the expected improvement to U.S. hydropower generation capability due to Canadian storage. Today, these calculations exceed the actual benefits of coordinated operations by an estimated 70-90 percent. An equitable rebalancing of this problem is worth more than a billion dollars to U.S. consumers at a time when many are already facing rising energy prices. APPA urges Congress to press the State Department and the entire negotiating team working under National Security Council officials to move faster on renegotiating the treaty with a particular emphasis on rebalancing the power provisions between the U.S. and Canada. *[See April 4, 2022, APPA letter to President Biden].*

Making full use of the nation's hydropower resource is key to ensuring that the nation's – and the Pacific Northwest's – grid remains reliable and resilient, and that utilities can meet emission reduction goals. APPA strongly opposes the removal of the Lower Snake River Dams (LSRDs). It is difficult to overstate how critical it is to maintain the LRSDs as the region – and the nation – seeks to lower emissions while maintaining electric reliability and affordability over the long-term. Moreover, recent extreme weather events have demonstrated that the LSRDs are irreplaceable resources not just in the future but right now – both in terms of energy, capacity, and other grid services key to maintaining reliable electricity. *[See APPA Resolution 22-12, "In Support of Hydropower, the Federal Columbia River Power System, and Opposing Breach of the Lower Snake River Dams"].*

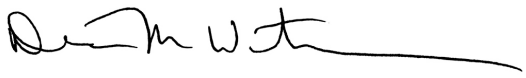
Southeastern Power Administration (SEPA) – Since the 1990s, the hydropower customers in the Southeast have witnessed the tug of war between the states over the use of federal multi-purpose projects for water supply. The water wars involving the States of Alabama, Florida, and Georgia have engulfed Corps decision making on the execution of water storage contracts, which would supplement water supply at Corps projects. Inherent throughout the debate, the question has lingered whether the Corps has adequately priced storage to compensate for the benefits lost by the hydropower customers who have historically paid for the projects.

With the passage of the Infrastructure Investment and Jobs Act (P.L. 117-53) and the Disaster Supplemental Appropriations Act (P.L. 117-43), the Corps revealed that the Southeast could be asked to repay nearly $500 million in stimulus funds through hydropower rates. These funds have been directed to support work at Corps multipurpose projects on a variety of non-hydropower related projects. Yet, the Corps cost accounting proposes to report to SEPA hundreds of millions in costs that should be borne by other project purposes. For customers in the Southeast, the threat to hydropower resources is not isolated to changes in project operations and competing uses, but also within the books maintained by the Corps.

APPA supports efforts to improve the transparency in accounting for costs to ensure that hydropower customers are not asked to bear costs unrelated to hydropower production.

Conclusion
APPA commends the subcommittee for examining the multiple uses of our nation's water resources and looks forward to working on legislative solutions to preserve and maximize our federal hydropower assets.

Sincerely,



Desmarie Waterhouse
Senior Vice President of Advocacy and Communications & General Counsel

Attachments:

- July 28, 2022, statement for the record submitted by APPA and NRECA to the Senate Energy and Natural Resources Committee in support of establishing a SWPA revolving fund;
- November 10, 2022, letters to Congressman Stewart and Senate Energy Committee Leadership on drought assistance to WAPA;
- APPA Resolution 22-11, "In Support of Colorado River Basin Drought Assistance;"
- April 4, 2022, APPA letter to President Biden on the Columbia River Treaty; and
- APPA Resolution 22-12, "In Support of Hydropower, the Federal Columbia River Power System, and Opposing Breach of the Lower Snake River Dams."

Statement for the Record by the

AMERICAN PUBLIC POWER ASSOCIATION (APPA)

And the

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION (NRECA)

Submitted to the

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

In support of

S. 3719, the Southwestern Power Fund Establishment Act

July 28, 2022

The American Public Power Association (APPA) and National Rural Electric Cooperative Association (NRECA) appreciate the opportunity to submit a statement for the record for the Senate Energy & Natural Resources Committee's hearing to receive testimony on S. 3719, the Southwestern Power Fund Establishment Act. APPA and NRECA support the comments submitted by the Southwestern Power Resources Association. APPA and NRECA strongly support S. 3719, which would allow the Southwestern Power Administration (SWPA or Southwestern) to better plan for and respond to drought, avoid rate spikes, and support long-term capital investments in energy infrastructure. SWPA is one of four Power Marketing Administrations (PMAs) that market federally-generated hydropower to public power utilities and rural electric cooperatives at rates set to cover all the costs of generating and transmitting electricity. No costs are borne by taxpayers and this legislation would not change that.

