



3/5/2021

To: Chair Helm, Vice-Chair Owens, Vice Chair Reardon, and Members of the House Committee on Water

RE: Testimony in Support of HB 3221, the Oregon Renewable Options Program

Dear Chair Helm, Vice-Chair Owens, Vice Chair Reardon, and Members of the Committee:

Swalley Irrigation District is writing in strong support of HB 3221, which would create the Oregon Renewable Options Program.

Swalley provides water to ~4,300 acres of irrigated land north of Bend, operating nearly 30 miles of canals and pipelines, as well as a state-of-the-art, 750-kilowatt in-conduit hydropower facility. When our hydropower facility went online in 2010, it was the first hydropower facility built in Oregon in twenty years -- a testament to how difficult it is to finance, build, and operate small-scale hydropower in this state. In 2016, the District further embarked upon a cutting-edge planning effort, mapping out a path to modernizing our entire conveyance system by the end of this decade. We completed the first of our new major piping projects in 2020 and as long as the financing continues to make sense, and we have access to decent power sales rates, we should remain on track. When complete, the District's piping projects will have converted over 56% of its original water right permanently back instream for habitat – placing approximately 55 CFS (or ~25,000 gallons of water per minute) into the Deschutes River. However, that modernization and water conservation plan could be in jeopardy due to poor power sales rates on the immediate horizon.

Our modernization efforts, which support numerous materials supply production, engineering, and construction jobs, are made possible by the viability of our hydropower facility. The money we make selling power to PacifiCorp offsets our O&M costs by roughly 23% and helps leverage the extreme costs of modernizing our antiquated water infrastructure. Our hydro facility reached commercial operation in 2010 and our original Power Purchase Agreement (PPA) will expire in 2030. However, we are having a hard time seeing past 2025 when our PPA dictates that we move to variable market sales rates versus predictable fixed sales rates. Variable power sales market rates are expected to plummet from our existing fixed rates by 78% in 2025, potentially making our hydro plant a net-negative operation for five years until 2030. Since 2010, the power rates available for small renewable energy projects have dropped precipitously while investor-owned utilities have installed and made large, regulated rates of return on gigawatts of new, large-scale projects. We are therefore deeply concerned about the power sales rates that will be available to us when it is our turn to renew our PPA in 2030 -- assuming that we are not put out of the renewable energy business prior due to poor power sales rates that we may see from PacifiCorp as soon as 2025.

The Oregon Renewable Options Program, HB 3221, would create a new path for us and other local hydropower projects. Not only to continue operation of our relatively new small-scale renewable power facility, but also to continue building our important water conservation projects. We see an opportunity to not just survive, but to



thrive, and continue using the revenues from our hydropower facility in ways that support our broader community, the economy, and the environment well into the future. But again, we are deeply concerned about our lack of options and access to decent power sales rates.

We are aware of the City of Bend's interest in going further with renewable energy projects and would welcome a way to sell our power locally, potentially also providing backup power to the community during times of peaking, natural disasters, and other emergencies -- all while maintaining our interconnection with PacifiCorp, delivering water to farmers, and helping the environment.

We respectfully ask for your support for HB 3221.

A handwritten signature in black ink, appearing to read "Jer Camarata", with a long horizontal stroke extending to the right.

Very Sincerely,

Jer Camarata

General Manager & Board Secretary

Swalley Irrigation District