

December 1, 2008

Mark Walker, Director of Public Affairs
Northwest Power and Conservation Council
851 S.W. Sixth Avenue
Suite 1100
Portland, Oregon 97204

Re: Northwest Requirements Utilities Comments on the Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program

Dear Mr. Walker

Northwest Requirements Utilities ("NRU") appreciates this opportunity to provide comments on the Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program. NRU represents the interests of 53 load following customers of the Bonneville Power Administration on issues related to power supply and transmission service. NRU members account for over 1,900 aMW of load, roughly a quarter of BPA's public power loads. Load following customers rely upon BPA primarily or exclusively for both power supply and transmission services and pay for these services through BPA's power and transmission rates. The cost of mitigation programs to assist fish and wildlife comprise a significant and growing percentage of BPA's costs. Therefore the future direction of this program is vital to NRU's membership. In essence we are very concerned about the rising cost of this program and want to ensure that the funds spent are used in the most cost effective manner to achieve the region's goals. NRU supports the Public Power Council's and Northwest River Partner's comments on the Council's Columbia River Basin Fish and Wildlife Program.

BPA's budget for the Fish and Wildlife Direct Program was \$143 million in 2008. As a result of the Integrated Program Review decisions, in 2009 these costs are budgeted at \$200 million. For 2010 and 2011 these costs are budgeted at \$233 million per year on average. This dramatic cost increase of 63% from 2008 to 2010-2011 is due to the newly signed Fish Accords and the 2008 Biological Opinions. From a customer perspective, we expect that these initiatives will reduce the fish litigation uncertainty that has troubled this region for over a decade. We also assume that these new funding obligations will lead to a much greater degree of certainty that they will deliver real benefits to fish and wildlife.

We recognize that the direct program (over which the Council's Columbia River Basin Fish and Wildlife Program has the most direct impact) is only a portion of the total amount BPA's customers spend on fish and wildlife through their rates. In 2006 and 2007 nearly 30% of BPA's total power expenses (including lost revenues) were related to fish and wildlife costs. This nearly \$800 million per year represents the single largest investment in fish and wildlife in any river basin in the United States. This is all the more reason to insist that such massive investments be made in a manner that balances fish and wildlife needs with the Power Act's requirement and regional need for an adequate, efficient, economical and reliable power supply.

Program Review

The Northwest Power and Conservation Council and BPA need to work together to ensure a comprehensive program review that involves the Independent Science Review Panel (ISRP) and the Independent Economic Analysis Board (IEAB). This would create clarity in determining where efforts are best directed in the most economic fashion. Additionally it would create assurances that as the cost pressures on the fish and wildlife program grow, there are no duplicative efforts or double funding of projects. New elements of the fish and wildlife program, especially those that have been agreed to as part of the memoranda of agreement (MOAs) between BPA and the agencies and Tribes, need to be complementary to existing fish and wildlife projects. The entire program must prove to be science-based and cost-effective. In particular, research, monitoring and evaluation, which currently account for nearly 40 percent of the Council's overall fish and wildlife budget need to undergo rigorous scrutiny, now and on an ongoing basis.

As examples of the need for program review, there are projects currently funded by rate payer dollars that have little relation to the effects of hydropower construction and operation. They should be funded through other sources or eliminated, resulting in a more efficient and cost-effective program. These include projects such as restoring habitat in the Malheur Basin, mule deer programs in Washington State, assessing watershed characteristics in the Grays River and freshwater mussel surveys in the Umatilla River. These types of projects are funded based on an assumption that sufficient mitigation cannot be achieved in-river and therefore supplemental off-site measures are necessary. We see no priorities or decision-making criteria to assure implementation of the Program consistent with its objectives to mitigate for the hydro-system only. Also, despite the Program objective of mitigating hydro system impacts only, there is no method for discerning impacts of hydro versus other impacts. Finally, the role and relevance of the sub-basin plans is not clearly articulated.

BPA's customers would like the Council and BPA to produce a timeline that makes Program review a reality. BPA noted in its 2009 IPR close-out that it believes an assessment like this is appropriate and should logically occur as part of the Council's upcoming project review initiative. Acting on this statement, BPA and the Council need to review and create a plan and a timeline that sets out the dates on which intermediate goals and a final review would be achieved.

