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ELECTRICITY PRICES AND SALMON: FINDING A BALANCE

OVERSIGHT FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON WATER AND POWER

OF THE

COMMITTEE ON RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

Friday, July 7, 2006, in Pasco, Washington

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OVERSIGHT HEARING ON "ELECTRICITY PRICES AND SALMON: FINDING A BALANCE"

Friday, July 7, 2006
U.S. House of Representatives
Subcommittee on Water and Power
Committee on Resources
Pasco, Washington

The Subcommittee met, pursuant to call, at 9:00 a.m., at the Gjerde Multipurpose Room, Columbia Basin College, 2600 North 20th Avenue, Pasco, Washington, Hon. Cathy McMorris [Vice Chairman of the Subcommittee] presiding.

Present: Representatives McMorris and Hastings.

STATEMENT OF THE HON. CATHY McMORRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Miss MCMORRIS. The Subcommittee on Water and Power will come to order. I thank everyone for coming and being a part of this very timely and important Congressional hearing. I'd like to welcome everyone to today's hearing.

I represent the neighboring 5th District in Eastern Washington and serve as the Vice Chair of the House Water and Power Subcommittee, and I want to thank my colleague, Doc Hastings, for having me in his hometown.

Before we go to the opening statements and testimony, I would like to turn to Representative Hastings to introduce some of his citizens who will begin the hearing with the Invocation, Presentation of the Colors, and the Pledge of Allegiance.

[Invocation, Presentation of the Colors, and the Pledge of Allegiance.]

Miss MCMORRIS. This field hearing is about finding a balance between providing reliable and affordable electricity for our consumers, while protecting endangered salmon. As we sit here at the confluence of the Columbia and Snake River systems, we admire the natural beauty of our Pacific Northwest river systems.

These rivers have a major economic purpose as well. They serve as the lifeblood of our economy, our customs, our cultures, and our traditions. The multipurpose dams and reservoirs on the rivers not only helped to win World War II but, to this day, provide many benefits to those of us in the Pacific Northwest. By using and protecting our natural resources, people throughout the Northwest have a reliable and renewable source of energy, while also being

able to enjoy our resources, as people have done for hundreds of years.

Low-cost, renewable hydropower forms the backbone of our regional electricity supply. The promise of this long-term, low-cost hydropower made the Pacific Northwest what it is today. Yet this promise is being undermined by constant litigation, activists who want to tear down the dams and our hydropower systems, as well as bureaucrats 2600 miles away in Washington, D.C., who want to balance the Federal budget on the backs of ratepayers. I think there are other ways to balance this budget, while still providing our customers with the energy they rely upon.

Oftentimes, the Endangered Species Act is being used as a tool to drive up cost for our electricity consumers. No one disagrees with protecting truly endangered species, but the ESA has been misinterpreted and stretched to put species before people. Just ask the hardworking farmers of Klamath Falls, Oregon, who were basically forced out of business when the Federal Government shut off their water to protect endangered suckerfish, only to have an independent science panel later say the water shut-off may not have been necessary.

The Federal Government has spent billions of dollars, reduced water deliveries to communities, made electricity more expensive and, yet, the ESA still has a 1 percent rate of success at best. In the world I grew up in, a 1 percent rate does not meet the definition of success. We're trying to change the way ESA is being carried out through a reasonable approach that makes this process fair for all involved. We have passed a reform bill in the House and are waiting for the Senate to act.

Meanwhile, the ESA is upfront and personal here in Eastern Washington, and our farmers and electricity consumers are paying for it. Opinions coming from a Federal judge have severely curtailed our ability to appropriately manage our hydropower and natural resources. According to the Washington Post, Judge Redden's 2004 summer spill amounted to spending $3.85 million for each protected Chinook salmon. That's an expensive salmon. And, unfortunately, these costs are passed on to electricity ratepayers. Judicial activism needs to stop, and unbiased jurisprudence must take its place.

While the ESA has had its own impact on power within our region, the Bonneville Power Administration, BPA, manages and provides much of that power. Recent Administration budget proposals regarding secondary revenue have come dangerously close to increasing our power rates even more. This proposal has been temporarily blocked by recent legislation enacted by Congress. Representative Hastings, myself, and a bipartisan group of members throughout the Northwest have and will continue to fight this proposal.

No one can deny that the ESA has impacted recent Bonneville power rates. Yet many consumers don't know how much they pay for fish protection, why they pay, and whether they're paying for them at all. A May 2005 poll found that 70 percent of respondents either didn't know how much they paid for salmon recovery or believed that less than 5 percent of their monthly bills goes to salmon recovery.

Yet, in 2004 the ESA components of BPA's fish and wildlife program comprised approximately 23 percent of the agency's wholesale rates. Clearly, this disparity shows there's a disconnect between what consumers know or have access to versus what's real. Consumers need and deserve open access to information on how these figures are affecting their pocketbooks.

The Endangered Species Compliance and Transparency Act, H.R. 4857, which I've introduced, would require BPA to estimate and report the direct and indirect ESA costs to each wholesale power customer on a monthly billing basis. Whether or not you agree with how the ESA is being implemented is not the point. The bill simply gives customers a right to know how much of the Federal Government's ESA costs are being passed on to them.

In my district, Inland Power and Light already provides customers on their monthly energy bill all the costs that are passed on by BPA relating to the Endangered Species Act. This is the kind of reporting we need and that every customer has a right to know. Many customers at Inland were surprised at the costs they pay each month.

And once they receive this information, they can make more informed decisions. They may ask whether the salmon recovery program is working or ask themselves if government can do better. And those are the questions, exactly, why many are afraid of this debate, but that's the question that we'd like to have debated today.

I hope the Federal witnesses can tell us how they measure success in salmon recovery or explain what standards and benchmarks are being used to show progress.

I plan on using today's hearing as a basis to ask the Government Accountability Office to answer these questions. Our ratepayers and endangered salmon deserve those answers so that the ESA can be made to work for both species and people.

We are privileged to have before us today a host of "on-the-ground" experts who know what rising electricity bills mean to them and to our economy, and I look forward to today's hearing.

[The prepared statement of Ms. McMorris follows:]

Statement of The Honorable Cathy McMorris, Vice Chair, Subcommittee on Water and Power

I would like to welcome everyone to today's hearing. I represent the neighboring 5th District in Eastern Washington and serve as Vice Chair of the House Water and Power Subcommittee. I want to thank my colleague, Doc Hastings, for having me in his hometown.

This field hearing is about finding a balance between providing reliable and affordable electricity for our consumers, while protecting endangered salmon with a balanced and reasonable approach. As we sit here at the confluence of the Columbia and Snake Rivers, we admire the natural beauty of the Pacific Northwest's river systems. These rivers have a major economic purpose as well. They serve as the lifeblood of our economy, our customs, our cultures and our traditions. The multipurpose dams and reservoirs on the rivers—as envisioned by President Franklin Delano Roosevelt—not only helped win World War II, but to this day, provide many benefits to those of us in the Pacific Northwest. By using and protecting our natural resources, people throughout the Northwest have a reliable and reasonable source of energy while also being able to enjoy our resources, as people have done for hundreds of years.

Low-cost, renewable hydropower forms the backbone of our regional electricity supply. The promise of this long-term, low-cost hydropower made the Pacific Northwest what it is today. Yet this promise is being undermined by constant litigation,

activists who want to tear down the dams and our hydropower system, as well as bureaucrats 2,600 miles away in Washington, DC who want to balance the federal budget on the backs of our ratepayers. I think there are other ways to balance this budget while still providing our constituents the energy they rely upon.

Oftentimes, the Endangered Species Act (ESA) is being used as a tool to drive up costs for our electricity consumers. No one disagrees with protecting truly endangered species, but the ESA has been misinterpreted and stretched to put species before people at any cost. Just ask the hardworking farmers in Klamath Falls, Oregon who were basically forced out of business when the federal government shut off their water to protect endangered suckerfish only to have an independent science panel later say that the water shut-off may not have been necessary.

The federal government has spent billions of dollars, reduced water deliveries to communities, made electricity more expensive and lined the pockets of many lawyers, yet the ESA still has a 1% rate of success at best. In the world I grew up in, a 1% rate does not meet the definition of success. We are trying to change the way ESA is being carried out, through a reasonable approach that makes this process fair for all involved. We have passed a reform bill in the House, and are waiting for the Senate to act.

Meanwhile, the ESA is upfront and personal here in Eastern Washington—and our farmers and electricity consumers are paying for it. Biological opinions coming forth from a federal district judge have severely curtailed our ability to appropriately manage our hydropower and natural resources. As this chart shows, the costs are outrageous. According to the Washington Post, Judge Redden's 2004 summer spill amounted to spending $3.85 million for each protected Chinook salmon. That's an expensive salmon and unfortunately, those costs are passed on to electricity ratepayers. Judicial activism needs to stop, and unbiased jurisprudence must take its place.

While the ESA has its own impact on power within our region, the Bonneville Power Administration (BPA) manages and provides much of that power. Recent Administration budget proposals regarding secondary revenue have come dangerously close to increasing our power rates even more. This proposal has been temporarily blocked by recent legislation enacted by Congress. Representative Hastings, myself, and a bipartisan group of Members throughout the Northwest have and will continue to fight this proposal.

No one can deny that the ESA has impacted recent Bonneville power rates. Yet, many consumers don't know how much they pay for fish protection, why they pay, or whether they're paying for them at all. A May 2005 poll found that 70 percent of respondents either didn't know how much they paid for salmon recovery or believe that less than 5 percent of their monthly bills go to salmon recovery. Yet, in 2004, the ESA components of BPA's fish and wildlife program comprised approximately 23 percent of the agency's wholesale rates. Clearly, this disparity shows there is a disconnect between what consumers know—or have access to—versus what's real. Consumers need and deserve open access to this information, and how these factors are affecting their pocketbooks.

My legislation gives consumers that access. The Endangered Species Compliance and Transparency Act, H.R. 4857, requires BPA to estimate and report the direct and indirect ESA costs to each wholesale power customer on a monthly billing basis. Whether or not you agree with how the ESA is being implemented is not the point here. This bill simply gives customers the right to know how much of the federal government's ESA costs are being passed on to them. Already in my district, Inland Power and Light provides customers on their monthly energy bill all the costs that are passed on by BPA relating to ESA costs. This is exactly the kind of reporting we need, and that every customer has a right to know. Many customers of Inland were surprised at the cost they pay each month, and many I have heard from have questions as to where those costs are coming from and what they go towards.

Once consumers receive access to this information, they can make informed decisions. They may question whether the salmon recovery program is working or ask themselves if their government can do better. And those questions are exactly why many are afraid of this debate—because it leads to questions of whether the command-and-control, judicially driven ESA decisions are working.

Some of those questions will be debated today. I hope the federal witnesses can tell us how they measure success in salmon recovery or can explain what standards and benchmarks are being used to show progress. I plan on using today's hearing as a basis to ask the Government Accountability Office to help answer these questions—our ratepayers and endangered salmon deserve those answers so that the ESA can be made to work for both species and people.

We are privileged to have before us today a host of "on-the-ground" experts who know what rising electricity bills mean to them and to our economy. I welcome them and look forward to today's hearing.

Miss MCMORRIS. At this time I'd like to turn it over to Representative Hastings.

STATEMENT OF THE HON. DOC HASTINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. HASTINGS. Thank you very much. I appreciate your work on getting this field hearing here. Cathy was a bit modest because she serves on that committee. And while those of us in the Northwest on a bipartisan basis work together a lot on this issue as far as electrical rates, clearly, Cathy has a big impact in that she serves on the committee, and that's the reason the field hearing is here, and I want to thank her for that.

This is an issue that affects all of us in the Northwest. And I think it's especially significant that the Water and Power Subcommittee decided to come here to see what the impacts are.

For more than 70 years the Federal dams on the Columbia and Snake River systems have been the cornerstone of our region's economic development. This clean and relatively inexpensive electricity generated by these facilities helps serve the elements of the aerospace, aluminum, and now information technology industries here in the Northwest.

These multipurpose dams provide the water and power needed to run the irrigation systems that have turned this once arid basin into one of the country's premier centers of high value agriculture. The dam facility and river transportation in the region must export products to distant markets. In addition, they create new recreation opportunities and protect against flooding.

These assets come with responsibilities, both financial and environmental. Our region repays the Federal Treasury with interest for the construction and maintenance of these facilities. Let me repeat that. You ratepayers in our region repay the Federal Treasury with interest for the construction and maintenance of these facilities. We have consistently repaid this debt and, in fact, we are ahead of schedule on the Federal debt repayment by nearly $1 billion. These are our dams, and the Northwest Congressional Delegation would never allow any outside region or administration to take the benefits of this system away from us.

On the environmental side, we have made substantial investments, mainly paid for by ratepayers, all of you, to better facilitate fish passage throughout the hydrosystem and to greatly improve habitat. Due in part to our regional commitment of salmon recovery, we have witnessed near record salmon returns in most areas of the Columbia and the Snake River regions.

For example, the number of spring and summer Chinook passing over Bonneville Dam this year is the sixth strongest in the past 20 years. We are all committed to seeing healthy salmon runs and meeting our obligations under the Endangered Species Act and our treaty obligations with Northwest Tribes. And we can do this without the extreme step of tearing out the dams.

I will restate for the record, unequivocally, that those dams are not going to go anywhere as long as I have something to say about that in Congress. And I know I'm not alone in that regard.

Unfortunately, over the past ten years this has increasingly become a litigation-driven process. We now have an unelected and I believe unaccountable Federal judge in Portland determined to run the river himself with little regard for the impact of his decisions on this side of the mountains.

In a court hearing last fall, he referred to the Northwest irrigation, transportation and power as "subsidies" and gave great deference to proposals set forth by interests that have an agenda to tear out the dams. As a result of his court orders, a steady drip of expensive fish measures of questionable value flows from his courtroom directly onto the backs of ratepayers and river users.

One of the most obvious and egregious examples of this is the summer spill program, where generators are bypassed during the hottest and driest part of the summer at a cost last year of $75 million on the theory that it aids an additional few dozen endangered Snake River fish.

The question is, is spending upwards of $3.5 million per listed fish, while ignoring more cost-effective approaches that achieve the same or better results, really the most efficient way to recover salmon? It clearly, in my view, is not. But this is where we find ourselves, routinely spending nearly a billion dollars a year on salmon recovery in our region and, unfortunately, there is no end in sight.

There are real consequences of this policy to those of us who pay the household electrical bill or have to manage the overhead costs of a small business, a farm, a school, or a hospital.

The Congresswoman's proposal, which I support, would shine a necessary light on the reality of the increasing costs of the Endangered Species Act. It is time to acknowledge that we have long passed the point of diminishing returns with modifications to the hydrosystem. If we truly want to aid salmon, let's look at harvest policies, and utilizing hatcheries to supplement naturally-spawning salmon, and the ongoing unchecked predation of salmon by exploding populations of protected California sea lions and Caspian terns.

So I look forward to hearing more from all of the witnesses here today on this important topic. It is important to all of us in the Northwest. And I want, again, to thank you for sharing your support of the hearing today and look forward to the testimony from the witnesses.

[The prepared statement of Mr. Hastings follows:]

Statement of The Honorable Doc Hastings, a Representative in Congress from the State of Washington

Thank you for holding this important field hearing here in Pasco today. This is an issue that affects all of us in the Northwest, and I think it is especially significant that the Water and Power Subcommittee decided to come here to get input about how fish costs and electric rates are affecting our region directly from those who are most impacted.

For more than seventy years the federal dams on the Columbia-Snake River system have been the cornerstone of our region's economic development. The clean and relatively inexpensive electricity generated by these facilities helped spur the development of the aerospace, aluminum, and now information technology industries here in the Northwest. These multipurpose dams provide the water and the power

needed to run the irrigation systems that have turned this once arid basin into one of the country's premier centers of high-value agricultural production. The dams facilitate river transportation in a region that must export its products to distant markets. In addition they create new recreation opportunities and protect against flooding.

These assets come with responsibilities, both financial and environmental. Our region repays the federal treasury with interest for the construction and maintenance of these facilities. We have consistently repaid this debt and, in fact, are ahead of schedule on federal debt repayment by nearly one billion dollars. These are our dams and the Northwest congressional delegation will never allow any outside region or any Administration to steal the benefits of this system from us.

On the environmental side, we have made substantial investments—mainly paid for by ratepayers—to better facilitate fish passage throughout the hydrosystem and to improve habitat. Due in part to our regional commitment to salmon recovery, we have witnessed near record salmon returns in most areas of the Columbia and Snake basins. For example, the number of spring and summer chinook passing over the Bonneville Dam this year is the sixth strongest in the past twenty years.

We are all committed to seeing healthy salmon runs and meeting our obligations under the Endangered Species Act and our treaty obligations with Northwest tribes—and we can do this without the extreme step of tearing out dams. I will restate for the record, unequivocally, that those dams are never going anywhere as long I have something to say about it.

Unfortunately, over the last ten years, this has increasingly become a litigation-driven process. We now have an unelected, and I believe unaccountable, federal judge in Portland who appears determined to run the river himself with little regard for the impacts of his decisions on this side of the mountains. At a court hearing last fall, he referred to Northwest irrigation, transportation and power as "subsidies" and gave great deference to proposals set forth by interests that have an agenda to tear out the dams. As a result of his court orders, a steady drip of expensive fish measures of questionable value flows from his courtroom directly onto the backs of ratepayers and river users.

One of the most obvious and egregious examples of this is the summer spill program, where the generators are bypassed during the hottest and driest part of the summer at a cost of seventy five million dollars or more on the theory that it aids an additional few dozen Snake River Fall Chinook. Is spending upwards of three and half million dollars per listed fish while ignoring more cost-effective approaches that achieve the same or better results really the most efficient way to aid the recovery of salmon? It clearly is not. But this is where we find ourselves today: routinely spending nearly a billion dollars a year on salmon recovery in our region with no end in sight.

There are real consequences of this policy to those of us who pay the household electric bill, or have to manage the overhead costs of a small business, a farm, a school or a hospital. Congresswoman McMorris' proposal—which I support—would shine a necessary light on the reality of the increasing costs of the Endangered Species Act placed on Northwest ratepayers and hopefully, begin to shift the region's focus more to accountability on ensuring every federal and ratepayer dollar spent on salmon recovery is not squandered.

It is time to acknowledge that we have long passed the point of diminishing returns with modifications to the hydrosystem. If we truly want to aid salmon, let's look at harvest policies, and utilizing hatcheries to supplement naturally-spawning salmon, and the ongoing unchecked predation of salmon by exploding populations of protected California sea lions and Caspian terns.

I look forward to hearing more from all of the witness here today on this important topic. And thank you again for chairing this important hearing today.

Miss MCMORRIS. Thank you. I'd like to recognize our panel this morning as quite an impressive panel that's assembled and thank each one of you for taking time to be here.

By way of introduction, we have Mr. Ron Reimann. He is Owner/Operator of T & R Farms in Pasco, Washington. Mr. Ricardo Espinoza, President of the Board, Pasco School District. Mr. Scott Cooper, Director of Parish Social Ministry, Catholic Charities, Spokane. The Honorable Sid Morrison, Chairman of the Executive Board, Energy Northwest, and Chairman of the Board, Yakima Basin Storage Alliance out of Zillah.

Mr. Steven Wright, Administrator of the Bonneville Power Administration, Portland, Oregon. And he's accompanied by Bill Maslen, Manager, Fish and Wildlife, Bonneville Power Administration. Steve is on a very tight time schedule today, so I understand you're going to give your testimony and then go with a round of questions. OK? I appreciate that.

Karen Durham-Aguilera, Director of Programs, Northwestern Division, U.S. Army Corps of Engineers. Nancy Hirsh, Policy Director, Northwest Energy Coalition, Seattle, Washington. Terry Flores, Director, Northwest RiverPartners, Portland, Oregon. The Honorable Rebecca Miles, Commissioner, Columbia River Inter-Tribal Fish Commission, Portland, Oregon. And she's accompanied by Mr. Ed Sheets.

Chris Voigt, Executive Director, Washington State Potato Commission and member of the Family Farm Alliance out of Moses Lake, Washington. And Mr. Gary Chandler, Vice President of Government Affairs, Association of Washington Business.

Before we get started, I need to ask you to stand for the oath. Please stand and raise your right hands and affirm after me.

[Witnesses sworn.]

Miss MCMORRIS. Before the witnesses testify, I would like the members of the audience to know that we would welcome your written testimony. There's forms in the back where you can submit your written comments.

Now, we've asked each of those on the panel to speak for five minutes, and then we'll open it up for questions. And I'll ask you just to pay attention to the clock here. Some suggest that it's very similar to a traffic light. Green means go. Yellow means speed up. And red means stop. The clock is here for you to use.

At this time Mr. Reimann will start and share with us.

STATEMENT OF RON REIMANN, OWNER/OPERATOR, T & R FARMS, INC., PASCO, WASHINGTON

Mr. REIMANN. I'd like to thank the Congressmen for bringing this hearing here. It saves a trip to Washington, D.C. I'm an owner/operator of a family owned diversified farm on the Snake River. We bought our present land in '73 and planned to put irrigation on it in '74. We put development on hold when a water moratorium was put on the lower Snake River to study its uses. We also ran into a little animal called the Kangaroo Mouse and its habitat.

In 1975 irrigation development started. Pumps, pivots, main line, were all paid for by T & R Farms with no use of any government money. We started water and power savings in '79 using infrared photography, neutron probes. We also installed a variable drive pump at a river station, which was the first of its kind installed on either the Snake or the Columbia River. We installed low pressure pivots at this time.

We use global positioning to fertilize, plant, and till our ground. And this equipment gives us sub-inch accuracy and saves up to 35 percent on fuel costs. Our entire fields are treated this way. We monitor soil moisture, soil nutrients, and plant nutrients on a biweekly and weekly basis. We use computers to control our pumping and adjust our pressure and water use that adjusts the total every eight minutes. We have used ethanol since 1985. We have

developed wildlife ponds and planted trees and bushes to enhance the habitat. We have done this to enhance our farm environment.

We have reduced our electrical power usage 46 percent per acre since '79, and we have reduced our water usage 33 percent per acre. From '75 to 2005 our electrical power rate has increased 281 percent. 81 percent of this has come since 2001. Because of this we are constantly looking at our power costs. And in 2006 we removed the circle and the main line that provides water to it. In its nine years of existence, it's generated $1,601,700 on land that was previously cheat grass.

For tax purposes this land, under open spaces, was assessed at $1,147 an acre. It is now reverted back to ground at an assessed value of $8 an acre. This is money that is lost to the state and local government.

Our other source of power, gas and diesel, has increased 356 percent and 625 percent since 1975. By comparison, our commodities such as wheat has decreased 26 percent, potatoes have increased only 4.5 percent. The fact that we are still here is amazing to us, not to mention our banker. We have survived because we have become more efficient and have increased our crop yields.

The Snake River is the heart and blood of our farm. We are truly fortunate to have a source of energy that is as efficient as hydropower. Would somebody in this room please tell me of another source of energy we have that has no emissions, no waste, no hazardous cleanup, a renewable source that can be used for recreation, food production, transportation, flood control, and wildlife? In this day and age we no longer can afford to jeopardize this amazing power source by courts and judges that know nothing of this great natural resource.

Spilling water to flush fish down the river is senseless and environmentally unsound. We need to put some common sense into the Endangered Species Act. We cannot continue to leave families such as mine out of the equation. I am just as important as a fish, and I can damn well tell you that my three-year-old granddaughter is much more important.

You can patch a roof using $20 bills but it's obviously too costly and only a temporary fix. We have to approach this problem practically, not just try to buy off the problem.

The Endangered Species Act is a tool no different than a shovel. Put to common sense use, it can produce. But in the wrong hands, it can just as easily destroy. Let's put our dams back to use for the environment.

And I would like to thank you and I'd like to leave you with four truths that after 63 years I have found to be self-evident. First, nothing is ever as good as people say it is. Second, nothing is ever as bad as people say it is. Third, any justice that comes out of a courtroom, is an accident. And, fourth and last but not least, any common sense that comes from the government is truly a miracle.

[The prepared statement of Mr. Reimann follows:]

Statement of Ron Reimann, Owner/Operator,
T & R Farms, Inc., Pasco, Washington

MY NAME IS RON REIMANN, I AM ONE OF THE OWNERS OF T&R FARMS. WE ARE A FAMILY OWNED AND OPERATED FARM. WE ARE A DIVERSE

FARMING OPERATION OF APPROXIMATELY 7600 ACRES OF WHICH 4600 IS IRRIGATED. OUR MAIN SOURCE OF WATER IS THE SNAKE RIVER.

WE BOUGHT OUR FARM IN 1973 AND PLANNED TO PUT IRRIGATION ON IT IN 1974. WE PUT DEVELOPMENT ON HOLD WHEN A WATER MORATORIUM WAS PUT ON THE LOWER SNAKE TO STUDY ITS BEST USES. WE ALSO RAN INTO A LITTLE ANIMAL CALLED THE KANGAROO MOUSE AND ITS HABITAT.

1975 IRRIGATION DEVELOPMENT STARTED. PUMPS, PIVOTS AND MAINLINE WERE ALL PAID FOR BY T&R FARMS WITH NO USE OF ANY GOVERNMENT MONEY.

WE STARTED WATER AND POWER SAVING METHOD IN 1979 USING AERIAL INFRARED PHOTOGRAPHY AND NEUTRON PROBES TO MEASURE MOISTURE CONTENT OF OUR SOIL. IN 1981 WE INSTALLED A 600HP VARIABLE DRIVE PUMP AT OUR RIVER STATION THAT WAS THE FIRST OF ITS KIND USED ON THE SNAKE OR COLUMBIA RIVERS. WE ALSO INSTALLED OUR FIRST LOW PRESSURE PIVOT.

WE USE GLOBAL POSITIONING TO FERTILIZE AND TO PLANT AND TILLAGE OUR GROUND. THIS EQUIPMENT GIVES U.S. SUB-INCH ACCURACY AND SAVES UP TO 35% ON FUEL COSTS. OUR ENTIRE FIELDS ARE TREATED THIS WAY. WE MONITOR SOIL MOISTURE, SOIL NUTRIENTS AND PLANT NUTRIENTS ON A BI-WEEKLY AND WEEKLY BASIS. WE USE COMPUTERS TO CONTROL OUR PUMPING AND ADJUST OUR PRESSURE AND WATER USE THAT ADJUSTS EVERY 8 MINUTES. WE HAVE USED ETHANOL SINCE 1985. WE HAVE DEVELOPED WILDLIFE PONDS AND PLANTED TREES AND BUSHES TO ENHANCE HABITAT. WE HAVE DONE THIS TO ENHANCE OUR FARM ENVIRONMENT.

WE HAVE REDUCED OUR ELECTRICAL POWER USAGE 46% PER ACRE SINCE 1979 AND WE HAVE REDUCE OUR WATER USAGE 33% PER ACRE.

FROM 1975 TO 2005 OUR ELECTRICAL POWER RATE HAS INCREASED 280.92%, 81.3% OF THIS INCREASE HAS COME SINCE 2001. BECAUSE OF THIS WE ARE CONSTANTLY LOOKING AT OUR POWER COSTS AND IN 2006 WE REMOVED A CIRCLE AND THE MAINLINE THAT PROVIDES WATER TO IT. IN ITS NINE YEARS OF EXISTENCE IT GENERATED $1,601,700 ON LAND THAT PREVIOUSLY WAS CHEAT GRASS. FOR TAX PURPOSES THIS LAND UNDER OPEN SPACES WAS ASSESSED AT $1147.00 AN ACRE. IT HAS NOW REVERTED BACK TO GROUND AT AN ASSESSED VALUE OF $8.00 AN ACRE. THIS IS MONEY THAT IS LOST TO THE STATE AND LOCAL ECONOMY

OUR "OTHER SOURCE OF POWER", GAS AND DIESEL HAS INCREASED 355.67% AND 624.54% RESPECTIVELY

ON THE OTHER HAND OUR COMMODITIES SUCH AS WHEAT HAS DECREASED 26%. POTATOES HAVE INCREASED 4.53% THE FACT THE WE ARE STILL HERE IS AMAZING TO U.S. NOT TO MENTION OUR BANKER!!! WE HAVE SURVIVED BECAUSE WE HAVE BECOME MORE EFFICIENT AND HAVE INCREASED OUR CROP YIELDS.

THE SNAKE RIVER IS THE HEART AND BLOOD OF OUR FARM. WE ARE TRULY FORTUNATE TO HAVE A SOURCE OF ENERGY THAT IS AS EFFICIENT AS HYDRO-POWER. WHAT OTHER SOURCE OF ENERGY DO WE HAVE THAT HAS NO EMISSIONS, NO WASTE, NO HAZARDOUS CLEANUP. A RENEWABLE SOURCE THAT CAN BE USED FOR RECREATION, FOOD PRODUCTION, TRANSPORTATION, FLOOD CONTROL AND WILDLIFE. IN THIS DAY AND AGE WE NO LONGER CAN AFFORD TO JEOPARDIZE THIS AMAZING POWER SOURCE BY COURTS AND JUDGES THAT KNOW NOTHING OF THIS GREAT NATURAL RESOURCE. SPILLING WATER TO FLUSH FISH DOWN THE RIVER IS SENSELESS AND ENVIRONMENTALLY UNSOUND.

WE NEED TO PUT SOME COMMON SENSE INTO THE ENDANGERED SPECIES ACT. WE CANNOT CONTINUE TO LEAVE FAMILIES SUCH AS MINE OUT OF THE EQUATION. I AM JUST AS IMPORTANT AS A FISH AND I CAN DAMN WELL TELL YOU THAT MY THREE YEAR OLD GRANDDAUGHTER IS MORE IMPORTANT!!!! YOU CAN PATCH A ROOF USING TWENTY DOLLAR BILLS BUT IT OBVIOUSLY IS TOO COSTLY AND ONLY A TEMPORARY FIX. WE HAVE TO APPROACH THIS PRACTICALLY NOT JUST TRYING TO BUY OFF THE PROBLEM.

THE ENDANGERED SPECIES ACT IS A TOOL NO DIFFERENT THEN A SHOVEL PUT TO COMMON SENSE USE IT CAN PRODUCE BUT IN THE WRONG HANDS IT CAN JUST AS EASILY DESTROY. LETS PUT OUR DAMS BACK TO USE FOR THE ENVIRONMENT.

Miss MCMORRIS. Mr. Espinoza now.

STATEMENT OF RICARDO ESPINOZA, PRESIDENT OF THE BOARD, PASCO SCHOOL DISTRICT, PASCO, WASHINGTON

Mr. ESPINOZA. Good morning. I want to begin my testimony by sincerely thanking the House Water and Power Subcommittee, Congresswoman McMorris, and Congressman Hastings for the opportunity to testify this morning on the impacts to public education as brought on by the salmon recovery efforts in the Northwest.

The complex issue of salmon recovery in the Northwest is one in which sides in the debate are holding dear to their passionate arguments for their particular viewpoint. I'm not an expert on the management of the infrastructure of the Northwest electrical power grid, but I do, like so many of my fellow citizens, know how to flip on a light switch and operate a couple of power tools.

And I'm not an expert on salmon but I do, again, like so many others, possess a few photos of me at home of me holding a couple that didn't get away.

I'm a School Board member. I've served eight years on the Pasco School District's Board of Directors, and I also serve as a member of the Board of Directors for the Washington State School Directors Association. I'm here today to share with you the impacts on the future of our children's education in light of the salmon recovery efforts.

In the past five years, the Pasco School District has paid approximately $5.7 million in electrical costs. Approximately 20 percent of our electric bill goes toward salmon recovery, $1.1 million in five years.

The point of my testimony could be summed up in one sentence. The further out the school district's dollars move away from the classroom, the more difficult the task of educating our children becomes. $1.1 million could have paid for four or five teachers each of the past five years. In our schools we need math coaches, reading coaches, coaches to help other teachers, newer teachers in these particular areas.

Our new teachers need some seasoned veteran teachers. They need them to help them to succeed. Our expected result would be that children would receive a better education and be more prepared for adulthood.

$1.1 million could have purchased approximately 226 computers for each of the past five years. The cost of initiating and maintaining a computer technology program in a school district is high and ever increasing. In this age of information technology we have to not only provide students information but the abilities to use it. It was a surprise to me to see once we did lay out the capital for a technology program how quickly a lot of the hardware became obsolete and we had to go out and purchase more. Or in some of our new higher technologies bulbs will burn out at $300 a pop.