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. APPA represents public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ. NRECA is the national service organization representing the interests of electric cooperatives and the member-consumers they serve. More than 900 not-for-profit rural electric utilities provide electricity to over 42 million people in 48 states, or one in eight electric customers nationwide.

Background

Hydropower Benefits

Making full use of the nation's hydropower resource is key to ensuring that the nation's grid remains reliable and resilient, and that utilities can meet emission reduction goals. Hydropower is a source of emissions-free, base-load power. Furthermore, hydroelectric generators can be started or stopped quickly, which makes them more responsive than most other energy sources for meeting demand for electricity at

its "peak" or highest volume. Hydropower's "black start" capability makes it especially valuable in restoring power when there are widespread outages or disruptions on the system—this capability allows the generating units to cycle back on quickly if they have been tripped off in a power outage.

Federal Hydropower
The PMAs[1] provide millions of Americans served by not-for-profit public power and rural cooperative electric utilities with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers (Corps) and Bureau of Reclamation (Reclamation). Federal hydropower and the PMAs are critical, though often overlooked, elements of the nation's power supply.

The Corps and Reclamation are the largest and second largest (respectively) generators of hydropower in the country. The PMAs market federally generated hydropower, with a statutory right of first refusal granted to not-for-profit entities, including public power utilities and rural electric cooperatives (called "preference customers"), at rates set to cover all the costs of generating and transmitting the electricity, as well as repayment, with interest, of the federal investment in these hydropower projects.

The PMAs annually review their rates to ensure full cost recovery. None of the costs are borne by taxpayers. Power rates also help to cover the costs of other activities authorized by these multipurpose projects such as navigation, flood control, water supply, environmental programs, and recreation.

S. 3719, the Southwestern Power Fund Establishment Act
APPA and NRECA strongly support S. 3719, the Southwestern Power Fund Establishment Act. The Southwestern Power Administration markets hydroelectric power produced at 24 Army Corps multipurpose dams to over 100 public power and rural electric cooperatives in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas that provide power to over 10 million end-use customers.

While customers pay all PMA costs through their power rates, as mentioned above, for the Southwestern Power Administration, Western Area Power Administration, and the Southeastern Power Administration, those monies flow back to the U.S. Treasury and then must be appropriated by Congress.[2] In addition, the PMAs must receive yearly funding levels from Congress for purchasing and wheeling (transmitting) power in a drought situation or when the water at the dams is used for purposes other than for electricity production (i.e., recreation and environmental mitigation). This money for "purchase power and wheeling" will then be paid for by the PMA customers through their rates.

Unfortunately, the current funding process for SWPA has increasingly failed to provide the financial certainty necessary to ensure steady power rates to customers during drought and other extreme weather events. When purchase power and wheeling funds (which, again, are always fully paid back by customers) are not appropriated in sufficient amounts or in a timely manner, SWPA is forced to use emergency funding mechanisms that require same year cost recovery, which cause rate spikes. These rate spikes cause unnecessary economic hardship for communities served by public power utilities and rural electric cooperatives.

S. 3719 would move SWPA to a "revolving fund" model where receipts from power sales would be deposited into a permanent mandatory Treasury revolving fund and retained across fiscal years to fund future expenses as necessary. Future annual discretionary appropriations would no longer be needed. This change will provide SWPA and its not-for-profit customers funding certainty for purchase power and

[1] The four PMAs are: the Bonneville Power Administration (BPA), Western Area Power Administration (WAPA), Southwestern Area Power Administration (SWPA) and Southeastern Power Administration (SEPA).
[2] The Bonneville Power Administration's governing statute was amended in the 1980s to establish a "revolving fund" model so that ratepayer money goes directly to Bonneville rather than to the Treasury.

wheeling and other costs. This is a proven model of success for federal utility programs with business-like functions.

