

SENATE ENVIRONMENT AND NATURAL RESOURCES COMMITTEE

Monday, September 16, 2013

HR C, State Capitol, Salem Oregon

Members Present: Senator Dingfelder, Senator Olsen, Senator Hass, Senator Hansell

Member Excused: Senator Bates

Guest Members: Senator Whitsett, Senator Baertschiger, Representative Whitsett

ADOPTION OF COMMITTEE RULES

The Committee adopted the proposed committee [rules](#) dated September 16, 2013.

KLAMATH IRRIGATION SEASON

Richard Whitman, Natural Resources Policy Director, Governor's Office, said that following a congressional hearing in DC earlier this year, the Oregon congressional delegation and Governor Kitzhaber convened a task force to address unresolved issues in the Klamath Basin. The Task Force has been meeting monthly and has formed three sub-groups to address water management in the upper basin, power issues, and means to reduce the cost of implementation. The Task Force is meeting this Thursday, September 19, in Klamath Falls to review detailed recommendations on power and funding. They are making significant progress; the ranching community and tribes have come to the negotiations very committed to settling the issues. There has been a lot of hardship in basin this summer for both communities.

Phil Ward, Director, Water Resources Department, noted that early streamflows in the Klamath Basin were 30-50 percent of normal. The Governor issued a drought declaration in April. He said that the administrative phase of the Klamath adjudication was completed earlier this year. He provided an [overview](#) of the Klamath Basin irrigation season and described enforcement activities. The department has had good cooperation from water right holders throughout the summer.

The committee discussed whether the Klamath Basin adjudication comported with a Ninth Circuit Court of Appeals decision; if the department has established a minimum lake level for Klamath Lake and, if so, if that level is sustainable; the role of an adjudicator; land assessment values without irrigation water; use of groundwater to replace or supplement surface water, and whether the final adjudication takes into account the effect of some seasonal flows on overall late season flows.

COLUMBIA RIVER TREATY REVIEW – 2014/2024

Crystal Ball, Oregon Liaison, Bonneville Power Administration. The U.S. Entity has convened a team of tribal, state and federal government representatives to help identify and study policy and technical matters associated with the Treaty Review process. The Sovereign Review Team (SRT) is comprised of five tribal members designated to represent 15 tribes; state representatives from Oregon, Washington, Montana and Idaho; and 11 federal agency representatives including the Corps and BPA Treaty co-coordinators. Ms. Ball noted that the [draft regional](#)

[recommendation](#) will be publicly available this Friday, September 20. A [timeline](#) for the regional recommendation and review process was shown. The U.S. entity is on track to deliver recommendations to State Department at the end of year. There will be a public comment opportunity and public meetings will be held throughout the region this fall.

Richard Whitman, Natural Resources Policy Director, Governor's Office, gave an informational [briefing](#) on the treaty and noted that briefings took place last week with the U.S. State Department, the Bonneville Power Administration, the Army Corp of Engineers and state representatives. Issues discussed included how the treaty may affect hydropower, flood control, navigation, water supply and ecosystem functions. The SRT process is a mediated process so details are confidential until later this week. There is a high level of commitment to having recommendations reflect a regional consensus.

Paul Lumley, Executive Director, Columbia River Inter-Tribal Fish Commission, made a [presentation](#) on the Columbia River Treaty 2014/2024 Review. He provided background on the treaty and noted that 15 tribes have management authorities and responsibilities affected by the treaty. He noted that the tribes would like to have ecosystem-based management incorporated into the Treaty Review.

The Committee discussed various aspects of the treaty, including salmon needs, payments for flood control benefits and whether a new treaty would require Senate approval.

UPDATE ON THE RENEWABLE PORTFOLIO STANDARD

Lisa Schwartz, Director, Oregon Department of Energy (ODOE), provided an [update](#) on the renewable portfolio standard (RPS), including the role of ODOE, utility requirements, flexibility mechanisms, eligible resources with specifics about hydroelectricity, resources certified, and the number of facilities by location in the western U.S. She also described legislative changes to RPS statute since its passage in 2007. She also distributed a [chart](#) showing RPS eligible resources.

The Committee discussed what happens to electric rates when a new, large industry moves into a small community and the potential influence of the RPS. Ms. Schwartz noted that the Governor's Office is convening a new task force to address this issue, as well as others. The RPS does include an incremental cost cap.

