



COLUMBIA RIVER TREATY POWER GROUP

August 7, 2013

The Honorable John Kitzhaber
Governor, State of Oregon
State Capitol Building
900 Court Street NE, 160
Salem, OR 97301

Dear Governor Kitzhaber:

We are writing to you on behalf of the Columbia River Treaty Power Group (Power Group), which is a forum for electric utilities, associations, and other entities that depend upon power produced by Columbia River generating plants. Our purpose is to engage in the United States' evaluation of whether to continue or terminate the Columbia River Treaty. Together, we represent 6.4 million consumers in the Northwest impacted by this treaty and we serve a majority of Oregon's citizens.¹

The Power Group is very concerned about the draft recommendation recently released by the U.S. Entity and is seeking your assistance to ensure the recommendation adequately reflects the considerations that the power and economic interests articulated in the review process.

We have been engaged in the process established by the U.S. Entity (the Bonneville Power Administration (BPA) and the U.S. Corps of Engineers) for the past 36 months, but have not been included in the Sovereign Review Team (SRT) created to assist the U.S. Entity in the analysis and development of a recommendation to the United States Department of State to guide Treaty negotiations. This lack of inclusion and transparency has been particularly troubling because the SRT meetings have been closed to the public, including the utilities (and their customers) financially responsible for the Canadian Entitlement.

On June 27, 2013, the U.S. Entity released their working draft recommendation document which does not reflect the importance that hydropower has for Oregon's economy and the environment. We felt it was critical to notify you, and your representative to the SRT, Bill Bradbury, of our strong concern with the current draft document. It is imperative that the power issue be raised to the level it deserves in what may be very difficult Treaty negotiations.

U.S. Entity Working Draft Recommendations

As you know, the original Treaty signed in 1964 had two primary provisions: flood control and hydropower. In a new "modern" Treaty, ecosystem interests are proposed to be added as a third

¹ The complete list of power group members can be found at www.crtpowergroup.org

primary purpose to a renegotiated Treaty. The Power Group is concerned that the current draft does not recognize the investments that have been made over the past 40-years by utilities to protect and enhance fish, wildlife and habitat. In addition, despite numerous studies showing the disparity between the downstream power benefit paid to Canada and the commercial value of the water storage provided by Canada to United States power customers, the lack of focus on power issues in the draft is very worrisome.

Electric utility customers in the Northwest have been making ecosystem improvement investments for decades. Many utilities individually through their Habitat Conservation Plans make significant ecosystem investments in addition to the approximately \$700 million annual cost paid by BPA's utility customers for fish and wildlife. BPA has the largest fish and wildlife restoration program in the world and it is notable that the U.S. Entity draft recommendation does little to acknowledge, let alone honor this investment.

We are proud of the work we have done, we recognize work still needs to occur, and we plan on continuing our efforts. However, we have strong concerns that the U.S. Entity draft recommendation reflects various U.S. interests negotiating against themselves to create new U.S. ecosystem obligations. The biological benefit and cost of the ecosystem proposals, or any real justification for them, is missing from the draft recommendation. Any proposals for new investments must reflect the best available science and be considered in the context of the costs and benefits that may accrue, as well as the extraordinary investments already in place through flood and hydropower operational parameters and programs.

Canadian Entitlement

The draft recommendation states one of its goals is "preserving reliable and economic hydropower benefits" but it is woefully inadequate in specifying the amount of inequity in the current and forecast power benefit between the two countries. The Canadian Entitlement (the annual U.S. payment via energy provided to Canada by BPA and the Mid-Columbia utilities for the added "benefit" the U.S. gets from the storage of water in Canada) was calculated based on a number of 1960s assumptions that have not come to fruition. Currently the Entitlement is estimated to have a replacement value of \$250 million to \$350 million annually. The value that this electricity represents in jobs and economic development occurring in Canada instead of the United States is significant.

We believe that the current payment is not aligned with the true benefit from the water stored in Canada and must be renegotiated to an appropriate level via a framework that better aligns U.S. and Canadian interests for the future. The Power Group urges that the U.S. Entity's recommendation should clearly state any payment made to Canada for downstream power benefits *should not exceed one-half of the actual, incremental power benefit achieved* through coordinated U.S./Canada operation as compared to non-coordinated operation.

The decisions made regarding the Columbia River Treaty will have significant impacts to the entire State of Oregon and the Pacific Northwest for decades to come. We believe as the Treaty is evaluated, the importance of the hydropower system must be on equal footing with other provisions of the Treaty going forward. The region's economy is closely tied to our clean, affordable energy, and the outcome of this Treaty review will affect our customers and businesses.

We are requesting your direct engagement in the coming weeks. We must not undervalue the hydropower system's contributions to our state's economy and the carbon-free energy it produces. In addition, hydropower is an important tool for integrating renewable resources (such as wind and solar). Moreover, we must not undervalue the ecosystem investments and programs already in place and the resulting benefits.

Please let us know how we can best work with you and Council Member Bradbury going forward to address our concerns and ensure a recommendation that reflects all our region's assets and interests. If you have any further questions for the Power Group or its members, please feel free to have your staff contact Scott Corwin at 503-595-9775 or by email at scorwin@ppcpdx.org to coordinate a follow up discussion.

Thank you for your consideration.

The Columbia River Treaty Power Group

Canby Utility Board
Central Electric Cooperative
Central Lincoln PUD
Clatskanie People's Utility
Columbia River PUD
Consumers Power, Inc.
Emerald PUD
Eugene Water and Electric Board
Harney Electric Cooperative
Midstate Electric
Northern Wasco County PUD
Northwest Requirements Utilities
Oregon Municipal Electric Utilities Association
Oregon People's Utility District Association
PacifiCorp
Pacific Northwest Utilities Conference Committee
Pacific Northwest Waterways Association
PNGC Power
Public Generating Pool
Public Power Council
Springfield Utility Board
Tillamook PUD

Cc: Bill Bradbury
Richard Whitman
Margi Hoffmann
Sen. Lee Beyer
Sen. Jackie Dingfelder
Rep. Jules Bailey