It must be noted that while Congressional Budget Office rules will result in a "score" for the new SWPA Fund, there is no taxpayer burden – public power utilities and rural electric cooperative customers will continue to repay 100 percent of all costs associated with the generation and transmission of hydropower produced at Corps dams. Moreover, each PMA (and the region it serves) is different and while a revolving fund is necessary and appropriate for SWPA and its customers, it may not be for other PMAs.

Conclusion

Public power utilities and rural electric cooperatives in Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas are proud of their long and successful partnership with the SWPA and the Army Corps. S. 3719 will allow this partnership to continue for decades to come by giving SWPA and its customers the financial tools to avoid rate spikes while continuing to invest in infrastructure.

AMERICAN PUBLIC POWER ASSOCIATION
Powering Strong Communities

November 10, 2022

The Honorable Christ Stewart
166 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Stewart:

I write to thank you for your work on legislation to address challenges faced by public power utilities in the Colorado River Basin facing an unprecedented drought that severely threatens the provision of reliable and affordable electric service to over five million people.

APPA is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. Public power utilities provide power to more than 49 million people in 49 states and five U.S. territories.

The federal Power Marketing Administrations (PMAs) provide millions of Americans served by not-for-profit public power utilities and rural electric cooperatives with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers and Bureau of Reclamation (Reclamation). The PMAs market federally generated hydropower, with a statutory right of first refusal granted to not-for-profit entities, including public power utilities, rural electric cooperatives, and tribes, at rates set to cover all the costs of generating and transmitting the electricity, as well as repayment, with interest, of the federal investment in these hydropower projects.

The protracted drought in the West has caused reservoir levels to drop precipitously, thereby reducing the production of hydropower at several Bureau of Reclamation projects that is market by the Western Area Power Administration (WAPA). It is possible that reservoir levels may drop so far that hydropower production is no longer possible. To make up for this reduction or even loss of hydropower production, WAPA's customers must buy replacement power on the wholesale energy market. This means that public power utilities and other WAPA customers are paying twice: for the ongoing capital repayment and operation and maintenance of the Reclamation project that is unable to produce the contracted amount of hydropower *and* the cost of replacement power. As not-for-profit electric utilities, increased costs are shouldered directly by public power customers at a time when the country is already facing high inflation and energy prices.

Your bill would help address the challenge of declining hydropower production in the Upper and Lower Colorado River Basins by providing a pro-rata credit to customers' monthly invoices for service shortfalls in hydropower delivered that are below the contracted commitment. Senator Mark Kelly (D-AZ) and Senator Krysten Sinema (D-AZ) have introduced similar legislation, S. 4232, in the Senate. This bipartisan, bicameral legislative effort would not impact water operations or otherwise limit the ability of the Secretary of the Interior or the Colorado River Basin States to reach a resolution on water conservation efforts.

Thank you for your time and effort in assisting public power customers across the West as they grapple with the consequences of the severe drought.

Sincerely,

Joy Ditto
President & CEO

AMERICAN PUBLIC POWER ASSOCIATION
Powering Strong Communities

November 10, 2022

The Honorable Joe Manchin
Senate Energy & Natural Resources Committee
304 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable John Barrasso
Senate Energy & Natural Resources Committee
304 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Manchin and Ranking Member Barrasso:

I write to encourage further committee consideration of S. 4232, a bill to address the recovery of certain costs with respect to certain Colorado River Basin Reclamation facilities, when the Senate reconvenes next week. Sponsored by Senators Mark Kelly (D-AZ) and Krysten Sinema (D-AZ), the legislation would help address challenges faced by public power utilities in the Colorado River Basin facing an unprecedented drought that severely threatens the provision of reliable and affordable electric service to over five million people.

APPA is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. Public power utilities provide power to more than 49 million people in 49 states and five U.S. territories.

The federal Power Marketing Administrations (PMAs) provide millions of Americans served by not-for-profit public power utilities and rural electric cooperatives with cost-based hydroelectric power produced at federal dams operated by the U.S. Army Corps of Engineers and Bureau of Reclamation (Reclamation). The PMAs market federally generated hydropower, with a statutory right of first refusal granted to not-for-profit entities, including public power utilities, rural electric cooperatives, and tribes, at rates set to cover all the costs of generating and transmitting the electricity, as well as repayment, with interest, of the federal investment in these multiple purpose projects.

