

Transmitted Electronically: treatyreview@bpa.gov

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U.S. Entity Coordinators, Columbia River Treaty:

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

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

Dear Mr. Oliver and Mr. Ponganis:

Puget Sound Energy, Inc. ("PSE") and Snohomish County PUD ("Snohomish") appreciate the opportunity to provide comments on the U.S. Entity's September 20, 2013 Draft Recommendation for the future of the Columbia River Treaty (the "Treaty"). PSE is an investor owned utility incorporated in the state of Washington that furnishes electric service to over one million customers in the Puget Sound region. Snohomish is the second largest publicly-owned utility in Washington and is the Bonneville Power Administration's (BPA) single largest customer.

We appreciate the U.S. Entity's efforts, since issuing the June 27, 2013 working draft recommendation, to better understand the concerns and interests of Northwest electric customers related to its effort to develop a regional recommendation for the U.S. Department of State ("State Department"). We continue to be active participants in the Columbia River Treaty Power Group (the "Group") and fully support the comments provided by the Group. We believe that the current recommendation still fails to adequately prioritize the establishment of an equitable distribution of power benefits between the U.S. and Canada, and is far too broad in its contemplation of ecosystem functions.

While these remain top priorities for treaty negotiation, we are substantially affected by the transmission impacts discussed in this letter, namely, the impact the return of Canadian Entitlement has on transmission through the Puget Sound area. These impacts are not adequately addressed in the Draft Recommendation and we believe they warrant

diligent consideration by the U.S. Entity. Renegotiation of the Treaty should take into account and address any transmission impacts on utilities in the Puget Sound area and their customers. We urge the U.S. Entity to closely examine and fully address transmission issues through the Puget Sound area when developing its final recommendation to the State Department.

Background

BPA concluded in 1996 that Canadian Entitlement Deliveries using existing facilities would not adversely affect BPA transmission customers

In 1964, Canada sold its half of the downstream benefits to a consortium of United States utilities for 30-year periods. The 30-year sales began to expire in 1998, at which time the first installment of the Entitlement had to be physically delivered to Canada. The U.S. Entity had to be able to deliver the full entitlement by March 31, 2003, when the 30-year sales completely expired. The Treaty provides for return of the Canadian Entitlement at a point east of the Cascade Mountains near Oliver, B.C. (which would have required the construction of new transmission line) unless the U.S. and Canadian Entities agreed to other locations.

In a Record of Decision (ROD) issued March 12, 1996, the U.S. Entity documented its decision to deliver the full Canadian Entitlement (estimated to be 1200-1500 MW) to a point on the United States/Canada border near Oliver, British Columbia.

Eight months later, the U.S. Entity stated that it would deliver the Canadian Entitlement to existing points on the border (primarily at Blaine, Washington) and that such deliveries would require no new transmission facilities:

Delivering the full Entitlement at existing interconnections at those locations will require no new transmission facilities in the United States or in Canada.

However, construction of cross-Cascades transmission in the United States would be accelerated, to as early as 2005. Delivery of Canadian Entitlement will begin April 1, 1998.¹

The U.S. Entity also stated that full delivery of the Canadian Entitlement over existing facilities “does not impede BPA’s ability to operate the transmission system to meet its obligations to its customers.”²

¹ U.S. Department Of Energy, Bonneville Power Administration and U.S. Army Corps of Engineers, North Pacific Division, *Delivery of the Canadian Entitlement*, Final Environmental Impact Statement Record of Decision at 1 (Nov. 8, 1996) (emphasis added).

² *Id.* at 12.

Canadian Entitlement deliveries have adversely affected BPA transmission customers in the Puget Sound area

The U.S. Entity decision not to build new transmission to Oliver shifted the bulk of the return obligation to the Puget Sound region, a fast growing and congested transmission area. The U.S. Entity also decided that the Canadian Entitlement would not be interrupted or curtailed except for reasons of uncontrollable force or maintenance.³ (These decisions materially increased the likelihood that BPA's pre-existing service commitments to PSE, Snohomish, Seattle City Light, and other BPA transmission customers in the Puget Sound area would be curtailed by BPA).

These impacts are not hypothetical. There have been a number of curtailments resulting from this decision. For example, on June 30, 2003, BPA cut Snohomish PUD's and Seattle City Light's cross-Cascade transmission schedules. BPA cut over 700 MWs of schedules that were dedicated to providing transmission of power from resources in eastern Washington to serve load in Snohomish County and Seattle.

Curtailments to date have resulted in additional costs to utilities in the Puget Sound area because of the use of local, higher cost generating units to maintain reliability. However, if curtailments were to happen during a peak load time, rolling blackouts or other customer outages could result.

Need to Address Potential Transmission Impacts of Changes to the Canadian Entitlement

The need to address transmission impacts of changes to Canadian Entitlement has been recognized at a general level in the region

Renegotiation of the Treaty could affect the amount, timing, shape, and location of the Canadian Entitlement deliveries, which would likely impact the transmission systems of BPA and utilities in the U.S., including those in the Puget Sound area. Indeed, the current "Aspects of Delivery Agreement" between the U.S. Entity and the Canadian Entity, which addresses the location and certain transmission details of the Canadian Entitlement deliveries, expires in 2024. Accordingly, the location and transmission details must be addressed for the period commencing in 2024, if the Canadian Entitlement continues.

This need to address transmission issues in connection with Canadian Entitlement is explicitly recognized in the Draft Recommendation:

The United States should *renegotiate for the replacement of the present "Aspects of Delivery Agreement"* to create the least-cost transmission strategy for both

³ Columbia River Treaty Entity Agreement on Aspects of the Delivery of the Canadian Entitlement for April 1, 1998 through September 15, 2024 between the Canadian Entity and the United States Entity, dated March 29, 1999, at 4.

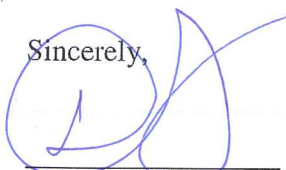
countries to return the Canadian Entitlement to Canada. This includes *reconsidering the flexibility of the return.*⁴

Conclusion—A Regional Group Should Be Formed to Focus on Potential Transmission Impacts of Changes to the Amount, Timing, Shape, and Location of the Canadian Entitlement Delivery

The amount, timing, shape and location of the Canadian Entitlement delivery can have substantial impacts on the transmission system, including the Puget Sound area. Given the expiration of the Aspects of Delivery Agreement in 2024 and the potential renegotiation of the Treaty, these impacts should be explored. A group should be formed in the Pacific Northwest to focus on transmission impacts of potential changes to Canadian Entitlement and to “reconsider the flexibility of the return.” Development of any replacement of the Aspects of Delivery Agreement should consider transmission impact solutions, such as alternative points of delivery or deferral of the Canadian Entitlement, redispatch (use of local, higher cost generating units to relieve transmission congestion), or additional transmission facilities. Any replacement agreement should also address equitable allocation of the costs of such solutions.

We appreciate the opportunity to comment on this important matter and remain ready to discuss these issues in greater depth, and to work towards reaching a truly regional final recommendation. Please feel free to contact us at George Marshall, 425-462-3706, or george.marshall@pse.com and Craig Collar, 425-783-1825, or cwcollar@snopud.com if you have any questions regarding the issues raised in this letter.

Sincerely,



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Vice President Energy Supply Operations
Puget Sound Energy, Inc.



Craig W. Collar
Assistant General Manager
Snohomish PUD

⁴ Columbia River Treaty Review Draft Regional Recommendation, “Hydropower” at page 5 (Sept. 20, 2013) (emphasis added).