

F*Your Co-op***lathead Electric**

Community...Integrity...Reliability

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REFERENCE: 2013FEC-1-125

Submitted VIA BPA Columbia River Treaty Review Comment Site

October 10, 2013

Mr. Stephen R. Oliver
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

Mr. David Ponganis
Northwestern Division
U.S. Army Corps of Engineers
1125 NW Couch Street
Portland, OR 97209

RE: Flathead Electric Cooperative, Inc. Comments on
Columbia River Treaty Review – Draft Regional Recommendation

Dear Mr. Oliver and Mr. Ponganis:

Flathead Electric Cooperative, Inc. (“FEC”) appreciates this opportunity to submit comments to the Bonneville Power Administration and the U.S. Army Corps of Engineers (the “U.S. Entity”) regarding the Columbia River Treaty (“Treaty”) Review – Draft Regional Recommendation (“Recommendation”) issued September 20, 2013.

FEC recognizes the importance of this regional process and the impacts any decision made regarding the Treaty has on the electric rates of our members. Therefore, it is critical that you not only consider the recommendations from the Sovereign Review Team, but also with equal weight, consider the recommendations from the Columbia River Treaty Power Group. The Power Group represents the millions of electric ratepayers in the Northwest who actually pay the bills relative to the operation of the Federal Columbia River Power System (“FCRPS”).

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It has been well documented that there needs to be a rebalancing of the Canadian Entitlement through this Treaty process. Each year, the electric ratepayers in the Northwest continue to overpay 10 to 1 for the energy benefits exported to Canada. Because of these billions of dollars of overpayment, all Northwest electric ratepayers, including our members, have an expectation that they will see rate relief from the Treaty post 2024. This is especially important in our service territory which has seen almost 10% unemployment over the past few years.

The primary focus of renegotiation should be on reducing our members' electric rates using the savings recognized from rebalancing of the Canadian Entitlement. We believe that any "modernization" of the Treaty should not prevent the region from achieving its objective of greater economic value of our power supply. We appreciate that the draft now mentions the billions of dollars already being spent on ecosystem restoration by our electric ratepayers. The U.S. Entity should not lose sight of these efforts, and how other ecosystem proposals could affect ongoing measures, as discussions continue. There is simply too much vagueness and uncertainty inherent in the existing Recommendation regarding "a more resilient and healthy ecosystem-based function". The main focus of Treaty negotiations needs to be redirected back to the original purposes of the Treaty which are hydropower and flood control.

During the Public Roundtable Discussion in Helena, Montana on October 9th, it was suggested by BPA staff that comments also include any proposed revision changes to any specific areas of the Recommendation. Below would be our proposed revisions:

Proposed Revisions to General Principle #8

Inclusion of ecosystem-based functions in the Treaty, and the implementation of these functions, ~~should~~ **shall** not prevent the region from achieving its objective of reducing U.S. power costs.

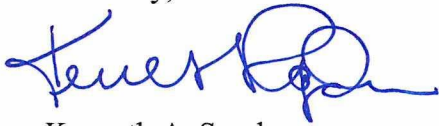
NEW General Principle #9: ~~In order to accomplish this, funding for~~ **If additional ecosystem-based function operations are directly attributable to the FCRPS, are based on the best available science, and are not already addressed in the FCRPS Biological Opinion or other non-Treaty ecosystem processes, funding should come from a rebalancing of the power Canadian Entitlement benefits between the two countries. However, if the additional ecosystem based functions do not meet these criteria or cause a significant impact to the reduction in U.S. power costs realized in General Principle #8, funding should come or from other sources.**

FEC looks forward to the U.S. Entity working with the Columbia River Treaty Power Group to come to a regional consensus and get more certainty in the proposed

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Recommendation which would ultimately lead to rate relief for the Northwest electric ratepayers who have overfunded the Canadian Entitlement to the tune of billions of dollars over the years.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Sugden", with a stylized flourish at the end.

Kenneth A. Sugden
General Manager

cc: The Honorable Max Baucus
The Honorable Jon Tester
The Honorable Steve Daines
The Honorable Steve Bullock