



Oregon

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Water Resources Department

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MEMORANDUM

TO: Water Resources Commission

FROM: Tracy Loudon, Administrative Services Administrator

SUBJECT: Agenda Item H, November 14, 2013
Water Resources Commission Meeting

Similkameen Project

I. Issue Statement and Background

The states of Oregon and Washington have been approached by FORTIS, Inc., a Canadian utility company, with an offer to participate in a storage project that will release water during the summer months, providing mitigation water for Oregon.

II. Discussion

The headwaters of the Similkameen River originate in the south central part of British Columbia, Canada. The river crosses into Washington, where it flows into the Okanogan River, which flows into the Columbia River before reaching Oregon.

A proposal to build a storage project on the Similkameen has been studied for potential hydroelectric development since the early 1990's. A 2009 study conducted by a regional stakeholder group found that potential benefits from such a facility could include flood reduction in the Similkameen Basin, and improved water quality in the lower Similkameen River, and increased summer flows as well as improved water quality and increased flows in the lower Similkameen River.

FORTIS, Inc. is the largest investor-owned distribution utility in Canada, with total assets exceeding \$17 billion and fiscal 2012 revenue totalling approximately \$3.7 billion. Its regulated utilities account for 90 percent of total assets and serve approximately 2.4 million gas and electricity customers across Canada, New York State, and the Caribbean. Fortis Generation Inc., the non-regulated generation business of Fortis, is headquartered in British Columbia. It owns and operates hydroelectric generation assets in Canada, Belize and Upstate New York with a generating capacity of 103 megawatts, primarily from hydroelectric generation.

FORTIS has determined the project to be uneconomical unless benefits include water marketing. Representatives from both Washington and Oregon have been meeting with FORTIS to discuss the potential for state residents to benefit from project releases. The proposed project would be a

concrete dam with 154,000 acre-feet available for release in summer months to use in Oregon and Washington (77,000 for each state). The dam and reservoir would also provide flood benefits for Princeton and include 65 megawatts of generating capacity.

FORTIS has proposed a capital investment project cost of \$1500 per acre-foot as a one-time, 50-year commitment with an option for renewal.

At \$1500 per acre-foot capital cost, Oregon would be obligated to invest approximately \$115 million. One scenario is that bonds would be sold in early 2017 with a repayment period of 30 to 50 years. The cost of the water would depend on a number of variables, possibly ranging between \$60-\$80 per acre foot over 50 years.

FORTIS is working with the Province of British Columbia to obtain the investigative permit to access land parcels to conduct technical and environmental studies to evaluate the viability of the project.

The Water Resources Department has been working with the Governor's Office to determine the steps necessary for Oregon to participate in this project. Discussions have occurred with local stakeholder groups, legislators from the Washington Department of Ecology, Oregon State Treasury, and the Oregon Department of Justice.

III. Summary

Oregon is exploring the opportunity to participate in a project to bring new water supply through the Columbia River during summer irrigation months, providing summer flows and mitigation water for Oregon irrigators.

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