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TACOMA PUBLIC UTILITIES

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:

This letter constitutes Tacoma Power's comments to the U.S. Entity's Draft Regional Recommendation (Draft Recommendation) for the Columbia River Treaty (Treaty) issued on September 20, 2013. On behalf of our 169,000 customers, residing both inside and near the City of Tacoma, we appreciate the opportunity to represent the concerns of our utility and the customers we serve as you seek to finalize a recommendation to send to the State Department.

Tacoma Power also supports the comments of the Columbia River Treaty Power Group (Power Group). The Power Group, formed in 2011, consists of more than 80 electric utilities, industry associations and other entities that depend on power produced by the Columbia River hydropower generating plants. Together, Tacoma Power and the Power Group are part of a coalition representing at least 6.4 million U.S. electric customers residing in the four Northwest states that are directly impacted by this Treaty.

We appreciate the U.S. Entity's efforts to engage Northwest utility customers, including those served by Tacoma Power, since your June 27, 2013 working draft recommendation was released. Our customers have not had a voice in the Sovereign Review Team Process and that exclusion was reflected in the first draft. However, your subsequent outreach to utilities and their customers has been appreciated and led to an improved Recommendation.

We still have significant concerns that Tacoma Power and the Power Group have raised consistently during the U.S. Entity's Treaty review process. These concerns must be adequately addressed in the U.S. Entity's final recommendation:

1. Prioritizing the correction of the Canadian Entitlement as the most important issue to address in any renegotiated Treaty; and
2. To the extent the U.S. Entity recommends to the State Department that a renegotiated Treaty should formally adopt ecosystem functions as a "third primary purpose" of the Treaty, that recommendation must recognize and *fully account for* the significant investment, progress, and ongoing initiatives under

existing federal and state programs to protect fish and wildlife resources in the Columbia River, its tributaries, and the region. This means that any effort to expand the Treaty to include ecosystem function must be based on science, must have measurable outcomes, and must not interfere with or otherwise adversely affect these ongoing, publicly-vetted programs. These programs have been supported by billions of dollars of investment by Northwest electric customers and ongoing annual contributions of hundreds of millions of dollars.

For these reasons, Tacoma Power believes that much more work needs to be done to reach a regional consensus on the recommendation.

### **The Canadian Entitlement must be corrected in an equitable way for the United States**

The primary objective of engaging in any Treaty negotiations with Canada must be intensely focused on correcting the current inequity borne by United States electric customers under the Canadian Entitlement. Properly correcting the Entitlement in a manner that does not exceed one-half of the actual incremental power benefit achieved through a coordinated U.S./Canada operation will reduce burdens on U.S. electric customers and expand the availability of clean hydroelectric power in this country. Any regional consensus on a recommendation to the State Department hinges on this being the paramount issue in any Treaty negotiations.

Tacoma Power believes there is consensus among the U.S. Entity, Sovereign Review Team, and other stakeholders on the need to correct the Canadian Entitlement. Reducing the financial burden to U.S. electric customers, caused by a Canadian Entitlement vastly out of sync with actual conditions, and returning this use of clean, renewable hydroelectricity to the Northwest, is clearly in the best interest of the United States.

Tacoma Power joins the Power Group in asserting that the Draft Recommendation's approach elevates the ecosystem function issue that is inherently domestic in nature (and addressed thoroughly under well-established federal and state statutory programs) at the expense of the cornerstone issue—the Canadian Entitlement—that can be addressed *only* through negotiations between the U.S. and Canada via the Treaty. Unfortunately, the Draft Recommendation seems to lose sight of this fundamental point by appearing to position ecosystem function as the leading issue to pursue in Treaty negotiations.

From its opening paragraph in the introduction through the end of the document, ecosystem function is consistently and prominently listed before other Treaty purposes. Most of the "General Principles" touch upon ecosystem function, with little discussion of other Treaty purposes. The specific recommendations for ecosystem function are far more numerous and expansive than any other proposed Treaty purpose. Even where the Draft Recommendation sets forth proposals for other Treaty purposes, in some instances those recommendations appear to apply only to the extent they do not infringe upon the inclusion of ecosystem function proposals.

Correcting the Canadian Entitlement is consistent with the Obama Administration's clean energy policy. From that perspective, it is counterproductive for the U.S. to unnecessarily export between \$2 and \$3 billion in clean, renewable, domestically-produced energy over the next

decade. Moreover, if left unchanged, this situation will continue after 2024. By 2025 the current calculations for determining the Canadian Entitlement will require the U.S. to provide Canada approximately 450 average megawatts of energy and 1,300 megawatts of capacity each year. The U.S. Entity has estimated that the U.S.'s obligation under the Entitlement costs American electric customers in Northwest between \$250 and \$350 million in annual power benefits transferred by the U.S. to Canada, even though the U.S. Entity itself has estimated that one-half of the downstream power benefits received by the U.S. equate to only one-tenth of the exported electricity (valued at \$25 to \$30 million annually).