$1.1 million could have purchased approximately 2,600 math and science textbooks for each of the past five years. The school districts across the state have and are exploring the changes of curriculum to better meet the grade level expectations. Updated research based texts and the proper instruction are key in helping students learn.

These are three examples from a long list of programs and activities that many districts are not able to fund, or if they do reallocate existing resources, they do so at the expense of other promising interventions for all students. All day kindergarten, extended days for learning, reducing the academic Achievement Gap, staff development, reduction of class sizes, dropout prevention, these are some of the other areas that school districts would have addressed.

Salmon recovery is an important goal, and not many people would argue the point. However, it is important to remember that education dollars that stay close to the classroom are more effective in our children's education. Like everyone else, school districts pay for the electricity we consume. We do need the electricity to operate our schools, but the 20 percent on the cost used to pay for salmon recovery, the $1.1 million over five years, those are education dollars that are very far removed from our classrooms.

Put another way, any increase in the electricity dollars going to the recovery of schools of fish adversely affects the schools of our children.

I hope my brief testimony helps you better understand the impact of the electrical costs and salmon recovery to the Washington State public school system. The world we're sending our children into upon graduation is far different from the world we entered when we received our high school diplomas.

Education reform in Washington State is on the right path. It takes time and resources to meet the requirements of our legislature and our Congress and, more importantly, to prepare our students for their futures. Every dollar counts because, ultimately, every child counts. I thank you once again.

[The prepared statement of Mr. Espinoza follows:]

Statement of Ricardo Espinoza, President, Pasco School District Board of Directors, Member, Board of Directors for the Washington State School Directors Association

I begin my testimony by sincerely thanking the House Water and Power Subcommittee for the opportunity to testify this morning on the impacts to public education as brought on by salmon recovery efforts in the Northwest. The celebration of our national independence, our nations 230th birthday three days ago serves to remind us all that we are a nation governed of the people, by the people and for the people; your presence at Columbia Basin College today validates our democracy in action. Thank you once again.

The complex issue of salmon recovery in the Northwest is one in which most sides in the debate are holding dear their passionate arguments for their particular viewpoint. I am not an expert on the management of the infrastructure of the northwest electricity power grid, but I do know how to flip on a light switch and operate a few power tools. I am not an expert on salmon, but I do possess a few photos at home of me with one or two that "didn't get away". I am a school board member, serving eight years on the Pasco School District Board of Directors and I also serve as a member of the Board of Directors for the Washington State School Directors Association. I am here today to share with you the impacts on the future of our children's education in light of the salmon recovery efforts.

Article 9, section 1 of the Washington State Constitution reads as follows:

> *It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex.*

Our state legislature passed the Education Reform Act (HB 1209) in 1993 that set the present course to meet this charge. Since that time education reform has had a number of successes. The Washington Assessment of Student Learning (WASL) is our assessment tool that informs parents, the Office of Superintendent of Public Instruction, and Congress as to how we, local school districts are performing. Academic achievement trend lines show that we are getting better at

preparing our students to meet the challenges that life will bring. Examples of these successes:

- In February 2006, Washington State was recognized by the College Board as one of the top three states in the nation to mark the strongest increases in proportion of students taking Advanced Placement exams.[1]
- In May 2006 Washington State earned higher scores than the national average in the National Assessment of Educational Progress in 4th and 8th grade.[2]
- Washington state students scored an all time high in math and verbal portions in the SAT and also scored above the national average in 2005.[3]
- Locally, Pasco High School was recognized by Newsweek magazine as the 905th best high school in the United States in May of 2005.[4]
- The Kennewick Reading program is a national model for improving education; its goal of 90% of students in 3rd grade reading at grade level was achieved this year.[5]

Education reform is working in Washington State; the evidence for this fact is broad and deep. We should all be proud of the effort of our students, our teachers and our administrators. Yet challenges remain before us and it is fair to say that these challenges possess costs outside of local control that are constantly rising.

In public education our three largest challenges are (1) preparing the class of 2008 and future graduating classes to successfully pass their 10th grade WASL; preliminary results indicate that approximately 54% of this year's sophomore class (Class of 2008) passed the math portion of the WASL.[6] The WASL passage is a Washington State mandate; (2) The federal law "No Child Left Behind" imposes a large number of requirements on local school districts with many associated costs absorbed using existing resources[7]; (3) the federal law "Individuals with Disabilities Education Act" has not been fully funded by congress and again, school districts must use existing resources to meet the requirements of this law.[7] Public education shares expenditures similar to other public and private entities such as rising fuel costs (Pasco school busses travel more than a million miles annually), rising health care costs (The Pasco School District is the largest employer in Franklin County) and of course, electricity.

In the past five school years the Pasco School District has paid approximately 5.7 million dollars in electrical costs. Twenty percent of our electric bill goes towards salmon recovery. 1.1 million dollars in five years. As I briefly outlined, public education has mandates to meet and funding issues to resolve. The point of my testimony can be summed up in one sentence: the further out a school district's dollars move away from the classroom, the more difficult the task of educating our children becomes.

1.1 million dollars could have paid for four or five teachers for the each of the past five years. We need math coaches (teachers) and reading coaches (teachers). Our new teachers need seasoned mentors (teachers) to help them succeed. Our expected result: children receiving a better education and being more prepared for adulthood.

1.1 million dollars could have purchased approximately 226 computers for each of the past five years. The cost of initiating and maintaining a computer program in a school district is high and ever-increasing. In this age of technology we have to not only provide students information, but the abilities to use it.

1.1 million dollars could have purchased approximately 2600 math and science text books each of the past five years. School districts across the state have or are exploring the changing of curriculum to better meet the grade level expectations. Updated researched based texts and the proper instruction are key in helping students learn.

These are three examples of from a long list of programs and activities many districts are not able to fund, or if they do reallocate existing resources, they do so at the expense of other promising interventions for students. All day kindergarten, extended days for learning, reducing the Achievement Gap, staff development, reduction of class sizes, dropout prevention and teacher pay and benefits are other areas that school districts could address, however time does not permit me to go into an in depth discussion on the needs of school districts to meet the mandates from our state legislature and Congress.

Salmon recovery is an important goal, not many would argue the point; however it is also important to remember that education dollars that stay close to the classroom are more effective in our children's education. Like everyone else, we pay for the electricity we consume. We do need the electricity to operate our schools but the twenty percent on that cost used to pay for salmon recovery, the 1.1 million dollars over five years, those are education dollars that are very far removed from our classrooms. Put another way, any increase in electricity dollars going to the recovery of schools of fish adversely effects the schools of our children.

I hope my brief testimony helps you better understand the impact of electrical costs and salmon recovery to the Washington State public school system. The world we are sending our children into upon graduation is far different than the world we entered when we received our high school diploma. Education reform in Washington State is on the right path; it takes time and resources to meet the requirements of our legislature and Congress and more importantly, to prepare our students for their future.

I thank you once again for this opportunity to speak to the subcommittee on this issue today.

WORK CITED

1. http://www.k12.wa.us/Communications/pressreleases2006/APexams.aspx
2. http://www.k12.wa.us/Communications/pressreleases2006/NAEPScience.aspx
3. http://www.k12.wa.us/Communications/npressreleases2005/SAT2005.aspx
4. http://www.psd1.org/psd2/attachments/57381—4.pdf
5. http://www.tri–cityherald.com/tch/opinions/story/7917074p-7810576c.html
6. http://www.k12.wa.us/Communications/pressreleases2006/StrongGains-2008Grads.aspx
7. http://www.nsba.org/site/docs/38700/38616.pdf

Miss MCMORRIS. Thank you. Mr. Cooper.

STATEMENT OF SCOTT COOPER, DIRECTOR, PARISH SOCIAL MINISTRY, CATHOLIC CHARITIES, SPOKANE PARISH, SPOKANE, WASHINGTON, ACCOMPANIED BY BONNIE ROBERTS, REPRESENTATIVE VOICES

Mr. COOPER. Good morning. My name is Scott Cooper, and I direct Parish Social Ministries to Catholic Charities in Spokane, which is the largest sectarian social service provider in Eastern Washington. I want to thank you again for this opportunity to be here.

Part of my work involves coordinating a network of emergency assistance providers through churches in some of the more rural counties in Eastern Washington. And it's in that capacity that I'm here with you today. The bulk of the emergency assistance that our network provides to low-income people and families in crisis is for utility bills. These cases represent not only the majority of the households we assist, but also the majority of our assistance budget. In other words, we're spending more money to help more families with utility needs than with any other class of needs.

Now I'd like to give you just a snapshot of who it is we're helping, so this is going to be a composite. We'll call her Sally. She's a single mother in her late 30s. She's got two school-age children. She's not on Welfare. She may be qualifying for food stamps and medical assistance, but she's not receiving cash grants.

She missed a month of work because of an illness or a surgery, and she fell behind on her bills. She's back at work. She's got her income again. But those bills that she missed have piled up and are bearing down upon her.

She's clearing after deductions about $1,000 a month, not qualifying for a housing authority voucher, so she's paying market rate rent of about $550 a month. So $550 every month out of the $1,000 or so that she's earning. Her heat during the winter is supplied by electricity, as it is often in lower income housing, and it averages around $200 a month during the cold season. So that gives you some sense of what her monthly budget looks like and what an increase of any kind does to her family's ability to provide food,

clothing, prescription medication, any kind of necessity, not even counting any sort of something like a luxury like, oh, say, eating out at McDonalds for $10.

One thing to note is that there is a network of governmental, corporate, and private assistance to help people struggling to pay their bills, and this network is never sufficient to meet all of the legitimate needs. For a client who has exhausted all the sources of aid but whose need continues because of medical crisis, death in the family, instability in the job market as they move from one job to another, these are the folks we're calling the working poor.

It's also common to hear from those who do not qualify for the larger governmental sources of aid because of their slightly greater income but, nonetheless, face disconnect notices. Again, my concern is that all sources of aid combined are not sufficient to meet the needs in the present moment, not considering any hypothetical increases in rates.

So with that in mind, I ask you to consider the effect on the poor and the larger community should those rates rise. When rates rise, incomes for low-income people through entitlement programs or through minimum wage jobs at the low pay scale do not typically rise in response. This is to say that increases in utility rates have the greatest proportional impact on the budgets of low-income households.

A single digit rate increase for a family receiving TANF, Temporary Assistance to Needy Families, can easily mean the difference between winter heat and other necessities. These, in turn, add stressors on families which have observable results ranging from increased incidents of domestic violence and substance abuse to increased visits to medical providers and emergency rooms, often uninsured.

One small private agency director I spoke to reported that two of the last three households she had assisted with utility needs were also dealing with domestic violence at the same time. These situations are interwoven, perhaps not directly causing the negative social outcome, but certainly contributing to it and magnifying it.

The Spokane Neighborhood Action Program, who is the primary provider of government utility assistance in Spokane County, reports a 7 percent increase in requests for routine heating assistance in '06 over '05 and a 25 percent increase in demands for emergency heating assistance in that same year. They also report a large number of households seeking help in the past year who never sought assistance in the past, typically the working poor who might have been able to manage their own utility costs in the past years.

Our own network is small, Catholic Charities, by comparison to some, but our resources are not going to be able to just automatically increase as the need increases in the community. That means we're going to be having to turn more people away with legitimate needs. We will not have the resources necessary.

I'd like to end with a few comments on your concern of this committee to seek an equilibrium between the hydropower for a growing economy and basic human needs on one hand and the desire

for sustainable environmental quality, particularly with regard to salmon runs on the other hand.

The teaching of my faith tradition is a both/and teaching. Five years ago Catholic Bishops of the Northwest issued a pastoral letter, a teaching document, addressing this very topic. How do we balance the diverse and sometimes competing needs? It says we've got to learn a balanced analysis. Thank you very much.

[The prepared statement of Mr. Cooper follows:]

Statement of Scott Cooper, Director,
Parish Social Ministries, Catholic Charities, Spokane

Good morning. My name is Scott Cooper and I direct Parish Social Ministries for Catholic Charities, Spokane, the largest sectarian social service provider in Eastern Washington State. It is my privilege to be here. Thank you for this opportunity.

Part of my work involves coordinating a network of emergency assistance providers through churches in some of the more rural counties of Eastern Washington, and it is in that capacity that I speak to you today. The bulk of the emergency assistance that our network provides to low-income people and families in crisis is for utility bills. These cases represent not only the majority of the households we assist, but also the majority of our assistance budget. Simply put, we are spending more money to help more families with utility needs than with any other class of needs—such as housing, transportation, food or prescriptions.

I have been working directly with low-income households in the Spokane area for over ten years through three different social service organizations and I have observed firsthand the challenges confronting the poor in our communities. The first thing to note is that there is a large network of governmental, corporate and private assistance to help people struggling to pay utility bills. The second thing to note is that this network is never sufficient to meet all of the legitimate needs. It is very common to hear from clients who have exhausted all sources of aid but whose need continues, because of a medical crisis, family turmoil, or instability in the job market. It is also common to hear from those who do not qualify for the larger, governmental sources of aid because of their slightly greater income, but who nonetheless face disconnect notices thanks to unforeseen medical costs, a death in the family or even rising gas costs. Again, my concern is that all sources of aid combined are not sufficient to meet the needs in the present moment, not considering any hypothetical or actual increases in utility rates.

With that in mind, I then consider the affect on the poor and on the larger community should utility rates rise and continue to rise. Just because public utilities find it necessary or desirable to raise the rates they charge their customers, I can think of no instance when there has been a corresponding increase in the social security, Welfare or VA benefits the poor rely upon to meet their needs. Neither has there been a corresponding increase in the wages paid to the working poor. This is to say that increases in utility rates have the greatest proportional impact on the budgets of low-income households, even if those households have comparatively modest overall bills. A single-digit rate increase for a family receiving TANF (Temporary Assistance to Needy Families) can easily mean the difference between winter heat and other necessities such as routine prescriptions, adequate clothing for growing children and nutritious food. These added stressors on families have observable results, ranging from increased incidents of domestic violence and substance abuse to increased visits to medical providers and emergency rooms. One private agency director I spoke to reported that two of the last three households she had assisted with utility needs were also dealing with domestic violence at the same time. These situations and needs are interwoven, perhaps not directly causing the negative social outcome, but certainly contributing to it, reinforcing and magnifying it, making it that much more difficult to achieve a positive outcome.

The Spokane Neighborhood Action Programs (SNAP), the primary provider of governmental utility assistance in Spokane County, reports a 7% increase in requests for routine heating assistance in 2006 over 2005, and a 25% increase in demands for emergency heating assistance in the same year. They also report a large number of households seeking help in the past year who had never sought assistance from SNAP in the past, typically the working poor who might have been able to manage their own utility costs in past years. And for all of the resources at their disposal, SNAP is still able to assist only 30—32% of the 34,000 Spokane County households eligible for this program. To restate, the current resource is insufficient to the current need. Increases in utility rates will only have a deleterious effect on low-income

households, which in turn will impact the larger community with greater social and family instability, increasing crime rates and greater demands on public services. We know that one utility company in Eastern Washington will be increasing rates by 12% in coming months, following several years of no rate increases thanks to a long-term contract with the Bonneville Power Administration. The gentleman I spoke to at this utility company indicated that such long-term contracts were likely now a thing of the past and that this fact opened the door for more regular and frequent rate increases. He also warned against attempts to shift the rate structure from a cost basis to a market basis. The market, taken as a whole, might be able to sustain any rate increases that would follow from a "charge what the market can bear" philosophy, but low-income households would, without any doubt, be disastrously affected.

Catholic Charities' own network is small by comparison to some. We work with a total annual assistance budget of approximately $30,000. In a few Eastern Washington counties, we benefit from EFSP funds administered by FEMA to provide emergency utility assistance. We then add our own private funds to that pot. In all but a few cases, even this combination of funds is not sufficient and our contacts in rural communities must turn genuinely needy people away for lack of resources. I would propose to this committee that any organization seeking to support families and a stable social structure must consider both the immediate and indirect effects of utility costs on fixed-income and working poor households. Those households and society as a whole will bear the costs, in wider negative consequences.

My final comments concern the balance that this committee seeks in the title of this hearing, the equilibrium between hydropower for a growing economy and basic human needs on one hand, and the economic and social desire for sustainable environmental quality, particularly with regard to salmon runs, on the other hand. The teaching of my faith tradition is a both/and teaching. As much as we advocate and work for the needs of the poor, we also hold up the sanctity of creation, and we cannot be asked to choose between the two. They are also interwoven. Five years ago, the Catholic Bishops of the Northwest issued a pastoral letter, a teaching document, addressing the very topic you are studying today: how do we balance the diverse—and sometimes competing—needs of the human community and also the natural systems upon which all life depends with the limited resources of the Columbia River watershed? I would point you to that teaching document as one example of a balanced analysis.

I urge this committee to seek a balance that honors both sets of concerns, that does not set one above the other, that does not force one community—either the poor or the environment—to pay for short term benefits to the other. Our society is enormously creative—surely we can design solutions that safeguard both our low-income neighbors and the natural world while continuing to provide energy resources for economic needs.

Miss MCMORRIS. Thank you very much. Mr. Morrison.

STATEMENT OF THE HON. SID MORRISON, CHAIRMAN OF THE EXECUTIVE BOARD, ENERGY NORTHWEST AND CHAIRMAN OF THE BOARD, YAKIMA BASIN STORAGE ALLIANCE, ZILLAH, WASHINGTON

Mr. MORRISON. Thank you, Madam Chair and Congressman Hastings. Thank you for using the umbrella of the Water and Power Subcommittee as a chance to get me out and share some thoughts.

My thesis for this hearing is based on a long-time investment involved in water issues. And I'm not here to complain about the high cost of electricity because of our need to nurture our cultural icon, the salmon, but to propose a solution that works for both. What we're doing now doesn't work. The price of power spirals upward, and we're not making the best investments in reaching the goal of restoring the salmon resource. Your legislation promoting transparency will help public understanding.

My frustration with the status quo is two-fold:

No. 1, The Endangered Species Act was intended by its authors to be fine-tuned over time. But because of political pressures it remains inflexible and inaccurate, missing the target in finding the most workable answers; and, No. 2, because of past failures of the Executive and Legislative branches, including me, the management of the river system is shifting to the judicial branch.

Let me just briefly give you an example of what can be done as I think an answer that works for both salmon and for our power and economic resources. By the way, Doc Hastings has been our champion and, Congresswoman McMorris, we appreciate your help in supporting Senator Cantwell. The whole Washington team has been very good in funding the feasibility study for what we call the Black Rock Reservoir.

As an example, think of what we can do if we think big and we all work together. Yakima River Basin is just right next door to us, a wonderful project back when the Bureau of Reclamation wasn't afraid to dream, a hundred years old. And in the last 50 years, whether changes have occurred, when I worked the issue, I inherited one drought year out of ten. Congressman Hastings now has the pleasure of one drought year out of four.

So we're proposing this concept of using surplus water from the Columbia when nobody else needs it and power to lift that water into a reservoir that we call pump storage, and that water then is used to satisfy irrigation demands, which then frees up the existing Yakima River system with its five reservoirs for other interests such as municipal and industrial water supplies and, most importantly, the restoration the salmon resource.

The fish story is that we used to have about 500,000 to 800,000 returning salmon each year coming back into the Yakima River. Scientists have told us that it's the tributary in the lower 48 states that has the greatest potential for salmon recovery. Guess what? What's missing is water. We can vest all kinds of ratepayer and Federal money in bringing back endangered salmon and improving the expanding habitat, and it has some benefit, but I repeat, it doesn't work without water. That's where this interbasin concept of storage—Governor Gregoire is very enthusiastic about storage as the State is involved, and the funding you've provided is really the key to moving on with the feasibility study, which will be completed in 2008.

By the way, if you build the reservoirs large enough and perhaps build a series of them along the Columbia, it serves as a storage vat. It's a logical add on to what we've been doing for over a hundred years in utilizing the water resource. Store excess water, release it when you need to rewater such things as the Hanford Reach, which is very sensitive environmentally, help with irrigation downstream, generate hydropower, and that list goes on.

Let me slip on a different hat just for a second. Wouldn't it be better if we used surplus power to lift surplus water and hold it until needed? One of my responsibilities with Energy Northwest, and I now get periodically a phone call from our friend Steve Wright at BPA saying we can't sell the power, put the nuclear plant on economic dispatch, which is to try to throttle it back down. If it doesn't do it very well, they may be running 100 percent effi-

ciency. We should be pumping water with that power during those surplus times and using it later when needed.

Let me close by saying that increased costs of power is primarily a result of investments we make to meet the requirements of the Endangered Species Act. The Northwest is great for this. We are very environmentally conscious. But, ultimately, people want to know that their investments are targeted to do the most good.

Like the dreams of a century ago, the Federal process must be far-sighted and effective instead of sending us an ever larger bill every year with little to show for the investment.

The options of water storage when there is excess makes sense both to generate electricity and to support fish recovery and production. The Federal Government should either lead this effort or get out of the way.

[The prepared statement of Mr. Morrison follows:]

Statement of The Honorable Sid Morrison on behalf of the Yakima Basin Storage Alliance and Energy-Northwest

MR. CHAIRMAN, and members of the Water and Power Sub-Committee: I welcome you here today to the 2/3 of the State of Washington that does not live up to the title of the Evergreen State. The Cascade Mountain Range, a chain of volcanic fire, does a thorough job of holding the moisture-laden clouds from the Pacific Ocean to the west of us, and Congressman Hastings and your Vice Chair, Congresswoman McMorris, do a great job of representing our very intense interest in water, and fish, and the price of power in this dry part of the state.

My thesis for this hearing is based on long-term interest and involvement in water issues, and this may surprise you, I am here not to complain about the high cost of electricity because of our need to nurture our cultural icon, the salmon, but to propose a solution that works for both. What we are doing now doesn't work; the price of power spirals upward and we are not making the best investments in reaching the goal of restoring the salmon resource.

My frustration with the status quo is two-fold: (1) The Endangered Species Act was intended by it's authors to be fine-tuned over time, but because of political pressures, it remains inflexible and inaccurate, missing the target in finding the most workable answers, and (2) because of past failures by the Executive and Legislative branches (including me), the management of the River system is shifting to the Judicial branch.

Let me spend these precious moments with you describing what is happening here in the Basin of the Columbia River, and what can be done about it. I will use the tributary just to the northwest of this hearing as an example of the opportunity that is ours if we will just think big.

The Yakima Basin Project was undertaken by the federal government through the Bureau of Reclamation in the late 1800s. It was their dream to make the desert bloom back in the days when they were bold enough to have such dreams. They saw high mountains with year-round snow in the Cascades, and the potential for reservoirs to catch the runoff, feeding the rivers that fed irrigation canals, producing crops that fed people around the world.

It worked. The population of the three county area involved grew from 25,000 to over half a million, and the products produced are world famous and create a very favorable balance of trade. But the weather has gradually changed. When I served in Congress, we were beginning to see the shortage of dark clouds on the horizon, resulting in one drought year out of ten. We scrambled to find additional reservoir capacity and put in place conservation measures so water usage could be more effective, a continuing and successful effort. Minimum flow requirements and stream management techniques were increased to protect salmon during critical times in their life cycle.

The volume of precipitation hasn't declined with the climate change we have incrementally seen over the past 50 years. However, freezing levels in the Cascades have moved up, and the mountains no longer hold the snow so it will fill our existing reservoirs the three times per year that is required for a normal water year. Congressman Hastings now inherits one drought year out of four, with a multi-billion dollar economic impact, and all too little water for salmon production on the Yakima.

Now, let me tell you the fish story. The Yakima River used to host the return of 500,000 to 800,000 salmon per year late in the 19th century. Scientists have proclaimed that the Yakima and it's tributaries have the greatest potential for salmon recovery of any river system "in the lower 48." The Yakama Indian Nation is increasingly being recognized for it's expertise in the operation of supplementation facilities (these used to be called "hatcheries"—and the goal is to strengthen and expand wild stocks of salmon). The recovery stage is set.

What is missing is water. We can invest all kinds of ratepayer and federal money in bringing back the endangered salmon, improving and expanding habitat, and it all has some benefit, but, I repeat, it doesn't work without water.

So, how does all of this weave together to provide an answer to the high cost of fish? A group of us have formed the Yakima Basin Storage Alliance to look for water supply answers in our area. Our plan is called "Black Rock", an inter-basin pumped storage reservoir, utilizing water pumped out of the Columbia River when it is surplus to all other needs. This reservoir water is released through the summer season to satisfy the needs of existing irrigated acreage with a least 70 percent of court-proven legal water rights. The existing Yakima Basin Project, with it's five high mountain reservoirs, then can be managed for fish production and greatly reduced other needs in the three-county Basin. The goal is a "normative" River as flowed a hundred years ago, with some modifications to make it even kinder and gentler for fish than Mother Nature provided.

Is this the way to get the best results for the investment in an endangered resource? We think so, and Congressman Hastings, backed by other House members and our two Senators, particularly Senator Cantwell, have been heroic in finding resources to match the state in funding a Bureau of Reclamation (BOR) Feasibility Study that is in it's third year and will be completed in 2008.

During this study, we found an interesting problem in the Principles and Guidelines the BOR must follow in determining the economic value of producing salmon. They figure the increased number of salmon resulting from the Black Rock Reservoir concept, multiply it by pounds per fish, and calculate what that tonnage does to the retail price. The problem is that northwest ratepayers paid $695 million last year in increased power costs and water spilled to help salmon recovery, and no one I have talked with can recall getting a fish out of the deal. Next year it could be a billion dollars, and it seems to me that is the economic value of replacing the salmon, in addition to the cultural and religious value to the Yakamas and other Columbia River native Americans.

The Columbia River doesn't suffer as much as the smaller river systems I have just described. It's roots are in the higher mountains of the Rockies, and it has capacity to store some water in Lake Roosevelt behind Grand Coulee Dam. However, when we get rain instead of snow, and the tributaries of the Columbia swell with water that can't be managed for fish or power or the economy, everyone suffers.

Let me slip on a different hat for a moment that relates to high water and the high price of power. The Columbia Generating Station, a nuclear plant just a few miles up the Columbia River producing 1,150 megawatts for the Bonneville Power Administration (BPA), gets a phone call when the river system is running high asking that we put the power plant on "economic dispatch". This is an expensive process throttling back a nuclear plant, built to run most efficiently for years at 100 percent power, because "we can't sell the power". What it also says is that someone can't control the River for a broad base of benefits, or won't.

The high cost of power that brings this Committee here today is not because it costs more for energy production in this corner of the nation. Looking at this historically, the opposite is true. Federal leadership and planning, augmented by local public power utilities, have harnessed the water flowing to the Pacific in the Columbia and Snake Rivers, used that energy to produce the aluminum it took to win World War II, and to irrigate millions of acres of productive cropland. Power rates here are the envy of much of the country, even with the expensive modifications made to turbines, fish ladders, and collection systems to safely transport salmon both up and down the rivers as they play out their fascinating life cycle.

The increased cost of power is primarily the result of investments we make to meet the requirements of the Endangered Species Act. The northwest is environmentally conscious and more willing than most to protect our natural resources, but it must be, in the long haul, efficient, and targeted to do the most good. Like the dreams of a century ago, the federal process must be far-sighted and effective, instead of sending us an ever larger bill year after year with little to show for the investment.

The options of water storage when there is excess makes sense, both to generate electricity and to support fish recovery and production. The federal government should either lead this effort or get out of the way.

* * * * *

Morrison is a former Member of Congress, 1981 through 1992, from the 4th District of Washington. He chairs the Boards of both the organizations listed above, and both have a vital interest in the management of the Columbia River and it's tributaries.

The Yakima Basin Storage Alliance is a broadly based group interested in assuring a future for the Yakima River Basin, a 100 year-old Bureau of Reclamation project that is suffering dramatically from climate changes that inconsistently bring high mountain snow to feed the reservoirs that supply the water for fish, irrigation, municipal and industrial use, and recreation.

Energy-Northwest in a Joint Operating Agency under Washington State law that supplies electrical energy to it's public power member utilities at cost. It operates a nuclear power plant, wind farms, solar farm, hydro projects, and other energy activities.

Miss MCMORRIS. Very good. Next is Mr. Wright, Administrator of BPA. We really appreciate you rearranging your schedule to be here. What we're going to do is have you share your written testimony and then we're going to each ask you maybe five minutes of questions and then we'll let you be on your way so you can get on. Thank you very much.

STATEMENT OF STEVE WRIGHT, ADMINISTRATOR, BONNEVILLE POWER ADMINISTRATION, PORTLAND, OREGON; ACCOMPANIED BY BILL MASLEN, MANAGER, FISH AND WILDLIFE, BONNEVILLE POWER ADMINISTRATION

Mr. WRIGHT. Thank you very much. It's an honor to be here today with the Subcommittee, and it's a great honor to follow Sid Morrison, who was a great Congressman from this area.

I want to focus on three points today. First, I think that we have made tremendous progress in this region toward salmon recovery and I would like to acknowledge that. Second, I want to summarize the costs that are covered by BPA ratepayers supporting those efforts that are creating that success. And, third, describe some of the implications of the ongoing litigation and where it can lead us as we seek to address that recovery.

With respect to results, after more than 20 years of efforts we are producing some real successes in this basin. Each of the last four years we have seen returning Chinook in the Columbia that exceeded the historical high year in the 60 previous years, going back to when Bonneville Dam was built and first able to accurately count the first Chinook.

We've also seen ESA listed fish in the basin, substantial increases on all of those fish between the years 2000 and 2004. In river survival of yearling Chinook is higher than it has ever been, at least in terms of when we've been able to measure it. Adult salmon and steelhead are estimated to survive through the hydrosystem at a rate of about 98 percent, which is equivalent to pre-dam levels.

In 2005 juvenile survival in the Snake and upper Columbia exceeded the performance standards that were established in the 2004 biological opinion. So we've had some real victories here over the course of the last years.

But I do need to say that all of these years of effort have resulted in the low-hanging fruit having been plucked. We are increasingly facing the problem of survival benefits in the hydrosystem being

harder and harder to come by, with additional investments producing less results.

Now, with respect to costs, the improvements that we've made have come at a substantial cost. The Northwest Power and Conservation Council has concluded that the total costs over the last 20 years to fish and wildlife covered by the Bonneville Power Administration ratepayers is about $7.8 billion, the underscore would be $7.8 billion dollars.

Fiscal Year 2007 we estimate the costs at around $350 million for out-of-pocket expenses and over $300 million for lost hydrosystem costs, changes in the operation of the hydrosystem. That's for physical year 2007. And we see those cost extending as far as the eye can see. This currently represents about 30 percent of Bonneville's wholesale power rate.

H.R. 4857, sponsored by Congresswoman McMorris, does direct the power marketing administrations across the country to include the ESA costs on customers' bills. While the Administration does not have a position at this time on the bill, the Administration does support increased accountability, and we believe this bill would support increased accountability, and we find many things to like in the bill.

We would recommend the combining of ESA costs and Northwest power costs, at least with respect to Bonneville, because there is a tremendous overlap and we find it hard to separate those costs.

Where do we go from here? Many human activities in the basin have created the problems that we are seeking to address today. I think there's general agreement across the region that we need an "all H" approach, one that addresses hydro, harvest, hatcheries, and habitat.

That District Court that was referenced earlier advised an "all H" approach. To simplify, the District Court advised that to meet the ESA requirements the Federal Columbia River Power System must take into account all mortality, not just the mortality caused by operation of the FCRPS. This ruling further suggests that if a fish is not on the road to recovery, any proposed action funded, authorized, or carried out by the Federal Government, even though it may not appreciably reduce salmon recovery or survival, must, along with all the other activities, put the fish on the road to that recovery.

The District Court's ruling, if sustained by the Ninth Circuit, would apply to all proposed actions in the region and all proposed actions, including harvest and habitat would be further called upon to share the burden. From where we sit, we think that this means that in effect we are all in this together. We are all going to have to find solutions.

The Administration supports and has worked hard to develop a recovery plan, but we believe that this ruling has gone too far. Having said that, though, we do believe that the ruling is appropriate with respect to its focus on a knowledge approach. The District Court has encouraged a collaborative regional process to develop an "all H" plan. We support this wholeheartedly and are encouraged by the substantial agreement that the Pacific Northwest should define its own destiny. And we have good support and active

involvement of the States and Tribes in that ongoing collaborative process.

