



January 6, 2016

Mr. Elliott Mainzer, Administrator  
Chairman, U.S. Entity for the Columbia River Treaty  
Bonneville Power Administration  
905 N.E. 11th Avenue  
Portland, Oregon 97232

Mr. Brian P. Doherty  
Chief Negotiator, Columbia River Treaty  
U.S. Department of State  
2201 C Street N.W.  
Washington, D.C. 20520

Gentlemen:

Chelan, Douglas and Grant PUDs (“PUD” or “PUDs”) each own and operate hydroelectric projects on the Columbia River. Each PUD is party to a Canadian Entitlement Allocation Extension Agreement (“CEAEA(s)”) that defines the terms by which each PUD shall participate in the payment of the Canadian Entitlement (“Entitlement”) in order to use the improvement in streamflow at its hydroelectric project(s) according to the terms of the Columbia River Treaty (“Treaty”). The CEAEAs are in effect through September 15, 2024.

The United States has conducted substantial analysis of the improvement in streamflow actually usable for hydropower generation in the United States and has found it to be substantially below the amount assumed for calculation of the Entitlement. The PUDs agree with this assessment. Since September 16, 2014 the United States has had the right to give notice under Article XIX of the Columbia River Treaty to terminate the Entitlement provisions of the Treaty but has elected not to issue such notice. The PUDs believe it is in the best interests of all regional interests to issue the Article XIX notice to Canada and urge such action. However, the PUDs have no apparent control regarding this choice by the United States. The United States should not expect the region’s electric customers to continue payment of the Entitlement under the current terms after September 15, 2024, when the United States has full knowledge the payment is out of balance with the benefit received.

The PUDs are political subdivisions of the State of Washington, governed by locally elected boards of commissioners. As such, the PUDs have an overwhelming fiduciary responsibility to a constituency, which holds ultimate power over each PUD. PUDs are prohibited from gifting or knowingly and voluntarily entering into business arrangements that do not align payment with reward. It is known that the Entitlement is out of balance, that the United States has the unilateral opportunity to end the payment, and that the PUDs’ contractual obligation regarding the Entitlement ends in 2024.

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By this letter, the PUDs are providing notice to the United States Entity that, after September 15, 2024, if the PUDs participate in new Entitlement agreements, participation should be limited to one-half of each project's share of the actual improvement in generation attributable to improved streamflow created by the Treaty dams in Canada. The PUDs remain hopeful for the United States to make a similar Entitlement arrangement with Canada.

Sincerely,



Stephen J. Wright  
Chelan PUD General Manager



William C. Dobbins  
Douglas PUD General Manager



Anthony J. Webb  
Grant PUD General Manager