

JOHN R. KROGER  
Attorney General



MARY H. WILLIAMS  
Deputy Attorney General

**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

May 26, 2010

Public Utility Commission  
Attn: Filing Center  
550 Capitol St. NE #215  
P.O. Box 2148  
Salem, OR 97308

Re: Docket No. UE-219; Testimony

Enclosed for filing in this matter is the Direct Testimony of Mary Grainey by the Oregon Water Resources Department.

Thank you.

Sincerely,

Kurt Burkholder  
Assistant Attorney General  
Of Attorneys for Intervenor

kbb:lal/2064482

Encl. & one copy  
Cc w/ encl.: Service list

CERTIFICATE OF SERVICE

I certify that, on May 26, 2010, I served the foregoing Direct Testimony of Mary Grainey on behalf of the Oregon Water Resources Department upon the parties on the service list, by U.S. Mail, and by electronic mail where paper service has been waived.

/s/ Kurt Burkholder

Kurt Burkholder

	<b>(W denotes waiver of paper service)</b>		
<b>W</b>	<b>AMERICAN RIVERS</b> STEVE ROTHERT 432 Broad St Nevada City, CA 95959 <a href="mailto:srothert@americanrivers.org">srothert@americanrivers.org</a>	<b>W</b>	S CRAIG TUCKER PO Box 282 Oreleans CA 95556 <a href="mailto:ctucker@karuk.us">ctucker@karuk.us</a>
<b>W</b>	<b>AMERICAN RIVERS</b> BRETT SWIFT 320 SW Stark St – Ste 418 Portland OR 97204 <a href="mailto:bswift@amrivers.org">bswift@amrivers.org</a>	<b>W</b>	<b>KLAMATH WATER USERS ASSN</b> J LAURENCE CABLE 1001 SW 5 <sup>th</sup> Ave Ste 2000 Portland OR 97204 <a href="mailto:lcable@cablehuston.com">lcable@cablehuston.com</a>
	<b>ICNU</b> MELINDA J DAVISON 333 SW Taylor – Suite 400 Portland OR 97204 <a href="mailto:mjd@dvclaw.com">mjd@dvclaw.com</a>	<b>W</b>	<b>KLAMATH WATER USERS ASSN</b> RICHARD LORENZ 1001 SW 5 <sup>th</sup> Ave Ste 2000 Portland OR 97204 <a href="mailto:rlorenz@cablehuston.com">rlorenz@cablehuston.com</a>
<b>W</b>	<b>KLAMATH TRIBES AND KLAMATH WATER PROJECT</b> CARL ULLMAN PO Box 957 Chiloquin OR 97624 <a href="mailto:bullman3@earthlink.net">bullman3@earthlink.net</a>		<b>DEPARTMENT OF JUSTICE</b> DAVID HATTON 1162 Court St NE Salem OR 97301 <a href="mailto:david.hatton@state.or.us">david.hatton@state.or.us</a>
<b>W</b>	<b>NCCFFF</b> MARK C ROCKWELL 19737 Wildwood West Dr Penn Valley CA 95946 <a href="mailto:summerhillfarmvp@aol.com">summerhillfarmvp@aol.com</a>		KATHERINE A MCDOWELL 520 SW Sixth Ave – Suite 830 Portland OR 97204 <a href="mailto:katherine@mcd-law.com">katherine@mcd-law.com</a>

<b>W</b>	<b>OREGON DEPARTMENT OF FISH AND WILDLIFE</b> KEN HOMOLKA 3406 Cherry Ave NE Salem OR 97303 <a href="mailto:ken.homolka@state.or.us">ken.homolka@state.or.us</a>	<b>W</b>	<b>OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY</b> CHRIS STINE 165 E 7 <sup>th</sup> Ave – Suite 100 Eugene OR 97401 <a href="mailto:chris.stine@state.or.us">chris.stine@state.or.us</a>
<b>W</b>	<b>OREGON DEPARTMENT OF FISH AND WILDLIFE</b> RICK KEPLER 3406 Cherry Ave NE Salem OR 97303 <a href="mailto:rick.j.kepler@state.or.us">rick.j.kepler@state.or.us</a>	<b>W</b>	<b>OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY</b> STEVE KIRK 475 NE Bellevue Dr Bend OR 97701 <a href="mailto:steve.kirk@state.or.us">steve.kirk@state.or.us</a>
	<b>OREGON PUBLIC UTILITY COMMISSION</b> ED DURRENBERGER PO Box 2148 Salem OR 97308 <a href="mailto:ed.durrenberger@state.or.us">ed.durrenberger@state.or.us</a>	<b>W</b>	<b>OREGON WATER RESOURCES DEPARTMENT</b> Mary Grainey 725 Summer St NE – Suite A Salem OR 97301 <a href="mailto:mary.s.grainey@wrđ.state.or.us">mary.s.grainey@wrđ.state.or.us</a>
<b>W</b>	<b>PACIFIC COAST FEDERATION OF FISHERMEN'S ASSOC</b> GLEN H SPAIN PO Box 11170 Eugene OR 97440 <a href="mailto:fishlifr@aol.com">fishlifr@aol.com</a>	<b>W</b>	<b>OREGON WATER RESOURCES DEPARTMENT</b> RON C KOHANEK 725 Summer St NE – Suite A Salem OR 97301 <a href="mailto:ron.c.kohaneck@wrđ.state.or.us">ron.c.kohaneck@wrđ.state.or.us</a>
	<b>PACIFICORP</b> OREGON DOCKETS 825 NE Multnomah St – Suite 2000 Portland OR 97232 <a href="mailto:oregondockets@pacificorp.com">oregondockets@pacificorp.com</a>		RANDALL J FALKENBERG <b>RFI CONSULTING INC</b> PMB 362 8343 Roswell Rd Sandy Springs GA 30350 <a href="mailto:consultrfi@aol.com">consultrfi@aol.com</a>
<b>W</b>	<b>SALMON RIVER RESTORATION COUNCIL</b> PETER BRUCKER HCR 4 BOX 1089 Sawyers Bar CA 06027 <a href="mailto:ptb92day@gmail.com">ptb92day@gmail.com</a>	<b>W</b>	<b>TROUT UNLIMITED</b> CHARLTON H BONHAM 828 San Pablo Ave – Suite 208 Albany CA 94706 <a href="mailto:cbonham@tu.org">cbonham@tu.org</a>