Jason Eisdorfer, Director, Utility Program, Public Utility Commission (PUC) of Oregon, made a [presentation](#) that described the role of the PUC in RPS implementation. He discussed cost recovery by utilities and ratepayer safeguards, including that utilities do not have to comply with the RPS if the incremental costs of the program exceed annual revenue by more than four percent. Both Pacific General Electric and PacifiCorp were in compliance with the RPS in 2011. In 2012, their incremental costs of RPS compliance were less than one percent more than a business-as-usual scenario. To assure future compliance, PGE plans to acquire new renewable generation in 2015; PacifiCorp can comply without new resources until at least 2020.

Scott Bolton, PacifiCorp, noted a significant investment in renewables since 2006. He showed a [map](#) of PacifiCorp resources. The dominant qualifying resource is wind, but geothermal, incremental and low impact hydro, biogas, biomass (largest purchaser in Oregon), and solar also play a role.

PacifiCorp made a lot of early, low cost investments. Oregon has a comprehensive and flexible standard even at the 25 percent requirement; by comparison the Washington standard of 20 percent by 2020 is much more difficult. Also, Washington does not have as many consumer protections. California has repeatedly changed its RPS since initial passage in 2001.

He noted that the nature of renewables as intermittent resources requires different tools and infrastructure to make them work. They require backing resources as well; a commitment to wind is also a commitment to gas.

Marion Haynes, Portland General Electric (PGE), noted that PGE largely depends on wind and hydro to meet the RPS as well. PGE is in compliance through 2020 goal and will need additional resource at that time. In response to a question about rates, she indicated that PGE would be building new renewable resources in any event; for example, Bigelow wind farm was the least cost alternative at the time.

Jason Heuser, Eugene Water and Electric Board, was unable to attend the hearing due to illness, but submitted a [presentation](#) to the committee.

Beth Vargas Duncan, Oregon Municipal Electric Utilities Association, noted that her members are working with the Bonneville Power Administration on hydro efficiency upgrades. There are two medium size utilities under the RPS and both are on track.

Ted Case, Oregon Rural Electric Cooperative Association, offered examples of renewable projects. Most members of his association are in the small utility category under the RPS. They are not sure yet what credits they will get from the hydro upgrade process. The move of data centers into rural communities is resulting in exploding growth on local systems. He is looking forward to the Governor's work group to see if there is a targeted solution possible.

FOREST FIRE SEASON UPDATE

Doug Decker, State Forester, Oregon Department of Forestry provided a [letter](#) to the Committee Chair and stated that this has been a historic fire season; 116,000 acres burned on state-protected lands, the most since 1951; \$120 million has been spent, the most expensive fire season in state history; four fire fighters died; and there were untold financial and resource losses on timber and other values, including tourism and smoke/air quality impacts.

Travis Medema, Deputy Chief, Fire Protection Division, Oregon Department of Forestry presented the Fire Season 2013 [Update](#) and noted as a key point that many fires (more than 1,000) didn't make the news because they were stopped at less than 10 acres. He also said that the Douglas complex fire was the largest in the nation for 11 days this summer.

The initial attack and severity resources approved by the 2013 Legislative Assembly saved millions this summer. The severity resources included two smaller air tankers and three helicopters that provided significant resources for initial attacks.

Nancy Hirsch, Chief, Fire Protection Division, Oregon Department of Forestry said the net cost estimate is \$73 million for the 2013 fire season (this is the total cost minus expected US Forest Service and FEMA reimbursements). They currently estimate \$28 million in large fire costs that are not covered by the state's insurance policy or previously approved funding.

Mr. Decker noted that Oregon is only western state with this type of forest fire funding framework and severity resource commitment.

GLOBAL WARMING COMMISSION REPORT

Andrea Durbin and Alan Zelenka, Members, Oregon Global Warming Commission [presented](#) the Commission's 2013 [Report](#) to the Legislature. Ms. Durbin's testimony included some background and explained that data shows that Oregon met its 2010 greenhouse gas reduction goal. To meet the Legislature's 2020 goal emissions need to reduce another 19 percent from 2010 levels.

Mr. Zelenka said that while Oregon has made progress toward its emission reduction goals, we will need to continue programs already in place and add new programs. New federal standards will help, but we will need to do more, especially related to cars and coal.