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**Statement of Pacific Coast Federation of
Fishermen's Associations (PCFFA)**

in Opposition to SB 1552, Sec. 8

**to the Oregon Legislature's Senate Committee on
Business and Transportation**

**Salem Legislature
Hearing Room B
3:00 PM
February 14, 2018**

The Pacific Coast Federation of Fishermen's Associations (PCFFA) is the largest trade organization of commercial fishing men and women on the West Coast, representing the economic interests of the multi-billion-dollar commercial ocean salmon fishery and the tens of thousands of jobs that our fishing industry supports from San Diego to SE Alaska.

SB 1552 appears on its face to be an inconsequential (and probably unnecessary) effort to clarify certain Public Utilities Commission (PUC) procedures. **In reality this bill is merely a "Trojan horse" vehicle for its Sec. 8 (titled "Removal of Klamath River**

Dams”) which is nothing more than a misguided, last-ditch effort to sabotage and derail the long-planned removal (beginning in 2020) of four controversial -- *but privately owned and economically obsolete* – small hydropower dams in the Klamath River.

This Klamath dam removal project is not only supported by the dams’ owner (PacifiCorp Energy Corporation), as well as a long list of stakeholders but also by the Governors of both Oregon and California. Klamath dam removal as planned for 2020 has also long since been approved by the Oregon PUC as “in the best interests of its ratepayers,” and as far cheaper than full FERC relicensing.

The 50-year FERC license to operate these dams expired in 2007, but as noted below, even if fully relicensed, these four dams could only then produce a very small amount of very expensive power, and so are truly obsolete in comparison with far more efficient (and cheaper) modern methods of renewable power production than were available 100 years ago. **PacifiCorp, the dams’ owner, simply wants to remove them as failing assets ... but the author’s of SB 1552, Sec. 8, are seeking to covertly use the power of the Legislature through this unrelated Sec. 8 “rider” to block a major Oregon public utility corporation from disposing of and upgrading its own obsolete power production assets!**

The authors of Sec. 8 apparently believe that sabotaging PacifiCorp’s current PUC-approved plan to remove these four failing dams under the current Klamath Hydropower Settlement Agreement (KHSA), starting in 2020, at a “capped” cost to its customers of only \$200 million would somehow guarantee that the dams would remain in place *just as they are today*. But this is not legally possible, as their 50-year FERC license expired in 2006, and the Company estimates that fully relicensing these dams would be cost prohibitive – **i.e., that full FERC relicensing would cost its customers upwards to at least 2.5 times the cost of their removal (i.e., at least \$450 to \$500 million and upwards, with no “cap” to that liability) under the KHSA, and then still run at a net loss!**

Many of our members are commercial salmon fishermen and fishing boat owners, whose ocean commercial salmon seasons as far north as the Washington-Oregon border and as far south as Monterey, CA are greatly affected – *and sometimes, as happened this*

year, almost entirely closed – because of weak salmon stocks that have been badly impacted by the aging Klamath dams. Removal of these four Klamath dams – built beginning in 1918 with no salmon fish passage, a fact that would be illegal under current laws -- would greatly help to recover the Klamath salmon runs that also support (when they migrate north) thousands of Oregon coastal fishing jobs. This is why PCFFA is among the many stakeholder groups that signed on to and support the *Klamath Hydropower Settlement Agreement (KHSA)* under which the Company's dam removal application is being pursued at the Federal Energy Regulatory Commission (FERC) at this time.

But the decision by PacifiCorp to remove these four aging Klamath dams was not primarily based on environmental concerns – *it was entirely about economics*. Keeping and relicensing these four aging dams is simply not cost effective for the Company nor its ratepayers. Removing these four dams under the KHSA and replacing their very small amount of power from far more efficient and more modern sources is simply the lowest-cost option for its 600,000 Oregon customers. This is why:

Why Klamath Dam Removal Makes Economic Sense

The 1956 Federal Energy Regulatory Agency (FERC) 50-year license to operate the Klamath Hydropower Project expired in 2006. PacifiCorp, the company that owns the Klamath dams (J.C. Boyles Dam in Oregon, and CopCo Dams 1 & 2 and Iron Gate Dam in California, in river-descending order), can limp along on *temporary* one-year FERC license extensions only while an active application for either FERC relicensing or removal is pending. That time is coming to a close and a decision on the fate of these dams must soon be made. No privately owned dam can legally operate without a valid FERC license.

