



**PUBLIC UTILITY DISTRICT NO. 1 of CHELAN COUNTY**

P.O. Box 1231, Wenatchee, WA 98807-1231 • 327 N. Wenatchee Ave., Wenatchee, WA 98801  
(509) 663-8121 • Toll free 1-888-663-8121 • [www.chelanpud.org](http://www.chelanpud.org)

October 25, 2013

Mr. Stephen Oliver  
U.S. Entity Coordinator  
Bonneville Power Administration  
United States Entity  
P.O. Box 3621  
Portland, OR 97208-3621

Mr. David Ponganis  
U.S. Entity Coordinator  
U.S. Army Corps of Engineers  
United States Entity  
P.O. Box 3621  
Portland, OR 97208-3621

Dear Mr. Oliver and Mr. Ponganis:

Public Utility District No. 1 of Chelan County (Chelan PUD) appreciates the opportunity to comment on the U.S. Entity's September 20, 2013 Draft Recommendation for the future of the Columbia River Treaty. As the owner and operator of two hydroelectric projects on the Mid-Columbia River, we pay 11 percent of the Canadian Entitlement, which is the method by which the U.S. provides Canada with "half" of the downstream power benefits created by the Canadian storage facilities. In addition, under our federal operating licenses for the Rocky Reach and Rock Island hydroelectric projects, we have entered into robust Habitat Conservation Plans (HCPs) for migrating salmon and steelhead. The Draft Recommendation, therefore, has the potential to directly affect our power operations and environmental programs.

As a member of the Columbia River Treaty Power Group (Power Group), a coalition consisting of over 80 members that depend on power produced by the Columbia River, we fully endorse the Power Group letter submitted in response to the Draft Recommendation. The U.S. Entity's outreach to utilities and customers over the past few months has been helpful, and we recognize that the September 20 Draft Recommendation includes improvements over the Working Draft. However, Chelan PUD continues to have concerns about the Draft Recommendation, which appears to elevate ecosystem function over the need to correct the Canadian Entitlement – which is an inherently international issue that must be addressed between the U.S. and Canada. Moreover, due to the vagueness of the ecosystem function recommendations, we are wary about potential risks to, and conflicts with, our ongoing environmental programs.

**Rebalance the Canadian Entitlement**

By 2024, it will be 60 years since the Columbia River Treaty was ratified. Article VII of the Treaty defines downstream power benefits as "the "difference in hydroelectric power capable of being generated in the U.S. with and without the use of Canadian storage."<sup>1</sup> However, post-2024, this

---

<sup>1</sup> Article VII(1).

becomes the wrong baseline upon which to determine any Canadian Entitlement. Value returned to Canada after the initial 60-year agreement should be based on the benefits of *ongoing coordinated operations* between the U.S. and Canada – not on a comparison of conditions before and after construction of the storage dams. As identified by the Bonneville Power Administration, the actual power benefit to the U.S. of ongoing coordinated operations with Canada has reduced significantly over the past 50 years and is now worth a fraction of the current Canadian Entitlement delivery. The Power Group letter in response to the Draft Recommendation provides additional information about this disparity.

If the Treaty continues post-2024, we are concerned that U.S. electric customers, including our local customers, will be paying too much for diminishing ongoing downstream power benefits. While the U.S. Entity acknowledges the need to rebalance the Canadian Entitlement, we believe that this is the single most important issue that must be addressed by the U.S. Entity with Canada. Its importance must be prominently reflected in the final recommendation because of the economic impacts to the region, and lost opportunity costs, if the excessive export of renewable hydropower perpetuates beyond 2024. In addition, the transfer of energy and capacity from our hydroelectric projects in the Northwest is in direct conflict with our ability to integrate wind and to provide carbon-free resources to our Northwest consumers.

### **Ecosystem Function**

Unlike the Working Draft Recommendation, the September 20, 2013 Draft Recommendation does acknowledge that “the region, principally through its electric utility ratepayers, has invested hundreds of millions of dollars annually to achieve ecosystem improvements throughout the Basin.”<sup>2</sup> However, the Draft Recommendation does not explain how it would ensure that its ecosystem function recommendations would not conflict with or relate to ongoing efforts. For Chelan PUD, the vagueness surrounding ecosystem function in the Draft Recommendation raises concerns about potential implications for our existing HCPs.

The Rocky Reach and Rock Island hydroelectric projects are operated pursuant to HCPs that meet a “no-net-impact” standard for migrating salmon and steelhead. These HCPs govern project operations for covered species through 2054, but remain flexible enough to meet future resource needs through the use of a Coordinating Committee, a Tributary Committee, and a Hatchery Committee comprised of utility representatives and the federal and state agencies and tribes that signed the agreements. Recently, the agreements hit an important 10-year milestone by achieving the no-net-impact goal. Over the first decade implementing the agreements, Chelan PUD and the other signing parties have invested significant time and resources into making them successful. For this utility, meeting the HCP commitments has carried significant costs, but we have also been able to address challenges in a manner specific to each project's unique design. The \$107 million juvenile fish bypass system, for example, passes young fish so safely and effectively that the Rocky Reach project no longer is required to spill water in the spring for fish passage.

The HCPs fulfill Chelan PUD's obligations under a variety of environmental laws while balancing a broad spectrum of stakeholder interests. Creating an additional layer of obligations through an international Treaty would present a significant risk to our customers if project investments could be disrupted by a process that we cannot meaningfully participate in or predict.

---

<sup>2</sup>

Draft Recommendation at 1.

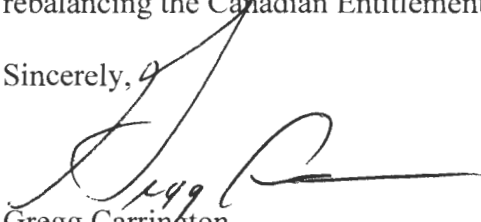
It is important for our customers to understand how the commitment to enter into two of the first hydropower HCPs in the nation has positioned their utility with regard to regional activities, and for the HCPs to remain resilient throughout their terms.

**Conclusion**

We appreciate this opportunity to provide comments. Chelan PUD agrees with the Power Group that a regional consensus that seeks to rebalance the Canadian Entitlement and provides real return in value to the U.S. electric system is in the best interest of all citizens of the U.S., particularly Pacific Northwest electric customers. Currently, the Power Group and the Tribes are in the process of arranging a meeting in order to identify opportunities to achieve greater alignment regarding a regional recommendation. We hope the U.S. Entity will accommodate these efforts should they be successful.

Again, Chelan PUD appreciates this opportunity to comment on the Draft Recommendation. We look forward to a final recommendation to the U.S. State Department that emphasizes the necessity of rebalancing the Canadian Entitlement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregg Carrington', written over a horizontal line.

Gregg Carrington  
Managing Director, Energy Resources  
Public Utility District No. 1 of Chelan County

Cc: Senator Patty Murray  
Senator Maria Cantwell  
Representative Dave Reichert  
Representative Doc Hastings  
Representative Cathy McMorris Rodgers