W	<b>WATERWATCH OF OREGON</b> LISA BROWN 213 SW Ash St – Suite 208 Portland OR 97204 <a href="mailto:lisa@waterwatch.org">lisa@waterwatch.org</a>	W	<b>TROUT UNLIMITED</b> KATE MILLER 227 SW Pine Street – Suite 200 Portland OR 97204 <a href="mailto:kmiller@tu.org">kmiller@tu.org</a>
W	<b>YUROK TRIBE</b> JOHN CORBETT PO Box 1027 Klamath CA 95548 <a href="mailto:jcorbett@yuroktribe.nsn.us">jcorbett@yuroktribe.nsn.us</a>	W	<b>NATURAL HERITAGE INSTITUTE</b> RICHARD ROOS-COLLINS 100 Pine St – Suite 1550 San Francisco CA 94111 <a href="mailto:rrcolins@n-h-i.org">rrcolins@n-h-i.org</a>
W	<b>CITIZENS' UTILITY BOARD OF OREGON</b> GORDON FEIGHNER 610 SW Broadway – Suite 308 Portland OR 97205 <a href="mailto:gordon@oregoncub.org">gordon@oregoncub.org</a>	W	<b>CITIZENS' UTILITY BOARD OF OREGON</b> ROBERT JENKS 610 SW Broadway – Suite 308 Portland OR 97205 <a href="mailto:bob@oregoncub.org">bob@oregoncub.org</a>
W	<b>CITIZENS' UTILITY BOARD OF OREGON</b> G CATRIONA MCCRACKEN 610 SW Broadway – Suite 308 Portland OR 97205 <a href="mailto:catriona@oregoncub.org">catriona@oregoncub.org</a>	W	<b>CITIZENS' UTILITY BOARD OF OREGON</b> RAYMOND MYERS 610 SW Broadway – Suite 308 Portland OR 97205 <a href="mailto:ray@oregoncub.org">ray@oregoncub.org</a>
W	<b>CITIZENS' UTILITY BOARD OF OREGON</b> KEVIN ELLIOTT PARKS 610 SW Broadway – Suite 308 Portland OR 97205 <a href="mailto:kevin@oregoncub.org">kevin@oregoncub.org</a>		

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Docket No. UE-219  
Exhibit WRD/1  
Witness: Mary Grainey

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON  
OREGON WATER RESOURCES DEPARTMENT

---

Direct Testimony of Mary Grainey

May 2010

1 **Introduction**

2 **Q: Please state your name, office address, and present position with the Oregon Water**  
3 **Resources Department (“WRD”).**

4 A. My name is Mary Grainey. My office address is 725 Summer Street NE, Suite A, Salem,  
5 Oregon 97301. My present position is Hydroelectric Program Coordinator.

6 **Qualifications**

7 **Q: Briefly describe your educational background and professional experience.**

8 A: I have a Bachelors of Engineering Degree from the Illinois Institute of Technology and a  
9 Masters of Engineering Degree from the University of Washington in Civil Engineering.  
10 I am a registered Professional Engineer and Certified Water Rights Examiner with the  
11 State of Oregon. I was employed with the Oregon Department of Energy for five years  
12 and then with WRD for more than 22 years.

13 **Q: Briefly describe the scope of your duties with WRD.**

14 A: As Hydroelectric Program Coordinator I am responsible for processing water right  
15 applications for both major and minor projects. My duties include applying the rules of  
16 ORS 543 to new project applications and ORS 543A to projects seeking relicensing. I  
17 prepare proposed orders and proposed water right documents for approval or denial of  
18 project applications. I represent WRD on oversight committees once a project has been  
19 authorized or reauthorized. I am also responsible for assessing annual fees to the water  
20 rights holders for their projects.