Science Review

NRU recommends that the current requirements for ISRP review be continued for all projects funded by BPA (including those that are under the MOAs). This is not only consistent with the Northwest Power Act but also provides the necessary independent scientific review that BPA customers need for assurance that ratepayer funds are spent effectively and efficiently. NRU has a keen interest in BPA's Fish and Wildlife investments achieving expected biological benefits. We have seen a wide variety of proposals for BPA to expend ratepayer funds that could presumably benefit fish and wildlife. However, we have also seen that without objective, independent science review, some of these ideas have been ineffective. We support independent science review because we have observed that fish

and wildlife project proposals have been improved in response to scientific review. ISRP review provides BPA's customers with an objective measure of the likelihood of particular projects actually achieving the proposed biological objectives and subsequently, an increased level of assurance that ratepayer funds are providing benefits for fish and wildlife that will help to mitigate for the impacts of the FCRPS. The ISRP improves the chances that good projects will be funded and that projects that are not well thought-out or that have a poor scientific foundation will not move forward until shortcomings in the proposal are corrected.

Economic Review

The Council has an important forum for the economic review of fish and wildlife programs, the Independent Economic Analysis Board. There have been useful analyses conducted by the IEAB when it comes to answering the question; are we spending the funds for F&W in the best most cost-effective way possible. The spill analysis, the hatchery cost analysis and the critique of dam removal cost estimates were very helpful to the region.

With the growth of the direct program and the many competing sub-programs under it, it is essential that the program be reviewed to ensure that fish and wildlife objectives are being met in the most cost effective manner. This is the role of the IEAB. We continue to request that the IEAB be adequately funded through the Fish and Wildlife direct program so that it can perform this vital function. In order to do its job properly the funding for the IEAB needs to be increased significantly.

As to specific tasks, the IEAB should evaluate the region's hatchery programs, the cost and environmental impacts of hydropower operations (like the Council's CO2 and spill analysis but dealing with all operations) and also should be employed to conduct an analysis of the implicit priorities in the region's fish spending based on how much money is planned toward various measures. This could be compared with the NOAA status of fish to see if the spending aligns with the fish that are in the greatest need.

Fish Passage Center

Continuing to include the Fish Passage Center (FPC) as a named entity in the Council's Program is contradictory to the rest of the document. The remainder of the Program allows the Council flexibility to find entities most capable of performing desired functions to assure the Program dollars used are being spent judiciously. The Fish Passage Center, which much of the region believes is an advocacy group rather than one that provides independent science analysis, should not receive unique treatment from the Council as automatic funding essentially eliminates accountability. NRU staff has testified in front of the Council that the performance of the Fish Passage Center has not only eroded but fundamentally eliminated our expectation that it can be relied upon both as an analytical source of objective and complete information and as a reasonably balanced forum to explore creative solutions to problems. NRU, with other utility representatives has worked with Council staff and members to encourage a Council Program that the entire region can support. While the Program has made some positive changes, the special treatment of the FPC which has been afforded to no other entity, is

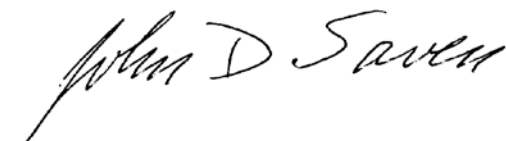
adverse to the spirit of the Program and continues to be a point of resentment in the region. We encourage the Council to remove the FPC as a named entity.

Research Monitoring and Evaluation

According to BPA and the Council, research, monitoring and evaluation now make up 40% of the Program. The scope of RM&E needs to be reevaluated. Again, as NRU staff testified before the Council, from a regional perspective, it appears as if RM&E is growing out of control with no one party charged with decision making responsibility showing an ability to demonstrate it in a financially prudent manner. While we need to have data to make sure we are making good resource decisions, the Program's dollars are generally best spent on projects that are "on the ground", actually helping fish and wildlife. We support the proposal by Northwest RiverPartners to ramp down the RM&E over the next few years to the 25% level. We recognize that there may be conflicts between the aggregate spending levels for RM&E contained in the recently negotiated Tribal MOAs and the 25% proposed target for RM&E. That is why we have proposed that the target be achieved over a multiyear period. However, the region needs to begin showing progress in controlling and curbing this percentage and dollar amount.

Thank you for the opportunity to comment. Please contact us at (503) 233-5823 if you have any questions or would like additional information.

Respectfully,

A handwritten signature in black ink that reads "John D. Saven". The signature is written in a cursive, flowing style.

John D. Saven, CEO

Cc: NRU Members

Scott Corwin, Public Power Council

Terry Flores, Northwest RiverPartners