

Bonneville Power Administration

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Removing lower Snake River dams could cost Northwest ratepayers \$400 million to \$550 million annually

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PORTLAND, Ore. – The Bonneville Power Administration estimates Northwest electricity ratepayers could pay \$400 million to \$550 million a year to replace the power capabilities of the four lower Snake River dams if those dams were removed.

BPA's analysis of the value of the power capabilities of the lower Snake River dams stands in contrast to a report released in November by environmental and sport fishing groups. The authors of "Revenue Stream – An Economic Analysis of the Costs and Benefits of Removing the Four Dams on the Lower Snake River" did not seek input from BPA, and their conclusions do not reflect the full value of the dams in terms of power capabilities.

"These dams produce enough electricity to supply a city about the size of Seattle at a very low cost," said Steve Wright, BPA administrator. "Their output cannot be replaced easily or inexpensively."

"Revenue Stream" concludes ratepayers and taxpayers would be economically better off without the lower Snake River dams over a 10-year period. When accurate power numbers are used in the calculation however, net benefits claimed in the report become a net cost of \$1.5 billion to \$3.8 billion over 10 years.

According to BPA's analysis, the \$79 million to \$170 million in replacement power costs reported in "Revenue Stream" are too low. "Revenue Stream" understates the replacement energy costs and does not address costs associated with replacing the capacity capabilities of the dams. The four lower Snake River dams have the ability to generate up to three times their typical output for short periods of time when consumer demands for electricity are very high. Even in an average year, the 1,022 average megawatts of emission-free energy produced by these dams represent up to 15 percent of BPA's total power supply portfolio.

In addition to providing sizable energy production and meeting peak demands for electricity, the lower Snake River dams provide operating flexibility that is necessary to meet the constant fluctuations that occur in electricity we use. In addition, the dams are helpful to fill in behind intermittent sources of power such as wind and provide the region with electricity reserves that help maintain overall system reliability.

An independent economic analysis of the Revenue Stream report – issued earlier this week – reinforces BPA’s conclusions, noting that the Revenue Stream report underestimates hydropower replacement costs by enough to invalidate their main conclusion that the region could save money by removing the lower Snake River dams.

Dam removal already has been researched and rejected

In 2002, the U.S. Army Corps of Engineers released a seven-year, independent, peer-reviewed environmental impact statement (EIS) that evaluated dam breaching and three other alternatives to help juvenile salmon navigate the four lower Snake River dams. This EIS remains the definitive evaluation of dam breaching.

The EIS found that breaching the lower Snake River dams would cost Northwest ratepayers \$373 million annually and generate \$106 million annually in benefits and avoided costs in 1998 dollars over a 100-year period. Since that EIS was released, estimated replacement power costs have increased substantially. In today’s dollars, the estimated replacement costs cited in the EIS would increase by roughly a factor of two.

BPA is a not-for-profit federal agency that markets about 40 percent of the electricity consumed in the Pacific Northwest. The power is produced at 31 federal dams in the Northwest and one nuclear plant, and is sold to more than 140 Northwest utilities. BPA operates a high-voltage transmission grid comprising more than 15,000 miles of lines and associated substations in Washington, Oregon, Idaho and Montana.

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