Whatever choice PacifiCorp makes, the company's costs of that decision will ultimately be charged to its customer/ratepayers. *This is how electrical utilities work*. Their only source of revenues is generally the creation of electrical power they then sell to their customers, collecting enough revenues from their customers to fund their operations. This is all regulated by state Public Utilities Commissions (PUCs) in each state where they operate, as the watchdog agencies that

assures that their state's customers get charged fair, reasonable – *and generally the lowest-cost* – power rates for the services they receive.

There are only two legal options for these Klamath Hydropower Project dams, both of which will cost PacifiCorp ratepayers money: (1) fix them up and relicense them to modern FERC standards, which turns out will cost *at least* \$460 million, and quite likely more than \$500 million once all (currently unknown) water quality mitigation costs are added in, according to PacifiCorp testimony to the PUCs,¹ or; (2) decommission and remove these aging dams entirely – which it can now do under the Klamath Hydropower Settlement Agreement (KHSA) for a “capped” cost to its customers of only \$200 million, with the rest paid by the State of California.²

The best current estimate for the total costs of decommissioning and full removal of the four dams, so that the Klamath River and its salmon can once move run freely through them, is about \$290 million, including various environmental mitigation measures.³ By implementing dam removal through the KHSA PacifiCorp thus saves its customers at least another \$90 million as well as reduces its own company and ratepayer risk and uncertainty. This is another reason the KHSA is a good deal for PacifiCorp customers, of which about 600,000 live in Oregon.

On September 16, 2010, a formal Ruling by the Oregon PUC confirmed that dam removal under the KHSA is indeed the most cost effective, least risk and therefore best alternative for PacifiCorp's customers as compared to FERC relicensing.⁴ On May 5th, 2011, the California Public Utilities Commission (CPUC) came to the same conclusion, that dam removal was far less costly to customers than formal FERC relicensing.⁵

¹ See CPUC Docket No. A10-03-015, *Testimony of Cory Scott*, Exhibit PPL-300 (March 18, 2010), pg. 6; Opening Brief of PacifiCorp (Nov. 17, 2010), pg. 6. See also Oregon PUC Docket No. UE-219, PacifiCorp's Opening Brief, (Aug. 9, 2010) at pp. 7 and 8 and *Testimony of Cory Scott*, Exhibit PPL-300. PacifiCorp “conservatively estimates” relicensing costs of at least \$400 million in capital improvements, plus \$60 million in operations costs and maintenance over a 40-year relicensing term, not counting likely large (but still unknown) additional costs for any water quality mitigations that may be required to meet state 401 Certification requirements in both Oregon and California.

² The rationale for this bi-state equitable cost-sharing scheme is that nearly 600,000 Oregonians are PacifiCorp customers already paying into a Klamath Dam Removal Trust Fund monthly, while only about 40,000 Californians are ratepayers – but most economic benefits for restored Klamath salmon fisheries will be in California. California already has up to \$250 million in already approved Proposition 1 bond money earmarked for Klamath dam removal purposes. However, those funds are premised on the KHSA moving to completion, which requires the first \$200 million to come from PacifiCorp PUC-managed Trust Funds collected for that purpose.

³ See *Detailed Plan for Dam Removal – Klamath River Dams* (Sept. 15, 2011), Table ES-1, pg. 7, at: http://klamathrestoration.gov/sites/klamathrestoration.gov/files/Klamath_DetailedPlan2011.pdf.

⁴ Oregon PUC Final Order at: <http://apps.puc.state.or.us/orders/2010ords/10-364.pdf>.

⁵ California PUC Final Order at: <http://docs.cpuc.ca.gov/published/proceedings/A1003015.htm>.

The reality is that all four dams combined do not generate all that much power. Although the whole Klamath Hydroelectric Project is technically rated for “maximum power generation” of about 169 megawatts (MW), these dams cannot run at maximum capacity 24/7, especially during summers when turbine flows are lowest. The entire Project combined actually generated only about 82 MW of power on average over the past 50 years, according to FERC records.⁶ By comparison, just a single modern electrical power plant can continuously generate 1,000 MW or more.

