

**WESTERN MONTANA ELECTRIC
GENERATING & TRANSMISSION COOPERATIVE, INC.**
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August 16, 2013

CRT Review (DKE)
PO Box 14428
Portland, OR 97293

Stephen Oliver, Bonneville Power Administration
David Ponganis, U.S. Army Corps of Engineers, Northwestern Division

Re: Columbia River Treaty Review [Submitted Electronically to treatyreview@bpa.gov]

Dear Steve and David:

Western Montana G&T is writing to provide our perspective on the working draft of a regional recommendation for “Improving the Columbia River Treaty Post-2024” produced through the Sovereign Review Team (SRT) process. Over 100,000 electric consumers in Montana and 6.4 million ratepayers throughout the northwest depend upon affordable, clean and reliable power and the majority of it comes from the Columbia River Hydrosystem. The Columbia River Treaty has served as a model of cooperation between countries to balance a wide variety of competing interests related to power, flood control and natural resources and despite the many extreme positions advocated through the Sovereign Review Team process the importance of maintaining this balance must not be abandoned and the region must present a recommendation that reflects solutions and the progress that has already been made on these difficult issues.

Western Montana G&T supports the principles outlined by the Columbia River Treaty Power Group and expects to see changes to the regional recommendation that recognizes:

- *Any payment made to Canada for downstream power benefits should not exceed one-half of the actual incremental power benefit achieved through a coordinated United States/Canada operation as compared to a non-coordinated operation.*
- *Any payments for Columbia River flood control should be the responsibility of the taxpayers of the United States.*
- *An equitable correction to the Entitlement should not lead to an increased mitigation requirement.*

Unfortunately, the June 27th draft recommendation from the U.S. Entity fails to address these principles. Instead, the draft recommendation ignores the balance of critical interests and includes incompatible provisions that work at cross purposes and tries to address a wide range of issues without resolving or even acknowledging areas of inherent conflict (i.e. expanded spring and summer flow augmentation vs. maintenance of an economical and reliable power supply). A document of this nature leaves the Northwest vulnerable to the politics of Washington, D.C. where it is impossible to determine whether

they will understand or appreciate the unique interests of the Northwest or will instead ignore the region's interests and make decisions based on the politics of the day. The Northwest must produce a regional recommendation that provides critical information to the State Department about the importance of the Columbia River to the economy and well-being of its residents.

Instead of recognizing the importance of clean, renewable hydropower to the Northwest, the draft recommendation calls for an expansion of flow augmentation without identification of the impact on U.S. hydropower generation. However, the Iteration 2 studies of the review did identify the impacts to hydropower generation. The regional recommendation cannot include recommendations that would allow for a Loss of Load Probability of 91.5 to 94.7% and create the need for 9,200 to 9,700 MW of new fossil fueled combustion turbines for the region at an annual cost of \$1 billion to \$1.8 billion. The regional recommendation cannot call for a situation where carbon emissions from the northwest would increase 30-40% and the ability to integrate wind generation would be substantially reduced in winter, spring and early summer. Instead of making a recommendation that would reduce emission free hydropower, the recommendation must recognize the importance of hydropower to the life, health, safety and economy of the Northwest and maintain the current level of hydropower generation.

While many parts of the working draft completely miss the mark, WMG&T is pleased to see recognition of issues unique to Montana as the working draft acknowledges and supports coordinated operations and balancing of multiple uses at Libby and Hungry Horse through VARQ operations.

This process is currently at an important crossroads and we strongly believe that the SRT lacks perspective on the impacts of many of its proposed treaty changes. The regional recommendation must acknowledge the \$13 billion invested since 1992 in fish and wildlife mitigation and the resultant improvements. To overlook the magnitude, achievements and important balance of hydropower, flood control and ecosystem consideration that has already been made is disingenuous and offensive to the millions of electric ratepayers funding these efforts.

Public power systems are very concerned about jobs in their communities. The price of electric power is already rising at a rate well above inflation and implementation of the measures called for in the June 27 regional recommendation could create additional rate shock. One of the primary reasons the Northwest has been able to be competitive in many businesses is low cost power supply. In order to participate in an economic recovery and to create more jobs, the Northwest needs to maintain its current level of hydropower generation at low cost. The proposals of the regional recommendation put this in doubt.

Moving forward, BPA and the Corps should make major changes to the regional recommendation that addresses the collective interests of the Northwest. It appears extremely unlikely that the SRT can provide meaningful guidance to achieve this result. The working draft fails this test and must be materially revised to provide a better balance of issues regarding power supply and flood control, while recognizing the importance of the Columbia River Hydrosystem. An appropriate way to recognize the importance of ecosystem contributions already made would be to limit any recommended changes to those that can be accomplished without reductions to hydropower generation, since generation from the system has already been reduced by 1,200 MW.

The review process itself has lacked any balance since utility involvement in the Columbia River Treaty review process has been primarily through briefings delivered by Bonneville Power Administration and U.S. Army Corps of Engineers staff to the Columbia River Treaty Power Group since utilities were

excluded from the SRT process. This glaring error has created a situation where ratepayers have no advocates in the process and the working draft of the regional recommendation can scarcely be called a regional recommendation at all since it excludes a critical constituency. The U.S. Entity should regroup and determine a path forward that involves meaningful customer participation. Our members do not defer to any of the other sovereigns in the SRT as representing their interests.

The Columbia River Treaty review process must be recast in a completely different light. The Northwest as a whole needs to be reminded that it is NOT negotiating with itself to produce a new and revised treaty. We are preparing the U.S. State Department for a negotiation with Canada and while this may ultimately involve some serious trade-offs and compromise, that time is not now. What is needed is a regional recommendation that defines what the State Department must consider and perhaps even more importantly what it must avoid in a negotiation with Canada. Any treaty negotiation must not further reduce U.S. hydropower generation, it must not ignore ecosystem measures already in place, it must not upset the delicate balance that already exists between power, flood control and the ecosystem and it must not continue to overpay Canada for exaggerated downstream power benefits.

Thank you again for the opportunity to provide a ratepayer and customer perspective on this important issue and please feel free to contact me at 406-682-5632 if you would like to discuss these comments in further detail.

Sincerely,



Joe Lukas
General Manager

Cc: Senator Max Baucus
Senator John Tester
Representative Steve Daines
Elliot Mainzer, Bonneville Power Administration
Colonel John Kem, U.S Army Corps of Engineers, Northwestern Division
Matthew Rooney, U.S. Department of State
Daniel Poneman, U.S. Department of Energy