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Economic analysis calls Enloe Dam electricity too costly

PUD's decision to reenergize power plant questioned

By Marcy Stamper

An economic analysis of the PUD's plans to restart Enloe Dam to generate electricity has found that power produced by the dam would cost between two and four times more than purchasing power on the open market.

The analysis was commissioned earlier this year by Columbiana, the Columbia River Bioregional Education Project — before the Okanogan County Public Utility District (PUD) commissioners decided to reenergize the dam. The analysis was performed by Rocky Mountain Econometrics, which conducted two previous economic studies for Columbiana, in 2011 and 2014. They released the new study on July 1.

Columbiana has been advocating for dam removal since 2012, claiming that the Enloe project would

saddle ratepayers with unreasonably high costs for decades and would tarnish a natural area used by hikers, anglers and other recreationists. Enloe Dam is on the Similkameen River near Oroville.

Since applying for a federal license to restart Enloe in 2008, the PUD commissioners have weighed various options, including having the PUD rebuild and operate the dam on its own, finding another entity to build and run the dam, or finding an entity willing to take on all liability for removing the dam.

This May, the commissioners decided to move ahead with reenergizing Enloe and directed PUD staff to work with Energy Northwest to develop the most cost-effective plan to build new infrastructure for the Enloe Dam Hydroelectric Project.

In each economic analysis they've conducted, Rocky Mountain Econometrics found that Enloe Dam has become more expensive relative to the power it would produce because of rising construction costs and lower energy costs.

Three scenarios

The economists compared three scenarios. They looked at building a new powerhouse (estimated by the PUD to cost between \$39 million and \$45 million), took into account the variable amount of power that would be generated depending on the amount of water required to flow over Similkameen Falls (see related story on page TK), and added \$13 million in so-called sunk costs that the PUD has spent on the

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federal licensing process.

The economists used the \$39-million construction estimate as the basis of the most promising scenario. Under that scenario, power produced at Enloe would cost \$83 per megawatt hour, about twice the price of power on the open market.

The next scenario leaves construction costs at \$39 million but adds the sunk costs of \$13 million, plus another \$1.4 million the PUD included in its 2016 budget for pre-construction

spending on Enloe. That would result in power at \$110 per megawatt hour, they estimated.

The least-favorable scenario uses the high end of the PUD's construction estimate of \$45 million and adds the \$14.4 million in sunk costs. It also incorporates a requirement for more water to flow over the falls (thereby leaving less water to be diverted to produce power). Under that scenario, power would cost \$149 per megawatt hour, they estimated.

When the commissioners voted unanimously to move ahead with power generation at Enloe in May, they determined that the estimated cost of Enloe

Dam would be equal to or less than other alternative-generation resources.

No change?

Columbiana member Joseph Enzensperger sent a copy of the economic analysis to the PUD commissioners and to Energy Northwest this past week.

"We hope this new report will actually be read by the commissioners and the Energy Northwest planners and engineers," said Enzensperger by email. "They need to come to their senses. It makes no sense to sink more money into this outdated dam structure."

Enzensperger said in an interview this week that he had heard from PUD commissioner Ernie Boltz, who said that the report would not change the PUD's decision to electrify Enloe. The only possible impact would be to dissuade Energy Northwest from participating, encumbering the PUD and its ratepayers with even higher fees, Enzensperger said Boltz told him.

Energy Northwest is working with the PUD to determine the best way to support the PUD — one of its members — with the project, according to John Dobken, a spokesperson for Energy North-

west. They don't have a timeline for the next phase of the process, he said.

Energy Northwest is a consortium of 27 public utility districts and municipalities. It owns and operates four generating facilities. It also operates and maintains facilities owned by other utilities and develops new power-generation facilities to meet demand.

Comments on the economic study would have to come from the PUD, said Dobken. The PUD's general manager could not be reached by press time.

Enloe is a relatively small project, projected to produce 9 mega-

watts of power, which would cover 40 percent of the electricity needs of Oroville, according to the PUD. Having power from Enloe would also limit the PUD's exposure to volatility in the power market, they said. Enloe is a run-of-the-river project, meaning that water would be returned to the Similkameen River after its diversion to power generation.

The PUD received a license in 2013 from the Federal Energy Regulatory Commission to restart Enloe. The utility has considered reenergizing Enloe several times in the past half-century, but rescinded the other licenses.

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