

# The Oregonian

## Tentative deal will clear Klamath River for salmon

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*by Ted Sickinger and Michael Milstein, The Oregonian*



PacifiCorp faced the choice of installing \$300 million worth of fish ladders and other improvements at four dams -- J.C. Boyle (above), Iron Gate, Copco No. 1 and Copco No. 2 -- or removing them altogether. State and federal officials and utilities struck a deal to remove the dams. Photo Credit: Jeff Barnard/The Associated Press

Resurrection of one of the West Coast's great salmon rivers leapt ahead this week with a tentative deal to remove four Klamath River dams blocking fish from their richest habitat in southern Oregon.

Gov. Ted Kulongoski was the first to sign the agreement. Interior Secretary Dirk Kempthorne, the governor of California and the president of PacifiCorp's corporate parent are expected to sign the agreement this week.

It signals a potential resolution of the Klamath Basin's water struggles, which erupted in 2001 with a federal shutoff of water to farms to help imperiled salmon and other fish. The following year, with irrigation water restored, tens of thousands of salmon died in a warm, shrunken Klamath River downstream of the dams.

### **Who pays?**

#### **\$200 million**

would be paid by PacifiCorp ratepayers in Oregon and California toward dam removal

#### **\$250 million**

would be paid by California bonds to cover added costs

Several hurdles remain: Studies must show the benefits outweigh costs, and significant federal and state legislation are required.

Removing the dams and buying replacement power would put significant new costs on ratepayers of PacifiCorp, a unit of MidAmerican Energy Holdings Co., which is controlled by Warren Buffett's Berkshire Hathaway Inc. And some ratepayer advocates believe those costs will fall disproportionately on ratepayers in Oregon.

If the effort goes forward, it would mark the largest dam removal and salmon restoration effort ever undertaken, said Michael Carrier, natural resources adviser to Gov. Ted Kulongoski. He said it's a final piece of the solution to struggles over water, farms and wildlife in southern Oregon's Klamath Basin.

Under the new agreement, studies and analysis would run until 2020, when disassembly of the dams would begin.

Fishermen, biologists and others hope that reopening the river will help revive troubled West Coast salmon fisheries, which have collapsed twice since 2006.

**"This is as big as anything we've ever seen in terms of restoring a wild salmon river," said Guido Rahr, president of Portland's Wild Salmon Center, which advocates salmon recovery around the world. "You really are giving a river the chance to come back."**

Tumbling from Oregon's high desert to coastal redwoods, the Klamath is the third most important salmon river south of Canada, after the Columbia and Sacramento. But hydroelectric dams cut salmon off from vital habitat around Upper Klamath Lake in Oregon, and water behind the dams turned uncomfortably warm for fish.

### **Impacts**

#### **10 to 20 percent**

Proportion of salmon caught off Oregon that come from the Klamath River

### **3**

Rank of the Klamath among salmon-producing rivers on the West Coast

### **Less than 10%**

Percentage of historic Klamath River salmon runs that survive today

### **2 percent**

Maximum rate increase for dam removal costs

### **Unknown**

Ratepayers' power replacement costs

To date, PacifiCorp has steadfastly pursued a new 30- to 50-year operating license for the dams and said any agreement to remove them must protect ratepayers. Presumably the company now believes the costs to remove the dams and replace the power will be less than any upgrades and environmental liabilities. Federal biologists mandated \$300 million in fish ladders and other improvements if the dams remained.

A report for the California Energy Commission said PacifiCorp could save \$101 million over the next 30 years by removing the dams and buying replacement power, rather than upgrading the dams and reducing power production to meet modern standards for fish protection.

The company said Wednesday, however, it had no cost-benefit analysis to share.

"If the company cut a bad deal, presumably the (Oregon Public Utility Commission) staff would rule that shareholders would have to eat some of those costs, not customers," said Bob Jenks, executive director of the Citizen's Utility Board of Oregon.

Neither ratepayer advocates nor environmentalists and tribes were party to the agreement worked out between the two states, federal authorities and PacifiCorp.

The cost benefit analysis is a sticky issue that has been debated for years.

Fishermen and environmentalists, for instance, want to go ahead with dam removal and worry that provisions in the new deal give the utility too many "off-ramps" that would allow it to avoid taking down the dams. Ratepayer advocates, meanwhile, argue that the costs and benefits of the deal are either impossible to accurately calculate or distributed unequally.

"There's nothing in this document that says this is a good deal for Oregon ratepayers," said Michael Early, executive director of the Industrial Customers of Northwest Utilities.

The deal does look attractive for PacifiCorp shareholders. The utility would receive immunity from the dams' environmental liabilities, continue to operate and earn profits

on them until 2020, and potentially build a replacement power plant that would deliver larger profits.

Past estimates by outsiders have put the cost of dam removal at \$180 million. Under the new agreement, PacifiCorp ratepayers in Oregon and California would shoulder the first \$200 million, while voters in California would be asked to approve up to \$250 million in general obligation bonds to pay any additional costs.

The ratepayer costs will be allocated between the two states using the same formula that PacifiCorp uses to apportion costs among customers across its six-state service territory. In this case, that means Oregon ratepayers will pay about \$180 million of the initial \$200 million in costs.

The parties have agreed that the maximum increase in utility rates to cover dam removal would be 2 percent, a surcharge that would start when the deal is approved. For Oregon ratepayers, that could mean an increase in their monthly bills of less than \$1.40.

That sounds minimal. But it doesn't count replacement power, a cost that could dwarf removal costs in the long run, as hydroelectric dams operate free of fuel costs and don't generate any carbon emissions.

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