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APR 12 2004

April 6, 2004

BPA, Communications - DM-7,
P.O. Box 14428
Portland, OR 97293-4428

RE: **WSPC Comments on Summer Spill Proposal**

Dear Sir or Madame;

The Washington State Potato Commission (WSPC) submits the following comments in support of the Bonneville Power Administration (BPA) and U.S Army Corps of Engineer's (Corps) (collectively, the "federal agencies") proposal to modify the Federal Columbia River Power System's (FCRPS) summer juvenile bypass spill operations.

The WSPC is a quasi state agency dedicated to the advancement of potato farming in Washington State. The WSPC works with approximately 350 potato growers throughout Washington. Potatoes are the second largest crop grown in the state, with an annual farmgate value of approximately \$500 million. Washington State accounts for nearly one-third of all potatoes and potato products exported from the U.S., totaling nearly \$500 million in exports from the Ports of Seattle, Portland, and Tacoma in 2003 alone.

A recent study of the economic impacts of the Washington State potato industry show that potato farming and related processing contributes \$3.01 billion annually to the Washington economy. (David Holland & Hun Ho Yeo, The Economic Impact of the Potato Industry in Washington State, 1997). This translates into nearly 28,000 jobs. As the Columbia Basin project accounts for nearly 85% of the potatoes grown in Washington State, most of the jobs created by Washington State potato industry reside in the Columbia Basin area. (Id.) This is significant considering that many counties in rural Eastern Washington have some of the highest unemployment rates in the nation. (See U.S. Dep't of Labor, Bureau of Labor Statistics, September 2003, <http://www.bls.gov/web/laumstrk.htm>.)

Currently the financial health of the Washington potato industry is precarious. During the past five years, selling prices for potatoes have been very low, margins are tight, credit is scarce, and losses are mounting for many Washington potato farmers.

If implemented, this proposal will result in more cost-effective FCRPS operations and will achieve better biological benefits for listed and non-listed salmon. While the WSPC believes that more can, and should be done to improve the cost-effectiveness of the FCRPS operations, this proposal is an appropriate initial step. The WSPC understands that increased revenue through spill reduction will be used to reduce existing electricity rates or avoid future electricity rate increases for BPA ratepayers. As such, the

growers, will be benefited by the outcome of the federal agencies' current proposal. WSPC urges federal agencies to adopt their March 30, 2004 proposal to modify the current spill program.

A. The modifications to the summer spill operations along with the existing offset proposal should achieve similar or better benefits for salmon at less cost than the current summer spill program.

The current summer spill program is wasteful and lacks a scientific justification. Summer spill costs ratepayers \$77 million annually, while saving less than 12 ESA-listed salmon and 20,000 other non-listed salmon (which are subsequently harvested). The \$77 million cost breaks down to \$ 3 million for each ESA-listed salmon and \$ 4,000 for each non-listed salmon. It is the most expensive fish mitigation measure used by federal river manager. With or without offsets, the summer spill program must be eliminated.

Notwithstanding, WSPC supports the federal agencies' March 30, 2004 proposal. The WSPC sees this proposal as an initial step towards the elimination of summer spill. Even though WSPC supports this proposal, WSPC has three comments concerning about the federal agencies' technical analysis and the federal agencies' plan to develop additional costly offsets.

First, according to the federal agencies' March 30, 2004 proposal, the goal for the proposed summer spill operation is to achieve similar or better biological benefits for both listed and non-listed salmon at less cost than the current summer spill program. The federal agencies have failed to provide a scientific justification for setting such a demanding equivalency goal. Indeed, such a demanding goal defies common sense when the impacts of the proposed modifications to the summer spill operations are not biologically significant and in light of the fact that the 2000, 2001, 2002, and 2003 adult salmon runs are among the largest fish returns on the Columbia River system since dam counts began in 1938. This goal is especially absurd when applied to non-ESA listed fall Chinook, which are later harvested at a rate of over 50 percent.

Instead, WSPC believes that the appropriate standard should be whether the spill proposal has any significant biological impact on the salmon population as a whole. The current proposal does not include any analysis as to whether these impacts from the spill modification (without any offsets) are biologically significant to any of the affected salmon populations. For example, in regards to ESA-listed Snake River Fall Chinook, the federal agencies anticipate a reduction of between 2 to 20 ESA-listed Snake River Fall Chinook out of an overall adult return of approximately 2,500 fish. For non-listed Chinook, the federal agencies anticipate a reduction of approximately 12,000 other Chinook salmon out of an overall adult return of approximately 380,000 fish. As previously mentioned, these non-listed fall Chinook are harvested at a 50 percent harvest rate. These impacts do not appear to be biologically significant to any of the affected salmon populations.

Washington, the WSPC and its members have direct interest in the federal agencies efforts to make FCRPS operations cost effective. Due to its reliance on electricity-dependant irrigation and processing companies, potato growers have an interest in maintaining stable electricity prices. Recent BPA rate increases have placed a severe strain on Washington farmers at a time of historically narrow profit margins.

Increasing power rates affect farmers through the increased cost of irrigation, as well as the electric power supply requirements for growers and producers. This is especially an issue for potato farmers because most of the crop is irrigated. In 1998, the USDA Farm and Ranch Irrigation Survey identified 322 potato farms irrigating 149,721 acres.¹ Farmers pay almost \$40.00 per acre on energy for irrigation, (\$49 million/year) with 98.7 percent of the amount for electricity.² The trend toward higher electricity costs threatens the viability of several irrigation districts, especially in north-central Washington. Many agricultural growers, unable to get credit or sell at a profit are in arrears in payment to the districts or have defaulted. The costs of maintaining the irrigation district then falls on fewer and fewer members, threatening collapse of the district.

The cost of electricity is even more critical to the food-processing phase. Many processing companies are located in Washington due to the low energy and water costs which offset the costs of transportation to national and international markets. Food processing has become a huge industry and employer. In fact, Washington State is the No. 1 producer of frozen fries in North America, producing nearly 40% of the fries on the continent. For calendar year 2000, gross sales from food processing in Washington was \$8.9 billion—\$2.2 billion alone in freezing and drying of fruit, vegetables, and seafood, and \$1.2 billion for dairy processing. For crops such as sweet corn, carrots, peas and potatoes, as much as 90 percent of the crop is processed. An estimated 30-40 percent of the cost of processing and freezing is for energy.³ The farmers' and food processors' economic health is closely tied together. If processing companies react to the increased energy costs by decreasing their production, or moving out of state, then growers will have a limited market for their products. Likewise, if there is a significant decrease in the number of growers or the amount of production, it could become a significant problem for processors who rely on the production to keep plants operating.

1 U.S. DEPARTMENT OF AGRICULTURE, NATIONAL AGRICULTURAL STATISTICS SERVICE & WASHINGTON AGRICULTURAL STATISTICS SERVICE, WASHINGTON AGRICULTURAL STATISTICS 2003 28 (2003), *available at* <http://www.nass.usda.gov/wa/annual03/annual03.pdf> [hereinafter AGRICULTURAL STATISTICS 2003].

2 WILLIAM E. BROOKRESON, DEPUTY DIRECTOR & LINDA CRERAR, POLICY ASSISTANT TO THE DIRECTOR, WASHINGTON STATE DEPARTMENT OF AGRICULTURE, IMPACT OF THE 2001 DROUGHT ON WASHINGTON AGRICULTURE 3 (2001), *available at* http://www.ybsa.org/wdoa_report.htm [hereinafter BROOKRESON & CRERAR].

3 *Id.* at 3.