The protracted drought in the West has caused reservoir levels to drop precipitously, thereby reducing the production of hydropower at several Reclamation projects that is marketed by the Western Area Power Administration (WAPA). It is possible that reservoir levels may drop so far that hydropower production is no longer possible. To make up for this reduction or even loss of hydropower production, WAPA's customers must buy replacement power on the wholesale energy market. This means that public power utilities and other WAPA customers are paying twice: for the ongoing capital repayment and operation and maintenance of the Reclamation project that is unable to produce the contracted amount of hydropower *and* the cost of replacement power. As not-for-profit electric utilities, increased costs are shouldered directly by public power customers at a time when the country is already facing high inflation and energy prices.

S. 4232 would help address the challenge of declining hydropower production in the Upper and Lower Colorado River Basins by providing a pro-rata credit to customers' monthly invoices for service shortfalls in hydropower delivered that are below the contracted commitment.[1] Representative Chris Stewart (R-

[1] APPA and our members in the Colorado River Basin have worked closely with Senator Kelly's office on proposed changes to the text of the bill as introduced to be considered during markup. APPA strongly supports S. 4232 provided these proposed,

UT) will soon be introducing similar legislation in the House. This bipartisan, bicameral legislative effort would not impact water operations or otherwise limit the ability of the Secretary of the Interior or the Colorado River Basin States to reach a resolution on water conservation efforts.

We would greatly appreciate the committee considering this important piece of legislation that will help not-for-profit, community-owned utilities served by Colorado River Basin hydropower facilities.

Sincerely,

Joy Ditto
President & CEO

mutually agreed upon changes are made during markup.

Resolution 22-11

Sponsors: Colorado River Energy Distributors Association; Irrigation and Electrical Districts Association of Arizona; Arizona Municipal Power Users Association; Utah Associated Municipal Power Systems; Southwest Public Power Agency; City of St. George; Wyoming Municipal Power Agency; Utah Municipal Power Agency; Municipal Energy Agency of Nebraska; Heber Light & Power; Arizona Power Authority

In Support of Colorado River Basin Drought Assistance

The Colorado River is the life blood of the West. Congress has authorized federal multiple-purpose and transmission projects in the Colorado River Basin to provide water, clean hydroelectric power, and a wide range of significant benefits to over forty million people. These benefits from the largest of the Projects, the Boulder Canyon Project (Hoover), Colorado River Storage Project (CRSP), and Parker-Davis Project (Parker-Davis), include, but are not limited to:

- Flood control;
- Water storage and delivery;
- Hydroelectric power generation and transmission;
- Public recreation;
- Fish and wildlife propagation and Endangered Species Act (ESA) compliance; and
- Regulation, reliability, and resilience support to the Western Interconnection.

Despite the multitude of benefits these projects provide, they have historically not relied on federal appropriations. Each Colorado River Project has its own unique congressional authorization, rates, repayment obligations, and customer base. Collectively, an estimated 300 non-profit customers, including over 70 tribal entities located in some of the most underserved areas of this country, provide through long-term contracts the revenues necessary to sustain the Colorado River Projects. These revenues are maintained in the Upper Colorado River Basin Fund (Basin Fund) or the Colorado River Dam Fund (Dam Fund), depending on the project. The revenues provide funding for:

- Repayment of the federal investment in the water storage, generation, and transmission facilities (with interest);
- Irrigation assistance;
- Operation, maintenance, and replacement of generation and transmission facilities;
- Replacement power costs (when the hydropower resource is insufficient);
- Staffing expenses of the Bureau of Reclamation (Reclamation) and Western Area Power Administration (WAPA);

- Non-power costs associated with the Colorado River Salinity Control program, Glen Canyon Dam Adaptive Management Program, Upper Colorado and San Juan Rivers Endangered Fish Recovery Programs, and Lower Colorado River Multi-Species Conservation Program.

