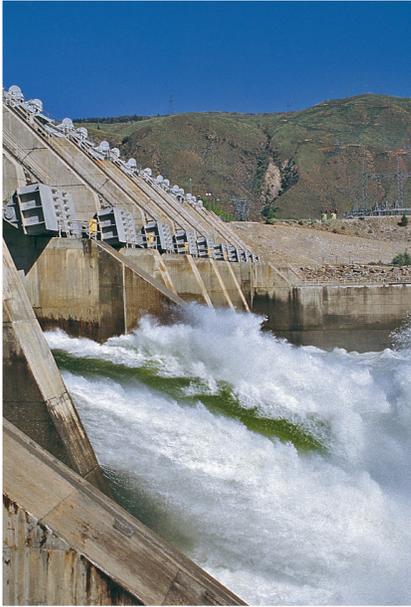


COLUMBIA RIVER TREATY POWER GROUP

MAY 2013



Through the Columbia River Treaty review process, the Power Group wants to ensure a fair and equitable outcome for the estimated 6.4 million Pacific Northwest electric customers we serve. Based on our shared interests, the Power Group supports the following principles:

The Columbia River Treaty Power Group (Power Group) provides a forum for electric utilities, industry associations, and other entities that depend upon power produced by Columbia River generating plants to engage in the United States' evaluation of whether to continue or terminate the Columbia River Treaty with Canada.

- Alcoa Inc.
- Avista
- Benton PUD
- Chelan PUD
- Clark Public Utilities
- Douglas PUD
- Eugene Water and Electric Board
- Franklin PUD
- Grant PUD
- Grays Harbor PUD
- Idaho Power
- Northwest Requirements Utilities
- PNGC Power
- PacifiCorp
- Pacific Northwest Utilities Conference Committee
- Portland General Electric
- Public Generating Pool
- Public Power Council
- Puget Sound Energy
- Seattle City Light
- Snohomish PUD
- Tacoma Power
- Washington Public Utility Districts Association
- Western Montana Generation & Transmission Cooperative

FOR MORE INFORMATION, CONTACT:

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Downstream Power Benefits

- 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.

Non-Power Benefits

- Consistent with the flood control funding approach employed throughout the United States, any payments for Columbia River flood control should be the responsibility of the taxpayers of the United States.
- Each of the entities providing the Canadian Entitlement return already have robust environmental mitigation plans embedded in their project authorizations and developed in legal forums. Along with the cost of the Entitlement return, this mitigation is funded by utility customers. Therefore, an equitable correction to the Entitlement should not lead to an increased mitigation requirement.

If these principles cannot be met, then the United States has no other option but to provide notification of termination by 2014.



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Background

The Columbia River Treaty is an international agreement between Canada and the United States for the cooperative development and operation of Columbia River Basin water resources to reduce the effect of floods and to increase dependable and usable amounts of hydropower generation. It was signed in 1961 and implemented in 1964. After September 15, 2024, Canada and the United States each have the option to terminate most of the Treaty provisions by providing a 10-year advance written notice.

While the costs and benefits are borne by all Pacific Northwest utility customers, the U.S. Army Corps of Engineers (Corps) and Bonneville Power Administration (BPA) represent the United States as the U.S. Entity and work in concert with the State Department and National Security Council in official Treaty discussions with Canada. The Corps operates federal dams in the Columbia River Basin and BPA markets federal hydropower to regional utilities. Neither BPA nor the Corps represents the interests of utilities that purchase federal hydropower, operators of non-federal hydropower facilities directly affected by the Treaty, or other river users. The Power Group was formed to ensure that Northwest electricity customers would have their interests represented in the Treaty review process.

The earliest the Treaty can be terminated is 2024, although notice must be given by 2014. The current Treaty flood control operations, which provide significant benefits to the United States, will expire in September 2024. Terms and conditions for ongoing flood control will need to be renegotiated, regardless of whether the Treaty is terminated or not. In addition, U.S. operations of the Columbia River system for fisheries management have significantly reduced the original downstream power benefits of the Treaty. If the Treaty continues without modification post-2024, U.S. power utilities would remain obligated to deliver Canadian Entitlement, a continuous power and energy delivery to the Canadian government paid for by Northwest electricity customers.

Current Studies

Construction of Columbia River Treaty storage projects, which impound flows destined for the lower reaches of the Columbia River, have allowed for management of downstream flood risk and were intended to optimize the timing of stream flows to enhance power generation at downstream projects. The Columbia River Treaty has operated for nearly 50 years and has now fulfilled a primary purpose; that is, it raised financing in the United States for construction of the Treaty storage projects in Canada.

There has been substantial analysis of the Treaty conducted by the U.S. Entity and others. As power utilities serving people throughout the Northwest, we are uniquely interested in the future of the Columbia River Treaty.

Based upon an extensive analysis of downstream power benefits by BPA, the remaining benefit of coordinated operations is minimal, while the costs imposed under the existing Treaty protocols is high. BPA has forecasted the Canadian Entitlement payment in 2025 using existing methodologies to be 450 aMW with about 1,300 MW of capacity. Yet, BPA estimates the actual benefits to be 90 aMW and 0 (zero) MW of capacity. This equates to a Canadian Entitlement payment of 45 aMW or a ten-fold decrease in actual value.