Let me make one other point and then come to a conclusion here. One of the things that has increasingly become clear to us as a result of the District Court ruling is that we are going to need to rethink and reorder some of our fish and wildlife spending priorities. I provide an example of that in my written testimony with respect to the Northeast Oregon hatchery.

The bottom line is that particularly with a program of this magnitude we need clearly articulated goal lines, metrics to describe our process, and cost effectiveness standards. Again, we're going to have to work together as a region in order to accomplish that. At $750 billion a year annually, salmon recovery needs to be managed like a business.

The largest fish and wildlife restoration program in the world is happening here in the Northwest, and I think that's fitting given the citizens of the Northwest feel strongly about the environment and nature in general.

The recent District Court ruling provides both risk and opportunity for us as a region. We, Bonneville and the Federal agency, want to be part of taking advantage of the opportunity to forge a regional consensus that delivers salmon recovery cost effectively. Thank you. And we'll do your questions.

[The prepared statement of Mr. Wright follows:]

Statement of Stephen J. Wright, Administrator and Chief Executive Officer, Bonneville Power Administration, U.S. Department of Energy

Good morning Congresswoman McMorris, Congressman Hastings. Thank you for the opportunity to testify today. My name is Steve Wright; I am the Administrator of the Bonneville Power Administration (BPA). I am pleased to be here today to discuss the impact of the Endangered Species Act (ESA) requirements on BPA costs and our efforts to ensure that we are achieving real biological results for endangered salmon and steelhead.

BPA is committed to our responsibilities to protect, mitigate and enhance fish and wildlife affected by the Federal Columbia River Power System (FCRPS), and to provide the citizens of the Northwest with an economical and reliable power supply. This includes a commitment to conservation of salmon, steelhead, and other listed fish under the ESA. We believe the citizens of this region want to protect and recover these fish, and we share that goal. We also believe that Northwest citizens understand the tremendous value of the lower-cost, clean hydropower that the Federal dams on the Columbia River and its tributaries provide to us. We continue to seek to achieve our twin goals of supporting a healthy Northwest economy and environment.

Today, I'd like to give you an update on the very ambitious set of actions the Federal action agencies are taking for listed fish. I'll also talk about the impact of fish costs on BPA's power rates. Finally, I will highlight for you the risks and opportunities that we see in the current direction of ongoing litigation, specifically the remand of the 2004 FCRPS Biological Opinion, now before the Ninth Circuit Court of Appeals. There are far-reaching implications for that litigation. Costs are uncertain, but they will be borne not only by BPA customers, but by a wide range of other businesses, government, and industry in the region.

This is why we are strongly supporting the collaborative process among Federal, State, and Tribal sovereigns established under the remand as a way to develop a solution to this problem. We believe that a regionally developed 10-year plan of priority actions by all entities and across all life stages for ESA fish would be the best outcome of the litigation and the best outcome for the region.

Recent Results

For over a decade, the Federal action agencies (BPA, the U.S. Army Corps of Engineers, and the Bureau of Reclamation) have been implementing an extensive program of hydro, habitat, and hatchery improvements for conservation of ESA listed

fish. We have achieved notable successes and urge more attention on the efforts for recovery. The results of the last few years are very encouraging. The ultimate measure of progress, of course, is the number of adult wild and hatchery salmon and steelhead that return to spawn each year in the Columbia and Snake Rivers. These numbers, over the last four years, have shown the highest salmon returns for Chinook salmon in the Columbia River Basin since we began recordkeeping over 60 years ago. (See Graph 1.) Moreover, listed fish stocks in the Columbia Basin have witnessed increased returns in the last few years. (See Graph 2.) This shows that the fish can respond powerfully. It is also important to note that while overall salmon numbers may be improving, the situation for individual species may be less favorable. Because fish populations can vary widely from year to year, it is important that we sustain long-term perspective on recovery.

On average, in river survival of yearling chinook salmon is higher than ever measured. (See Graph 3.) Adult salmon and steelhead survival is estimated at about 98 percent or higher at each dam—equivalent to pre-dam survival.

The Federal action agencies recently issued their 2005 Progress Report, covering actions to protect and recover ESA-listed Columbia Basin salmon and steelhead (www.salmonrecovery.gov). The report described the substantial progress we made this past year with actions that achieved real biological results and improved conditions for the fish.

Salmon must be able to pass the dams if we are to succeed in recovering salmon. This is why over $1 billion of capital over a couple of decades has been invested in measures to improve salmon passage at Federal hydro facilities in the Columbia Basin resulting in substantial survival improvements. In 2005 juvenile survival rates were up for both Snake River and Upper Columbia River spring/summer chinook and steelhead, exceeding the average performance standard that NOAA Fisheries set for the action agencies in the 2004 FCRPS BiOp. (See Graph 4.) In 2004 the Federal action agencies committed to the deployment of a substantial investment in state-of-the-art juvenile fish passage systems at all eight Columbia/Snake River Federal mainstem dams. These systems are proving very effective. Removable spillway weirs, or "fish slides," at Lower Granite and Ice Harbor dams deliver an estimated 97-99 percent survival for young spring migrants, while spilling two to three times less water. Juvenile survival through the recently-completed Bonneville Dam corner collector is nearly 100 percent.

We have now picked the "low hanging fruit" for hydrosystem operations impacts and we are reaching a point of diminishing returns for additional hydrosystem operations and improvements. Future improvements can be found by refining well-known approaches. Spill, for example, may be adjusted to improve the "spread the risk" strategy by scheduling spills and barge transports for juvenile fish according to the times of year when each is most effective. The costs and benefits of targeting spill are very large and important. The additional spill ordered on June 10, 2005, by the District Court for the period June 20 to August 31, 2005, cost Pacific Northwest ratepayers $75 million. According to NOAA Fisheries, it is uncertain whether the operation was beneficial or detrimental to fall chinook, and most of the fish had passed the dams by late July.

To complement improved hydrosystem operations, the Federal action agencies also fund a wide range of other hydro, habitat, and hatchery actions that make a real difference for fish. The 2005 progress report documents substantial improvements including:

- Caspian tern predation on juvenile salmonids in the Columbia River estuary has been reduced from a range of 7 to 15 million in 1999 to about 3.6 million in 2005 by moving these birds downstream nearer the ocean where they feed less heavily on juvenile salmon and steelhead.
- Pikeminnow predation on juvenile salmonids has been reduced by approximately 25 percent since the program began in 1990, saving approximately 2 to 4 million juvenile salmon. Intensified effort since 2004 has yielded an increased pikeminnow catch of over 50 percent.
- With our partners, we completed 42 voluntary water transactions around the region, each addressing a significant opportunity to restore instream flows in Columbia Basin tributary streams and rivers. In the third full year of operation, the Columbia Basin Water Transactions Program delivered 530 cubic feet per second of water to Columbia Basin streams and improved flows on nearly 900 miles of streams.
- In 2005, we installed screens at 19 barriers to restore access to over 180 miles of stream for fish. Overall since 2000, fish passage improvement efforts in the tributaries have resulted in fish regaining access to over 1,280 miles of stream.
- In the lower Columbia River estuary, we have acquired over 660 acres of fish habitat since 2000. In 2005, over 300 acres were being actively restored.

- Safety-net hatcheries continue to reduce the extinction risk of Snake River sockeye, spring/summer Chinook, fall Chinook and steelhead, and mid- and lower Columbia steelhead populations. In one such program, 348 Snake River sockeye adults returned to Redfish Lake since 1999—a 20-fold increase over the total of 16 wild fish that returned from 1990 to 1998.

We intend to build on this success. In 2004, the Corps, Reclamation and BPA committed to a 10-year plan of extensive actions to improve hydrosystem survival and improve habitat. We also forego some power generation in addition to salmon spills for other conservation reasons. We expect the total of these Federal agency commitments to exceed $6 billion over the next 10 years. Nevertheless, it is not how much money we spend that is the gauge of our success—it is the biological results we have to show for the money we have spent.

The Costs

Our success in improving conditions in freshwater and getting these fish through the hydrosystem comes with a large cost—we must ensure that it buys us the valuable success we seek. The ESA program for listed Columbia Basin steelhead and salmon is among the largest fish and wildlife restoration programs in the world. Just to illustrate how massive the recovery efforts are, if the water being spilled over dams to assist in fish passage was used instead to generate power, it would be enough to meet the City of Seattle's annual electric energy needs. And spill is just one of the many measures we are taking to assist salmon recovery. BPA ratepayers pay most of those costs through their power bills.

A report from the Northwest Power and Conservation Council (Council) concludes that over the last 20 years BPA ratepayers have experienced $7.8 billion worth of costs attributed to fish and wildlife mitigation activities. These costs were paid as a result of different laws including the Northwest Power Act and Endangered Species Act. In FY 2007, BPA projects almost $700 million for fish and wildlife costs.

These costs are reflected in our power rates as a cost of doing business. It is the second largest cost category in our FY 2007-09 power rates—second only to the combined debt service costs for BPA's one active nuclear plant, two retired nuclear plants, and the Federal investment in the entire FCRPS. These costs represent more than 30 percent of the rate we charge our 130 public utility customers for Federal power. It makes sense to publish and monitor the size of a cost this large.

H.R. 4857, if enacted, would direct the Administrators of the Federal Power Marketing Administrations (PMA) to include on customers' monthly bills information about the costs the PMA are incurring to comply with ESA. We have looked at how we would implement this legislation were it enacted into law. We would recommend the approach of reporting our combined ESA-related and Northwest Power Act fish and wildlife mitigation costs assigned to power as a percentage of total power bills. While this would be an approximation of the actual amount of cost recovered from each individual customer, it would be more readily available and does not require a detailed calculation for each customer.

The Administration shares the interest in accountability that prompts this legislation. Power bills result from complicated calculations and the public debate about what affects power rates often strays from hard numbers. H.R. 4857 would take a step toward clarifying the matter. There are many ideas in the legislation that are feasible and many concepts that are in line with the overall Administration policy in terms of properly reflecting the costs of regulation to the ratepayers. The Administration has no position on the legislation at this time, but there are many concepts in the legislation which the Administration would not oppose. The Administration is still studying the legislation as a whole and looks forward to participating in the broader debate as it unfolds.

Where We Go From Here

Many human activities have contributed over many decades to the fish runs we have today. In order to be successful, we will need to work together to address all the human-caused factors that are leading to salmon declines—the so-called "four H's" of harvest, hatcheries and habitat as well as hydro.

In fact, the current rulings from the District Court on the FCRPS BiOp advise an "all H" approach. Due to the ruling on the 2004 FCRPS BiOP, we are now, more than ever, all in this together.

To simplify, the District Court advised that, to meet ESA's requirement, the FCRPS must take into account all mortality—not just the mortality caused by operation of the FCRPS. This ruling further suggests that, if a fish is not on the road to recovery, any proposed action funded, authorized, or carried out by the federal government—even though it may not appreciably reduce salmon survival or recovery—must along with all other activities put fish on the road to recovery. The

District Court's ruling implies that, if it is sustained by the Ninth Circuit, it would apply to all proposed actions in the region and would be called upon to carry this burden including harvest and hatcheries operations, federal assistance to port operations, as well any other distantly-related action requiring Federal approval or funding or carried out by the Federal Government.

The Administration believes this ruling goes too far. The Administration supports and has worked hard to develop a recovery plan for salmon. We believe, however, the ESA requirement to avoid jeopardy is just what the regulations say it is—to analyze whether the incremental effects of a particular proposed action will appreciably reduce the likelihood of both the survival and recovery of the species—not whether a proposed action could potentially be halted because the effect of that action in combination with everything else that affects the species must be determined to create a path to recovery. We think the District Court's interpretation, if sustained, could have far-reaching ramifications.

While we have appealed this issue to the Ninth Circuit, we continue to put significant efforts and hopes into the collaborative process with States and Tribes to come up with a regional plan consistent with the District Court's ruling. We are encouraged thus far that there is substantial agreement among those participating in the collaborative process that we need to define our own destiny and develop a regional approach that addresses all the H's and their contribution to recovery.

Setting Priorities

As ESA costs and litigation pressures increase, it is critical that the region focus on the bottom line—results for the fish. This effort needs clear objectives and priorities for meeting the objectives. To accomplish this, we must—as a region—be clearer about our ESA objectives. How many fish do we need to be satisfied we are moving toward our goals for each of the fish that are listed under ESA? What is the mix of hatchery and natural spawning fish that is desirable in the interim and in the long term? Where are the priority habitat areas for restoration? What are our hydro survival performance measures?

Ultimately we are working to achieve a 10-year agreement among the States, Tribes and Federal agencies working on the FCRPS BiOp remand collaboration on priority actions in the Basin. The actions we agree on would be guided by our knowledge of which populations of fish need what types of help, and what's best for the fish.

As we work with the remand collaboration to develop a new FCRPS BiOp, we continue to emphasize using a biological yardstick for determining our success. We seek to have clearly defined objectives, or performance standards, in this new BiOp and actions that the best science shows will help to achieve them. The performance standards for juvenile survival through the hydrosystem provide a good example of establishing clear objectives.

In addition to performance standards, the region must agree on funding priorities. Prioritization will enable us to achieve our objectives at the least cost. It is not how much money we spend that is the gauge of our success—it is the biological results we have to show for the money we have spent. In the words of the Northwest Power Act [Section 4(h)(6)(c)] the Power Council's Fish and Wildlife Program seeks to "utilize, where equally effective alternative means of achieving the same sound biological objective exist, the alternative with the minimum economic cost...." Under this approach, we use a biological yardstick, and we also keep our eye on achieving our goals efficiently.

The implementation of the ESA needs to help set and enforce priorities. For example, recently we elected to postpone funding the Northeast Oregon Hatchery (NEOH) because we do not currently have the means to document the contribution to recovery that we believe the hatchery will provide. Almost 20 years in the planning, the $16.4 million NEOH construction project was deferred last month until such time as a specific level of ESA-crediting for application to this hatchery can be resolved. We are committed to working this out with regional stakeholders through the remand collaboration, but we would be open to funding the project now with assurance that it will be acknowledged properly in the legal documents to follow.

This is disappointing for the Tribes, States and BPA after working for years on this project. We think NEOH is a good project, and we believe that the hatchery can help rebuild listed spring chinook stocks in the Grande Ronde subbasin. But frankly we do not believe we should spend $16.4 million when it is not clear whether the effects of the hatchery will be declared to gain or lose ground in our progress toward achieving ESA goals. BPA currently spends $60 million per year to fund operations and maintenance at 28 fish hatcheries operated by States, Tribes and the

U.S. Fish and Wildlife Service. Ultimately we must examine the benefits and risks to ESA listed fish from all of these fish hatcheries.

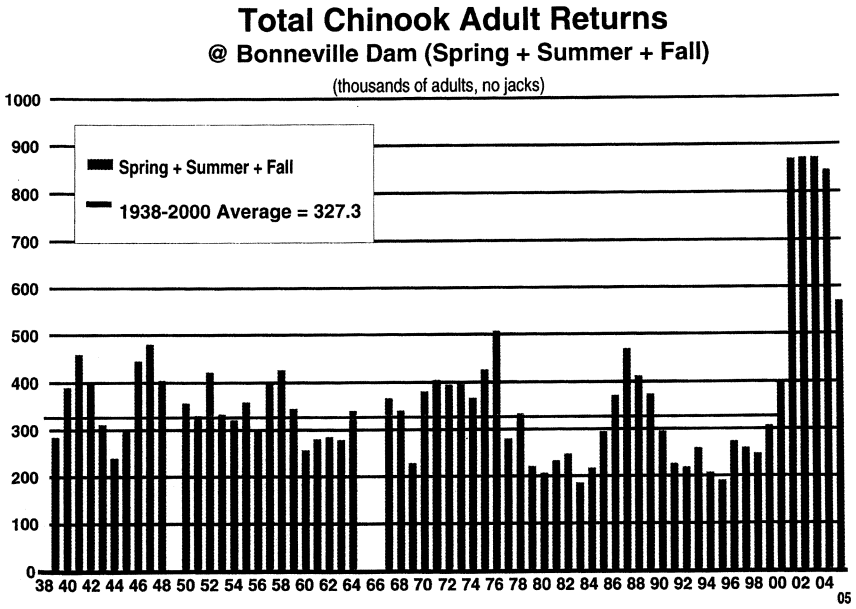
NEOH is one of many mitigation efforts that have evolved through the Council's Fish and Wildlife Program under the Northwest Power Act. The Council's Program guides BPA's funding decisions. We will soon be working with the Council to fund about $142 million of projects for the first year of the Council's FY 2007-09 Fish and Wildlife Program. We expect the remand process will influence our spending decisions in this program. We also expect to balance these decisions with efforts that continue to benefit non-listed species.

Conclusion

One of the largest regional fish and wildlife restoration efforts in the world is taking place in the Pacific Northwest. The evidence to date is that substantial progress is being made albeit at a substantial cost. The progress we have made is encouraging, but our work is by no means complete. We are committed to taking substantial further actions to improve the chances for recovery of these inspiring fish.

Our overarching goal should be salmon recovery. And under a recovery plan approach, hydro operators and others will need to do more for the fish. We can start by collaborating to develop clear and specific objectives for endangered fish in the Columbia Basin. Then, to meet these objectives, we will need to develop a scientifically credible approach that addresses all the causes of salmon declines in the Basin. It must be an approach that recognizes that we who live in this Basin are all in this together and that we must all be part of the solution.

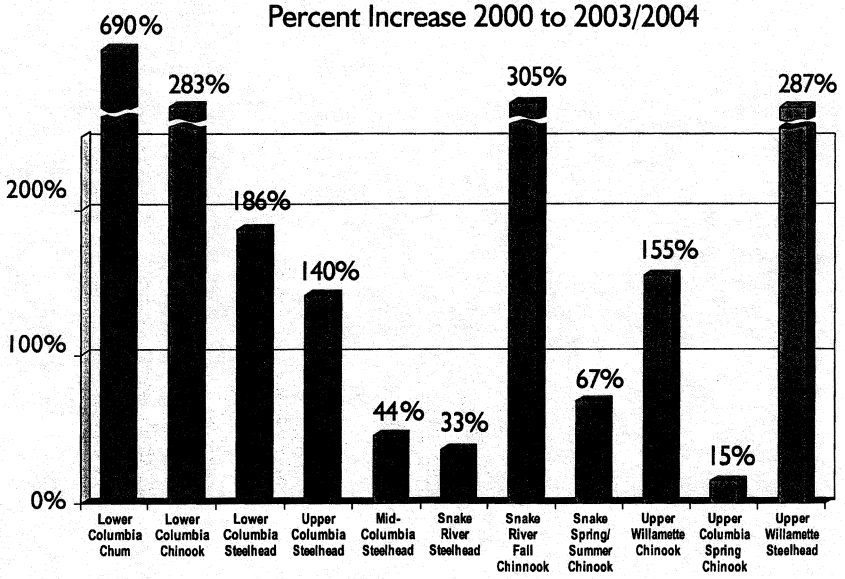
Thank you for your attention, and I would be happy to answer any questions.



Salmon Return Increases

Selected ESA-listed stocks

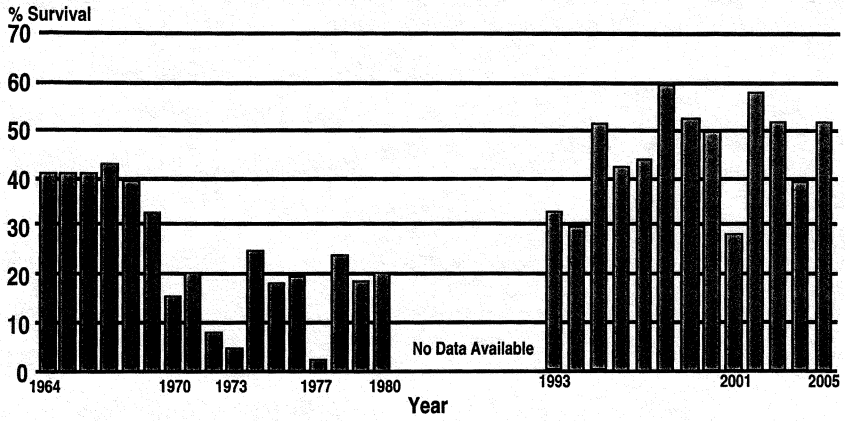
Percent Increase 2000 to 2003/2004



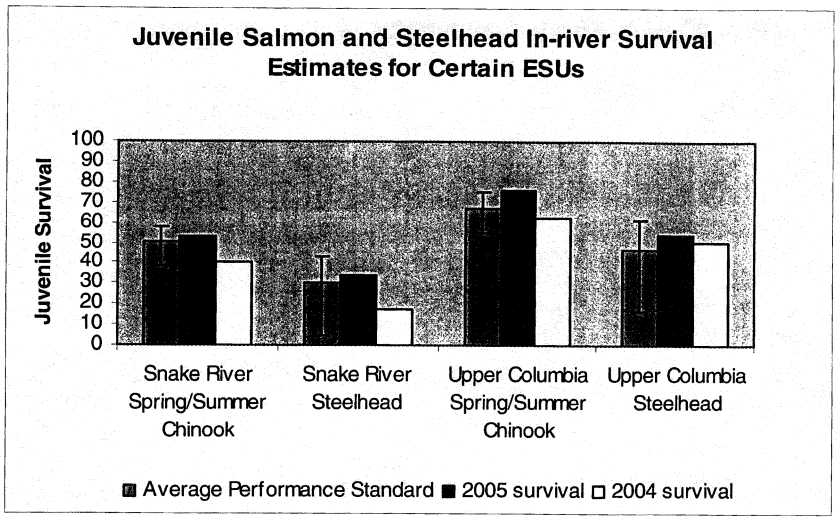
Source: NOAA Fisheries

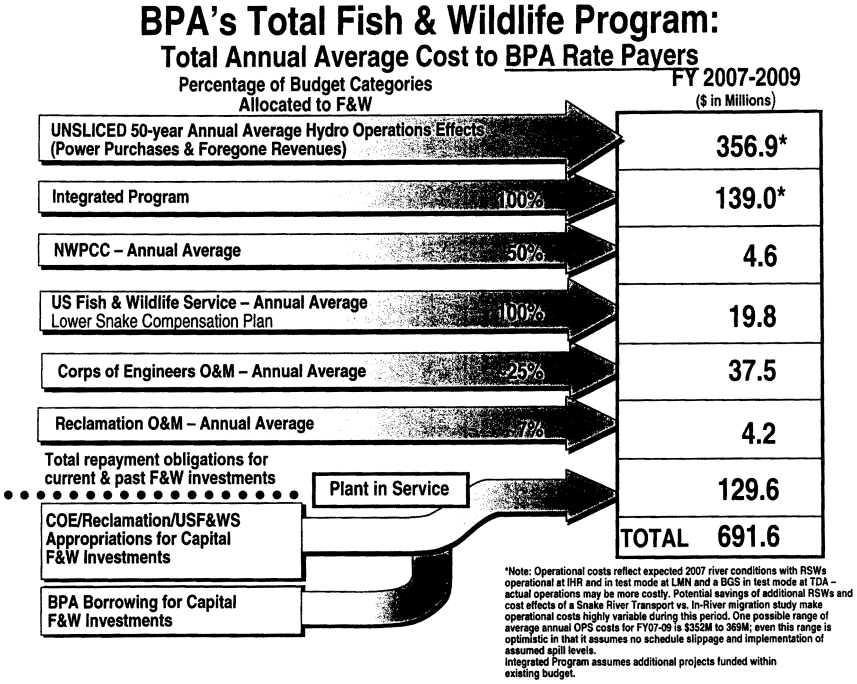
Example Of Improved Survival Through The Hydrosystem:

Snake River Juvenile Spring/Summer Chinook In-river Survival



- On average, in-river survival of yearling Chinook is now higher than ever measured.
- Survival now with eight dams is similar or higher to survival in the 1960s with four dams.
- Survival in 2001 with the 2nd lowest runoff condition on record was an order of magnitude higher than in 1977 with the lowest runoff condition on record and in 1973 with the 10th lowest runoff.





Miss McMorris. Again, we really appreciate you being here. I want to start with just asking if you would give an overview of electricity needs for the region and what percentage BPA is able to meet. And as we look forward, how do you see that playing out? How are we going to meet those needs and then the potential for not only the hydrosystem but also in what we might be able to do with wind and solar? Just start with an overview.

Mr. WRIGHT. So the Bonneville system, the Energy Northwest facility produces about 40 percent of the region's power supply. 90 percent of our system is produced by hydropower. About 60 percent of the region's electricity supply comes from hydropower. That compares somewhere between 10 and 15 percent at the national level.

This is a region that is heavily reliant on hydro basically because of the Columbia and Snake River systems, much more so than other parts of the country and other parts of the world. That hydrosystem has created an economic advantage for this region. Hydro is a low-cost resource relative to other potential resources, coal, natural gas.

The fact of the matter is, though, as we go forward we have exploited the hydrosystem to its maximum potential. There is very little left in terms of—and we do expect our economy to grow. The forecast is we see substantial growth in our region over the course of the next five to ten years. In fact, we expect demand to exceed supply around 2010. So we need to develop some resources of supply.

There are difficulties in terms of development of resources and supply. The resistance to coal, to nuclear. Natural gas was the resource of choice, but with the extreme volatility and the tremendous price increase in the last few years it looks less attractive than it did just back in 2001, 2002.

There is a tremendous amount of wind being developed in this region, particularly in this area. We are going to have close to 1,000 megawatts of wind developed just since probably about 2002 through the next year or two just in this area. Just for a second, pause for a moment and think about the size of John Day Dam. Essentially, we're a developing a resource about the size of John Day Dam right here in this area of the country. That's occurring, in part, because it's a windy area. It's occurring, in part, because of the opportunities for farmers to be able to capture the benefits of the land. It's also occurring, in part, because of the ability to—hydrosystem. Wind is not a dispatchable resource where you can control the amount, but you can with a hydrosystem.

I would say one of the concerns to begin to address this question is we're running out of the potential to integrate new wind with the hydrosystem. There's such a tremendous growth of wind in this region that we're going to start reaching some physical limits. To the extent that we limit the capability of the hydrosystem for other operations for whatever they may be, then there is an overlap.

Miss MCMORRIS. Would you talk about the difficulty in estimating ESA costs on the BPA system and what are some of the challenges and how you see that playing out when you move forward?

Mr. WRIGHT. Yes. I think a couple things. First, there are certain costs which are relatively easy to figure. We have costs associated with ongoing direct program activities, habitat, hatcheries. We know what the dollars are going out the door for those. We have other costs of nearly a billion dollars has been invested in the system, actually more than a billion dollars at this point, at the dams to try to improve juvenile and adult survival. And, of course, we know what those are.

We also have a set of costs associated with hydrosystem operation where we've changed the operation to spill to increase flow. That increases costs. Although there is debate about that, about how those costs should be calculated, and you'll see it in some of the testimony from some of the other witnesses today. The cost of that varies with the market. If energy is lost, then when market prices are low, the cost is relatively low. And when the prices are high, the costs are much higher. One of the challenges for us is that is based on what the market would be.

Another challenge for us is that many of these activities support more than one of our requirements in the law. Northwest Power addresses a different set of fish and wildlife mitigation responsibility than the Endangered Species Act. But when you make a modification for a dam and it improves juvenile survival, it helps both ESA listed fish and non ESA listed fish. So you're struggling with the question of how do you calculate those costs of the ESA with Northwest Power, which is why we recommend to you the fact we meld those together because we're not confident that we can separate those costs in a meaningful way.

Miss MCMORRIS. I have just one last question. Some have talked about calculating the irrigation costs as a part of the customer bill. I just wanted to ask you to comment on that if that is possible.

Mr. WRIGHT. Well, I would say, first of all, that there are estimates out there. Both Bonneville and Northwest Power have done estimates of the lost power generation associated with irrigation. So we have those estimates. And we could come up with those estimates similar to the way we addressed fish and wildlife costs. So I would not say that's an impossible task, that we could if you so desire.

Miss MCMORRIS. Good. Thank you.

Mr. HASTINGS. Steve, thanks for being here. I just have a couple of questions. I know that you are looking at long-term power contracts with your customers. I want to run through that process. Are there contractual methods going to the process of capping the overall fish costs to ratepayers or maybe reducing the likelihood of any increases in fish costs contractually as you look at that?

Mr. WRIGHT. So I would say, no, that we do not have those. The long-term contracts implement statutory requirements that we have, and then there are some requirements for fish and wildlife both under the Endangered Species Act and Northwest Power Act. And as we issue these contracts where the customers would be committed to taking the power and paying for it and paying for it would be based on whatever our cost is, and that cost would based on our current statutory requirements.

Mr. HASTINGS. And those statutory requirements would mandate you can't put anything in the contract that would change that; isn't that correct?

Mr. WRIGHT. Certainly that would be my reading.

Mr. HASTINGS. Any gray area at all.

Mr. WRIGHT. Not that I'm aware of.

Mr. HASTINGS. The independent scientific review panel recently looked at the Power Planning Council's fish program proposals for 2007 through 2009 and found many of them to be without any scientific method or merit. Do you have—Do we have adequate

protections to ensure that fish and wildlife spending by the Council is not only cost efficient but complimentary to our overall efforts as well based on this.

Mr. WRIGHT. So I believe that we do have a reasonable system for making judgments about what projects we will proceed with. First of all, the law does require that the Council approve the program. The law also requires that they take the advice of the scientific review panel. Where they are in the process, it's my understanding the ISRP has provided recommendations but the Council has not reached its conclusions yet. We expect that they would take into account the data from that SRP.

Beyond that, the Council provides guidance to us with respect to what programs we would proceed with. We tend to get—because we think they represent four states. And certainly the way the law was set up and for Bonneville to be a part of the region to show you this. But at the end of the day, we do have a decision that we need to make because we're Federal and we can't turn over the decisionmaking authority to a state body. So we also will be looking at the recommendations that the Council makes in light of ISRP information coming to a conclusion.

Mr. HASTINGS. When you're trying to make long-term decisions and you have at least an independent review board that has said, boy, there's something that doesn't have scientific merit and, yet, decisions are based on that, it causes one to—especially with past history—it causes one to at least pause. That's why they have the cross checking, I guess, of these studies.

One last question that I have, Sid mentioned that you occasionally call him and ask him to cut back on the power. Would you just elaborate on that so I can better understand why that comes about?

Mr. WRIGHT. We do try to operate the system to create actual value for ratepayers. The best way to do that is to try to avoid spill. The hydrosystem—Remember that we have a system that sits on the side of a very steep hill, produces a lot of water coming down. We can only store 30 percent of the average annual runoff of the Columbia, whereas, just by way of example, they can store 300 percent in Missouri.

When water shows up here, we have a limited amount of ability to store it and use it. So there are times when like earlier this summer we had that—we had a pretty good snowpack this year and then incredibly high temperatures in June. And you get a lot of runoff at that point. And the goal is to try to maximize energy production because that's the lowest cost resource, while meeting our fish and wildlife responsibilities. So at those points it makes sense sometimes to scale back and use some of your thermal resources, nuclear, coal, whatever it might be, in order to be able to get the maximum amount out of the hydrosystem.

Mr. HASTINGS. As I understood Sid to say, it's kind of hard to do that, so I just made that observation. Just out of curiosity, was one of those times during the summer spill last year.

Mr. WRIGHT. I can't answer that question for the record. I can't recall.

Mr. HASTINGS. Just wondering. You know I'm very critical of the summer spill for what it accomplished. And if that happened, that

could cause some problems with the nuclear plant and it shows how silly the whole idea of summer spill is. Anyway, thank you, Steve. My time's up. Thank you very much for your testimony and for being here. And of course your full statement will appear in the record.

Mr. WRIGHT. Thank you very much. And I will instruct Bill Maslen to answer any further questions.

Miss MCMORRIS. OK. We'll continue down the panel. Ms. Durham-Aguilera.

STATEMENT OF KAREN DURHAM-AGUILERA, DIRECTOR OF PROGRAMS, NORTHWESTERN DIVISION, U.S. ARMY CORPS OF ENGINEERS

Ms. DURHAM-AGUILERA. Aguilera like the singer. Miss McMorris, Mr. Hastings, I'm very pleased to be here today. I'm going to try to define my remarks with what's of concern here today. And that's the role of the hydropower system, its affect on power rates, its affect on people and the environment.