Thus, any regional consensus on the recommendation must prioritize correcting the Canadian Entitlement to reflect the actual power benefits of ongoing coordinated operation. This priority must appear on page 1 and throughout the U.S. Entity's final recommendation to the State Department. Each year after 2024 in which the Canadian Entitlement remains unchanged is a significant loss of resources and value for the U.S.

### **Ecosystem Function Lacks Clarity -- Exposes Tacoma Customers to Unclear Risk**

Tacoma Power joins the Power Group in its concern that the ecosystem function recommendation is vague and offers little certainty and structure. Without additional details, adding a sweeping and broad third primary purpose of the Treaty would lead to conflicting obligations and priorities.

At Tacoma Power, we are proud of our environmental stewardship. Through our Federal Energy Regulatory Commission hydropower licenses, agreements with federally recognized Indian Tribes, compliance with federal, state, and local policy and other initiatives, we continue to make significant investments focusing on protecting numerous fish and wildlife species.

Substantial programs have been implemented in the Columbia River and its tributaries to protect and manage fish and wildlife resources—at a significant cost to Northwest electric customers. Tacoma Power joins the Power Group with concerns that any proposal to inject ecosystem functions at the Treaty level could have unintended consequences, interfering with well-established ongoing efforts, and detrimentally affect the very resources that a Treaty-imposed ecosystem function would seek to protect.

For this reason, any final Recommendation to the State Department related to ecosystem function should protect Northwest electric customers' substantial investments in fish and wildlife by carefully accounting for all ongoing efforts in the Basin. Further, the U.S. Entity should ensure that its Recommendation does not inadvertently conflict with, undermine, or disrupt ongoing programs. Such efforts include the Federal Columbia River Power System Biological Opinion, the Columbia Basin Fish Accords, Habitat Conservation Plans, and requirements of Federal Energy Regulatory Commission hydropower project licenses.

## **Other Changes to the Draft Recommendation Are Warranted**

In addition to the Canadian Entitlement and ecosystem function issues described above, the Power Group believes the following changes should be incorporated into the final recommendation to the State Department:

- **Flood Risk Management**: Public safety should continue to be a high priority, and for this reason the Tacoma Power and the Power Group believe that a modernized framework for the Treaty should maintain flood risk management similar to current levels. In addition, funding for flood risk management should be consistent with national flood risk policy of federal funding with applicable local beneficiaries sharing those costs as appropriate.
- **Fish passage**: Tacoma Power believes the proposed construction and operation of fish passage facilities at Chief Joseph and Grand Coulee dams is a domestic issue best addressed through domestic laws and regulations. A reconnaissance study regarding fish passage to Canada would require Congressional authorization and appropriations, and should not be included in negotiations.
- **Climate Change**: Tacoma Power believes any “adaptive management” or “mitigation” activities, as contemplated in the Draft Recommendation, should respond to scientifically demonstrable adverse changes in ecosystem resources or hydropower production clearly attributable to climate conditions.
- **Additional Areas of Discussion for U.S. and Canada**: The working draft recommendation issued June 27, 2013 stated: “If unable to achieve agreement in principle on key aspects by summer 2014, we recommend evaluating other options to create a modernized post-2024 Treaty, such as starting from a clean slate.” This statement is excluded from the current Draft Recommendation. Tacoma Power strongly believes this language should be reinserted in the final recommendation to the State Department. The Treaty expressly recognizes the possibility of termination following the initial 60-year term, and the Power Group believes that the State Department should evaluate all available options to protect the interests of the U.S. when engaging with Canada on these important matters.

## **Conclusion**

The Draft Recommendation attempts to address several of the issues raised by Tacoma Power and the Power Group in our prior written comments and in meetings with the U.S. Entity. We appreciate the work that has gone into these revisions. However, Tacoma Power joins the Power Group in asserting that the Canadian Entitlement must be the highest priority in the U.S. Entity’s final recommendation, as this issue can be resolved *only* through negotiations between the U.S. and Canada. Additionally, ongoing fish and wildlife programs should be fully analyzed and protected in any final recommendation to the State Department related to ecosystem function.

Tacoma Power and the Power Group believes that a regional consensus that seeks to correct the Canadian Entitlement and provides real return in value to U.S. electric customers is in the best interest of all U.S. residents, particularly Northwest electric customers. We encourage the U.S.

Entity and the State Department to continue to work with the Columbia River Treaty Power Group, of which Tacoma Power is a member. We remain ready to discuss these issues in further detail and to make a good-faith effort to reach a truly regional consensus on the U.S. Entity's final recommendation.

Please feel free to contact Clark Mather at 253-441-4159 or at [cmather@cityoftacoma.org](mailto:cmather@cityoftacoma.org) if you have any questions about the issues raised in our letter.

Sincerely,



Theodore C. Coates  
Power Superintendent/COO