

TESTIMONY OF

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BEFORE THE
U.S. HOUSE COMMITTEE ON NATURAL RESOURCES
OVERSIGHT FIELD HEARING

REGARDING

**THE FUTURE OF THE US-CANADA COLUMBIA RIVER TREATY – BUILDING ON 60
YEARS OF COORDINATED POWER GENERATION AND FLOOD CONTROL**

DECEMBER 9, 2013
9:00 A.M.

PASCO CITY COUNCIL CHAMBERS
525 N. 3RD AVENUE
PASCO, WASHINGTON

INTRODUCTION

Good morning Chairman Hastings and members of the Committee, I am Tony Webb, General Manager of Public Utility District No. 2 of Grant County, Washington (Grant PUD) located in the central region of the state of Washington.

Grant PUD is a consumer-owned utility that serves 90,000 residents within 2,800 square miles of Grant County. This rural, predominantly agricultural area is bordered on the west by the Columbia River. Nationally, Grant County is an agricultural leader ranking 5th in the U.S. for irrigated acreage and 11th for value of crops produced.

Our local economy is based on diversified agriculture. Our major power consumers include: food processors, frozen food storage, data centers, silicon production, steel fabrication and auto carbon fiber manufacturing.

Grant PUD owns significant electric generation assets, all of which are 100 percent renewable. Hydropower, small irrigation-canal hydro and wind power comprise our total combined generating capacity of over 2,000 megawatts, with a vast majority of that capacity coming from our two hydropower developments, Priest Rapids and Wanapum Dams on the Columbia River.

These valuable renewable resources support reliable electricity delivery, clean air and significant economic benefits for millions of families and businesses throughout the Pacific Northwest.

In addition, Grant PUD coordinates mid-Columbia River hydro operations for the region to optimize power generation and river flows among seven dams: Grand Coulee, Chief Joseph, Wells, Rocky Reach, Rock Island, Wanapum and Priest Rapids.

Grant PUD is a member of the Columbia River Treaty Power Group, a coalition of over 80 electric utilities, industry associations and other members that depend on the renewable energy produced by the Columbia River.

REBALANCE THE CANADIAN ENTITLEMENT

My message today is simple: **Rebalancing the Canadian Entitlement should be a top priority in the U.S. Entity's final recommendation.**

What's at stake is lost opportunity for the United States...specifically, the potential that future jobs could be transferred north.

Grant PUD is one of three public utility districts that own and operate non-federal hydropower dams on the Mid-Columbia River. Together, the three Mid-Columbia PUDs pay 27.5 percent of the Canadian Entitlement.

By 2024, it will be 60 years since the Columbia River Treaty was ratified. Article VII of the Treaty defines downstream power benefits as the “difference in hydroelectric power capable of being generated in the U.S. with and without the use of Canadian storage.” However, post-2024, this becomes the wrong baseline upon which to determine any Canadian Entitlement. Payments returned to Canada after the initial 60-year agreement should be based on the benefits of ongoing coordinated operations today between the U.S. and Canada – not on a comparison of conditions before and after construction of the storage dams 60 years ago.

As identified by the Bonneville Power Administration, the actual power benefit to the U.S. of ongoing coordinated operations with Canada has reduced significantly over the past 50 years and is now worth a fraction of the current Canadian Entitlement.

If the Treaty continues post-2024, we are concerned that U.S. electric consumers, including our local customers, will be paying too much for diminishing downstream power benefits. While the U.S. Entity acknowledges the need to rebalance the Canadian Entitlement, we believe this is the single most important issue that must be addressed in the final recommendation because of the potential and significant lost economic opportunity to the U.S. and the region.

HYDROPOWER – EXPANDING U.S. MANUFACTURING

I will illustrate this point using one of Grant PUD’s newest industrial customers as an example.

German automaker BMW, in a joint venture with SGL Group, a major German carbon-products company, conducted a worldwide search to locate their new state-of-the-art auto carbon fibers manufacturing plant. The new facility would produce lightweight carbon fibers for the passenger compartment of BMW’s new all-electric vehicle, the i3.

A key factor for locating the new plant was the availability of a reliable, renewable and affordable energy source. An important selling point for BMW and its customers was a vehicle that had minimal life-cycle emissions impact in its development. BMW/SGL narrowed their search down to two locations – one site in the U.S. (served by Grant PUD) and a site in eastern Canada. Both locations provided a reliable, renewable energy source – hydropower.

Ultimately, BMW/SGL selected the U.S. site in Moses Lake, Washington for their new auto carbon fibers plant, which opened in 2011, due to the affordability, availability and reliability of renewable hydropower. The 60-acre site brought an initial investment of \$100 million and created 80 good manufacturing jobs, nearly all from the region, plus another 200 construction jobs. The plant has plans for potential expansion as well.

The point is that more and more companies are moving their operations, building new facilities and creating jobs in areas close to hydropower resources. The reason for this trend is that renewable hydropower provides its customers one of the most affordable and reliable sources of electricity in America, while boosting corporate sustainability goals. Each megawatt hour of clean, renewable hydropower exported from the U.S. to Canada, in excess of the fair value of the Canadian Entitlement, reduces the potential for the type of beneficial growth we have seen at BMW/SGL. This lost opportunity must be recognized.

CONCLUSION

In closing, Grant PUD wants to ensure a fair and equitable outcome for the customers we serve. The primary benefit for rebalancing the Canadian Entitlement would be to preserve an important renewable, domestic energy resource for the entire western United States. Hydropower is a beneficial and cherished resource developed by our country for the reliability of our power system. It is simply unacceptable to give away a disproportionate amount of this clean, renewable, domestic resource and the opportunity to create future U.S. jobs along with it.

Grant PUD appreciates the Committee's interest in this important matter and for convening today's Field Hearing. I look forward to answering any questions that Committee members may have.

Thank you.