The U.S. Army Corps of Engineers has several responsibilities. We have a responsibility to operate the system for multipurposes, and that's flood control, irrigation, navigation, hydropower, recreation, and water supply. So we operate for the benefits of people. We also are charged to do that in a cost-effective way.

We also have a responsibility to operate the needs of salmon for the benefits of the environment. Significant investments have been made and we're seeing significant improvements. Adult salmon and steelhead passage and survival through the system is now about the same rate as the—River. Juvenile passage in the Snake River is—as when there were just four dams on the lower Columbia and Snake River. We continue to ensure that we keep these gains we worked so hard to get.

So our focus on the recent passage and on improved juvenile passage is using a combination of bypass systems, spills, and the barge transport. So that also means a responsibility to be able to adjust, adjust to the needs of fish. Sometimes we cut back on power to provide spills. Sometimes we release stored water that we'd rather keep for recreation.

In 2005 we came under a preliminary injunction to provide additional summer spill. In our 2006 operation we were able to do a spread the risk approach. There was a combination of about 50 percent in river and about 50 percent in transport for juveniles.

So what's our focus now? It's surface passage. If you've been out to Lower Granite, you've seen the spillway. We also are currently working on the design and construction now to have another RSW in place in Lower Monumental by next spring. And we have plans for these along the river. These are good for fish. They use about a third to one-fifth of the water in a traditional spill and costs 15 to 20 million apiece. That cost is quickly recovered by the energy savings.

The Army Corps of Engineers is engaged in other nonhydro activities. We continue working with NOAA Fisheries, the State, the Tribes, especially in Oregon and Washington, to address the sea lions of Bonneville. This year we installed something called sleds at entrances to fish ladders and they keep the sea lions out. They

work pretty well. One persistent sea lion was able to get through until it got too fat.

What's our future focus? It's the regional partners working together in that "all H" approach, habitat, hatchery, harvest, and hydropower. The U.S. Army Corps of Engineers will continue to do our part and work with you, work with our tribal state, and other Federal partners, to find the best solutions for the regions. I'll be happy to take questions when you're ready.

[The prepared statement of Ms. Durham-Aguilera follows:]

Statement of Karen Durham-Aguilera, Director of Programs, Northwestern Division, U.S. Army Corps of Engineers, Department of the Army

Members of Congress and distinguished guests, I am pleased to provide this statement addressing U.S. Army Corps of Engineers (Corps) activities to protect and restore Columbia River Basin salmon and steelhead stocks listed under the Endangered Species Act. The Corps appreciates the support of Congress and the Northwest delegation for salmon activities. The federal agencies continue to have good news to report on these ongoing efforts.

The Corps and Bureau of Reclamation operate the Federal Columbia River Power System (FCRPS) dams in concert with Bonneville Power Administration (BPA) which markets power produced at the dams. Congress authorized the dams in the system for multiple purposes; we operate to provide these purposes along with our operation for protection of fish.

The hydropower system, while a critical part of our efforts, is just one part of the salmon life-cycle. The federal agencies, tribes, states, and local interests are also making habitat improvements, better managing hatcheries and harvest and continuing predator control efforts. We have made much progress in hydro improvements, and we realize that further gains at the dams for adult and juvenile fish survival will be measured in small increments. We continue to look for hydropower system improvements that make biological and economic sense. We note that further investing in improvements to the other H's—habitat, hatchery, and harvest—could bring bigger dividends.

The Corps works in partnership with the other federal agencies in the region, and with a variety of technical and policy input from tribes, states, and others; salmon protection and recovery is very much a regional effort. Currently, in response to a court order, we are also engaged with Bureau of Reclamation, BPA, National Oceanic and Atmospheric Administration (NOAA) Fisheries Service, seven tribes and four states in an intensive collaboration effort. Our goal is to design a plan for the next ten years or so for a federal approach to salmon protection and recovery in the Columbia River Basin.

Adult Fish Passage and Survival at the dams

Adult fish ladders at the dams provide good passage survival for adult fish returning up river to spawning areas. All of the eight Corps lower Columbia and Snake river dams have at least one adult fish ladder. Over the years we have made many improvements to the adult passage facilities, such as providing better "attraction" flows and current efforts to reduce stress to adult fish that are sampled for research.

Through research we now know that adult survival on a per project basis is about 98 percent for each "evolutionarily significant unit," or ESU, of listed salmon and steelhead migrating past the dams. In its 2004 biological opinion on FCRPS operations NOAA Fisheries compared these survival results to a rate of mortality that might occur if the reservoirs and dams were not present and concluded that "adult survival through the FCRPS is similar to survival under unimpounded conditions in the Snake and Columbia Rivers."

In recent years, technology for monitoring adult passage has improved, allowing us to better monitor adult passage patterns, timing and other fish behavior at the dams. For example, we now have adult Passive Integrated Transponder, or PIT, monitoring capability at Bonneville, McNary, Ice Harbor and Lower Granite dams. As a result of these improvements, we are able to make operational adjustments at several dams to better optimize conditions for adult migration.

While the news on adult passage is very good, we need to continue to focus on a few aspects of adult passage and research. Continued progress means maintaining certain features such as auxiliary water supply systems for the fishways. Continued funding for operation and maintenance of fish facilities along with the BPA shared costs will be essential to further progress of salmon protection and recovery.

One concern we are addressing is "fallback," where adult fish travel back through the dam after exiting the ladder above the dam. We know that fish can "fall back" over spillways, through juvenile passage systems, or through turbines at the dams. The rates of fallback vary among species, individual dams, and with operating conditions. This is normal behavior for fish moving through the Columbia River, that is, fish move up and down various reaches before returning to natal streams or hatchery of origin. However, it is important that we minimize any adverse effects of downstream adult fish passage at the dams. For example, fallback at the spillways may cause injury and delay, resulting in reduced number of adults to spawning areas. The Corps looks for operational strategies that avoid fallback, such as prioritizing power production at the Second Powerhouse at Bonneville Dam before using the First Powerhouse where there is increased fallback through the spillway.

Pinnipeds

Sea lion predation is another concern for adult fish migrating past Bonneville Dam in the spring.

Since the early 2000's, the Corps has observed a spring migration of sea lions to the area below Bonneville Dam, nearly 140 miles from the Columbia River estuary. Generally arriving in mid- to late-February, the predominantly male California sea lions feed on adult salmon, steelhead and other anadromous fish returning upriver to spawn. The sea lions return to Southern California for mating season in late May and June. The amount of fish eaten by sea lions (and other pinnipeds, namely, Stellar sea lions and harbor seals) increased from 0.4 percent (1,010 fish) of the total spring salmon run in 2002 to 3.4 percent in 2005 (2,920 fish). Corps staff observations estimated that some 50 to 60 fish were eaten per day by the sea lions near the dam in 2005. Preliminary data for 2006 indicate about 2.5 percent of the spring salmon run, or around 2,700 fish, were consumed by the sea lions. The estimated number of pinnipeds for 2003, 2004 and 2005 was 111, 105 and 87, respectively. The 2006 estimate is 85. The average number observed on a given day was 21 in 2005 and 27 in 2006.

In cooperation with NOAA Fisheries and the Oregon and Washington fish and wildlife departments, we use a variety of harassment techniques—above-water pyrotechnics, underwater acoustics and others—to discourage the sea lions.

In 2004, for the first time, a sea lion went into a fish ladder at Bonneville Dam. In 2005, several sea lions entered the ladders and one of them, named C404, showed up in the fish counting windows. To address this problem we installed Sea Lion Exclusion Devices, or SLEDs, in the ladder entrances. The Corps worked with other regional state and federal agencies to design, install and test the SLEDs for use in early 2006. The SLEDs consist of individual gates at the entrances to the dam fishways meant to exclude pinnipeds but allow fish passage. For the most part the SLEDs have proved effective, although C404 managed to get past them at the beginning of the season.

Each gate is between 10 and 15 feet wide and 30 to 36 feet tall, and weighs over 10,000 pounds. They can be installed at the beginning of the sea lion "season" and removed when the sea lions go back to California.

We will continue to work with our federal and state partners to address the sea lion issue.

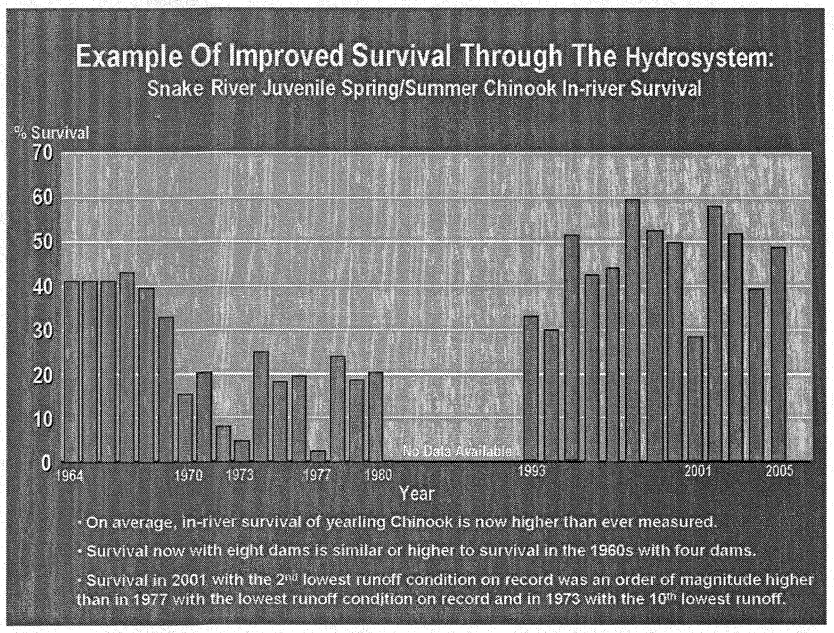
Juvenile Fish Passage

The bulk of investment in fish passage at the eight lower Columbia and Snake river dams over the past several decades has been for improved juvenile fish passage, mostly aimed at avoiding passage through the powerhouse turbines. There are three primary non-turbine juvenile passage routes at the dams: screened juvenile bypass systems; spill passage; and transport, where fish are collected at the bypass systems for transport by barge or truck from one of the four "collector" dams (Lower Granite, Little Goose, Lower Monumental and McNary).

The Corps installed screened juvenile bypass systems at seven of the eight dams during the 1980s and early 1990s. Following extensive biological evaluations, many of these facilities have undergone significant improvements. In the mid-1990s we began to implement spill to improve juvenile passage through the lower Snake and Columbia river dams. The combination of screened bypass systems and spill greatly improved juvenile survival past the dams for most populations.

NOAA Fisheries data (see bar chart) indicates that survival for spring and summer Chinook traveling in-river has improved to the point that it is now comparable to that of the 1960s when there were only four dams in the lower Columbia and Snake rivers. Survival through the hydro system in recent years ranges from 30 to 60 percent depending on water conditions and other factors. In-river migrants pass

the dams by means of the juvenile bypass systems, or through the dam spillways or turbines.



At the four collector dams, juvenile salmon and steelhead collected in the bypass systems can be transferred into specially designed barges and trucks for transport past the remaining dams, to a release point downstream of Bonneville Dam. The survival rate for transported fish is about 98 percent to point of release, although ongoing research is attempting to determine any delayed effects after the fish are released downstream from Bonneville Dam and whether these effects can be minimized. The Corps has operated a juvenile fish transportation program since the 1970s, to reduce the number of dams and reservoirs juvenile fish must negotiate in their migration to the ocean.

Surface bypass systems and Removable Spillway Weirs (RSWs)

Recent efforts to further improve in-river survival for juvenile fish have focused on surface oriented passage. Most juvenile salmon tend to stay in the upper 10 to 20 feet of the water column as they migrate downstream to the ocean. When approaching the dams, juvenile fish need to dive to depths of 50 to 60 feet to find passage routes such as a spillway opening or a juvenile bypass channel. For several years, engineers and biologists have been pursuing new technologies that would provide more surface-oriented, less stressful, passage routes for juvenile fish.

One of the new surface passage technologies is a removable spillway weir (RSW), or "fish slide," that fits inside a dam spillway and allows juvenile fish to pass near the water surface under lower accelerations and lower pressures. It has the potential to improve juvenile fish survival, save money (through decreasing spill, allowing more power generation), and improve water quality (by reducing gas supersaturation). As water is spilled over the weir, juvenile salmon and steelhead are carried over a raised spillway crest, similar to a waterslide. In tests of an RSW installed at Lower Granite Dam on the Snake River, juvenile fish that used the slide survived at similar or better rates than through a conventional spillway—about 94 to 98 percent survival depending on test conditions—and had reduced delay above the dam so that they were less susceptible to predators. While the slide attracted about the same number of fish, only about one-fifth as much water was spilled. A fish slide installed at Ice Harbor Dam in early 2005 delivered good test results that year with 97-99 percent survival. Lower Monumental Dam will have an RSW by 2007 and Little Goose Dam is scheduled for RSW installation by 2009. We also expect to have a prototype weir at McNary dam by 2009.

At Bonneville Dam on the lower Columbia River, a Corner Collector has been constructed at the Second Powerhouse to provide another type of surface passage. The ice and trash chute at the powerhouse was modified for safer passage, and a 2,800-foot long transport channel and 500-foot long outfall channel were constructed. Tests in 2004 and 2005 indicate a survival rate of nearly 100 percent for spring Chinook, steelhead and fall Chinook through the Corner Collector, and a 94-99 percent survival rate, depending on the species, through all passage routes combined at this dam. At The Dalles Dam, a spill wall was completed in 2004, designed to move juvenile fish more quickly and safely downstream once they passed through the spillway with a two to four percent survival improvement. Surface passage systems and improvements are planned for all four of the lower Columbia River dams within the next several years.

Spill and Transport

Besides making improvements at the dams, we provide operations to aid juvenile migration, such as spill, transport, flow augmentation (release of water from upstream storage dams) and cold water releases (to moderate temperatures in the river). When spill for fish is provided, water is routed through spillway openings rather than through turbines to generate power, or rather than being used for other purposes. Under biological opinions from NOAA Fisheries, the Corps has provided spill and juvenile fish transportation in a combination designed and modified to provide an optimum mix for getting the best return of adult fish.

A complicating factor in operating for improved fish survival is that studies show various salmon species respond differently to different strategies. For example, the timing of fish migration and species of fish may make a difference as to whether the fish would fare better traveling in-river or in a transport barge. And there is more information available for some stocks of fish than for others.

Spring Spill

Each year the Corps provides spring spill for fish at all eight lower Columbia and Snake river dams beginning in early April. In 2006, as an adaptive management action based on data from transport operations research, the Corps proposed to maximize transportation of juvenile fish in late spring to improve adult return numbers. This would require curtailing spill at the collector projects. However, a court order for 2006 operations directed full spring spill be provided. We are continuing research to gather more information on this issue.

Summer Spill

Prior to 2005, the Corps did not spill at the four transport collector projects in summer, so that we could maximize transport of juvenile Snake River fall Chinook.

In 2005, in response to a court order, the Corps provided additional summer spill and less transport of fish. The Corps used the opportunity to do additional research on fish passage survival including performance of the removable spillway weirs at Lower Granite and Ice Harbor dams. Results, as summarized in an "after action report," indicate that "juvenile fish left in the river during the spill operation showed high rates of survival at the dams through the Snake River and McNary dams with survival ranging from 86 percent to 96 percent based on the results from the radio tracking studies."

The best available scientific information now indicates summer transport "neither helps nor harms" Snake River fall Chinook. Our current program for summer operations is to achieve a goal of optimum adult returns through two objectives: 1) manage spill and powerhouse operations at all eight dams for optimum juvenile fish survival past the dams and 2) spill and bypass collection at the collector projects to achieve a "spread-the-risk" distribution of about 50 percent transported juvenile fish and 50 percent in-river migrants.

Avian Predation: Caspian Terns and Cormorants

Caspian terns and cormorants consume large numbers of juvenile salmon and are a major cause of mortality of ESA-listed fish. The program to redistribute Caspian terns from Rice Island in the Columbia River Estuary to East Sand Island nearer to the ocean has yielded good results. The intent of the redistribution was to shift the terns' diets away from mostly salmon and toward a wider variety of fish. Caspian tern predation on juvenile salmonids in the Columbia River estuary has been reduced from a range of 7 to15 million in 1999 to about 3.6 million in 2005 by moving these birds downstream nearer the ocean where they feed less heavily on juvenile salmon and steelhead. A Tern Management Final Environmental Impact Statement jointly prepared by several agencies recommends that two-thirds of the Caspian terns be further redistributed across alternate sites in Oregon and California.

The agencies are now considering management actions to address a greatly increased population of double-crested cormorants in the Columbia River estuary. The population increased from around 100 birds in 1989 to about 12,500 breeding pairs in 2005 nesting on East Sand Island. Although salmonids make up only about 5 percent of their diet, the cormorants consumed an estimated 6.4 million of these juvenile fish in 2005.

Funding of Corps fish programs

The Corps implements a total annual program of about $140 million for capital improvements for fish passage and operation and maintenance of fish facilities.

Construction of fish facilities and improvements to these facilities, and associated analysis and overhead, is funded by Congressional appropriations in the Columbia River Fish Mitigation (CRFM) project. BPA reimburses the U.S. Treasury for the "power share" of the expenses using ratepayer funds. For Columbia River Basin salmon and steelhead capital expenditures, this averages about 80 percent of the total. The power share of operations for fish and maintenance of fish facilities is direct-funded by BPA; Congressional appropriations provide the 20 percent matching funds. In 2006, $33 million was direct funded for this purpose. In 2006, the Corps was appropriated about $11 million for this purpose.

The CRFM project was initiated in 1988 to focus efforts on improving fish passage systems at the eight lower Columbia and Snake river dams, as part of the continuing mitigation for construction of the dams. Many successful improvements to dam fish passage have been made since, and many more are being studied and implemented. The estimate to complete this project is approximately $1.6 billion; by the end of FY05 about $1 billion had been spent.

The Corps has completed numerous individual projects under CRFM. These include major improvements to the juvenile fish bypass systems at seven dams such as extended length bypass screens; juvenile fish monitoring capability at Bonneville, John Day and Ice Harbor dams; Removable Spillway Weir surface passage at Lower Granite and Ice Harbor dams; Bonneville Dam Second Powerhouse Corner Collector for juvenile fish passage; adult Passive Integrated Transponder (PIT) tag detection facilities at several dams; and spillway flow deflectors at most dams. Considerable research on fish passage has also been completed, as well as evaluation of long term configuration and operation options such as the Lower Snake River Juvenile Salmon Migration Study which looked at breaching the four lower Snake River dams.

About $40 million annually is expended for operation and maintenance of juvenile and adult passage systems, and operation of the Juvenile Fish Transportation Program. Operation and maintenance is critical for providing reliable adult and juvenile passage.

Summary

Thank you for the opportunity to provide an update on the progress we have made for fish survival and recovery in recent years. The dams in the Columbia River Basin provide many benefits to the region, including flood control, navigation and power, but there are trade-offs. As the Federal stewards of these benefits, we recognize our tremendous responsibility to continue to work with the region to find a way forward that is good for the fish and for people. We believe the current life-cycle approach to salmon protection and recovery, with a region-wide effort to address habitat, hatcheries, harvest and hydropower impacts, is the best approach for bringing these fish back to sustainability. The Corps will continue to do its part, and work with you, the relevant Federal agencies and entities, and with the region to find the best balance and provide the best results.

Miss MCMORRIS. Very good. Thank you for being here. Ms. Hirsh.

STATEMENT OF NANCY HIRSH, POLICY DIRECTOR, NORTHWEST ENERGY COALITION, SEATTLE, WASHINGTON

Ms. HIRSH. Good morning. Thank you for the opportunity to testify before you today. The Energy Coalition is an alliance of more than 100 consumer, environmental, faith-based and low-income groups, unions, and electric and gas utilities from the four Northwest states and British Columbia, all working toward a clean and affordable energy future.

[Discussion held off the record.]

Ms. HIRSH. The Columbia River houses and helps make the Northwest what it is today, providing low-cost hydroelectricity, a river highway for transporting goods, irrigation, and recreational opportunities. This share of natural resources deserves a better balance between hydroelectric operations and salmon recovery than we have to date. More, not less, should be done to balance the scales.

We can achieve salmon recovery without losing our competitive edge in the electricity industry. We can and should achieve this balance because we are all stewards of the Columbia River system. It's important to make clear that Federal taxpayer and electricity ratepayer investments in salmon recovery are not made in a vacuum. These dollars are put to work helping to sustain and rebuild a very important asset in the Northwest economy.

Sport fishing is a multi-billion dollar industry in the region and currently supports about 36,000 family wage jobs. Commercial fishing contributes about $84 million a year to economically strapped coastal communities. Smart investments in salmon recovery simply makes economic sense for the entire region.

Too often balancing salmon and low-cost energy is portrayed to the public as a tradeoff. The perception is that we cannot have our cake and eat it too. Yet the Northwest need not make that difficult choice. The rate increases resulting from the energy crisis were not in any way due to increased fish and wildlife investments.

According to the General Accounting Office, BPA's recent rate hikes were the result of its commitment to provide more power than it could generate during the West Coast energy crisis and drought of 2001. BPA should be commended for the aggressive steps the agency has taken to get us out of the red.

Though the effects of 2001 are still lingering, BPA's rates have come back down. This is good news and a credit to our ability to balance salmon and energy that even with increased salmon recovery measures like spill, BPA has still been able to keep electricity rates affordable and competitive.

BPA's proposed rates for the Fiscal Year '07 and '09 rate period will be around $28 a megawatt hour. I should note that wholesale market prices are about $45 a megawatt hour. And, clearly, the Northwest still enjoys among the lowest electricity rates in the country, even with salmon recovery efforts. Our electricity raises the envy of other parts of the U.S., and that's something to be proud of.

Would we be able to lower rates if not for salmon recovery operations? Without a doubt. We could also eliminate the residential exchange program for customers that invest in our utilities, or eliminate all sales to the aluminum industry. Those cost savings would certainly lower rates faster.

But these are not choices within our power to make, nor are they choices that would aid the Northwest economy as a whole. As the coalition endures low-income community and consumer organizations as members, we are very aware of the sensitivity to rising energy costs and the effects on the general and on financially constrained low and fixed income families in particular.

This region has an abundance of resources such as energy efficiency, wind, and biomass that can help keep rates low, while at

the same time provide more flexibility for salmon recovery. Energy efficiency and conservation reduces consumers' bills immediately, and everyone's does over time. Both energy efficiency and new renewable resources protect consumers against the volatility of fossil fuels, recurring water shortages, and any future costs related to carbon dioxide emissions.

These low-cost resources can meet the low growth we have in the region, thereby, reducing pressure on the Columbia River hydrosystem to generate more power.

Finally, I'd like to say a quick word about H.R. 4857. Our coalition has testified on this bill before, so I'll be especially brief. In general, the Energy Coalition believes the transparency of BPA's cost is a laudable goal. More access to information is always the right goal, but there must be full and honest accounting to inform the public properly. We do not believe that 4857 would ensure that fair accounting. The most open aspect of this legislation is that it would modify the inclusion of indirect costs.

BPA does not own the river. It shares the river with all other users like the Tribes and sport and commercial fishermen.

In conclusion, the Northwest has reasonable electricity rates. Would we like to lower them more? Who wouldn't? But what we don't have is a healthy sustained wild salmon. We need to do more to achieve balance. I hope that the region will approach the question of balance and low-cost energy, the question of balance between low-cost energy and salmon recovery with a broader perspective. We can have a win-win solution by effectively balancing affordable electricity bills and salmon recovery. Thank you very much.

[The prepared statement of Ms. Hirsh follows:]

Statement of Nancy Hirsh, Policy Director, NW Energy Coalition

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to testify before you today. My name is Nancy Hirsh and I am the policy director of the NW Energy Coalition. The NW Energy Coalition is an alliance of more than one hundred consumer, environmental, faith-based and low-income groups, unions and progressive utilities from the four Northwest states and British Columbia, working toward a clean and affordable energy future. I am testifying today on an issue that goes to the very identity of the Pacific Northwest: affordable electricity and wild salmon.

The Pacific Northwest has been blessed with something that no other region can call its own: the Federal Columbia River Power System. This system of 31 dams throughout the Columbia River Basin has helped make the Pacific Northwest what it is today, providing low cost hydroelectricity, a river highway for transporting goods, irrigation, recreational opportunities, and more. Since the construction of the very first federal dam on the Columbia, we as a region have attempted to balance the benefits of that system. It is a "multiple use" system and inherent in that definition is managing trade-offs on both benefits and impacts.

But the bounty of the federal system does not come to us for free. No one would argue that the construction and operation of dams along the Columbia and Snake rivers hasn't had a profound effect on our cherished wild salmon and steelhead runs. My testimony today asserts that we can and should find a better balance between hydroelectric operations and salmon recovery than we have to date. But unlike many on today's panel, I believe it is on the salmon side where more, not less, should be done to balance the scales. I also believe we can achieve salmon recovery without losing our competitive edge in the electricity industry. This is our obligation, and our burden, as stewards of the Federal Columbia River Power System (FCRPS).

Summary

- Salmon are a linchpin of the Pacific Northwest economy

- Energy vs. salmon is a false and unnecessary choice
- Clean energy investments can help us achieve both
- Higher-than-normal BPA rates are not the fault of salmon recovery
- The Energy Coalition supports BPA cost transparency, but H.R. 4857 is the wrong approach

I. The Economic Importance of Salmon Recovery

We all know the economic significance of affordable electricity rates for everyday consumers, businesses, and others. But a "working river," as the Columbia is often called, does more than just provide affordable energy. I'd like to focus briefly on something that is not as well known and less well understood: the economic significance of salmon recovery.

According to the Northwest Sportfishing Industry Association, sportfishing alone is a multi-billion dollar industry and currently supports about 36,000 family wage jobs in the Pacific Northwest.[1] Stretching far beyond tackle and fishing license sales, recreational fishing involves both direct spending on rods, reels, boats, tackle, etc., and significant indirect spending, such as travel expenses in and around river and coastal communities. This economic input ripples through local communities, helping to foster jobs, economic stability and growth.

Commercial fishing is another important economic outgrowth of salmon recovery. According to the independent economic arm of the Northwest Power and Conservation Council, commercial fishing contributes about $84 million per year in personal income alone to economically strapped ocean communities in the Northwest.[2] And all this comes at a time when fishing opportunities are severely constrained by low salmon returns. These benefits will multiply exponentially when, and if, salmon are recovered to self-sustaining, harvestable populations.

That's why the NW Energy Coalition strongly believes that smart investments in salmon recovery simply make economic sense for the Pacific Northwest.

II. The False Choice Between Salmon and Low-Cost Energy

Too often, balancing salmon and low-cost energy is portrayed to the public as a dichotomy. The perception is that we cannot have our cake and eat it too. However, the Pacific Northwest need not make that difficult choice. We can have both salmon and low-cost energy, and we hope everyone in the room today agrees with that point.

In fact, taking a step back and looking at this issue from a national perspective, one can make a strong argument that the scales are currently heavily tipped in favor of low-cost energy. If true balance is to be achieved, perhaps it's time to do more, not less, for our imperiled salmon populations.

The fact of the matter is that the Pacific Northwest currently enjoys among the lowest electricity rates in the country, thanks in large part to the benefits of the FCRPS. The Bonneville Power Administration's (BPA) wholesale preference rates are currently 59 percent below the market rates that BPA has assumed for FY 2006 in the current BPA rate case. On average, Bonneville would be 41 percent below the lower market rates it projects during the rate period.[3] BPA just established firm wholesale power rates at $27.50 per megawatthour for FY07-09 rate period. Market based wholesale firm power contracts are $45-55 per megawatthour.

It is critical to point out that these comparisons include all of the current fish and wildlife costs and impacts on BPA power operations. Clearly, our energy rates are higher now than in the past, and the Coalition supports BPA's efforts to find cost savings that do not jeopardize the long-term stability of the agency. We hope our rates will remain under market rates. But even with fish and wildlife costs included, BPA power is significantly below market rates, and is, in truth, the envy of other parts of the country. That's something to be proud of. Business leaders and farmers from California or New York, where energy prices are through the roof, might wonder what all the fuss is about.

We have reasonable electricity prices. What we do not have is healthy, self-sustaining wild salmon, and we have a long way to go before reaching that goal.

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[1] Testimony of Liz Hamilton, Executive Director, Northwest Sportfishing Industry Association, before the U.S. House of Representatives, Subcommittee on Water and Power, Field Hearing, Clarkston, WA, June 6, 2005.

[2] Independent Economic Analysis Board, Economic Effect from Columbia River Basin Anadromous Salmonid Fish Production, January 2005. (Document IEAB 2005-1)

[3] Declaration of Roger Schiewe of BPA, in National Wildlife Fed'n, et al, v. NMFS, et al., spreadsheet entitled "River Ops, Genesys," November, 2005.

III. Clean Energy Can Help Bridge the Gap

I share the concerns about rising energy costs and their effects on our region's economy in general and on financially constrained low- and moderate-income families in particular. Fortunately, I believe that there is a solution that can help keep rates low while at the same time providing more flexibility for salmon recovery: investments in cost-effective energy efficiency and non-hydro renewable power.

Investments in energy conservation programs may increase rates slightly, but would reduce consumers' actual bills immediately and everyone's bills over time. The Northwest Power and Conservation Council's Fifth Power and Conservation Plan identifies 2,500 average megawatts of energy conservation potential in the region at an average cost of 2.4 cents per kWh.[4] The Council also says that if the region does not capture these energy savings, we will lose $2.4 billion in economic benefit over the next 20 years.[5]

Likewise, renewable energy not only protects consumers against the easily seen volatility of fossil-fuel resources and inevitably recurring water shortages, but also against the coming penalties/fees on carbon dioxide emissions. To protect consumers from the financial impacts of these uncertainties, BPA needs to facilitate and support renewable energy opportunities.

The NW Energy Coalition thanks BPA for proposing to meet the Council's energy efficiency targets, but we believe BPA's energy efficiency goals should be higher and remain concerned about whether the needed investments will be made. This is an opportunity that the region cannot afford to pass up.

IV. Higher Than Normal Electricity Rates Aren't Due to Salmon Recovery

Again, looking at this issue from a broad perspective, it becomes abundantly clear that higher than normal electricity rates in the Northwest are not in any way due to increased fish and wildlife investments. Obviously, salmon recovery has an impact on rates, but not nearly to an extent that is beyond the burden we must bear to maintain the benefits of the FCPRS in the Pacific Northwest.

In a report to the House Appropriations Subcommittee on Energy and Water, the U.S. Government Accountability Office (GAO) found that the major cause of BPA's recent cost increases was the agency's "open-ended obligation to be the net provider of wholesale power to the region" at a time when the 2001 west coast energy crisis and a serious drought was about to hit.[6] This obligation, along with significantly increased customer demand, "led to BPA's overcommitment to provide power to its customers in the current rate period—from Fiscal Years 2002 to 2006—and consequently, to BPA's cost increases as it purchased large amounts of power at average prices much higher than the costs of the federal power system."[7] As a result, BPA spent approximately $900 million in Fiscal Year (FY) 2002 and $760 million in FY 2003, necessitating a rate increase of more than 40 percent for the majority of BPA's customers.[8]

The effects of 2001 are still lingering, though BPA should be commended for the steps the agency has taken to get us out of the red. The agency's mid-year forecast this year shows revenues about $250 million over the start of the year projections, bringing BPA close to breaking even for the mistakes of the past.[9]

Would we be able to make up more ground faster if not for salmon recovery obligations? Without a doubt. We could also eliminate the residential exchange program for customers of investor-owned utilities or eliminate all sales to the aluminum industry. Those cost savings would certainly lower rates faster. But these are not choices within our power to make, nor are they choices that would aid the Pacific Northwest economy as a whole.

The point is that we are moving in the right direction. It is good news, and a credit to our ability to balance salmon and energy, that even with increased salmon recovery measures like "spill," BPA has still been able to keep electricity rates affordable and competitive. In fact, in 2005, only eight days after the end of the

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[4] Northwest Power and Conservation Council, The Fifth Northwest Electric Power and Conservation Plan, May 2005. (Council Doc. 2005-7)

[5] Id.