And according to estimates by FERC, even after all the expensive retrofitting to meet modern standards for relicensing, these dams would then only generate about 61 MW of power on average -- *about 26% less than they do today.*⁷ **Relicensing thus means spending a great deal of money for what is actually very little power.** In fact, FERC estimated in its 2007 Final Environmental Impact Report (FEIS) on relicensing that even if fully relicensed, the required retrofitting would be so expensive that these dams would then operate *at more than a \$20 million/year net loss.*⁸ Trying to legislatively force the Company to keep in place obsolete facilities *that can only run at a net loss* is committing a great disservice to the Company’s Oregon customers.

In short, keeping the Klamath dams means extremely expensive fixes to generate a lot less power, and results in a Project that would likely lose money for the rest of any new license – *losses that customers would ultimately also have to make up for in much higher power rates.* The “bottom line” is that it’s just a lot cheaper for customers to remove these dams than to try to patch them up enough to keep them. And this is *completely ignoring* likely economic and jobs benefits of a restored world-class salmon run, a more stable irrigation system and the many other benefits also highlighted in the accompanying FERC NEPA documents.

Those who oppose Klamath dam removal often (mistakenly) cite flood control or irrigation as benefits of these dams. But it should also be noted that the four PacifiCorp Klamath dams do not provide any significant irrigation benefits (they are hydrologically well below the Klamath Irrigation Project, for instance), they provide almost no flood control (i.e., they were designed as

⁶ The November, 2007 FERC Final EIS (“FERC FEIS”) is available online at: http://elibrary.ferc.gov/idmws/File_list.asp?document_id=13555784 or found by a FERC docket search at www.ferc.gov, Docket No. P-2082-027 posted November 16, 2007, Document No. 20071116-4001. This number is taken from FERC FEIS, pg. 1-1, as 716,800 MWh, which divided by hours per year (24 hrs./day X 365.25 days/year) = 81.77 MW actual output, rounded to 82 MW – less than 2% of PacifiCorp’s total power production.

⁷ FERC FEIS, Sec. 4.4, pg. 4-4 of 533,879 MWh = 60.90 MW relicensed output, rounded to 61 MW.

⁸ FERC FEIS (Nov. 2007), Table 4-3 on pg. 4-2.

run-of-the-river dams with very little storage capacity), nor do they provide any river navigation benefits of any sort. The sole reason the Klamath Dams were built starting nearly 100 years ago was to supply hydropower to the nearby City of Klamath Falls. But many things have changed in the last 100 years, and Klamath Falls now can draw power from anywhere within PacifiCorp's 6-state service region, at rates much cheaper than would result from drawing power solely from the aging, economically obsolete Klamath Dams after their relicensing.

As to replacement power, Pacific Power has already met its legal commitment to bringing more than 1,400 MW of brand new, cost-effective renewable power online by 2015.⁹ This is *17 times more* power than the four Klamath dams generate all together. Adding an additional 82 MW of cost-effective and clean replacement power to its grid after 2020, as it intends to do under the KHSA, would be an almost trivial task by comparison. There are many options for the replacement of this power from comparable carbon-free or renewable sources by 2020, when the Klamath dams are scheduled to be removed.¹⁰

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In short, there are many very sound economic reasons for letting the PUC-approved Klamath Hydropower Settlement Agreement (KHSA) move forward. Sec. 8 of SB 1522 is merely a last-gasp, misguided attempt to sabotage the KHSA's PUC funding mechanism (purely for ideological reasons not based on any facts) before dam removal can commence in 2020 as PacifiCorp currently plans.

We ask the Committee to strike Sec. 8 of SB 1522 entirely from the bill. We have no comments and no opinion on any of the other provisions of SB 1522 other than the “poisoned pill” provisions of Sec. 8.

⁹ See for instance, *Final Order*, Measure 41, in CPUC Docket A05-07-010.

¹⁰ A single modern wind turbine, for instance, can generate up to 6 MW of power and it would take fewer than 55 such wind turbines, even at a very conservative 25% estimate of efficiency, to *completely replace* the total amount of “green power” these four dams now generate – and only 41 such wind turbines to replace the 61 MW after any hypothetical relicensing. A single modern “wind farm” may contain hundreds of such wind turbines.