The Colorado River Basin is entering its twenty-second year of drought. Lake Mead (Hoover Dam) and Lake Powell (Glen Canyon Dam) water elevations are at the lowest since they were filled and are approaching critical levels where power generation will cease.

A combination of reduced generation due to extreme drought, costs associated with environmental programs and experiments, and wholesale power market conditions has resulted in unstable, unsustainable cash flow conditions in the Basin Fund, double-digit customer rate increases with added risk and cost of replacement power, deferred maintenance of federal facilities, while energy deliveries are declining. Neither Congress nor the federal agencies contemplated this drought situation and the ensuing economic and financial impacts to the Projects and customers.

NOW, THEREFORE, BE IT RESOLVED: To mitigate impacts resulting from the current drought, the American Public Power Association (APPA) urges the Bureau of Reclamation and Western Area Power Administration to continue implementing cost-cutting measures and strategies to sustain the Upper Colorado River Basin Fund (Basin Fund) and the Colorado River Dam Fund (Dam Fund), and stabilize rates for the Boulder Canyon Project, Colorado River Storage Project, and Parker-Davis Project, and to work in partnership with customers to develop operational, financial, and rate-setting strategies.

BE IT FURTHER RESOLVED: That APPA encourages Congress to provide non-reimbursable appropriations to the Basin Fund and Dam Fund to mitigate drought-related impacts and ensure funding of annual obligations to maintain the viability of the federal Colorado River Projects.

Adopted at the Legislative & Resolutions Committee Meeting
March 1, 2022
Sunsets in March 2030

AMERICAN PUBLIC POWER ASSOCIATION
Powering Strong Communities

April 4, 2022

President Joe Biden
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Biden:

On behalf of the American Public Power Association, I write to you today to bring your attention to the urgent need to secure a modernized Columbia River Treaty. Specifically, APPA respectfully requests you to direct State Department negotiators to elevate the importance of power provisions in negotiations. Failure to act quickly on negotiations will continue to cost American consumers millions of dollars a year, as well as the continued loss of renewable, baseload hydropower important to keeping the grid reliable.

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. APPA represents public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ.

Public power has a heavy footprint in the Pacific Northwest, where community-owned electric utilities buy power generated on the Federal Columbia River System (FCRS) marketed by the Bonneville Power Administration (BPA or Bonneville). Bonneville rates are set to cover all generation and transmission costs, as well as repayment, with interest, of the federal hydroelectric projects. None of the costs are borne by taxpayers. This multi-decade partnership has proven wildly successful, providing affordable, emissions-free, and reliable power that has served as the cornerstone of the Pacific Northwest's economy since 1937. However, this success is increasingly threatened by the outdated Columbia River Treaty that has American ratepayers losing $150 million a year in lost hydropower value to Canada.

The United States and Canada agreed to the Columbia River Treaty in 1964 for the mutual development of the Columbia River power and flood control systems. Under the Treaty, the U.S. provides payments to Canada, called the Canadian Entitlement (CE), in the form of returned power generation. The CE amount is calculated using a formula from 1961, which was based on the expected improvement to U.S. hydropower generation capability due to Canadian storage. Today, these calculations exceed the actual benefits of coordinated operations by an estimated 70-90 percent. An equitable rebalancing of this problem is worth more than a billion dollars to U.S. consumers at a time when many are already facing rising energy prices.

I strongly urge you to direct the State Department and the entire negotiating team working under National Security Council officials to move faster on renegotiating the treaty with a particular emphasis on the rebalancing the power provisions between the U.S. and Canada. Making full use of the nation's hydropower resource is key to ensuring that the nation's grid remains reliable and resilient, and that utilities can meet emission reduction goals to address climate change.