[6] United States Government Accountability Office, Report to the Subcommittee on Energy and Water Development, Committee on Appropriations, House of Representatives, Bonneville Power Administration: Better Management of BPA's Obligation to Provide Power Is Needed to Control Future Costs, July 2004. (GAO-04-694)

[7] Id.

[8] Id.

[9] Bonneville Power Administration, News Release: BPA mid-year forecast shows higher revenues; Agency regaining financial strength, May 1, 2006.

court-ordered summer spill period, BPA announced that it would be reducing its 2006 wholesale power rates by nearly 2 percent.[10]

Despite all the rhetoric and political jockeying, salmon recovery obligations are not the most significant driver of BPA's fiscal health. These obligations, which we are required to meet by federal law, represent just a small fraction of BPA's overall $3.3 billion budget.

Nevertheless, I take rising electricity costs seriously, and I am not here today to argue that all is fine and dandy in the world of Northwest energy. Higher-than-normal electricity and natural gas rates have a real impact on consumers, particularly on low-income families. The NW Energy Coalition has long supported increased investments in low-income weatherization and we thank BPA for increasing its commitment to this program to $5 million. We urge you to support the full $5.1 billion annual authorization in the Energy Policy Act of 2005 for the Low Income Home Energy Assistance Program for 2007 and 2008.

V. H.R. 4857 is Not the Answer

Finally, I'd like to say a word about H.R. 4857, the Endangered Species Compliance and Transparency Act of 2006. Sara Patton, executive director of the Coalition, appeared before the Committee on Resources in March of this year to outline our concerns with this legislation.[11] I will briefly restate portions of her testimony here.

In general, the Energy Coalition believes that transparency of BPA's costs is a laudable goal, but there must be a full and honest accounting to inform the public properly. H.R. 4857 raises a number of concerns because we do not believe it would ensure that fair accounting for the following reasons:

- The bill is unnecessary: the information is already readily available from BPA, and utilities are free to inform their customers if they wish.
- BPA's fish and wildlife funding is required by a number of federal laws and treaties; separating out Endangered Species Act (ESA) costs would be difficult or impossible.
- Proposals to include foregone revenue in these costs imply that BPA can claim savings for violating federal laws, and that BPA owns the Columbia and Snake Rivers.
- Meaningful economic transparency should address both costs and benefits. H.R. 4857 only examines perceived costs.
- The definition of the firm customers' share of BPA's ESA costs can be interpreted in different ways, leading to starkly different conclusions. If not done correctly, such accounting fosters more confusion than transparency.

I'd like to focus specifically on one aspect of this legislation: the requirement that BPA and other Power Marketing Agencies include "foregone generation" as indirect costs in their Endangered Species Act-compliance calculation (Section 2").

"Foregone revenue" in this context refers to the cost of foregone generation; that is, the money BPA speculates it could have made if it did not have to operate the river to assist salmon migration. Requiring that BPA consider as a "cost" the revenues or profits that a business or agency could have made if it had violated federal laws, regulations, or court orders is a curious accounting concept, to say the least, and H.R. 4857 would set a dangerous precedent by codifying it in federal law.

BPA already readily reports its foregone revenue due to fish and wildlife obligations. Unfortunately, doing so grossly distorts the actual monetary contribution BPA expends on salmon recovery, amounting to over 50 percent of the agency's fish and wildlife investments (if foregone revenue can properly be deemed an investment). BPA does not, however, report any of the other various revenues that the agency foregoes, such as those associated with meeting other legal constraints on power generation like providing irrigation water, flood control, maintaining minimum flow depths for river transportation, limiting rapid variations ("ramping"—which can damage streambeds and banks) in flow rates, or recreation. All of these other federally mandated purposes limit the FCRPS's ability to generate electricity and reduce BPA's potential revenue. Hence, to be consistent, BPA would need to count them as "costs" as well.

In fact, it is difficult to draw a clear line between what does and does not constitute "foregone revenue," if one looks beyond the uses of Columbia Basin water. For example, BPA currently makes annual payments totaling hundreds of millions of dollars for failed nuclear plants that were never constructed. Using BPA's logic,

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[10] Bonneville Power Administration, News Release: BPA announces wholesale power rate decrease, September 8, 2005.

[11] Testimony of Sara Patton, Executive Director, NW Energy Coalition, before the U.S. House of Representatives, Committee on Resources, Regarding H.R. 4857, the Endangered Species Compliance and Transparency Act of 2006, March 16, 2006.

shouldn't these payments be considered "foregone revenue" because every penny spent is a penny that cannot be applied to a reduction in rates?

The truth is that BPA does not "own" the water used for spilling salmon past the dams. BPA shares the river with all other uses, including fish and wildlife. BPA is not entitled to all of the possible revenue it can squeeze out of the river, only its share. Including foregone revenue in the calculation would open a Pandora's box that would be better left closed. The NW Energy Coalition recommends that Sec. 2(c) be deleted from the bill.

VI. Conclusion

In conclusion, I hope that the Pacific Northwest as a region will take a step back and start approaching the question of balance between low-cost energy and salmon recovery from a broader perspective. We are blessed in this region as the sole beneficiaries of the FCRPS. As the stewards of this federal system, we have a moral and legal obligation to keep healthy, wild salmon in our rivers for future generations of Northwest families, and for the nation as a whole. Salmon recovery is a part of that responsibility, but it is also a tremendous benefit. Salmon recovery obligations do not now, and will not in the future, pose a threat to affordable electricity.

Miss MCMORRIS. Thank you. Ms. Flores.

STATEMENT OF TERRY FLORES, DIRECTOR, NORTHWEST RIVERPARTNERS, PORTLAND, OREGON

Ms. FLORES. Good morning. I'm Terry Flores, Executive Director of Northwest RiverPartners, and I want to thank both of you for the opportunity to come and comment today. I'm going to talk a little bit about RiverPartners and our efforts to work collaboratively on a new biological opinion. And then I do want to describe for you why we so strongly support the legislation, H.R. 4857.

So, first, RiverPartners is a nonprofit association. We represent a broad coalition in the Pacific Northwest that includes agricultural interests, utilities, both public and private, industries, and ports.

This hearing today couldn't be more relevant to my members and our mission. We want to find solutions that will preserve the multiple uses of the Columbia and Snake Rivers for regional businesses and families, while also promoting efficient, cost-effective salmon protection and recovery.

RiverPartners' mission is fourfold. It is about finding salmon solutions that are, one, achieved via collaboration and not controversy; two, are based in sound science not advocacy science; three, are cost effective with demonstrable benefits for fish and are focused on salmon protection and recovery and not salmon rhetoric.

To accomplish this mission, we do not need to bankrupt the region, nor do we need to remove dams as some on the fringes continue to suggest. We do need, however, to ensure that a comprehensive approach is taken to salmon recovery, one that includes all aspects of the salmon's life cycle and addresses habitat, harvest, hatcheries, and hydro. You've already heard this morning from a couple of witnesses that the hydrosystem is reaching its limitations.

To that end, RiverPartners is working very hard to bring people together to reach reasonable, timely, and workable solutions. We're currently involved in the effort to develop a new biological opinion, working through a regional coalition. That coalition includes the states of Washington, Montana, and three up-river Tribes, the Spokanes, the Colvilles, and the Kootenai Tribe in Idaho.

The Coalition's fundamental goal is to remove this enormous cloud that's hanging over the region right now with continuing litigation and in essence having a Federal judge opine how to run the hydrosystem and what's best for fish. Our goal is to try and see that new biological opinion gets to them and works with the salmon and the economy.

You've already heard this morning quite a bit on the cost associated with salmon recovery. I want to tell you that RiverPartners' prime concern is how those dollars are being spent and will be spent. Frankly, recognizing that we're going to be making significant investments in salmon recovery, we want to make sure that dollars are well spent. We want accountability, and we want demonstrable results in terms of fish benefits.

You've also already heard this morning that the majority of Bonneville's costs are related to river operations, specifically providing for fisheries down to the migration period. You've heard that those costs—summer spill is an example of that. $75 million was spent. And if you read the Federal agency's after action report, there were not a lot of fish. So summer spills clearly are bad policy, very expensive, didn't provide a lot of benefits for the fish.

But I do want to mention that there are some very good examples of how well dollars are being invested. For example, the fish line at Lower Granite and Ice Harbor Dam. They're expensive but they're very effective. They're delivering an estimated 97 to 99 percent survival for spring migrating and spilling water two to three times less.

A new corner collector device at Bonneville Dam passed 7.6 million fish at a fraction of the cost of spilling water. The reality is the region has invested hundreds of billions of dollars in salmon recovery, and I think we are beginning to see some very solid results.

You've heard from Steve Wright that adult salmon in steelhead survival is 98 percent or higher at each one of the dams. That's a result of having made improvements. And despite earlier reports that salmon returns would be low this year, returns are actually looking pretty good.

So, clearly, the costs associated with salmon protection are great and the stakes for fish and the economy are high. We think it's important and fair for Northwest businesses and utility customers to understand the situation. That's why we strongly support H.R. 4857. Utilities and their customers should have an opportunity to know and understand the ongoing investment that they're making recovering salmon and steelhead. The fact of the matter is that people in the Northwest care deeply about these resources, and I believe they would appreciate knowing that they're making a substantial contribution, they're doing their part to protect these species.

We also support H.R. 4857 because more information and knowledge about the ESA will lead to better informed utilities, their customers, and the general public. And, ultimately, what we hope is better accountability for costs and how they're being incurred.

Congresswoman McMorris had already mentioned in her comments that people are very unaware in the Northwest what they're spending. That information actually came from a poll RiverPartners conducted in May of 2005, where we found over 70

percent of the respondents were not aware or thought they spent 5 percent or less on ESA and salmon costs. The reality is, depending on the serving utility, it's more on the order of 15 or 20 percent.

So, in closing, we support the legislation. We think it's good public policy. Our hope is that such knowledge will help spark greater ownership and accountability over the investments that are being made. We believe in the region that for true collaboration the region does have the opportunity to invest dollars more wisely and hopefully develop a new biological opinion that will work for the fish and the economy.

[The prepared statement of Ms. Flores follows:]

Statement of Terry G. Flores, Executive Director, Northwest RiverPartners

Congressman Hastings and Congresswoman McMorris, members of the Committee, my name is Terry Flores, and on behalf of Northwest RiverPartners I thank you for the opportunity to testify today in favor of H.R. 4857. Northwest RiverPartners is a non-profit association that represents a broad coalition of river users in the Pacific Northwest including agricultural interests, utilities, industries, and ports. Our 100-plus members are dramatically affected by current efforts in the region to recover listed endangered salmon and steelhead, through power rates and changes to river operations.

This hearing today couldn't be more relevant to my members and our mission. We are committed to finding and achieving an appropriate balance between the region's economy and salmon recovery efforts. We want to find solutions that will preserve the multiple uses of the Columbia and Snake Rivers for regional businesses and families, while also promoting efficient, cost-effective salmon and steelhead protection and recovery. During the on-going public debate about salmon recovery, little attention has been paid to the tremendous economic force of the Columbia and Snake rivers and the quality of life that they provide, which oftentimes is taken for granted.

Northwest RiverPartners Mission

RiverPartners' mission is fourfold. It is finding salmon solutions that are: 1) achieved via collaboration not controversy; 2) based in sound science not advocacy science; 3) cost-effective with demonstrable benefits for fish; and, 4) focused on salmon protection and recovery, not salmon rhetoric. To accomplish this mission, we do not need to bankrupt the region, nor do we need to remove dams as some on the fringes continue to suggest.

We do need to ensure that a comprehensive approach is taken to salmon recovery, one that includes all aspects of the salmon's lifecycle. You can't fix one link in a chain while others are broken and expect the chain to hold together. Significant efforts also must be undertaken in the habitat, harvest and hatchery arenas. It will take sincere collaboration and a willingness to explore these issues seriously, in addition to making further improvements in hydrosystem operations, for the salmon to be on a solid path to recovery.

To that end, RiverPartners is working hard to bring people together to reach reasonable, timely and workable solutions. Currently, we are very involved in the effort to develop a new Biological Opinion (BiOp) on federal hydrosystem operations, working closely with a "Regional Coalition" that includes the states of Washington, Montana, and upriver tribes: the Spokanes, the Colvilles and the Kootenai Tribe of Idaho.

The Coalition's common goal is to help ensure development of a new BiOp that is: based in sound science and uses science to resolve issues of key uncertainty, provides real benefits to listed salmon and steelhead as quickly as possible, maintains the viability of the federal hydrosystem, and withstands legal challenge. A very tall order.

However, we believe that through collaboration such as ours, with a respectful sharing of information and ideas, there is great opportunity for this new BiOp effort to be successful. It is critical that it be successful. Otherwise, the huge cloud of uncertainty that hangs over the region will continue. There will be continued litigation and a federal Judge deciding how to run the hydrosystem and what's best for the fish. Such uncertainty is bad for the economy and bad for the fish. Attorneys and consultants may benefit and it may serve as a valuable fundraising tool for some organizations, but clearly the salmon will not be saved in a courtroom.

Fish and Wildlife Costs and Benefits

On the costs associated with salmon recovery, RiverPartners' prime concern is about how dollars are currently being spent, and will be spent. For example, over $750 million annually is being invested by Bonneville Power's customers, about 25 percent of BPA's wholesale power costs. We want to ensure that what is being spent is well-spent. We are about accountability. We need demonstrable results in terms of fish benefits for dollars spent. We are about helping listed fish, not propping up various economic development projects, paying agencies' overheads or doing research projects because they make someone feel good.

If we are to truly solve the problem long-term, we must ensure that our dollars are being invested in those measures that will provide real benefits. Currently, the majority of BPA's fish costs are related to river operations, specifically providing additional flows and spills for fish during the downstream migration period, resulting in lost energy to the region.

We have learned that those costs can be huge, with uncertain benefits for the fish. For example, based on the federal agencies' October 31, 2005 "After Action Report" last year's summer spill program, ordered by Judge Redden, ran from June 20 to August 31st cost regional energy customers and businesses nearly $75 million dollars. Yet, according to the report: "a considerable portion of the 2005 run...had already passed the Snake River dams by June 20", and "nearly all of the Snake River Fall Chinook fish passed (the Snake River dams) by July 31".

Summer spill clearly is a good example of a bad policy: it was very expensive and did little or nothing to help endangered fish. It also did nothing to advance the region's understanding or the science to help resolve the debate over the best way to aid fish in their downstream migration—transportation vs. spill. RiverPartners, together with the Regional Coalition, supports implementing a comprehensive, multi-year (and no doubt very expensive study) to determine whether listed species are better off being transported or spilled, what species, and when. It is our understanding that such a study will be pursued.

That said, there are a number of examples where dollars are being invested to very good effect. For example, "fish slides" at Lower Granite and Ice Harbor dams, while expensive, are proving very effective, delivering an estimated 97-99 percent survival for spring migrants while spilling two to three times less water. A new "corner collector" device passed 7.6 million hatchery fish from the Spring Creek Hatchery this year at a fraction of the cost of spilling water. The collector, in conjunction with the screened bypass system at the dam, passed fish with a survival rate of over 99 percent. It is examples like these that are leading to these good results:

- Adult salmon and steelhead survival is 98 percent or higher at each dam as a result of improvements made to passage facilities over the last several years;
- Despite earlier reports that salmon returns would be low this year, adult returns for all species were impressive. In fact, returns were near the 10-year average which includes years of record and near record high returns from 2000 through 2004.

H.R. 4857—Providing Valuable Information

Clearly, the costs associated with salmon protection are great and the stakes for fish and the economy are high. RiverPartners believes it is important and fair for Northwest businesses and utility customers to understand the situation. That is why we strongly support H.R. 4857. Utilities and their customers should have the opportunity to know and understand the ongoing investment they are making in recovering listed salmon and steelhead. People in the Northwest care deeply about their natural resources, particularly their fish and wildlife. They would appreciate knowing that they are making a substantial contribution, are doing their part to protect and recover these valued resources.

We also support H.R. 4857 because more information and knowledge about the ESA will lead to better informed utilities, customers and the general public and, ultimately, we hope, better accountability for costs and how they are incurred. Knowledge is power—power to make better decisions and put dollars where they will do the most to benefit the fish. We need to shine a light on the investment being made in salmon recovery. Some respond that fish and wildlife costs should not be singled out. We believe ESA costs warrant special mention because they are of great magnitude, are subject to great volatility, and, again, people in the Northwest deserve to know they are making a significant investment in recovering salmon stocks.

Further, this legislation is needed. Northwest RiverPartners, in a public opinion survey conducted in May 2005 in Washington, Oregon and Idaho, learned that nearly 60 percent of respondents were not even aware that ESA compliance costs were included in their power rates. Of those who were aware, over 40 percent believed that less than 5 percent of their bills went to such compliance. The reality is,

depending on the serving utility, 15 to 20 percent or more of consumers' retail bills go toward ESA compliance, specifically for listed salmon and steelhead.

Conclusion

Northwest RiverPartners supports H.R. 4857 because it is good public policy. The costs regional electricity customers are investing in salmon recovery are significant and they deserve to be aware of that. Our hope is that such knowledge will help spark greater ownership and regional discussion over what investments are being made and whether they are the ones that will provide the greatest benefits to resources of concern. It is irrelevant whether people believe the "right" amount is being spent in the region of fish and wildlife and ESA compliance. The point of H.R. 4857 is to provide knowledge and information. Those making the investment deserve no less.

Thank you very much for the opportunity to comment today.

Miss MCMORRIS. Thank you. Ms. Miles.

STATEMENT OF HON. REBECCA MILES, COMMISSIONER, COLUMBIA RIVER INTER-TRIBAL FISH COMMISSION, PORTLAND, OREGON; ACCOMPANIED BY ED SHEETS

Ms. MILES. Good morning, Congressman Hastings and Congresswoman McMorris. My name's Rebecca Miles. I'm Chairman of the Nez Perce Tribe. And I'm here representing the Columbia River Inter-Tribal Fish Commission, otherwise known as CRITFC. And the Confederated Tribes of the Warm Springs Reservation is also here today. We thank you for this opportunity to provide testimony.

CRITFC consists of the four Tribes of the Treaty Reserved Fishing Rights on the Columbia River, Yakama Nation, Confederated Tribes of the Umatilla Indian Reservation, Confederated Tribes of the Warm Springs Reservation, and the Nez Perce Tribe.

We have had a seat at the Columbia River table for over 10,000 years. Salmon was so fundamental to our society that when sovereign tribes would not negotiate a treaty in 1855, our tribal forefathers explicitly reserved, and the government agreed to assure, our right to take fish caught on our ancestral homeland, which stretches across one-third of the entire Columbia Basin in Washington, Idaho, and Oregon.

We've kept our word by feeding back portions of our homeland to the United States and have always fully expected the government to honor their word. We all share a goal for a healthy environment and access to affordable electricity. It's important that we develop a fundamental strategy between the relationship of electricity costs and the Federal obligation to restore healthy salmon runs under treaties as well as under the ESA and the Northwest Power Act.

I have tempered optimism. Since I last spoke with this Subcommittee, our Tribes along with the Northwest States and Federal agencies have been involved in a collaborative effort to construct a salmon recovery plan for the Columbia River Basin. It's our goal to deliver a plan that can win regional support and be put into practice immediately with hallmarks I think you would support, certainty and accountability.

In our view, the element most crucial to success or failure and lacking from the previous salmon plan is sufficient funding. I appeal to you to work with the collaboration partners to ensure that all the needed ingredients for a successful salmon plan are realized.

Anxiety stirred by State and Federal expenditures for fishery mitigation and protection, including implementation of ESA, is responsible for power rate increases. Blaming salmon recovery for the cost of heating our homes is unfair. These statements are biased by overlooking many factors that contribute to the cost of electricity.

We feel divisiveness, making us wonder if the region's relying on biased information will cast out any chance that salmon will have a place in the culture, economy, and future of the Basin.

In the past we've had to publicly discredit the millions of dollars spent to save a single endangered fish. We have fuel to use by not relying on such misinformation that perpetuates any anxiety. We need to take care of this. There are other major causes of BPA rate increases over the past 25 years which have already been mentioned. For instance, overcommitments to utilities. Not surprisingly, these factors don't get much publicity. Based on BPA's own estimate, their 2001 decision to overcommit to utilities and direct service industries added $3.9 billion in costs over the current five-year rate period.

In every year BPA paid $828 million in annual costs associated with nuclear power. $250 million goes to operate the Columbia generating station. $275 million to pay the debt on that plant. And $325 million to repay the debt on two nuclear plants that were never completed and don't produce a spark of electricity.

Add this to the general hydropower system various subsidies and power commissions we rate payers can see what constitutes about 90 percent of our bill. We have reviewed H.R. 4857 Transparency Act of 2006. We support Transparency and agree that our fellow consumers have a right to know. However, as written in legislation, it has shortcomings. If we truly embrace Transparency, this legislation must be—We should be informed of all the costs contained in our power bill. If we truly embrace honesty, then we need to be out here finishing those that are legitimately tied to ESA efforts.

The BPA fish and wildlife is required by a number of Federal statutes and treaties and not just ESA. The Northwest Power Act alone requires that we mitigate, protect, and enhance the fish and wildlife impacted by the Federal hydrosystem. This includes funding of valuable projects for nonresident fish and wildlife that provide recreational and commercial opportunities in all four states. Some projects have multiple benefits so they share ESA benefits. They comment on ESA related costs would require more administrative effort, and even these costs should be shown on our monthly utility bills.

Foregone revenues, as used by BPA, would be fiction. No entity, public or private, should be able to convert potential revenue to a cost if they were allowed to violate Federal laws. Can our farmers and loggers claim foregone revenues every time they forgot a necessary worker safety or complied with pesticide laws?

I see my red light is on. I have provided actual written testimony. But in closing, I ask you to consider salmon recovery as an investment and not just a cost. If we were to fully implement a plan recommended by a work group of the region's fish and wildlife, we'd inject approximately $2 billion in Eastern Washington and Oregon, Idaho, and Western Montana over the next ten years.

This funding supports jobs in rural communities by implementing on the ground efforts.

In conclusion, Mr. Hastings and Miss McMorris, the Columbia River is capable of multiple purposes and the natural path of the water of the river cannot be claimed by a single interest. Even the Power Act calls for equitable treatment. Today what we need for salmon and what rural communities need and economies need in terms of energy costs is the same thing, certainty, the salmon resource and with it tribal rights reserved under the treaty with the United States will probably secure a place on the list of considerations reviewed by the Congress and Federal agencies in determining the appropriate action and unnecessary costs to be borne by all of us ratepayers and taxpayers.

We look forward to working with you and your staff to find the appropriate regional and national support balance, certainty, and, ultimately, success to our region. Thank you very much.

[The prepared statement of Ms. Miles follows:]

Statement of The Honorable Rebecca Miles on behalf of the Columbia River Inter-Tribal Fish Commission

I am Rebecca Miles, Chairman of the Nez Perce Tribal Executive Committee and a commissioner on the Columbia River Inter-Tribal Fish Commission. Thank you for allowing me an opportunity to offer testimony on behalf of the Commission.

The Columbia River Inter-Tribal Fish Commission (CRITFC) was formed by resolution of the Nez Perce Tribe, the Confederated Tribes of the Umatilla Indian Reservation, the Confederated Tribes of the Warm Springs Reservation of Oregon and the Confederated Tribes and Bands of the Yakama Nation. The Commission's primary mission is to provide coordination and technical assistance to the member tribes to ensure that outstanding treaty fishing rights issues are resolved in a way that guarantees the continuation and restoration of our tribal fisheries into perpetuity.

The Tribes have had a seat at the Columbia River Basin's table for over 10,000 years. Salmon was so fundamental to our society that in 1855 when our four sovereign tribes and the United States collaborated and negotiated treaties [1], our tribal forefathers explicitly reserved—and the U.S. agreed to assure—our right to fish in perpetuity within our ancestral homelands as well as to "take fish at all usual and accustomed places". We kept our word by ceding vast portions of our homelands to the U.S., and we fully expect the U.S. to honor their word. On the Columbia River and its many tributaries, our peoples have exercised this right since time immemorial. It was the expectation of our treaty negotiators then that the tribes would always have access to abundant runs of salmon; it is our expectation now that you will honor that commitment and take the steps necessary to protect our trust resource. This reserved right has not been diminished by time and its full exercise has been upheld and affirmed in several U.S. Supreme Court decisions.

It is important for members of this subcommittee as well as the region to understand how the four Columbia Basin treaty tribes feel about the relationship between our shared goal of maintaining access to affordable electricity and the federal obligation to restore salmon to healthy sustainable runs under our treaties, as well as under the Endangered Species Act (ESA) and the Pacific Northwest Electric Power Planning and Conservation Act—Northwest Power Act for short.

The ancestral homelands of our Commission tribes cover roughly one-third of the entire Columbia Basin in Washington, Oregon and Idaho. Along with the northwest states and federal agencies, we have been involved in an intensive collaborative effort to construct a salmon recovery plan for the Columbia River basin. It is our goal to deliver a plan to the region with hallmarks I feel you would support—certainty and accountability. We feel we have an opportunity to deliver a plan that can win regional support and be put into practice immediately. In our view, the element most crucial to success or failure, and lacking from the previous salmon plan, is suf-

[1] Treaty with the Yakama Tribe, June 9, 1855, 12 Stat. 951; Treaty with the Tribes of Middle Oregon, June 25, 1855, 12 Stat. 963; Treaty with the Umatilla Tribe, June 9, 1855, 12 Stat. 945; Treaty with the Nez Perce Tribe, June 11, 1855, 12 Stat. 957.

ficient funding. I appeal to you to work with our tribes and collaboration partners to ensure that all the needed ingredients for a successful salmon plan are realized.

As a region, we remain concerned over power rates and safeguarding a healthy environment. Often, salmon and economy are divisive words. One of the first steps to overcome this divisiveness is to squelch the fear that Endangered Species Act costs are the primary reason for electrical rate increases. Claims such as those found in your press release about the costs per fish are based on a long-discredited analysis and serves to weaken relations and pit salmon recovery against the economy.

The causes of Bonneville Power Administration (BPA) rate increases over the past 25 years are primarily from nuclear costs and over-commitments to utilities and aluminum smelters. For example:

- BPA's 2001 decision to over-commit to utilities and aluminum smelters added $3.9 billion in costs based on BPA's own estimate.
- BPA's annual payments for nuclear plants average $828 million a year.

By comparison, BPA funds the Northwest Power and Conservation Council's (NPCC) Fish and Wildlife Program and FCRPS Biological Opinion on the average of $143 million dollars annually—roughly 5% of its total expenditures.

The region must consider salmon and ESA costs in another way: an economic investment in rural communities. Full implementation of subbasin plans as recommended by a workgroup of the Columbia Basin Fish and Wildlife Authority (comprised of the basin's state, federal and tribal fish and wildlife co-managers) would inject approximately $2 billion in Eastern Washington, Eastern Oregon, Idaho, and Western Montana. If this work is implemented over the next ten years, the annual funding would support more than 5,000 jobs (assuming $40,000 per job).

This economic infusion could be realized and BPA rates would still be 29% to 38% below market rates. Over the past ten years BPA rates have averaged 27 percent below market, so the region could still increase investments in salmon recovery and still be further below market rates than the last ten years.

The pie could get bigger, and sweeter, at the same time. This could be achieved by the BPA building adequate salmon costs into their next rate case. Under the current rate case, costs were assumed to be an average of $186 million. For the next rate case, covering the years of 2007 through 2009, the costs should ramp up to an average of $240 million per year. The effect of including these costs on the hydroelectric power rates is minimal: for the average household that gets all of its power from BPA, building these costs in the power rate would mean an increase of about one dollar per month. BPA only provides about forty percent of the power in the Pacific Northwest, so most homes would see smaller monthly increases in power costs.

We also want to make you aware that irrespective of power rate increases or decreases, Eastern Washington is at risk of losing existing resources. Last week a different committee of the U.S. House of Representatives approved a spending bill that would reduce the Pacific Coastal Salmon Recovery fund by $45 million. Much of that loss will be felt right here in the mid-Columbia.

As well, a proposal by the NPCC would transfer $7 million per year for salmon restoration and mitigation OUT of Eastern Washington and redirect them to Montana and Idaho for resident fish projects (see map on page 9).

H.R. 4857 the Endangered Species Compliance and Transparency Act of 2006

We have read the text of H.R. 4857, the Endangered Species Compliance and Transparency Act of 2006. We do not dispute a need for transparency and reliable consumer information however no one should be unfairly singled out in this analysis. To aid the consumer on their overall power bill they must have a better understanding of all costs that constitutes their bill, including the cost to the consumer of implementing this legislation.

We cannot support this legislation as written for the following reasons:

1. BPA's fish and wildlife funding is not exclusively for ESA compliance. BPA's fish and wildlife obligation is also required by a number of federal laws and treaties among which ESA is only one. The Northwest Power Act called for a program to mitigate, protect and enhance the fish and wildlife resources affected by the federal dams. There are many non-ESA costs within BPA's fish and wildlife funding making it difficult and costly to determine costs attributed exclusively to ESA. All non-ESA costs must be deducted such as wildlife, resident fish, and administration for example. On-the-ground projects with multiple benefits would also require that any costs attributed to ESA be separated.
2. H.R. 4857 relies on the BPA's claiming of so-called "foregone revenues". Calculating costs in this manner implies that BPA can claim savings for violating

federal laws. No other business or government agency calculates the revenues or profits that it could have made if it had violated Federal laws, regulations, or court orders as a part of foregone revenue and costs. The legislation should not put such a requirement into law. If lost revenues are used to analyze a power bill, consumers should also be told of lost revenues due to other public benefits: irrigation, flood control, transportation and recreation.

3. The economic analysis required by H.R. 4857 does not address any associated benefits. In order to make a more fair assessment of costs, any analysis would be strengthened by including economic opportunities created by a salmon economy plus investments in on-the-ground salmon restoration work. We must not underestimate the economic importance of salmon.
4. This legislation is likely to focus national attention on the fact that BPA's rates are currently about 60 percent below market rates.

We would support greater ratepayer understanding of all costs that constitute their utility bills, in effect true and full transparency which would include, for example, nuclear debt. Every year BPA customers pay $828 million in annual costs associated with nuclear power. $250 million goes to operate the Columbia Generating Station, $275 million to repay the debt on that plant, and $325 million to repay the debt on two nuclear plants that were never completed. Add to this amount the debt owed on the hydropower system, various subsidies and power provisions and a customer will see what constitutes 95% of their bill.

Also, if foregone revenue was a valid concept, consider the hydropower revenue losses caused by irrigation. In the NPCC's 4th Annual Report to the northwest Governors on the Fish and Wildlife Program, they stated irrigation is the largest non-power user of Columbia and Snake River water accounting for net water withdrawals of about 14.4 million acre-feet of water annually. According to their analysis, this volume of water, were it left in the river and used to generate hydropower instead of being withdrawn for irrigation, would yield about 625 average megawatts of electricity (that is, averaged across all 12 months). At BPA's rates, this additional power would be worth $170 million per year or $1.7 billion dollars over 10 years. A recent analysis by the NPPC calculated that at average market rates, the foregone revenue would be closer to $250 million per year. At the market prices for the summer of 2005, the lost revenue associated with irrigation withdrawals was over $380 million. BPA does not count irrigation as a cost or foregone revenue. It is interesting that we don't debate irrigation as decreasing revenues or raising electrical rates or classifying it as foregone revenue. Instead, we accept agriculture as a mainstay to the region's livelihood and so should we also accept salmon.

The Northwest Power Act requires equitable treatment between the purposes for which the dams are operated. The natural capital of water in the river cannot be claimed by a single interest. The Tribes have asked for river operations that provide for the natural needs of the fish. Yet, the legitimate use of spill for smolt survival is met with disdain and is characterized as lost revenues. In addition, BPA's purchase of electricity to meet their legal obligation to provide sufficient flows for salmon migration and habitat is also mislabeled as a cost in their fish and wildlife budget.

The early settlers took a cue from the Tribes in recognizing the economic wealth contained in the salmon. Salmon, like timber and agriculture, provided an economic foothold in this region. We are accustomed to understanding the timber and farming communities' contribution to the economy and the imprint their rich family heritage and culture has given to this region—it is rightly so. And, just as passionately and determined, we should also defend the historic salmon economy and its legacy that stretches even deeper in history.

