

Cost of Repowering Enloe Dam Escalates; Economic Risk Falls on Rate Payers

New report shines light on anticipated ratepayer increases and raises questions about other hidden costs

July 15, 2016

Contact: Joseph Enzensperger of Columbiana, 509.476.4072, jgenz4@gmail.com
Dan Isaac of PUD Action Group, 509.826.9045, pabear@ncidata.com

(Oroville) – A new report by Rocky Mountain Econometrics (RME) predicts that Okanogan Public Utility District (OPUD) ratepayers will pay two to four times the cost of open market power (\$83/MWH - \$149MWH) for electricity generated by Enloe Dam.

Enloe Dam, located on the Similkameen River in north-central Washington, was decommissioned in 1958. Since that time, the dam and its related power-generating facilities have sat dormant, although the owner of the dam, the OPUD, has attempted to re-energize Enloe four times since the 1980s. The Federal Energy Regulatory Commission (FERC) approved the PUD's most recent license application and issued a license for the project on July 8, 2013. However, this approval was based on a flawed Economic Viability Assessment, which estimated that the total cost for constructing Enloe would be \$31 million. An independent economic review by RME estimates that construction costs range from \$53.4 million to \$59.4 million. Additionally, uncertainty over future flow releases means that OPUD ratepayers could pay nearly four times as much for energy from Enloe than for power purchased on the open market.

RME's current analysis shows that OPUD's costs of constructing and completing Enloe Dam have continued to increase since their application to the FERC. OPUD submitted a revised estimate of construction costs in late 2014, setting the new cost as at least \$39 million and as much as \$45 million. In addition to this new and increased cost of construction, OPUD also revealed that it had invested an additional \$13.1 million from general revenues towards the project between 2010 and 2015. OPUD's budget for 2016 proposes that an additional \$1.3 million of general funds be spent on Enloe, bringing total pre-construction spending on the project by the end of 2016 to about \$14.4 million. When taken into account, total spending on Enloe could easily reach \$59.4 million.

"OPUD continues to gloss over the costs they've already incurred and the uncertainty surrounding Enloe's ultimate level of energy production," remarked Mark Kubiak, Okanogan PUD ratepayer. "Unfortunately, it will be ratepayers that will be asked to bear the brunt of these increased costs."

In addition to the increasing costs of construction, significant uncertainty remains over how much water will be available for power generation. Similkameen Falls is located immediately downstream of Enloe, and the OPUD will be required to continue to spill water in order to preserve the aesthetic value of the Falls. Although the Washington State Department of Ecology initially set minimum aesthetic flows of 10/30 cubic feet per second (cfs), the final determination about the actual flows will be determined only after project operations and instream flows have been studied for three years.

Ultimately, the amount of power that Enloe will actually produce will not be known until after the costs of construction have been incurred. It is possible that required aesthetic flows could be as high as 300 cfs. According to RME's analysis, under this scenario OPUD ratepayers could pay nearly four times as much for energy from Enloe than the power purchased on the open market, and leaves open the question of whether the project ultimately will be economically viable. The Washington Court of Appeals recently acknowledged the uncertainty for the Project and noted that Ecology could go so far as to withdraw the water right permit after the Project is constructed if studies find that instream flow levels are not protective of both the fishery resource and aesthetics.

The amount of power Enloe can produce is a drop in the bucket when compared to other regional hydropower projects. If aesthetic flows are removed from the calculation, the maximum amount of power that Enloe will have the capacity to produce is 9 MW. By comparison, Douglas County PUD's Wells Project on the Columbia River has a nameplate capacity of 774.3 MW.

RME's analysis shows that, in addition to OPUD's pre-construction investments and the uncertainty about aesthetic flows, the economic discrepancies also result from the fact that the OPUD failed to predict the sharp downturn and lower long-term open market energy prices. OPUD's failure to consider each of these issues means that the cost of power generated by the proposed project will be much more expensive than anticipated.

"These findings continue to raise serious questions about the economic viability of this project and the extreme financial risk being placed on OPUD ratepayers who will ultimately bear the cost," Jack Burchard, Okanogan PUD ratepayer stated.

Despite the increasing construction costs and uncertainty over the future of flows, the OPUD continues to pursue re-energizing Enloe Dam in the face of significant public opposition. They approved a resolution to move forward with generating power at Enloe Dam at their May 9 meeting and directed staff to continue to work with Energy Northwest to develop "the most cost-effective plan" for constructing the generation facilities. It is unclear whether Energy Northwest fully understands the risks involved.

Enloe Dam remains a bad deal for OPUD ratepayers for the following reasons:

- *Inflation continues to drive up the cost of construction.*
- *Open market power prices are expected to remain low into the foreseeable future.*
- *Cost of power from the project will be at least double and quite possibly quadruple the cost of power on the open market.*
- *The amount of water available at Enloe for power generation remains uncertain pending the results of additional studies, a determination of aesthetic flow needs, and legal challenges over flows that are inadequate to protect beneficial uses of the river.*
- *Project costs have ballooned to nearly double the original estimates.*
- *Ratepayers will ultimately be responsible for poor business decisions by OPUD leadership.*