



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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POWER SERVICES

August 13, 2009

In reply refer to: P-6

Pat Ford
Executive Director
Save Our Wild Salmon
406 Pueblo
Boise, ID 83702

Nicole Cordan
Policy and Legal Director
Save Our Wild Salmon
2031 SE Belmont
Portland, OR 97214

Dear Pat and Nicole:

I would like to respond to statements in your press release of August 11 concerning lower snake dam removal costs.

The release misinterprets the Council's analysis for their draft Sixth Power Plan. Their analysis shows that power costs would increase by about \$550 million per year due to dam removal, not the much lower range you cite. Feel free to verify this with Council staff. This \$550 million figure is \$100 million higher than the low end of BPA's cost range.

We stand by the high end of our \$450 to \$850 million range of costs of dam removal. The Council's cost estimate is based on 'average' forecasts of natural gas prices and CO2 emissions costs. Higher gas prices and/or higher CO2 costs could make the costs much higher. In addition, the Council cost estimate does not put a value on the reserves and voltage support provided by these projects.

Your statement that the Council estimates that only 750 aMW of the dams' average 1,100 aMW output would be replaced is also incorrect. Their analysis reflects the reality that essentially all of the dams' 1,100 aMW output would have to be replaced, either through construction of new power plants or increased output from existing power plants. Most of this generation would be CO2 emitting and would cost much more than operating these dams.

The Council analysis does not show that conservation and renewables would be the replacement resources if the dams are removed, since these resources will be developed even with the dams in place. The Council analysis also verifies that dam removal would increase annual CO2 emissions by 3 to 4 million tons per year, due to the replacement of carbon-free hydro with fossil-fuel generation. This would be a major setback in the efforts to meet carbon reduction goals. The Council's base case portfolio with the dams in place would bring carbon emissions down to the Oregon goal for emission reductions. Dam removal would push carbon emissions back up, causing that goal not to be met.

Your rate impact estimates are also incorrect, because they assume power replacement costs that are far too low. Parenthetically, I would note that fully one-third of BPA's power rates to our 130 utility customers go to cover the costs of the current fish recovery program. If the costs of replacing power from the dams were added to BPA's rates, this would increase the impact to over half of our rates.

The statement about three nuclear plants was not in reference to dam removal, but rather was in reference to your proposals for major increases in hydro spill and flow augmentation. It was not a forecast that three nuclear plants would need to be constructed. Rather, it was simply a way of illustrating how large the loss of power would be from these proposals. Another way of illustrating the magnitude of the energy output of these four dams is to compare it to BPA's conservation accomplishments. The dams' output is nearly equal to the 1,200 aMW of conservation BPA and its customers have achieved at a cost of over \$2 billion in 27 years of widely praised efforts.

If you wish to discuss any of this further, please feel free to contact me at (503) 230-5399.

Sincerely,

/s/ Paul E. Norman

Paul E. Norman
Senior Vice President
Power Services