A study done by the Northwest Power Planning Council in the mid-80's found that the hydropower system is directly responsible for the loss of between five and eleven million salmon per year from the historic high of sixteen million. These losses are borne by communities and cultures in our region and beyond. We must not ignore these costs to the system. It is unfair when, at the same time, water that is needed to ensure the safe passage of salmon to the ocean is being charged as a cost against the ESA.

The Columbia River was built to support multiple purposes. What we need for salmon, and what rural economies need in terms of energy costs is the same thing, certainty. The salmon resource, and with it, tribal rights reserved under treaties with the United States must have a secure place on the list of considerations reviewed by the Congress and federal agencies in determining the appropriate costs to be borne by ratepayers and taxpayers.

We look forward to working with you and your staffs to find the appropriate sources of regional and national support to bring balance, certainty and ultimately success to our region. We need a commitment from the Congressional Delegation to

support an aggressive effort to rebuild salmon runs to sustainable, harvestable levels. The U.S. must fulfill the commitments entered into by treaties with our tribes.

Tribes have the longest history of collaboration in the region beginning long before our ancestors negotiated treaties in 1855. Today, we are working along side our neighbors in the watersheds to restore salmon habitat, we share in the harvest with non-Indian commercial and recreational fisherman, and we share in the hope that we can overcome the divisiveness and strained relations by working through common understanding. And, we will continue to work with you to secure the resources necessary to get the job done.

Thank you for this opportunity to offer this testimony. A more detailed technical analysis is attached.

Technical Recommendations and Concerns of the Columbia River Inter-Tribal Fish Commission for the Field Hearing on "Electricity Costs and Salmon: Finding the Balance" Friday, July 7, 2006

I. A STRONG FEDERAL COMMITMENT TO SALMON RECOVERY IS NEEDED

- We need a commitment from the Congressional Delegation that they will support an aggressive effort to rebuild salmon runs to sustainable, harvestable levels. The Federal government must fulfill its commitments in the Treaties signed with our tribes.
- Rebuilding salmon runs will provide thousands of jobs in eastern Washington and Oregon and in Idaho.
- Federal agencies should work with the fish and wildlife managers to develop a science-based plan that will protect and recover listed salmon species and rebuild salmon runs to sustainable, harvestable levels.
- The federal agencies should work with the fish and wildlife managers to develop a detailed workplan to implement these efforts. The plan should include:
  - An aggressive schedule,
  - A detailed budget,
  - An allocation of implementation responsibility, and
  - Funding commitments.
- We want to work with the Congressional delegation to secure federal appropriations wherever possible.

II. TRIBAL EFFORTS ARE SUCCEEDING IN REBUILDING SALMON, MORE ARE NEEDED

The tribes' vision and their actions have been simple: "Put the salmon back in the rivers and protect the watersheds where they live." The following are a sample of tribal successes in carrying out this vision.

In the Clearwater River of Idaho, the Nez Perce Tribe has resurrected Coho salmon runs that went extinct in the 1970s. The tribe's efforts returned more than 1,100 Coho to the Clearwater River. The tribe also has taken the lead in restoring and protecting salmon habitat. It implemented its plan against great opposition and produced results in less than eight years. Coho are back in the river.

In the Methow River of Washington, the Yakama Nation, helped save thousands of spring chinook from destruction by federal and state agencies. The Yakama Nation led an effort to allow hatchery-reared spring chinook to spawn in the Methow River rather than be killed due to mismanagement over genetics. The tribe and others blocked the hatchery entrance, thereby allowing the nearly 2,000 adult salmon to spawn in the river. As a result, spring chinook redds (nests) increased in less than three years—from 15 redds in 1995, to 36 redds in 1999, to 368 redds in 2000, to 4,400 redds in 2001. Additionally, the tribe worked with local irrigators to help conserve water critical to spring chinook spawning and rearing. Spring chinook are back in the river.

In the Hood River of Oregon, the Warm Springs Tribe has led efforts to restore habitat and supplement wild steelhead and spring chinook through appropriate hatchery technology. The tribe is operating the low-tech, yet highly successful Hood River salmon acclimation and release facilities. The facility is designed to increase survival of spring chinook and steelhead juveniles and boost the naturally spawning population. Prior to 2001, the average size of the spring chinook run was 200 fish. But it jumped to 1,100 fish in 2001 and to 1,600 fish this year. The winter steelhead run also has increased dramatically on the Hood River. Last year—2000-2001—it reached about 2,250 fish, up significantly from the average run size since 1991 of 700 fish, and this year it climbed to 2,500 fish, making it the highest winter

steelhead run on record since the tribe started counting it during the 1991-'92 season. Steelhead and spring chinook are back in the river.

In the Umatilla River of Oregon, the Umatilla Tribe has spearheaded one of the most successful models of salmon restoration. Since 1984, the tribe has worked with irrigators, state agencies, environmental groups, and local citizens to rebuild salmon runs from an average of 1,500 annually to as many as 30,000 fall and spring chinook, Coho, and steelhead annually. Working with local communities, water has been restored to the river, habitat has been improved, and hatchery technology is supplementing wild salmon populations. Today, once-extinct spring chinook salmon are returning to spawn. As much as 20 percent of the reintroduced spring chinook are naturally spawning. Spring and fall chinook, Coho, and steelhead are back in the river.

The Tribes have helped achieve significant accomplishments. Ocean harvest that intercepts Columbia River chinook has been reduced nearly 50 percent since the 1999 Pacific Salmon Treaty agreement. The tribes played a pivotal role in reaching this agreement. The tribes have led the region's efforts to protect fish habitat on federal lands and restore habitat in cooperation with local landowners on private and tribal lands. They also have been in the forefront of efforts to require annual flow and spill over Columbia and Snake River hydroelectric dams, the most effective way of passing fish in the river. Today the tribes and other citizens of the Pacific Northwest are benefiting from the hard work.

A. MORE FISH AND WILDLIFE EFFORTS ARE NEEDED

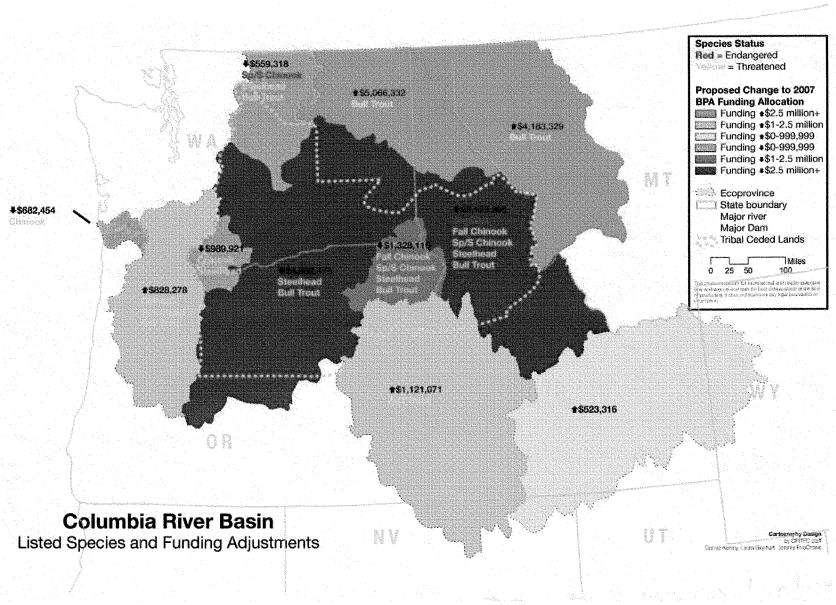
1. The current funding problem

The NPCC and BPA are currently making decisions on fish and wildlife projects for 2007-2009. The fish and wildlife managers developed detailed recommendations for projects that are needed during this period. BPA's proposed funding level will require significant cuts in ongoing projects that affect listed species. The proposed funding levels and cuts are shown in the following table. These cuts will impact ongoing projects and significantly limit new projects.

CBFWA Annual Project Cost Information

Province	FY07 Ongoing	FY07 New	Council Allocation	Difference
Blue Mountain	$18,642,311	$7,191,785	$7,127,528	($18,706,568)
Columbia Cascade	$10,610,100	$15,559,446	$3,001,663	($23,167,883)
Columbia Estuary	$4,022,648	$1,909,738	$3,662,490	($2,269,896)
Columbia Gorge	$14,603,364	$3,316,245	$5,312,554	($12,607,055)
Columbia Plateau	$37,922,502	$14,898,988	$21,748,203	($31,073,287)
Intermountain	$25,066,194	$6,637,735	$15,248,105	($16,455,824)
Lower Columbia	$7,843,307	$15,692,749	$2,492,862	($21,043,194)
Middle Snake	$4,677,822	$7,684,883	$3,374,079	($8,988,626)
Mountain Columbia	$17,598,441	$1,824,154	$12,590,537	($6,832,058)
Mountain Snake	$24,421,465	$28,748,557	$16,761,459	($36,408,563)
Upper Snake	$2,696,379	$1,265,100	$1,575,022	($2,386,457)
Systemwide	$57,608,224	$23,740,672	$46,055,498	($35,293,398)
Subtotal	$225,712,757	$128,470,052		
Total	**$354,182,809**		**$131,822,472**	**($222,360,337)**

The map on page 9 shows the reallocation proposed for FY 2007-2009 compared to the average for the Council's recommendation in FY 2004-2006. All of the areas that will lose funding have listed salmon and/or steelhead. Based on this reallocation, the funding available to implement projects under the Council Program and the FCRPS remand will be cut significantly. The reallocation will transfer $7 million per year away from projects in eastern Washington and Oregon.



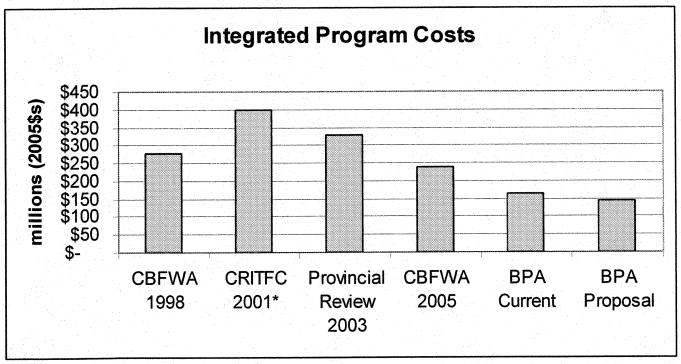
2. BPA can fully fund salmon recovery

Fish and wildlife managers have developed several estimates of fish and wildlife costs. The first was prepared by CBFWA in 1998 as part of the Multi-Year Implementation Plan. This effort developed costs for implementing all of the elements of the Council Program and FCRPS Biological Opinion. The annual costs at the time were $200 to $225 million—this would be approximately $275 million today, adjusted for inflation.

In 2003, CBFWA and the NPCC conducted the Provincial Review to determine the costs of implementing projects that had been approved by the fish and wildlife managers, the Council, and the Independent Science Review Panel. The Provincial Review identified BPA revenue requirements (capital, reimbursable costs, and direct program) of $310 million per year for FY 2003 through FY 2006 ($329 million adjusted for inflation).

CRITFC, the Oregon NPCC office, and the Yakama Nation also developed estimates of the costs of implementing the 2000 FCRPS Biological Opinion and NPCC Program in January of 2001. This estimate was based on more aggressive habitat restoration activities to implement the "Aggressive Non-Breach Alternative" in the Biological Opinion and had an annual cost of $356 million (approximately $400 million adjusted for inflation to 2005 dollars). This figure assumed that all of the costs would be expensed; if CRITFC had assumed that some of the costs would be capitalized, the estimate would be similar to the recent CBFWA costs.

The following figure has been adjusted for inflation and shows that BPA has never provided funding at the levels recommended by the fish and wildlife managers.



3. 2007-2009 Biological Opinion and Program cost estimates

The CBFWA formed a workgroup comprised of federal, state, and tribal fish and wildlife managers to prepare detailed estimates of the costs of implementing the subbasin plans and other Program measures.

The subbasin plans were the produce of a multi-year, $13 million effort involving fish and wildlife managers, local stakeholders, and other interested parties. This effort developed plans for all of the subbasins in the Columbia River Basin. These plans assessed the current conditions in each watershed, the desired population levels, and the key limiting factors. The plans also included specific strategies and management plans to achieve the biological objectives for each subbasin. Each plan addressed the requirements of the Council's program. (See the Columbia River Basin Fish and Wildlife Program, pages 39 to 43.) The NPCC formed technical and policy level groups to oversee the development of the subbasin plans and the plans were reviewed by the Independent Science Advisory Board.

The CBFWA workgroup coordinated the efforts of the Columbia Basin fish and wildlife managers in the development of detailed budgets to implement the subbasin plans. The CBFWA workgroup effort was based on the detailed analysis of the fish and wildlife managers of the production and habitat costs associated with implementing the NPCC Fish and Wildlife Program and the FCRPS Biological Opinion. The workgroup compiled the cost estimates for 30 subbasins into province level costs; where costs were not available for a subbasin, the workgroup extrapolated costs from similar subbasins based on land area.

The workgroup incorporated the production and habitat costs into the other costs estimates that had been developed by the NPCC and BPA to develop an overall budget for the Integrated Fish and Wildlife Program. The CBFWA workgroup circulated its draft report in beginning in January of 2005 to the fish and wildlife managers, the Council, Bonneville, utilities, and others. The workgroup incorporated all of the comments it received and the review process improved the quality of the analysis. The workgroup specifically requested comments on whether there were any better assumptions or costs for the report. We did not receive any analysis from Bonneville or its utility customers that provided alternative costs for implementing the subbasin plans and other elements in the Program and Biological Opinion.

The CBFWA workgroup report is the most detailed estimate of the costs of implementing the NPCC Fish and Wildlife Program and the FCRPS Biological Opinions available. In fact, it is the most detailed estimate ever produced on this issue. The Yakama Nation provided this report to BPA staff several times, including in our April 29, 2005 comments on the PFR and attached the CBFWA workgroup report.

The CBFWA workgroup found that implementing the habitat and production activities and other measures in the NPCC's Program had a total cost of $1.5 billion and the cost of wildlife mitigation was $300 million over the next ten years. Based on this work, CBFWA wrote to BPA and the NPCC on March 16, 2005 to support adequate funding for fish and wildlife in the next rate case. The letter states:

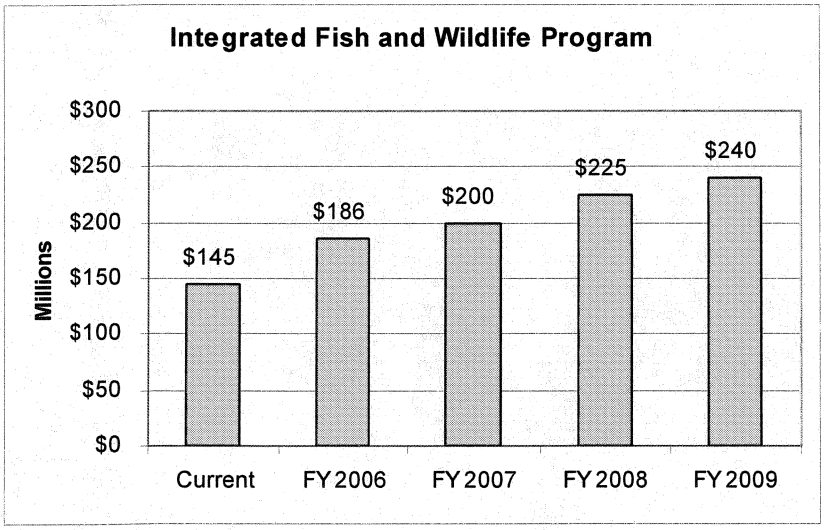
> *While CBFWA Members are continuing to review the detailed costs, the analysis completed to date provides a strong basis for increasing the funding for BPA's Integrated Program in the next rate case period to at least $240 million per year. This figure assumes that BPA would use its borrowing authority for new production facilities and the acquisition of land and water to protect habitat. It also does not include a comprehensive assessment of*

costs for mainstem measures beyond those contemplated in the Updated Proposed Action or the NPCC Program. Additional mainstem measures are necessary to protect, recover, and restore anadromous fish impacted by the federal hydrosystem...

Based on our work to date, it is clear that the current spending levels are inadequate to protect, mitigate, and enhance fish and wildlife under the Northwest Power Act. Our analysis shows that at the current spending levels, it would take over 100 years to implement all the measures contemplated in the NPCC Program.

A key issue was the pace of implementation for the habitat and production activities. The workgroup developed realistic recommendations for implementation that would increase funding for implementation over the next four years. This would provide time to build the necessary staffing, programs, and other infrastructure for implementing the strategies in the NPCC Program.

The workgroup recommended that FY 2006 funding should be $186 million—this is the level originally assumed in the 2002 Rate Case; we also understand that it is the approximate planning target being used by the BPA fish and wildlife division. We further recommended that funding should ramp up to $200 million in FY 2007, $225 million in FY 2008, and $240 million in FY 2009. The figure below shows this ramp up.



This funding level would put the region on a path to implement the subbasin plans in about ten years. This pace of implementation would have much lower biological risk to listed species and offers some hope of progress on restoring the treaty fisheries of the Columbia Basin Indian tribes.

These recommendations would minimize biological risk to species in the Columbia River Basin; BPA should implement actions to provide the habitat conditions that these species need to survive as soon as possible. Many of the ESUs listed under the ESA have growth rates (lambdas) that are less than 1.0—that means these populations are not replacing themselves and will continue to decline toward extinction. This pace of implementation will also have the lowest long-term costs because expenses associated with acquiring or leasing land and water to protect and enhance habitat will increase significantly faster than inflation, especially the acquisition of land in riparian areas to protect habitat.

Therefore, we conclude that a ten-year implementation schedule for the subbasin plans has the lowest biological risk and the lowest long-term costs. We also note that implementation of the subbasin plans represents a small portion of the habitat protection and enhancements needs in the Basin. The CBFWA workgroup did a course grain analysis of the total habitat work needed to protect and enhance all of the habitat in the Basin and found that this effort would be significantly larger than the work identified in the subbasin plans. Completing the subbasin plans as

quickly as possible will provide a good start to the long-term habitat work that is likely to be needed to meet our goals.

BPA has not incorporated these estimates in setting its budget for the Integrated Program. At the current pace of implementation, it would take 40 to 80 years to implement the Council Program and FCRPS Biological Opinion. BPA's estimate is not based on the costs of implementing the subbasin plans or meeting the goals and objectives of the Columbia River Basin Fish and Wildlife Program. The Bonneville budget uses unrealistic assumptions about inflation, and the funding needed to implement the Program and Biological Opinion.

4. Costs could be higher

The CBFWA workgroup identified a number of uncertainties that could increase Bonneville's total system costs.

The remand of the current Biological Opinions will result in significant changes in required fish and wildlife activities, and will likely increase costs or affect revenues. We expect that other river operation, habitat, and monitoring and evaluation activities will be identified in the remand process.

NOAA Fisheries is developing recovery plans for salmon and steelhead listed under the Endangered Species Act. The recovery plans are likely to include more actions than are currently identified in the subbasin plans and therefore the costs of implementation are likely to be higher. We base this judgment on the fact that the subbasin plans were developed by fish and wildlife managers and stakeholders in each of the watersheds through a consensus process. In some cases, local landowners objected to some of the habitat and water quality actions identified by the fishery managers; as a result, measures that will be needed to recover listed species were not included in the final subbasin plans.

The CBFWA workgroup cost analysis assumed that other branches of the Federal government would provide contributions. For example, the costs for implementing plans in several subbasins (notably those in the Intermountain Province) assume funding from the federal land management agencies that may or may not be forthcoming. If additional Federal appropriations are not available, the region will need to address how to accomplish this work.

The prospect of shifting the cost of the Mitchell Act hatcheries to BPA is a substantial uncertainty, considering Congress's previous interest in this issue and increasing pressures on the federal budget.

Given this analysis, the Tribes are concerned that the BPA proposal for the Integrated Fish and Wildlife Program is not adequate to implement the Council Program and the Biological Opinions. Failure to make adequate progress could increase the risk of extinction for listed species and makes it unlikely that the region will achieve the fish and wildlife rebuilding goals in the Council's Program.

All of these uncertainties point to the likelihood of increasing costs for Bonneville to meet its fish and wildlife responsibilities during the FY 2007 through FY 2009 rate period. The Initial Proposal does not adequately address these uncertainties.

III. H.R. 4857 IS UNNECESSARY

A. Substantial Information Is Already Available About BPA Costs

BPA's Power Function Review, 7i Rate Proceedings, and other publicly available reports document BPA costs and projected revenues. H.R. 4857 is not needed for this purpose.

In 2006, BPA rates are 59 percent below the market rate for electricity—based on the assumptions that BPA has used in its current rate case. Based on BPA's assumptions for future market rates, it will be 41 percent below market through 2009. The causes of BPA's rate increase over the past 25 years are primarily from nuclear costs and over-commitments to utilities and aluminum smelters. These factors don't get much public attention. For instance, BPA's 2001 decision to over-commit to utilities added $3.9 billion in costs based on BPA's own estimate. BPA's annual payments for nuclear plants average $828 million a year. Of this payment, approximately $450 million per year is for nuclear power plants that were never completed and never produced electricity.

In addition, BPA subsidizes (in cash payments) Investor Owned Utilities of the Pacific Northwest $324 million per year. BPA's subsidy to customers of investor-owned utilities is $300 million per year. BPA's subsidy to Direct Service Industries over the next three fiscal years is projected by BPA to be approximately $59 million per year. Finally, the "cost" to BPA of water withdrawn for irrigation uses in the Columbia Basin is $250 million per year. Each of BPA's customer classes has and will strenuously argue that these costs either are or are not required by one or more federal laws depending on whether the class is benefited or impacted. See e.g. Dept. of Water and Power of the City of Los Angeles v. BPA, 759 F.2d 684 (9th Cir. 1985);

Aluminum Co. of Amer. v. BPA, 903 F.2d 585 (9th Cir. 1989); Assoc. of Public Agency Customers v. BPA, 126 F.3d 1158 (9th Cir. 1997); Central Lincoln Peoples' Utility District v. Johnson, 735 F.2d 1101 (9th Cir. 1984); Washington Utilities and Transportation Commission v. FERC, 26 F.3d 935 (9th Cir. 1994).

B. Categorizing BPA's Fish and Wildlife Costs is Unnecessary and Impractical

BPA's investments in rebuilding fish and wildlife populations is required by a number of federal laws and treaties, including the Endangered Species Act, the Northwest Power Act, the Fish and Wildlife Coordination Act, the Clean Water Act and United States treaties with Indian Tribes and Canada. It is not possible to categorize which of the costs are related solely to the ESA since most fish and wildlife projects are undertaken to implement multiple federal authorities. For example, the rebuilding goals of the Columbia River Basin Fish and Wildlife Program are much higher than ESA recovery goals and will likely require all of the ESA related activities plus additional efforts to meet the Northwest Power Act related goal.

Moreover, most projects undertaken with BPA fish and wildlife funding support receive funding support from multiple entities including other federal agencies' appropriated funds, as well as state, local, tribal, and private funding sources. These funds are authorized by a myriad of authorities reflecting local and regional interests for many projects that provide multiple benefits, such as simultaneously increasing irrigation efficiency, reducing water consumption, reducing pumping costs, and increasing streamflows for salmon. These types of win-win projects enjoy sponsorship of the tribes in the Grande Ronde, Umatilla, Yakima, Walla Walla, John Day river basins. The art of assembling local support and funding from diverse sources is already fraught with delay and bureaucracy. We don't need more red tape challenges!

C. BPA's Approach to Estimating its Foregone Revenue and Replacement Power Cost is not consistent with the Northwest Power Act

BPA states that its combined net costs include over $300 million for hydro system operations for fish and wildlife. BPA counts the revenue foregone from operating the FCRPS to meet the requirements of the Endangered Species Act, the Northwest Power Act, the Clean Water Act, and other laws and regulations as a part of these costs.

Section 16 U.S.C. 839b(h)(6)(E) requires the Northwest Power and Conservation Council (NPPC) to include measures in the Program that:

(i) provide for improved survival of such fish at hydroelectric facilities located in the Columbia River system; and

(ii) provide flows of sufficient quality and quantity between such facilities to improve production, migration, and survival of such fish as necessary to meet sound biological objectives.

The current NPCC Program includes these measures.

In addition, the FCRPS Biological Opinion requires specific flow and spill operation to ensure that the operation of the FCRPS does not jeopardize the continued existence of listed species under the ESA.

It is important to note that the flow targets in the Program and Biological Opinion are constrained by the current configuration of the hydroelectric system. Average spring flows in the Columbia before the dams were 450,000 cubic feet per second. The current target is roughly 200,000 cubic feet per second—less than half the historical average. Unfortunately, the federal agencies have not been successful in meeting the Columbia and Snake River flow targets 53 percent of the time between 1995 and 2005.

No other business or government agency calculates the revenues or profits that it could have made if it had violated Federal laws, regulations, or court orders as a part of foregone revenue and "costs". The legislation should not put such a requirement into law.

D. BPA's approach is not consistent for other federally authorized purposes

Given BPA's practice of reporting foregone revenue for fish and wildlife protection, it is interesting that BPA does not report the foregone revenue associated with meeting other legal constraints on power generation such as providing irrigation water, flood control, transportation, or recreation. All of these other federally-mandated actions limit the ability to generate electricity and reduce BPA's potential revenue. Hence, to be consistent, BPA would need to count them as "costs" as well.

For example, the NPCC has calculated that the 14.4 million acre-feet withdrawn for irrigation could generate an additional 625 average megawatts if the water remained in the river—aboutfive percent of the total output of the BPA system. At BPA's rates, this additional power would be worth $170 million per year or

$1.7 billion dollars over 10 years. A recent analysis by the NPPC calculated that at average market rates, the foregone revenue would be $250 million per year. At the market prices for the summer of 2005, the lost revenue associated with irrigation withdrawals was over $380 million. BPA does not count these "costs."

Columbia Basin Indian tribes have requested on numerous occasions that BPA stop its practice of singling out the costs of meeting one of the purposes of the dams—fish and wildlife—in reporting foregone revenue. It is not appropriate for BPA to report the costs of operating the FCRPS to meet Federal laws and regulations. If BPA believes it is required to report these costs, then it should calculate the costs of each of the other purposes of the dams and report all of them on a consistent basis.

E. BPA's calculation of foregone revenue is flawed

In the BPA handouts for its Power Function Review, BPA calculated that the average "cost" of river operations for fish and wildlife was $357 million per year. This number was calculated using a base case where BPA eliminated all operations for fish and wildlife. This assumption is legally flawed. We are also concerned that BPA does not count the credits that it receives for these operations. Since BPA started taking these credits in 1994, it has reduced its U.S. Treasury repayments by more than $1 billion, yet BPA does not offset the "costs" with these credits.

Finally, calculation of these costs is complicated and controversial. BPA did not share its methodology in calculating the operations "costs" cited above. In a Memorandum of Agreement signed in 1996, BPA committed to working with the tribes to develop a consensus methodology for reporting river operations and calculating foregone revenues and power purchases; this work is still incomplete.

F. Foregone Salmon

The NPCC found that 5 to 11 million of the salmon lost each year (compared to the predevelopment period) were attributable to damage caused by the hydroelectric system. Based on this estimate, the Columbia Basin Indian tribes and others have "foregone" 340 to 750 million salmon and steelhead since the dams were built.

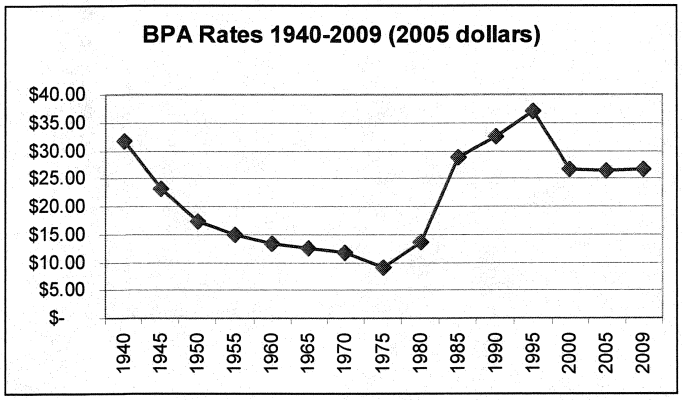
Salmon and steelhead are invaluable to tribal culture and religion—the tribes would not put a price on this loss. Non-tribal economists, on the other hand, would value the annual losses in the hundreds of millions of dollars and the cumulative losses in the trillions of dollars.

IV. THE CAUSES OF BPA RATE INCREASES

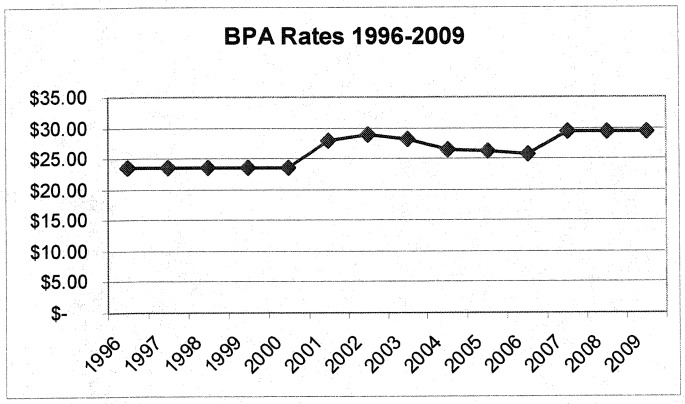
BPA customers are concerned that BPA's rates have increased over the years; much of the utility concern has focused on fish and wildlife costs. This section analyzes the history of BPA rates, the major causes of rate the increases, and the relative costs of various categories.

A. BPA Rate History

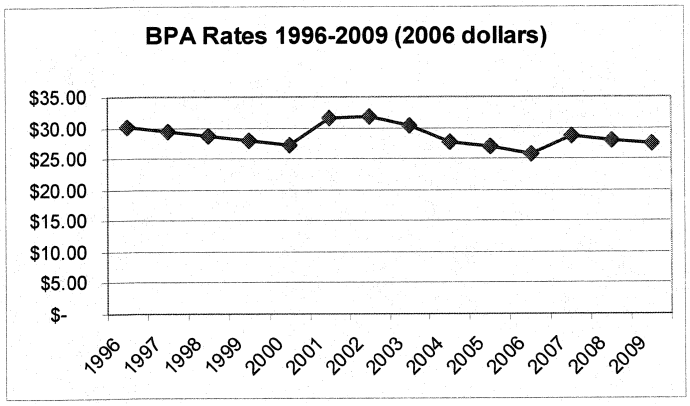
BPA rates declined, adjusted for inflation, between 1937 and 1975 as new federal dams were build in the Columbia basin. In October, 1980, BPA implemented an 88 percent rate increase, primarily to address the costs of three nuclear plants being build by what was then called the Washington Public Power Supply System (WPPSS).



The BPA webpage provides yearly rate information beginning in 1996. The figure below shows that between 1996 and the rates proposed for 2009, BPA rates will have increased by 25 percent in nominal dollars—about 1.8 percent per year.



When BPA's rates are adjusted for inflation, the analysis shows that they have actually declined by 9 percent over this period.



Causes of BPA's Rate Increases

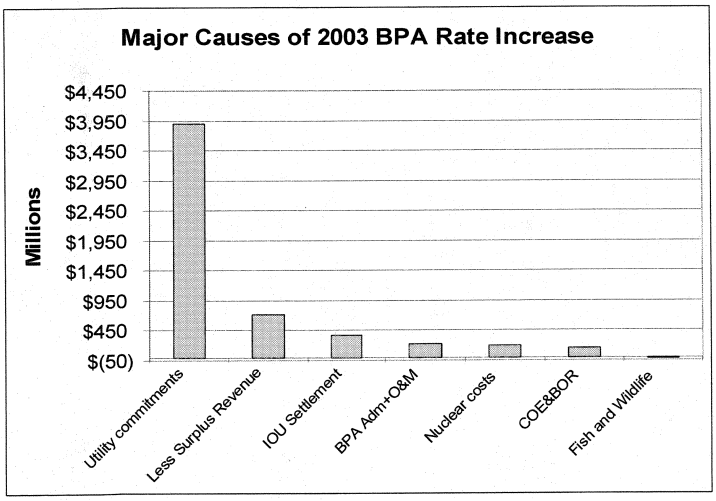
Even adjusting for inflation, the rates show a significant increase from 2001 to 2003. The primary cause of this increase was the cost of serving additional load that BPA committed to in 2001. In addition, BPA used optimistic assumptions about how much revenue it would receive from selling surplus electricity and underestimated a number of costs it would face.

