



Public Power Council

825 NE Multnomah, Suite 1225

Portland, OR 97232

503.595.9770

Fax 503.239.5959

October 25, 2013

CRT Review (DKE)
P.O. Box 14428
Portland, OR 97293

Transmitted Electronically:
treatyreview@bpa.gov

U.S. Entity, Columbia River Treaty:

Stephen R. Oliver
U.S. Entity Coordinator, Bonneville Power Administration

David Ponganis
U.S. Entity Coordinator, U.S. Army Corps of Engineers, Northwestern Division

RE: September 20 Draft Recommendation

Dear Sirs,

Thank you for this opportunity to comment on the Draft Recommendation released on September 20, 2013 ("Draft") on behalf of the Public Power Council. We note as well that we are part of the Columbia River Treaty Power Group (CRTPG), and have signed and are in alignment with those comments submitted today. The Public Power Council (PPC) represents consumer-owned utilities in the Northwest who have a strong interest in the Treaty as it directly impacts the level of BPA's rates and the amount and timing of power generated by the federal and non-federal projects (SEE "Power and Jobs" section below).

While we note here, and in the CRTPG comments, some of our remaining concerns with the Draft, we very much appreciate the efforts of the representatives of the U.S. Entity to take our comments on the prior Draft Recommendation seriously, and to work with us toward a better draft that can serve the region well. We share the goal of building the broadest agreement possible to build a base of better engagement with Canada next year. The Columbia River Treaty has provided benefits to both countries since its inception. It is our hope that a rebalancing of the Treaty in the future will ensure mutual benefit for decades to come.

Improvements and Continued Concerns

The September 20 Draft contained improvements over the prior version, and we understand that drafting continues to this day. However, there are still several areas needing significant improvement in the September 20 version. The CRPG comments go into more detail on some of the remaining concerns.

This latest Draft took a clearer approach to the cover letter, introduction, and regional goals than the prior version. And, it accepted some constructive suggestions such as clarifying the expectation that the downstream power benefit should be shared equally between the countries. However, the focus and

emphasis in the Draft regarding the power inequity is still lacking. A proper ordering of the issues would help in this respect, and a more direct reference to the rebalancing of the power benefit in the General Principles is needed as well. Moreover, a reference that principles must be collectively satisfied would help underscore that the recommendation's component parts are inter-linked.

While the inclusion of Principle 8 in the new Draft may have been well-intentioned, it was drafted in a way that may push parties further apart. Particularly problematic is the second sentence regarding funding sources for ecosystem coming from a rebalancing of the power benefits.

The Draft begins to make more mention of the many and varied benefits of the hydropower system, but more can be done in some of those areas as well. This is a system that creates clean electricity for millions of residents, and its benefits reach all corners of the Northwest in the form of economically priced emission-free power, navigation, irrigation, recreation, and of course, fish and wildlife habitat.

The Draft made progress in language regarding flood control, and funding for flood control. We strongly support the point that flood control is in the general interest and a taxpayer, as opposed to ratepayer, obligation.

On the topic of ecosystem mitigation, the Draft begins to recognize what already occurs under the current Treaty implementation. This includes many agreements, not the least of which are the FCRPS BiOp and the agreements with States and Tribes that went hand in hand with it. That said, these sections remain overly vague and still include troublesome language, especially in the areas of augmenting flows and passage of fish by Grand Coulee and Chief Joseph Dams.

With respect to process concerns we have raised, the U.S. Entity has made a good effort recently to engage electricity customer representatives. Moving forward, and with completion of this Draft and the expectation of broader regional engagement, it appears to be a good point at which to bring the Sovereign Review Team process to a close.

On one other process matter, we are very concerned that language that we applauded in the last Draft regarding possible options (such as starting from a "clean slate") if basic agreement with Canada cannot be achieved in the next year was dropped from this Draft. In its place is a reference to letting the scheduled slip to 2015 without mention of what occurs if that is unsuccessful. We do not believe this is a fruitful or certain course to reaching agreement with Canada on these important matters.

Power and Jobs

To understand why electricity consumers are so interested in these issues, it is important to remember the foundations of this Treaty. In his message to the United States Senate, transmitting the Columbia River Basin Treaty with Canada, President Dwight D. Eisenhower said:

“The treaty is an important step toward achieving optimum development of the water resources of the Columbia River basin as a whole from which the United States and Canada will each receive benefits materially larger than either could obtain independently.

The United States will secure a large block of power at low cost, substantial flood control benefits, and additional incidental benefits for irrigation, navigation, pollution abatement, and other uses resulting from controlled storage. Canada will also receive a large block of power at a low cost, as well as flood control and other benefits resulting from the control of water flow.”

And, in his remarks with Prime Minister Pearson upon proclaiming the ratified Treaty on September 16, 1964, President Lyndon B. Johnson talks of the cooperation between the two countries and his only comment on the substance of the Treaty is on the power provisions, noting among other things that, “It will supply new electric power to millions of my countrymen.”

What these leaders understood was the critical role of hydropower in the Northwest as one of the main economic drivers in an area that has other geographic challenges to economic growth. As the provider of a large amount of the energy consumed in the Pacific Northwest, BPA’s rates are crucial to the Northwest economy.

BPA preference customers, particularly cooperatives, disproportionately serve the most rural and in some cases impoverished counties in the Pacific Northwest. Typical BPA cooperative customers average only 6-7 customers per mile of distribution line. This is in stark contrast to approximately 34 customers per mile for a typical investor owned utility. Lower density can mean dramatically higher distribution costs in rural areas. Low cost BPA power makes rural service possible in rural counties with inherently high costs of service and poverty levels often well above the national average.

We would note as well that BPA provides over 1.8 million MWhs of energy to irrigation pumping load. Increases to BPA rates directly threaten the cost effectiveness of the essential irrigation services.

Northwest industries operate in highly competitive global markets, and any increase in major inputs, such as power costs, directly pressures profitability and sustainability of employment levels. Industrial loads represent 30% of BPA’s preference customer loads served by BPA power. And, as an example, Oregon’s economy is particularly dependent on industry, with manufacturing representing the largest share of GDP of any state in the country (28.7% for Oregon compared to approximately 12% nationally according to the National Association of Manufacturers). And, manufacturing jobs promote the highest “multiplier effect” of any major economic activity.

Again, we thank you for this opportunity to comment, and direct you as well to our prior comments and to those of the Columbia River Power Group. We look forward to working with you to draft a new approach that will make the Treaty recommendation relevant and useful as the United States enters the next phase of engagement with Canada.

Sincerely,

A handwritten signature in black ink that reads "Scott Corwin". The signature is written in a cursive, slightly slanted style.

Scott Corwin
Executive Director