Sincerely,

Joy Ditto
President & CEO

CC:
Secretary Granholm
Secretary Blinken
Pacific Northwest Congressional Delegation
Andrew Light, Assistant Secretary for International Affairs, Department of Energy
Melanie Nakagawa, Special Assistant to the President & Senior Director for Climate & Energy

Resolution 22-12
Sponsors: Oregon Municipal Electric Utilities Association; Northwest Public Power Association; Northwest Requirements Utilities; Washington Public Utility Districts Association; Oregon People's Utility District Association; Idaho Consumer-Owned Utilities Association; Benton Public Utility District; Cowlitz Public Utility District; Franklin Public Utility District; City of Richland; Chelan Public Utility District; Grant Public Utility District; Douglas County Public Utility District

In Support of Hydropower, the Federal Columbia River Power System, and Opposing Breach of the Lower Snake River Dams

Hydropower is a premier renewable resource that provides cost-effective, clean electricity. It plays a critical role as our nation works to lower greenhouse gas emissions and maintain an affordable, reliable, and resilient grid. As policies are adopted to increase the electrification of other sectors of the economy, such as transportation, it has become increasingly important. Hydro generation is unique in its ability to instantly increase or decrease generation and in maintaining the constant balance of generation and electric demand. It provides a foundation for reliability that is necessary with increasing levels of variable renewable resources, such as wind and solar.

The recently concluded Columbia River System Operation (CRSO) Environmental Impact Statement (EIS) studied the environmental, biological, power supply, and socioeconomic impacts of the entire Federal Columbia River Power System, which is marketed by the Bonneville Power Administration (BPA). This multi-year, $50.4 million analysis of the system was conducted by federal government experts with consultations by federal natural resources agencies, state and tribal entities, and with input from the public. The EIS included analysis of the impacts of removing or breaching the Lower Snake River Dams (Lower Granite, Little Goose, Lower Monumental, and Ice Harbor). The unambiguous conclusion of this comprehensive federal study is that the Lower Snake River Dams play a critical role in the Northwest power system and economy, and that their continued operation does not jeopardize the existence of endangered or threatened salmon species.

The Lower Snake River Dams are among the lowest cost generating resources in the region and are a critical part of providing affordable, clean electricity to several of the region's most vulnerable communities. On an annual basis, the plants on the Lower Snake River provide about 1,000 average megawatts of electricity, enough to serve over half a million Northwest businesses, industries, and households.

The continued operation of the Lower Snake River Dams is central to reliably meeting the region's clean energy goals, providing dispatchable capacity to prevent blackouts and ramping capability to integrate other renewable resources. The Lower Snake River Dams can provide over 2,000 megawatts of sustained

peaking capacity and represent a quarter of the Federal Columbia River Power System's reserves holding capability. As extreme weather events, like ice storms and heatwaves, have become more commonplace, the Lower Snake River Dams have also proved critical to ensuring public safety.

The Lower Snake River Dams are important to maintaining an affordable power supply for Northwest communities. Breaching the Lower Snake River dams and replacing them with other non-emitting resources—the most likely scenario given coal plant retirements and state clean energy policies—could raise BPA's power supply rates up to 50 percent. For most utilities relying on BPA, that translates to a 25 percent rate increase for their customers.

Public power utilities are committed to scientific, cost-effective mitigation for the impacts of the federal hydro system. Costs related to fish and wildlife mitigation, including the cost of lost power generation, comprise a quarter or more of BPA's power rates. The Lower Snake River Dams feature state-of-the art fish passage technology greatly improving in-river fish survival, achieving spring juvenile survival at 96 percent and summer migrating fish survival at 93 percent. Academic studies have shown that fish survival through the Federal hydro system is comparable to undammed rivers, such as the Fraser River in British Columbia. Removal of the Lower Snake River Dams is not a clear path to recovery of endangered species or overall abundance of salmon. More attention is needed to the threats of ocean conditions, avian predation, and over-fishing.

In addition to delivering affordable and reliable clean power, the Lower Snake River Dams contribute to the region's economy by providing irrigation, navigation, recreation, and employment.

NOW, THEREFORE, BE IT RESOLVED: Consistent with environmental protection, the American Public Power Association (APPA) opposes efforts to remove productive dams that provide, or have the potential to provide, clean and economic hydropower generation; and

BE IT FURTHER RESOLVED: That APPA opposes proposals to breach the Lower Snake River Dams, or the development of additional federal studies that presuppose removal of the Lower Snake River Dams, and encourages collaboration to help salmon in every part of their life cycle.

Adopted at the Legislative & Resolutions Committee Meeting
March 1, 2022
Sunsets in March 2030