The figure below shows the major categories that increased BPA's rates. In 2001, BPA decided that it would serve the entire load that its customers wanted to place on the agency. BPA committed to serve 3,400 average megawatts more power than it had available. It assumed that it could purchase additional power at market rates, which were then about $30 per megawatt-hour. The manipulation of the California energy market by Enron and other energy providers increased market rates. BPA reported that it paid an average of $185 per megawatt-hour to serve the additional load. The total cost of the over-commitment was $3.9 billion [2].

BPA had also overestimated it revenue from surplus sales of electricity; a more realistic estimate prepared for BPA's Financial Choices process reduced BPA revenues by $710 million. BPA entered into a settlement with investor-owned utilities that set the amount of subsidy for the residential and small-farm customers of these

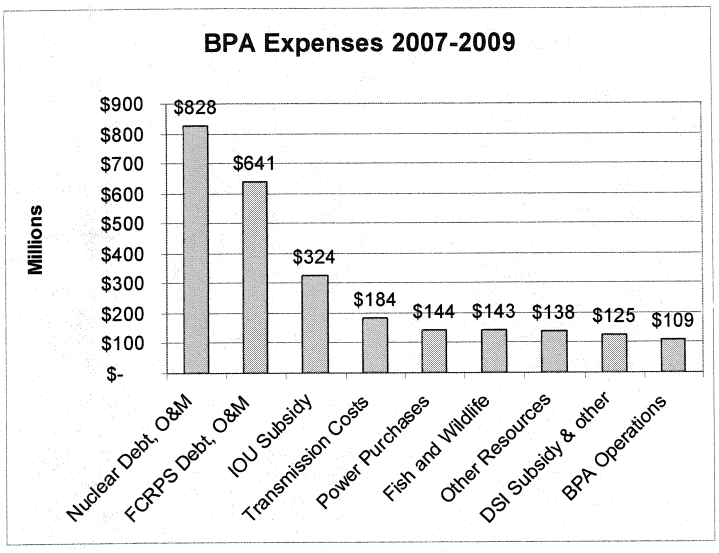
[2] What Led to the Current BPA Financial Crisis? A BPA Report to the Region, April 2003.

utilities; the settlement added $370 million to BPA's costs. BPA had also used optimistic assumptions about its own administration and operating costs; in the 2003 Financial Choices process, BPA estimated that these costs would be approximately $220 million higher than it originally had assumed. BPA also underestimated the costs of operating the Columbia Generating Station (the one nuclear plant that is operating) by $194 million and the Corps of Engineers and Bureau of Reclamation costs for operating the federal dams by $155 million. During the Financial Choices process, the integrated fish and wildlife program was below budget by $18 million.



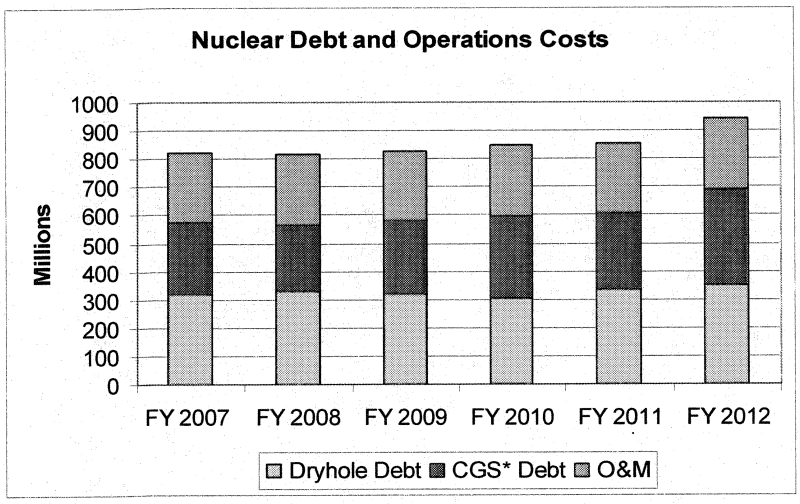
BPA Future Costs

This section summarizes the major categories for BPA proposed costs for 2007-2007.



Nuclear Costs

Of the $828 million in annual costs for 2007-2009, $250 million goes to operate the Columbia Generating Station, $275 million to repay the debt on that plant, and $325 million to repay the debt on two nuclear plants that were never completed.



V. BPA CAN AFFORD ADDITIONAL FISH AND WILDLIFE INVESTMENTS

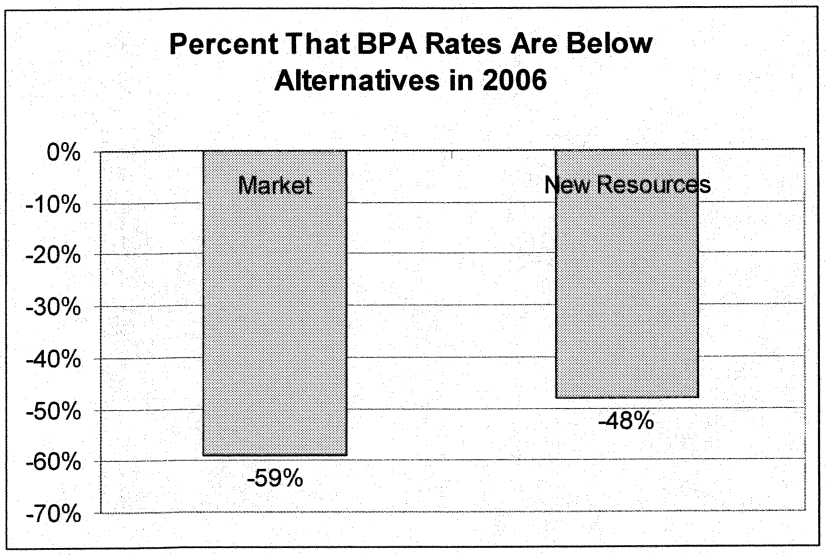
BPA can afford salmon recovery and still provide great benefits to Northwest ratepayers. Fish and wildlife managers are working with federal agencies to develop a new FCRPS Biological Opinion that complies with the Endangered Species Act. That effort should produce a science-based plan to protect and recover salmon and steelhead and must include actions that are reasonably likely to occur.

In July, BPA will make final decisions on setting its rates for 2007 through 2009. Its current proposal includes fish and wildlife funding levels that would force immediate cuts in ongoing fish and wildlife programs and delay full implementation of the subbasin plans. The remand process has assumed these ongoing projects are in the baseline and will likely result in additional habitat, hatchery, hydro, and harvest actions that will increase implementation costs.

BPA has asserted that it can adjust its rates to accommodate decisions that come out of the biological opinion remand. The treaty tribes have provided extensive evidence in the BPA rate case that BPA's proposal does not allow it to increase its costs and also assure repayment of its debt to the Treasury. In the past, when BPA has faced missing a Treasury payment it has deferred salmon recovery actions.

A. BPA's Current rates

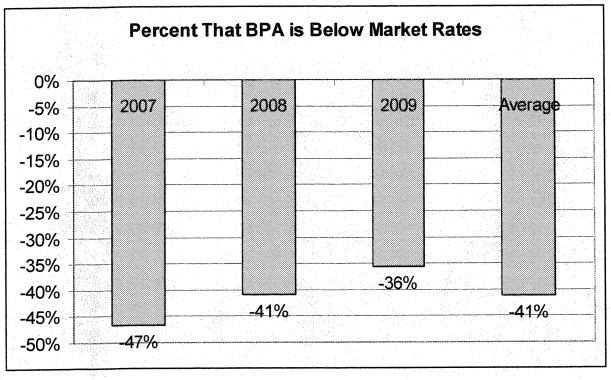
Bonneville rates are currently 59 percent below the market rates that Bonneville has assumed for FY 2006. BPA's current rates are 48 percent below the new resource rate that it has proposed.



Averaged over the past ten years, BPA rates have been 27 percent below market rates and 49 percent below the costs of new resources.

B. BPA Rates 2007-2009

In the current rate case, BPA has assumed that market rates will decline by approximately 27 percent between 2006 and 2009. BPA's assumption about a reduction in market costs makes BPA's proposed rates for 2007 through 2009 slightly closer to market rates. Using BPA's assumptions, its rates would be 41 percent below market rates on average over the next rate period.



C. The Impact of Salmon Recovery on BPA Rates

This section describes the potential impacts of two alternatives for salmon recovery on BPA's rates. It is important to note that these costs will not necessarily cause a rate increase. For example, in 2005, BPA projected that additional spill at several dams to protect salmon would increase rates; however, BPA actually decreased its rates by 1.6 percent that year because of other factors.

The assumptions for the additional fish and wildlife costs are summarized here and detailed later in this paper.

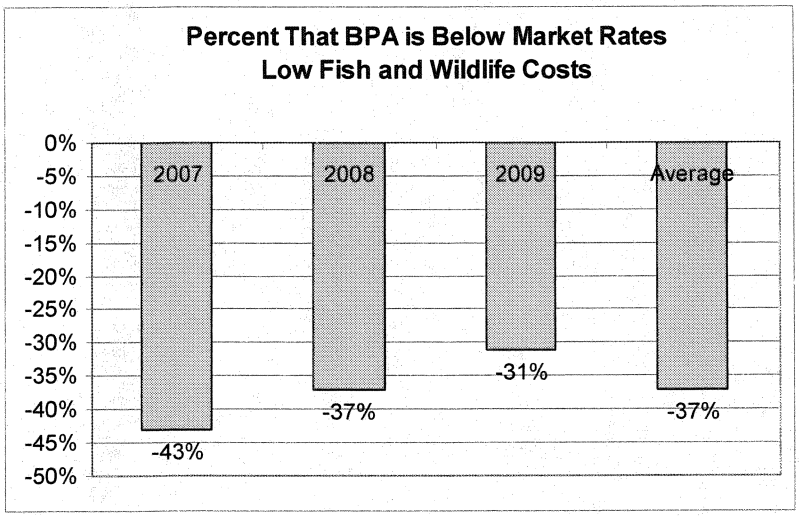
Low Case: This scenario is based on the costs of implementing the subbasin plans developed for the NPCC and the FCRPS Biological Opinion. The costs were prepared by a workgroup convened by the CBFWA. This case also assumes that the

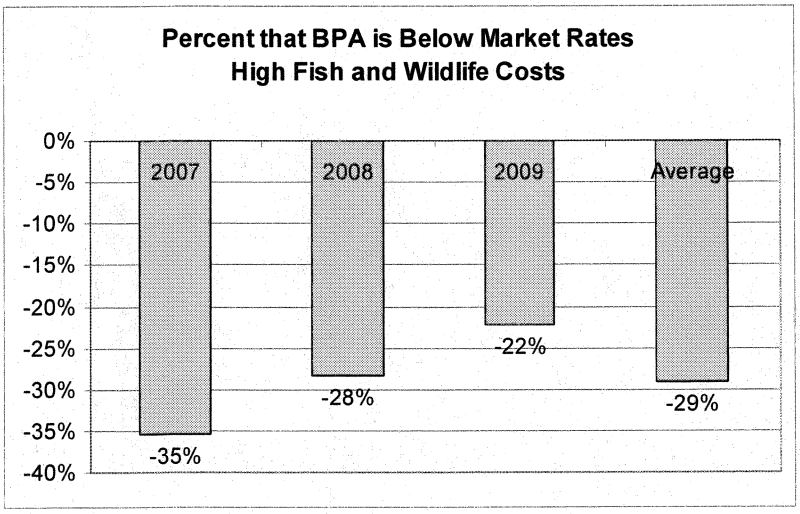
river operations ordered by the District Court as part of the FCRPS Biological Opinion Remand for 2006 would continue through 2009; this would reduce BPA's revenue from the sale of electricity. The scenario assumes total added costs would be $93 million in 2007, $114 million in 2008, and $127 million in 2009.

High Case: The high case assumes the integrated fish and wildlife costs above plus $70 million per year to cover the added costs if BPA does not use its borrowing authority for land and water acquisitions to improve habitat. The high case also assumes the river operations recommended by the plaintiffs in the FCRPS Biological Opinion litigation. The high scenario assumes total added costs would be $376 million in 2007, $363 million in 2008, and $362 million in 2009.

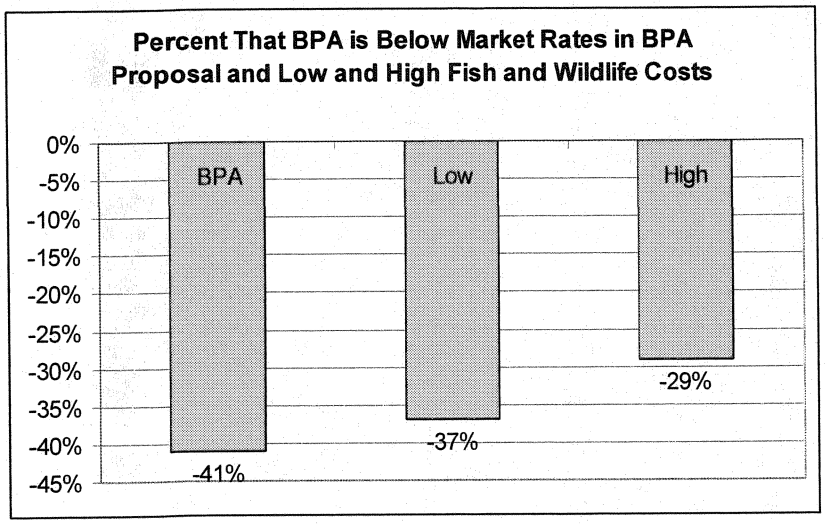
D. BPA would be significantly below market rates

If these additional fish and wildlife costs are added to BPA's rates, BPA would be 37 percent below market rates on average over the next rate period in the low case and 29 percent below market rates in the high case.





The figure below compares the percent that BPA would be below market prices, on average, under its proposed fish and wildlife funding level and the low and high fish and wildlife funding scenarios described above.



Given that BPA's rates are significantly below market rates and lower than most other parts of the country, it appears that BPA can incorporate the costs to fully implement the NPCC Program and the Biological Opinion and still benefit the Northwest economy.

E. Rate Impacts would be small

The potential rate impacts for residential customers would range from zero to $1.90 per month in the low case and zero to $6.22 per month in the high case.

Under a settlement agreement, customers served by investor-owned utilities would not pay any of the potential increase. As a result, all of the additional fish and wildlife cost must be allocated to a smaller group of customers and the impacts are more significant than the allocation in the 2002 rate case.

Based on our analysis, we found that the high case described above would result in a potential rate impact of $0.00622 per kilowatt hour.[3] For an average customer of a utility that purchases all of its electricity from BPA, this could result in an increase of $6.22 per month—an increase of approximately 9 percent.

BPA serves approximately 40 percent of the region's power, so the impact on most ratepayers would be less. We analyzed three other cases: a utility that purchase 70 percent of its power from BPA, a utility that purchase 30 percent of its power from BPA)for example, Seattle City Light, Tacoma City Light) and investor-owned utilities. In the high case, the average customer of a utility that purchases 70 percent of its power from BPA could pay an additional $4.35 per month—a 6.5 percent increase. A customer served by a utility that purchases 30 percent of its power from BPA could pay $1.87 per month—a 2.8 percent increase.

In the low case, we assumed that BPA used its borrowing authority to finance some of the land and water acquisitions in the habitat measures under the Integrated Fish and Wildlife Program and that the Court-ordered river operation for FY 2006 would also be implemented during the rate period. In the low case, the average consumer that is served by a utility that purchases all of its power from BPA could pay an additional $1.90 per month—a 2.9 percent increase. If the utility purchased 70 percent from Bonneville, the monthly impact could be $1.33—a 2 percent increase. Consumers served by a utility that purchases 30 percent of its power from BPA could pay an additional $0.57 per month—a 0.9 percent increase.

[3] BPA uses a rule of thumb that each $59 million dollars equals about $0.001 per megawatt-hour.

Potential Rate Impacts			
High Cost Alternative			
Power from BPA	**Cost per kWh**	**Monthly Cost**	**Increase**
100%	$0.00622	$6.22	9.4%
70%	$0.00622	$4.35	6.5%
30%	$0.00622	$1.87	2.8%
Investor-owned	0	0	0%
Low Cost Alternative			
Power from BPA	**Cost per kWh**	**Monthly Cost**	**Increase**
100%	$0.00190	$1.90	2.9%
70%	$0.00190	$1.33	2.0%
30%	$0.00190	$0.57	0.9%
Investor-owned	0	0	0%

Miss MCMORRIS. Thank you. Mr. Voigt.

STATEMENT OF CHRIS VOIGT, EXECUTIVE DIRECTOR, WASHINGTON STATE POTATO COMMISSION AND MEMBER, FAMILY FARM ALLIANCE, MOSES LAKE, WASHINGTON

Mr. VOIGT. Thank you, Congresswoman McMorris and Congressman Hastings, thank you for the opportunity. I appreciate it. I've got about 20 minutes of testimony I'm going to cram into 5 minutes, so please look over the written testimony I've provided.

I have to start with a personal story. I'm going to flash back to my 8th grade year sitting in my counselor's office. I was meeting with Mrs. Stuart. And we had a thing called a computer. And the idea was you filled out this punch card and fed it into the computer and the punch card would survey your likes and dislikes and so forth and it would spit out what career opportunities might be of interest to you in the future.

First on the list was professional athlete for me. And because of bad genetics and I rode the bench in 8th grade basketball, I didn't think that was very realistic. Second on the list was fish and wildlife biologist, and I thought that was appropriate that that was on my list because I remember the previous year before in the fall sitting in a coastal stream in the Northwest and I saw my first salmon in the wild and it was a beautiful experience. And actually at some point I stopped fishing just to watch the salmon go from the deep pool that I was fishing into the shallow ripples. I thought it was an incredible experience and I wanted to share it.

Third on my career list was an agriculturist, and that's the reason today I'm wearing a coat and tie, and I don't usually have an opportunity to do that. I stumbled across something from my past, my FFA jacket. When I wore this—This is from 1982/83 and I don't

dare and try to put it on because I know I won't fit in it anymore. But when I wore that jacket in my senior year in high school in 1982, there was a sense of pride.

I was excited about being involved in agricultural. What was before me? I saw so many opportunities, and I was very excited about the opportunities of agricultural in the U.S. And namely to serve not only food to our domestic needs but also feed those around the world.

Last night I was in my closet and I looked at that jacket, I don't know, maybe I was naive back then, because now I look at those initials, FFA, and maybe today there should be a question mark behind it. Is there a future for agricultural in America? Are we heading down a food policy that we're going to be outsourcing all of our food now in this country? How dangerous is that?

I want to talk specifically about the potato industry and how the management of the Columbia River has affected that. Typically now people aren't eating more French Fries, unfortunately. But we do experience population growth, and every four to five years there's a need for a new potato processing plant somewhere in the U.S.

In the last four or five years, if you look back, we have not received a facility here in Washington State, nor have we received any of those facilities here in the Northwest. Actually, quite contrarily, we've actually lost a few processing facilities that have been taken offline and shut down and those jobs have been lost.

Plants are opening up in other locations in the world. The two newest places are in Canada. They shut down plants here in the U.S. And moved them into Canada. And the reason for that is because our processors are essentially blacklisted in the Pacific Northwest for any new development of potato processing plants here because of unreliable water supplies. We are one court case away, one litigation away from shutting down everything. And a processor is not going to invest any additional infrastructure dollars into new equipment, expansion, or new plants if there's an unreliable source of water. So it greatly affects us in the potato industry.

Food processing and potatoes are a big deal to Washington State. We grow potatoes on about 165,000 acres in both of your districts. We employ thousands of people here in the Northwest, about 75,000 people are employed in food processing jobs. The average pay is $32,000 a year plus benefits.

The economic impact of the potato industry here in the Columbia Basin is about $3 billion. It's very important. And these $3 billion are being invested in small communities, much smaller than even here in the Tri-Cities. We're talking Warden, Othello, Connell. These are the only economic opportunities for these rural communities. It's important that we provide that.

I don't want my testimony to focus on jobs for—because, remember, my career choice was never—also on that list was a fish and wildlife biologist. And I think that a compromise, a common ground that can solve all of our problems, meet our economic needs as well as meet the needs of preserving a species and additional water storage.

I think The Honorable Sid Morrison was correct. We need to look at creating more storage so that we can utilize the river, not only for biological fish, but also for economic activities. We're also looking at a declining aquifer, the Odessa Subarea. Surface water is going to be an important aspect. If that area goes dry, that's a $600 million loss to the Columbia Basin.

So on behalf of the Potato Commission and on behalf of the Family Farm Alliance we are greatly in support of H.R. 4857. We feel it creates a tremendous dialog, including opportunities for us to collaborate with more people, to educate the public, to get them engaged in the process of finding a true balance.

We actually hope that we can take this one step farther and apply it another agency, and that's the Bureau of Reclamation. Because the Bureau of Reclamation also lists ESA costs to their customers.

But thank you for this time, and I would entertain any questions.

[The prepared statement of Mr. Voigt follows:]

Statement of Chris Voigt, Executive Director, Washington State Potato Commission, on behalf of the Family Farm Alliance

Mr. Chairman, Members of the Committee, on behalf of the Family Farm Alliance and its member organization, the Washington State Potato Commission (WSPC). I thank you for the opportunity to testify before the Subcommittee today. I serve on the Advisory Committee of the Family Farm Alliance (Alliance), and today I am here to convey the message of agricultural water users from throughout the West. The Alliance advocates for family farmers, ranchers, irrigation districts, and allied industries in seventeen Western states. The Alliance is focused on one mission—To ensure the availability of reliable, affordable irrigation water supplies to Western farmers and ranchers

We appreciate the effort made by you, Representative McMorris, and the other members of the subcommittee to hear our concerns today. We particularly appreciate the effort that you and the committee staff have made to hear our concerns, here in the Western States. This is an important and timely hearing on a matter that has a deep concern for family farmers and other agricultural interests in the Pacific Northwest—the requirements and costs under the Endangered Species Act for salmon recovery.

This subcommittee has paid close attention to the Columbia and Snake River systems, and, in particular, the effect of proposals and requirements for salmon recovery on irrigated agriculture, navigation and energy production. We are directly impacted by the salmon recovery requirements for the Columbia. We appreciate the balanced view taken by the Committee of the need to consider not only salmon recovery but also the multiple uses and multiple needs of a working river system.

Our Interests in the Columbia River

The Washington State Potato Commission is a quasi-state agency dedicated to protecting the interest of potato growers in Washington State. The WSPC membership includes approximately 350 potato growers throughout Washington. Potato growers in Washington operate on an estimated 165,000 acres of farm land, primarily located in three growing regions: the Skagit Valley, Yakima Valley and the Columbia Basin. Washington State ranks second in the nation in potato production, and potatoes alternate with wheat as Washington's second largest agricultural crop. Thousands of jobs in Washington rely on potato planting, harvesting, packing, processing and transportation. In fact, economists estimate the annual economic impact of Washington potato production, packing and processing at approximately $3 billion, making potatoes one of the most important value-added agriculture commodities in the State. Eight percent, or roughly one out of ten jobs in the region, stems from potato production. As water users in the Columbia River Basin, WSPC and its members have a direct, substantial and daily interest in BPA's programs and operation of the Columbia irrigation and hydro electric power systems. With BPA power rates just now coming off historic highs, we have little room for rate increases or inefficient use of salmon recovery funds. Our members compete globally. A rate difference of 1-2% is important to us, and very often means whether a business stays

in business, goes off-shore, or goes out of business. The region has, in many ways, lost its electricity price advantage. We cannot afford rate increases and in fact need a rate decrease now that the unprecedented rate effects of the West Coast price spike of 2001 are receding. Because of the nature of our business, and agriculture in general, we are very concerned about BPA costs and the efficient use of salmon recovery measures and funds.

Value Added Processing Threatened

Food processing is vital to the economic growth and stability of the Northwest. A recent study by Advanced Research Technologies found that food processing annually contributes $20.7 billion to the Northwest economy. When the multiplier effects are added, processors add $42.5 billion in economic value to the region's economy. Processors directly create 75,000 jobs with an average wage of $32,000 per year plus benefits.

The long, grinding and frustrating saga of implementing the Endangered Species Act on the Upper Snake and Columbia Rivers is beginning to seriously impact the desire of key food processors to maintain operations in this region. Washington, Idaho and Oregon are three of the most productive and desirable growing regions in the world. However, in recent years, processors have been relocating plants and moving operations to other regions to mitigate the potential risk of being unable to continue to source adequate raw product supplies in the region due to curtailment in water supplies. This trend is being exacerbated by the rising cost of power, which was once a huge economic incentive to Northwest processors but is no longer a competitive advantage.

Potato processors are building and buying plants in Canada, China, Europe and Australia. This movement is fueled by a number of issues, including market location, currency exchange and government incentives. However, in the past five years, we are now seeing the fear of inadequate water supplies and the rapidly escalating cost of power, both of which are being driven artificially by the ESA, beginning to erode the Northwest's competitive advantages in the world marketplace.

The danger of losing the food processing industry to the world marketplace is real. It will not happen quickly and the industry does not want to move out of the region. However, the subtle, grinding effect of the uncertainty of the ESA will take its toll over the long run. As processors make decisions about where to spend capital dollars to upgrade plants and equipment or to add new lines and processes, they are currently investing outside the region. This trend, if not reversed, will slowly but surely move the industry to the locations where the most current, productive and efficient plants are located. That has always been the Northwest, but now, the trend is changing and the newest and most productive plants are no longer in our region.

We support the House Resources Committee's efforts to bring rationality to this process. The bill sponsored by Rep. McMorris is an incremental step in the right direction. It is good public policy and sends a message to all parties that there will be transparency and accountability in the process.

Transparency of ESA Costs and Requirements

The Family Farm Alliance and the Washington State Potato Commission strongly support H.R. 4857, the Endangered Species Compliance and Transparency Act of 2006. This much-needed legislation would provide a basic level of public disclosure of the costs incurred under the Endangered Species Act by the Bonneville Power Administration to administer and fund most salmon recovery programs along the Columbia River and the basin which it drains. We view the requirements contained in this bill as an appropriate public "right to know" provision that harms no one, yet provides information to the public on the measures used under the Endangered Species Act to enhance and advance the recovery of listed species.

In our view, it is common sense to disclose the amount of costs incurred under the ESA for salmon recovery. We believe that H.R. 4857 would provide valuable information to the public regarding the costs incurred by the Bonneville Power Administration in compliance with the Endangered Species Act. Rates paid to Bonneville Power Administration by our members and other customers of Bonneville are investments of the public in the federal hydro system. Over the past decade, the public has invested, through payment of BPA rates, an estimated $8 billion dollars in salmon recovery efforts, including the costs of lost power generation. It is important for the public to understand the nature of those expenditures and the results of the use of those expenditures. It does not make sense to us to shield disclosure of ESA related costs from the public which pays those costs through BPA rates.

Endangered Species Act compliance costs are not ordinary operational costs associated with the operation of the federal facilities. They arise because of a later listing of species under the Endangered Species Act, and the requirement that

additional measures be taken to provide for conservation and recovery of listed species. These are not routine costs. The activities funded by these costs result from a separate statute and a separate federal obligation to conserve species listed under the ESA. Further, the costs are extraordinarily high by any measure. For BPA, it is reported that the costs of salmon recovery, at over $600 million per year, exceeds all other costs of operating the agency. No other species recovery effort in the country matches the costs associated with the recovery of the salmon in the Pacific Northwest.

We support salmon recovery. Our concern is not with the effort to restore salmon runs, it is with the efficient and effective use of salmon recovery funds. For this reason, we believe a disclosure to the public of the costs associated with ESA compliance and recovery measures that apply to Bonneville is both fair and appropriate. The disclosure requirements of this legislation would assist the public in knowing the amount of repair expenditures going to salmon recovery efforts, and, we hope, would assist in understanding how efficient are those measures.

H.R. 4857 applies to power marketing administrations, which provides a forum to better educate power customers on direct and indirect costs resulting from compliance with the Endangered Species Act of 1973. Many of the members of the Family Farm Alliance are also customers of another agency—the federal Bureau of Reclamation (Reclamation)—which is the largest water wholesaler in the country. Reclamation provides municipal and industrial water to more that 31 million people and irrigation water for 10 million acres that produce 60 percent of the nation's vegetables and 25 percent of its fruit and nuts.

The environmental revolution of the last 30 years imposed new requirements for environmental assessment, protection, and enhancement on virtually everything the Bureau of Reclamation does. These new requirements increase project costs and further constrain the availability of water for human uses. Over the years, ESA requirements have significantly altered the operations of federal dams and reservoirs, which have serious ramifications for agricultural water users dependent upon those facilities.

As is the case in the power arena, under law, those costs are passed on by the federal government to water consumers who receive federal water. For example, water contractors served by California's Central Valley Project (CVP) pay ESA costs accrued to both water and power; the power portion of the CVP water contractors costs are assessed as Project Use Energy (PUE) used to deliver CVP Water. In a given year, between 20% and 30% of the total power generated by the CVP are used for PUE.

There are many examples of direct and indirect costs to water users associated with ESA implementation. Direct costs are defined as "federal agency obligations related to study-related costs, capital, operation, maintenance and replacement costs and staffing costs." Indirect power costs are defined as "foregone generation and replacement power costs, including the net costs of any transmission."

Water users in California pay some direct environmental costs through rates that are identified in financial statements as "water marketing" and "storage operations and maintenance". It is also possible that some direct environmental costs are hidden in financial statements under terms like "other direct expenses". The core problem is that environmental costs are not separately identified as specific line-items. As a result, water users have no idea of the specific dollars that they spend on endangered species and other environmental causes.

It is clear that ESA-related costs are not the only "environmental costs". There are concerns among some water users that additional costs beyond the ESA may also be included in rates, such as those associated with the National Environmental Policy Act (NEPA) and, in California, the Central Valley Project Improvement Act (CVPIA).

Indirect costs associated with ESA and other environmental regulations—such as lost opportunity costs—are sometimes difficult to quantify. There may be environmental programs within Reclamation's Denver Office that are included in the indirect cost allocations that are added to water rates. Other indirect costs may represent a greater impact to water users and their communities. As Rep. McMorris has noted, in the Sacramento, Colorado, Platte and Missouri river basins, the federal government had to modify its hydropower generation services and flow requirements to account for ESA mandates. This resulted in lost federal hydropower generation and has led to an average of $96 million per year in ESA costs that is passed on to consumers. It also leads to increased uncertainty for family farmers and ranchers, whose need for a certain water supply can form the foundation for other financial decisions.

While the Family Farm Alliance and Washington State potato industry enthusiastically endorsed H.R. 4857, our discussion regarding this bill suggested that,

perhaps, it was not enough. Water users from several western states have asked that Congress consider expanding the last part of the bill to require the Secretary of Interior to conduct a project-by-project breakdown of ESA, NEPA and other environmental costs for Bureau of Reclamation projects, as well as the power marketing administrations. This very simple addition would produce very useful information for Reclamation's customers, many of whom are members of the Family Farm Alliance.

We offer some initial thoughts on potential solutions to improve the transparency of environmental costs that water users bear:

1. Investigate the possibility of using a more detailed description of existing rate components to specifically identify environmental costs. For some water customers, separately breaking out and categorizing existing rate components would certainly be useful and increase the transparency of the environmental costs that are currently buried in several components of the water user rates. A good first step might be to identify the specific types of environmental costs (including ESA, NEPA, etc) that might be buried in water rates. Note that in many states, State environmental regulations can add still more environmental costs. CEQA, which is the State of California's equivalent to the Federal NEPA legislation, is a good example of these potentially redundant expenditures. Existing Reclamation rate book schedules could be adjusted to provide specific line-item detail regarding the specific costs that are incurred due to ESA or other environmental compliance issues. This would let contractors know what their environmental compliance bill is without creating a new environmental rate component. This proposal may not necessarily be applicable West-wide, and should be considered only after the concept is reviewed by federal water customers and Reclamation officials at the regional level.
2. Review Reclamation's Denver Office to investigate ways to make indirect costs more transparent. Beyond the environmental cost component indirect costs, it would be helpful to improve visibility on indirect costs in general. To get an accurate picture of the total environmental expenditures, it is absolutely necessary to include Reclamation's indirect expenses at both the Regional Office and Denver Office level.
3. Establish a "non-geographic" division that would be for the specific purpose of reporting all environmental costs. The current method for reporting costs in some areas of Reclamation is to segregate different geographical regions/facilities into divisions on financial statements. In the interest of full disclosure to the ratepayers, the environmental costs should be grouped into a single section of the financial statements, and the cost of each environmental activity should be segregated into a specific line-item.