21 **Purpose of Testimony**

22 **Q: What is the purpose of your testimony?**

23 A: I will describe fees that are assessed on hydroelectric projects under Oregon statutes, and  
24 an estimate of those fees for the J.C. Boyle Hydroelectric Project if it is issued a  
25 reauthorized water right by WRD.  
26

1 **Q: What authorization from WRD is required for the Klamath River Hydroelectric**  
2 **Project?**

3 A: The original hydroelectric water right for the J.C. Boyle Hydroelectric Project expired  
4 December of 2006, and PacifiCorp is required under Oregon law (ORS 543A) to obtain a  
5 reauthorized water right in order to continue operation of the dam and powerhouse.  
6 PacifiCorp has filed an application for a reauthorized water right. J.C. Boyle is now  
7 operating under a temporary extension of the water right.

### 8 **Fees Assessed Hydroelectric Projects**

9 **Q: On what basis are fees assessed for hydroelectric projects under Oregon statutes?**

10 A: Annual fees are assessed based on the maximum theoretical horsepower (“THP”)  
11 available at the hydropower project site. Before reauthorization, \$0.28 per THP is  
12 assessed pursuant to ORS 543A.415. Upon reauthorization, an annual fee of \$0.405 per  
13 THP (in 1998 dollars and adjusted annually for inflation) is assessed in accordance with  
14 ORS 543.078. The amount of THP is computed by multiplying the maximum amount  
15 of water claimed, expressed in cubic feet per second (“cfs”), by the average total fall  
16 utilized, expressed in feet, and dividing the product by 8.8. ORS 543.720(4); OAR 690-  
17 051-0010(35).

### 18 **Fees for the Klamath Hydroelectric Project**

19 **Q: What is PacifiCorp’s current assessment for the J.C. Boyle portion of the project?**

20 A: The amount of water claimed for power production at J.C. Boyle is 2500 cfs. The fall, or  
21 head between the J.C. Boyle reservoir and powerhouse, is 463 feet. Applying the  
22 formula described above to the 28 cents per THP assessed pursuant to ORS 543A.415,  
23 results in a current annual fee of \$36,829.52:

$$24 \quad 2500 \text{ cfs} * 463 \text{ feet} / 8.8 = 131,534 \text{ THP} * \$0.28 = \$36,829.52$$

25 **Q: Will the fees be the same if the Project is reauthorized by WRD?**

1 A: No, the annual fee for reauthorized projects set forth in ORS 543.078 would be applied.  
2 First, the fee of \$0.405 per THP in 1998 dollars would be adjusted for inflation according  
3 to “GDP-IPD”. GDP-IPD is the value published for the Gross Domestic Product Implicit  
4 Price Deflator by the U.S. Department of Commerce, Bureau of Economic Analysis in  
5 the publication *Survey of Current Business* (Table 1.1.9 (line 1) and Table C). Assuming  
6 the project was reauthorized in 2012, the adjusted fee would be approximately \$0.53 per  
7 THP.

8 **Q: What do you estimate the fees will be for the J.C. Boyle project if it were relicensed**  
9 **in 2012?**

10 A: I estimate the fee for J.C. Boyle based on 2500 cfs of maximum water use, at  
11 approximately \$0.53 per THP, would be \$69,713 for the year 2012.

12 **Q: Are there any additional fees that the Project could incur?**

13 A: Yes, PacifiCorp has applied for an additional 500 cfs of water use. If that additional  
14 water use is approved by WRD, then the annual fee would be assessed on 3000 cfs of  
15 maximum water use (157,840 THP at \$0.53 per THP), resulting in a total annual fee in  
16 the year 2012 of approximately \$83,655.

17 **Q: Are the fees the same, whether the Project is relicensed by FERC or the Project is**  
18 **decommissioned in the year 2020?**

19 A: PacifiCorp will be required to pay these annual fees for as long as the Project operates,  
20 either until it is decommissioned or until the new water right expires.

21 **Q: Assuming, instead of dam removal, that the Klamath River Hydroelectric Project**  
22 **returns to FERC relicensing – what do you estimate these fees to be for the life of**  
23 **the new license?**



1 A: FERC may issue a new license for a term ranging from 30 to 50 years. Applying the  
2 assumptions described above, the annual fee under ORS 543.078 would be the following,  
3 in 2012 dollars, for 30-year, 40-year, and 50-year license terms by way of example:

4 \$83,655 x 30 = \$2,509,650  
5 \$83,655 x 40 = \$3,346,200  
6 \$83,655 x 50 = \$4,182,750

7 Again, these are estimates only, since the actual fee would be determined through the  
8 reauthorization proceeding. Further, the annual fee per THP would be adjusted annually  
9 for inflation.

10 **Q: Are these fees discussed in the direct testimony of Corey E. Scott (Exhibit PPL/300)**  
11 **or shown in PacifiCorp's "Costs of FERC Relicensing Scenario" (Confidential**  
12 **Exhibit PPI/301)?**

13 A: They do not appear to be, although it is not clear to me whether the annual fees may be  
14 included in the tax figures in the document.

15 **Q: Does this conclude your testimony?**

16 A: Yes.  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26