The Family Farm Alliance believes that, for both electricity and water customers to make an informed decision about ESA costs, the first step is to provide transparency in consumer costs. The Endangered Species Compliance and Transparency Act of 2006 is a bill that will take an important first step in this direction. It can be strengthened and improved even more effectively by expanding the bill to apply to Bureau of Reclamation water projects.

The Region Should Consider Other Measures To Achieve Balance

The Potato Commission, as well as other constituents of the Family Farm Alliance, strongly support balanced natural resource policy, efficient use of federal resources and rate payer funds, and the most cost-effective environmental policies that may be available. We are interested in working more directly with both the Bonneville Power Administration and the Bureau of Reclamation on water conservation as it would assist in salmon recovery and in the Columbia River Basin generally. An issue that may soon develop is the recharging of the Odessa aquifer in Central Washington. We are working on developing a plan for revamping water management in the Odessa Aquifer area. Part of this potential solution may well evolve a buy back by the Bonneville Power Administration of water and power usage and a significant reduction in aquifer demand. Our hope is that both irrigation and power use could be significantly reduced through a cooperative program with Bonneville Power Administration and the Bureau of Reclamation to assist in the recharging of the Odessa Aquifer.

We are in the early stages of considering these proposals, and are not yet in the position to seek support either at Bonneville or in this committee. However, as the committee considers the multiple uses of the Columbia River system and the ESA obligations, and other obligations as they apply to the federal Columbia River power system, we would ask that consideration of an Odessa Aquifer recharging program be put into consideration at the appropriate time.

Mr. Chairman, we are well aware that Congress has a tough job to find a balance between conservation, power production, efficient salmon recovery and the public interest in salmon recovery and cost disclosure. We stand ready to assist the Committee, and the House, in seeking to find that balance.

Thank you for the opportunity to testify. I welcome any questions the Committee may have.

Miss MCMORRIS. Thank you. Mr. Chandler.

STATEMENT OF GARY CHANDLER, VICE PRESIDENT OF GOVERNMENTAL AFFAIRS, ASSOCIATION OF WASHINGTON BUSINESS, OLYMPIA, WASHINGTON

Mr. CHANDLER. Thank you, Congresswoman McMorris and Congressman Hastings, for bringing the Subcommittee to Eastern Washington. It's a lot more easier to get to than going back to the other side of the country. I want to thank you also for giving me the opportunity to talk this morning on the impact of rising electricity rates that impact our economy.

AWB is the oldest and the largest business organization in the State. Our 6,000 members provide over 600,000 jobs to people who live in the State of Washington.

I'd like to first take a personal note, if I may. When people talk about the subject, we usually talk in statistics. I'm as guilty as anyone. Because the impact is so significant and the potential impact is devastating, statistics seem the best way to make the case. But remember that there is a real person behind every one of those statistics. Each data point is a human being with a family and a home and a right to work for a decent future.

But now the future seems in doubt because of the money we're spending on the fish. Now let me be clear, we all have a responsibility to protect the environment, but there must be, as you said at the beginning of this, Congresswoman McMorris, about this.

This morning I'd like to talk about the money that's being spent on salmon programs, why do I see power costs as so important, and take a look at some of the consequences.

First, the money. The Bonneville Power Administration has spent $5 billion on fish programs over the last nine years. That's an impressive number. But to the figures in perspective, let's look at it as how much is $5 billion?

For $5 billion Habitat for Humanity could build 100,000 homes for poor people. $5 billion is enough to provide health insurance for 100,000 low-income families in Washington State for the last nine years. $5 billion is enough to provide 11,000 Washington residents with a $50,000 a year job over the last nine years.

BPA has spent much of that money on fish programs over the last nine years. Those costs get factored into what BPA charges for electricity. Higher costs mean higher prices.

I'd like to talk about why higher energy costs are so important. Generally speaking, some would say Washington State is not the greatest place to do business. We have the highest unemployment insurance cost in the nation. We have the fourth highest workers comp benefits in the country. Our regulatory costs are high and our employers pay the lion's share of the taxes in the state.

But historically our low power rates have made up for that. We used to have a real advantage over other states because of our low

cost of hydropower. But that advantage is slipping away. Now for the employers who must deal with all the other possibilities, rising energy costs can be the straw that breaks the camel's back.

Salmon programs strike a part of our State's economy because they target hydropower. For example, in 1999 our electricity rates for residential and industrial property were the lowest in the nation. Our commercial rates were the same. In 2003 that advantage had disappeared. Our industrial rates are higher than 18 other states, and our commercial rates were higher than 12 other states.

We have seen our power costs jump by 50 percent over the last 8 years. We're already seeing the impact on rising electricity costs in Washington State. Farmers are taking land out of production because they can't afford to irrigate. Some are getting out of the business all together, and others are selling the family farms. Oh, gracious.

Our thriving aluminum industry is now on the end stage of—In 1998 we had seven aluminum plants operating in the State of Washington. Now there are only two. We've lost 6,000 aluminum jobs since 1998, jobs that paid an average of $80,000 a year in wages and benefits.

Will our wood products and our paper industries be the next ones to die? Amazingly, things could be worse. U.S. District Court Judge James Ridden seems intent on removing four Snake River dams to protect the salmon. He keeps rejecting the Federal Government's management plans because they don't talk about breaching the dam.

In fact, Redden once complained that the agencies "have failed to demonstrate a willingness to put the needs of salmon first." If Judge Redden gets his wish, our economy will be devastated. According to the Corps of Engineers, breaching the dam will cost the State economy $300 million a year for the next 100 years. Electricity bill for Northwest ratepayers could jump $300 million. Transportation costs would rise $40 million. We'd lose 37,000 acres of prime irrigated farmland. 2300 people would lose their jobs. And personal income would be cut by $278 million a year.

All of us have a responsibility to protect the environment. Washington employers have and we'll continue to do our part. Our strategy must be guided by common sense and take into account the impacts on people as well as animals. The key, again, is balance. Thank you.

[The prepared statement of Mr. Chandler follows:]

Statement of Gary Chandler, Vice President of Governmental Affairs, Association of Washington Business, Olympia, Washington

Good morning, my name is Gary Chandler. I'm Vice President of Governmental Affairs for the Association of Washington Business.

AWB is the oldest and largest business organization in the state. Our 6,000 members provide jobs for 600,000 people in Washington State.

Thank you for this opportunity to speak about the impact that rising electricity rates have on our economy.

First, I'd like to make a personal note, if I might. When people talk about this subject, we usually talk in statistics. I'm as guilty of this as anyone. Because the impact is so significant and the potential impact is devastating, statistics seem to be the best way to make the case:

But we need to remember that there are real people behind each of those statistics. Each "data point" is a human being with a family and a home and the right to work for a decent future.

But now, that future seems in doubt because of all the money we're spending on fish.

Now, let me be very clear. We all have a responsibility to protect the environment—but there must be a balance.

This morning, Id like to talk about the money that's being spent on salmon programs; why rising power costs are so important; and take a look at some of the consequences.

First, the money.

The Bonneville Power Administration has spent $5 billion on fish programs over the last nine years. That's an impressive number. But to put that figure in perspective, let's look at it another way.

How much is $5 billion?

- For $5 billion, Habitat for Humanity could build 100,000 homes for poor people.
- $5 billion is enough to have provided health insurance for 100,000 low-income families in Washington State for the last nine years.
- Or, $5 billion is enough to have provided 11,000 Washington residents with a $50,000 a year job over the last nine years.

BPA has spent that much money on fish programs over the last nine years. Those costs get factored into what BPA charges for electricity. Higher costs mean higher prices.

I'd like to talk about why higher energy costs are so important.

Generally speaking, Washington State is not the greatest place to do business.

- We have the highest unemployment insurance costs in the nation.
- We have the 4th highest workers comp benefits in the country.
- Our regulatory costs are high, and employers pay the lion's share of the taxes in the state.

But historically, our low power rates have made up for that. We used to have a real advantage over other states because of our low cost hydropower. But that advantage is slipping away.

Now, for employers who must deal with all the other costs of doing business in Washington, rising energy costs can be the straw that breaks the camel's back.

Salmon programs strike at the very heart of our state's economy because they target hydropower—the main reason for our competitive advantage.

For example:

- In 1999, our electricity rates for residential and industrial customers were the lowest in the nation. Our commercial rates were second lowest.
- By 2003, that advantage had disappeared. Our industrial rates were higher than 18 other states had our commercial rates were higher than 12 other states.

Here in Eastern Washington, irrigators have seen their power costs jump by 50 percent over the last few years. That's a bigger increase than the last 20 years combined.

We're already seeing the impact of rising electricity costs in Washington State.

- Farmers are taking land out of production because they can't afford to irrigate it. Some are getting out of the business altogether or selling their family farms to corporations.
- Our once-thriving aluminum industry is now on the endangered species list. In 1998 we had seven aluminum plants operating in Washington—now there are only two. We've lost 6,000 aluminum jobs since 1998—jobs that paid an average of $80,000 a year in wages and benefits.
- Will our wood products and paper industries be the next to die?

Amazingly, things could get even worse.

U.S. District Court Judge James Redden seems intent on removing four Snake River dams to protect the salmon. He keeps rejecting the federal government's management plans because they don't talk about breaching the dams.

In fact, Redden once complained that the agencies—quote—have failed to demonstrate a willingness to put the needs of salmon first—unquote.

If Judge Redden gets his wish, our economy will be devastated.

According to the Corps of Engineers, breaching the dams would cost the state economy $300 million a year for the next one hundred years.

- Electricity bills for Northwest ratepayers would jump by $300 million;
- Transportation costs would rise by $40 million;
- We'd lose 37,000 acres of prime irrigated farmland;
- 2,300 people would lose their jobs;
- And personal income would be cut by $278 million a year.

All of us have a responsibility to help protect the environment. Washington's employers stand ready to do their part.

But our strategy must be guided by common sense and take into account the impacts on people, as well as salmon.

The key is balance.
Thank you.

Miss MCMORRIS. Thank you. And once again, thank you, everyone, for being here today and taking the time to be here. Each of you has offered excellent testimony, and it all helps in our efforts to address this issue.

At this time I think we're just going to go back and forth for a while. I was going to start with a question to the Corps of Engineers and BPA. If you would just talk about how you measure the effectiveness of the Corps mandated spills versus barging the fish for predator control. Which has been more effective over the past two summers of mandated spills?

Ms. DURHAM-AGUILERA. I'll go first. Thank you.

[Discussion held off the record.]

Ms. DURHAM-AGUILERA. OK. Thank you. I'll take the first attempt to address and then turn it over to BPA. It's really a combination of all three. We monitor the passages. We monitor the transport. But, you know, one of the things that we're trying to drive for in the region is we still have a consistent criteria. And what we really try to get to is a criteria that measures juvenile survival, and this is formed by adult returns.

So regarding the spill that happened in 2005, the summer spill we keep talking about, until we get the adult returns, which won't happen until 2008 and 2009, we won't be able to tell how effective they are. We know pretty well what the survival rates are, whether it's transport or spill. We need to know the adult returns to really know the effectiveness.

As far as the prediction of by the numbers, it has been effective with the various techniques that we use. Also the increase had dropped to around 2700. But there's a lot more that can be done, you know, as far as the sea lion issue. The States of Oregon and Washington are engaged in trying to get some relief under the Marine Mammals Protection Act. So they're looking to streamline that both under the Act. The Corps of Engineers would support either solution in order to make some more headway.

Mr. MASLEN. I'm Bill Maslen, Bonneville. I'd just like to add that we're also looking to develop returns around the effectiveness of transportation. Furthermore, attempting to design more comprehensive transport studies to take into account the fact that over half of the returns, the adult returns from those juvenile fall Chinook are fish that overwintered in the system and now migrated the following spring. So if any cases weren't even present, it was just the lower half of the location when the spill occurred.

Similarly, in the case of predator control, over the last 15 years we found the Northern Pikeminnow Management Program to be highly effective. That is not just a BPA assessment, that is in fact research that's performed by Oregon Department of Fish and Wildlife and USGS.

As a result of our initiatives on modifying summer spill, we increased the reward associated and have seen a consistent increase in the rate of removal of those predators by about 50 percent. That will not translate into a 50 percent reduction degradation mortality for most fish, but it moves us up into an annual exploitation rate

from the low teens to the upper teens, which is substantial. Currently we're estimating over 25 percent reduction of predation mortality.

Miss MCMORRIS. To the two of you again, when it comes to measuring the success of saving salmon, how do you believe that will be defined over the next ten years and what role will customers and others play in defining success.

Ms. DURHAM-AGUILERA. That's one of the things we're trying to do as far as collaboration. It takes everything to be able to figure that out. Success, again, it depends on how you're going to define it. There's recovery. We all want to hear numbers with recovery. We're talking in terms of ten years only because that's about as far as we can predict action. But we really believe recovery is going to take more than ten years. So we have to go back again to a competent agreement with a consistent criteria.

Mr. MASLEN. I agree that both collaboration as well as focus on recovery, necessarily a long-term and sustainable effort. It's only taken European man about 150 years to create the situation that we have before us, which includes the depressed wild populations of salmon and steelhead. It will take decades of focus, prioritization, comprehensive approach to costs, all of the human predations, and a sustained effort or initiative over time that increases the connectivity of those actions to really enhance and will take that more holistic approach. That's all.

Miss MCMORRIS. How much money has been spent on litigation since the first biological opinion was challenged.

Ms. DURHAM-AGUILERA. That's hard to estimate. Again, we do our best.

Mr. HASTINGS. First, let me thank all of you for your testimony. And as I think the people here that are listening and certainly the two of us up here can see, that there are different opinions on what the solutions are. And that's, I guess, what America is all about is to try to figure out the best way so that everybody can have their way, so to speak.

Let me ask Ms. Durham-Aguilera a question here first because there's an issue that came to my attention yesterday, it came to the parties, that would potentially be affected only a couple of days ago regarding drawing down the McNary Pool. I understand that you've reached agreement with the local irrigators regarding the proposed drawdown of McNary Pool. And it's my understanding that this agreement will keep the elevation at 336.8 feet; is that correct?

Ms. DURHAM-AGUILERA. Yes. That's correct. We did reach an agreement. We're trying to get around 337.

Mr. HASTINGS. Good. I appreciate your working with the irrigators. I mean, clearly this was one of those issues that came up very quickly that would have had a devastating impact in a very hot time of the year. So I appreciate your response to the Corps.

I want to talk to you about your comments. You mentioned there's times that you could use that surplus power and use the example of potentially filling other reservoirs, Black Rock being one of the most obvious. Do you know if that takes any legislation at

all, or can that be done wholly within the purview of BPA and with the utilities working with them? I just wonder if you'd look at that.

Mr. MORRISON. I don't really know the answer to that. There's a myriad of overlapping regulations and requirements. I have to believe that people of good faith could work through that. But sometimes, you know, legislation is needed to sort of clear a path.

For instance, thinking of back in the '60s I chaired a group that put together a one-stop shopping approach for the siting of power plants. And we may need to do something like that with this idea of pump and storage so we've got storage batteries along the Columbia River system that could be used for the release of water for fish and certainly for power generation and for refilling McNary Pool. You can go right down that list.

I don't know specifically the answer but just say, usually legislation helps where there is a number of different bureaucracies.

Mr. HASTINGS. That would be something to pursue. Since you brought up Black Rock and since the proposal of the Black Rock Project is to take water from the Columbia River, I think it's worth noting that the whole Columbia Basin Project, we're only irrigating about half of that, only takes 3 percent of the flow behind Grand Coulee Dam to irrigate that 500,000 acres. And then.

One percent is returned at various points. So when we hear a lot of discussion about there's not enough water, that statistic, in my mind, kind of applies on the face.

The proposal for Blackhawk is strong tension in the water after you have the full supplement of five rivers downstream. So I think that's a point worth making, and I appreciate you bringing up the issue.

Ms. Flores, I want to ask you a question. You talked about working trying to get a biological opinion and so forth. My question to you is a hypothetical one. If it appears where Judge Redden is going with his interpretation of ESA as it pertains to our area here, what impact do you think that would have on other biological opinions or similar opinions throughout the country and if it is subsequently upheld becomes in fact the law of the land?

Ms. FLORES. The simple answer would be morbid because I assume what you're speaking to is baseline issue and ESA consultation and how they take into account the baseline issue. And the fact of the matter is if the Ninth Circuit rules on that, it could potentially open up a lot of agreements that had been reached in a region, whether it's licensing, whether it's the Fish and Timber Agreement for the State of Washington. And such a ruling could potentially open up those issues and it could have an enormous impact.

Mr. HASTINGS. What it probably points out more than anything else is the need to amend the Endangered Species Act. And I might add, because it was mentioned several times in the testimony here, the House has passed a version and I want it to still be taken up in the Senate.

But the main part of that is it focuses on recovery. And I don't think there's anybody here that I heard said that we ought to let the salmon go extinct. In fact, I hear just the opposite. We find ways we want to make sure that the salmon is part of our culture here. And it seems to me that we would have a policy on a national

level focusing on recovery that would go a long way. And the way that's being interpreted now, at least from your point of view, it would have nationwide devastating implications. Thank you very much.

Miss MCMORRIS. I want each of you to comment just briefly on just the uncertainty related to our energy costs. And each of you have, in your testimony, commented on it. But as we move forward there's increased concern about energy costs in this country in general. For those of us in the Pacific Northwest, we focus a lot on this Columbia Snake River system, electricity costs, and we're seeing where these costs have a tremendous impact on our economy. I hear from the farmers, I hear from the businesses, low income. Everyone is impacted by rising energy costs.

And one of the challenges before us because of the continued court battles and the uncertainty that court decisions have caused for those of us in this region is that the impact of this uncertainty on our electricity costs in this region.

And I just wanted each one of you just to comment from your perspective moving forward what that impact would be on your particular—from your particular perspective. And I know that there's efforts underway to work in a collaborative fashion, so those of us from this region the best way to move forward.

But in the meantime the court decisions and the uncertainties that these court decisions cause and the impact that they could have, I just want each one of you just to comment briefly on what you think the impact will be. And, Gary, I was going to ask you to start.

Mr. CHANDLER. I was afraid you were going to start with me first. There's several things that I think we can give you to look at. First of all, our association is a big supporter of looking at alternative sources, and I think some of that technology is here, some of it is away still being developed. One of the things we're faced with right now on our energy costs, as I said in our testimony, I would venture to say that the majority of our membership is very, very nervous right now for energy costs going up.

And a lot of our larger businesses are not looking here to expand or to build new facilities, they're just struggling to hang on and looking at closing and moving elsewhere because of the uncertainty of energy costs.

We've got big movement going on in wind power right now. But I want to remind everybody wind power is great when the wind blows, but as soon as the wind quits blowing, you just can't shut the plant down and send everybody home. You have to have something there when the wind power is not being generated. But we think we need to move forward with that.

I think there's coal, but everybody has problems around coal because of the emissions. There is technology looking at converting coal and liquefying it. And you know my previous thoughts, Congresswoman McMorris, on water. I still think we're missing the boat. We have a lot of water, but we utilize it and we misutilize it and we flush a lot of it down without containing it in storages.

I still believe one of the things that Congress should be looking at is reinvigorating the Corps of Engineers and looking at building more storage so we can have that storage for use for power. We

could have the storage for expansion of agricultural. We know we have a lot of areas that we have deep wells and we need to get them off of those deep wells and we need water for that. So storage to me would be a real key, as well as storage is good for recreation and for the salmon. So I think any of those things.

Miss MCMORRIS. Very good. And I'm going to have to ask you to be brief in your comments.

Mr. VOIGT. Thank you, Congresswoman. Regarding potato industry and costs, our worst thing to do is increase costs. I know I still missed testimony. I know his about rate increases has been over close to 280 percent increase. Electricity is secondary to the actual supply of water. If we don't have water, we don't get the electricity.

Ms. MILES. On behalf of the CRITFC Tribes, we are a supporter of alternative energy. We have been a collaborative partner. We have pushed the Federal agencies to work with us without going to the last resort. And that has been, I think, commendable on the Tribes' behalf because we have borne the conservation burden, and all we're asking is that conservation burden be applied to all parties so that we can jointly live the lifestyles that I hear some of the people talking about on the panel today. Thank you.

Ms. FLORES. My answer to that would be, I think, the same as Chandler's, that pointed out that businesses here in the Northwest are just hanging on. The fact of the matter is many of them have gone out of business. Energy has been a traditional advantage in the Northwest. That's still true today. We have businesses that have to overcome other higher costs like transportation, so electricity is key to their competitiveness.

And I'm going to say we're at a point where there's not a lot of room for electricity prices to go up without having a significant and negative impact on the region and its economy.

Ms. HIRSH. There are a number of things that affect electric rates. And even if rates go up, bills can go down. And I'd like to see an increased focus on more aggressive energy efficiency implementation and conservation efforts throughout the region to help bring bills down.

And there's a number of issues around the country that are driving electric rates up all over, so the Northwest is not unique in that problem—facing that problem. But we are blessed with tremendous opportunity to improve the efficiency and reduce consumers' bills and keep businesses more competitive. The Northwest Power and Conservation Council estimates $2.4 billion in lost economic development opportunity, and I don't think that's an economic impact we can bear.

Ms. DURHAM-AGUILERA. Well, thank you. I'll speak from the viewpoint as the engineer. We're charged to operate the system for the purposes of the people and for the environment. That's why we spent so much time on water control plants because we're also responsible to let people know what we're doing so they have a predictable and reliable plan. Without that, people can't make wise investments. So we have certain operation, we have a certain plan for the economy to make smart business and investment decisions. So that leads to cost and efficiencies and loss of energy.

And then the second point is kind of a broader view. One of the things I worry about is that we don't have a true long-term

investment plan so we will not in the future continue to see the value on this.

Mr. MASLEN. I'll narrow my comments to fish and wildlife. We believe that the key to success is an "all H" approach. We have to take that comprehensive and holistic approach. BPA can only cover costs to some point. So where there's uncertainty, it makes it difficult to design and sustain programs that can be implemented over time. So we have all four H's. We have costs in all four H's. As pressures are brought to bear on one of those H's, there can be pressures in the alternative direction on the other. And that makes it hard to implement a successful program in the long term.

Mr. MORRISON. I think the energy future is a timing issue. We have water. We have wind. In order to supply water for both power and fish, we have to solve this problem, as Steve Wright mentioned that we only have storage capacity for 30 percent on the Lower Columbia River. The other 70 percent we're sending out to the Pacific Ocean.

So to me when the wind blows, store the water. When you need the water, let it come out of reservoirs along the Columbia River system.

Mr. COOPER. I would just say that from the perspective of my colleagues nationally, you're going to be hearing a lot more from us in terms of increased demands on a whole range of indirectly related but still connected needs that will occur in the lives of low-income people around the country.

As pressure is applied on a utility budget for a low-income household, they're going to make choices, some good, some bad, as they seek to pay that bill or to offset that increase. So you're going to see increased demands for not just energy assistance but housing, there's going to be an increase in illness as people are not able to afford health care, prescription costs are going to see an increase in charity costs right off to the health care system, you're going to see an increase in demands for shelters, increase in family instability, crime rates, all of those kinds of things.

Mr. ESPINOZA. In Pasco with growing populations, we build more schools, and we end up with higher electric fees. And, again, I guess I want to say that there's a lot of pressure to add accountability into what public education does, not just here in Washington State but nationally with No Child Left Behind and the individual DIEA law. But in Washington state, just to help you understand our intensity and what we're doing in our classrooms, is the WASL, Washington Academic Student Learning. Thank you. A little bit of pressure. The Washington Assessment of Student Learning.

It became a graduation requirement for sophomores this year, and preliminary results show that only 54 percent of the students statewide passed. But there's a number of other subgroups of students that last year 70 percent or more did not pass the math portion. So the emphasis on keeping educational dollars in our classrooms is something that I guess I just need to let you know that. It's a very strong thing.

Mr. REIMANN. I wish Steve Wright was still here because when I was listening to him talk I couldn't help but think of a quote from

Ronald Reagan and it was the most terrifying words in the English is, I'm here from the government and I'm here to help.

What's happening to us with the power rates is after the last round we decided to sell our farming operation. The problem is mortgage companies, because of the uncertainty of the power rates, aren't willing to loan on this type of operation anymore. So it's very difficult to go out there and market your property.

I have a granddaughter that's half Russian. She speaks Russian fluently. We just came back last fall from Russia and went back to the place where my grandfather came in 1880. And believe it or not, I never thought I would ever say this, is that the opportunity for farmers like myself and my son and my granddaughter look greater in Russia than they do here today.

Mr. HASTINGS. We've come to the end, gone over a little bit, so this will be the last question. I want to thank all of you. I apologize if I didn't ask all of you a question today. But I do have a couple I do want to ask. Ms. Miles, I want to ask you your position on the use of hatchery fish and if we can supplement the salmon populations.

Ms. MILES. What was the question?

Mr. HASTINGS. The question is, what is your position, CRITFC or individually, what is your position on using hatcheries to supplement salmon populations?

Ms. MILES. Our view on our hatcheries is that we do need hatcheries to support an eventually natural sustainable run. Currently, that cannot happen without hatcheries in our supplementation programs. I understand the controversy over supplementation, but at the same time the CRITFC Tribes, who I believe are the strongest fish managers in the region, understand that hatchery supplementation programs do have to support eventually to get a—the goal is to get a harvestable, sustainable salmon run, which we just can't do at this time.

Mr. HASTINGS. Can I expand that to say that you support the four H's then?

Ms. MILES. In the four-H approach, all four H's need to be addressed equitably and how those gaps are achieved need to be achieved equitably, which under a confidential process under the collaboration process we're working toward, but these need to be addressed. It would be very good if the public understood how each H affects the actual run and how that affects each part of the gap and how could you then be responsible and accountable for filling the gap. And that's kind of where we're at.

Mr. HASTINGS. Can I assume that when you come out with your proposal and your reform, you will address that?

Ms. MILES. In our view the Tribes have—we have always addressed our H, which is harvest. We have always been asked to address that. And when I mentioned conservation burden, we have wholeheartedly had to take on the conservation burden. And in that "all H" approach, we ask that conservation be applied equitably. I'm not saying we're opposed to the four-H approach, but it's how you view that four-H approach and how you view each gap in that approach.

Mr. HASTINGS. I wanted to ask about hatcheries because I don't think there's been enough, frankly, work or study on hatcheries. But I appreciate your answers.

The final question that I have is to Mr. Reimann. There's been a lot of discussion here today regarding Judge Redden and the potential that comes out of that, and I know that you've been very active and are effective as part of the Columbia Snake River Irrigators Association. I understand there is an attempt to move this to another court. Would you elaborate on that?

Mr. REIMANN. Well, we've tried a lot of measures with Judge Redden. One of them was to have him removed from the case, and so far there's been no luck with that. It's just another attempt. Whether we get there or not, we can remain hopeful. But, you know, I think it was Al Gore who brought him out of retirement to do just this, and he's done a wonderful job of stuffing us. Maybe he'll go back into retirement.

Mr. HASTINGS. Well, OK. I see that my time is just about up. And once again, I want to thank my colleague from Kettle Falls for pushing to have this meeting out here. I thought the testimony was very good, and I appreciate all of your coming and your presence here. And all the people in the audience that sat through this, we certainly appreciate your presence here too. Thank you.

Miss MCMORRIS. Very good. We do need to conclude the hearing today. There will be a number of questions that we will submit to you in writing. We would ask that you would answer those so that they could be a part of the official record.

I want to also thank everyone for being here today, for testifying, for taking time to be here. We all have a goal as we're here today of protecting salmon as well as our economy. The question is, how are we going to do that and whether we're going to do it together? And I think these kind of hearings are a positive step in pulling people together to make that happen.

I look forward to working with you and my colleagues so that we can come up with a win-win situation. Thank you very much.

That's the conclusion.

[Whereupon, at 11:10 a.m., the Subcommittee was adjourned.]

[A statement submitted for the record by Charles L. Dawsey, General Manager-EVP, Benton Rural Electric Association, follows:]

Statement submitted for the record by Charles L. Dawsey, General Manager-EVP, Benton Rural Electric Association

Thank your for the opportunity to share thoughts and comments regarding dams and Northwest power issues. My name is Charles Dawsey, and I am the General Manager of the Benton Rural Electric Association—the consumer owned electric utility serving over 15,000 meters in Benton and Yakama counties. Currently our utility receives all of its wholesale power from the Bonneville Power Administration pursuant to the terms and conditions of a BPA Full Requirements Power Sales Contract. Wholesale power costs from BPA are still over 60% higher than they were prior to 2001. In general, this means that end use electrical consumers have faced increases in retail rates well over 30% during the past five years. I would suggest that anyone involved in the electric utility industry, myself included, should be ashamed of these significant energy cost increases in a region where hydroelectric energy is so abundantly available.

I applaud and appreciate Congresswoman McMorris' effort to legislatively secure transparency regarding the costs of fish and wildlife programs that northwest electric consumers are paying as part of their power bill. It is critical that

consumers know what these program costs are, as well as the benefits that are being achieved.

In 1984 and 1985, the BPA Federal Base System of generation on the Columbia River was able to produce 9,750 aMW of energy during a critical water year. Today, the same Federal Base system can produce only of 7,079, aMW of energy during a critical water year, a reduction due in a large part to the implementation of the requirements of various Biological Opinions and resulting fish and wildlife programs. In short, the region has lost about 2,671 aMWs of generating capability during critical water, which is the equivalent of the amount of energy needed to supply two cities the size of Seattle. In today's energy market this 2,671 aMWs of energy has a wholesale value of $1.1 Billion.

For the most part, the Northwest has been able to accommodate the loss of this generation capability through a number of mechanisms, including the loss of aluminum production, the installation of high cost combustion turbine generation, and a slowing of northwest economy. However, as the Northwest economy picks up speed and energy demand grows, we will be facing some difficult challenges to meet the future energy needs of this region.

The Benton Rural Electric Association supports the development of renewable generation both directly through our subscription ownership in the Coffin Butte Landfill Generation Project which utilizes methane gas from the landfill to produce electricity, to our indirect support of member-owned renewable distributed generation projects. We realize that many of these renewable energy projects provide economic development opportunities to landowners and equipment vendors, and, if privately owned, can add to the local tax base of our counties.

However, these renewable energy projects, including wind generation, rely heavily on financial subsidies, and equally important rely on existing conventional generation to provide backup, firming, shaping and other ancillary services to make them a viable energy alternative. To this end, BPA has used the flexibility of the federally-owned hydroelectric projects to provide these services at relatively no cost to the renewable projects. The BPA Administrator has announced that the Agency is incapable of providing any additional ancillary services to intermittent generation projects. Any new renewable projects will need to rely on firming services from a resource other than the BPA Federal Base System. This will require the development of new conventional resources to ensure that the shaping and backup services for new renewable resources are available. In short, this boils down to more rate increases to the end use electrical consumer.

In conclusion, while we support renewable resource development, we recognize that these resources will not replace the need for base load generation to meet a growing economy. In fact, quite the opposite is true, since renewable resource development will place additional burden on conventional base load capacity. We urge all decision makers that will face tough decisions regarding future energy resources, to at lease reconsider the opportunity to capture some of the 2,671 aMW of lost hydroelectric generation on the Federal Base System. This generation has no additional capital or operating costs associated with its production. It is without a doubt the most cost-effective renewable resource that is available to us today.

In closing, I want to thank Congresswoman McMorris and Congressman Hastings for scheduling this hearing, and for their constant vigil in protecting and securing the benefits of the Bonneville Power Administration for ratepayers of the Northwest.

Thank you for your attention.

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