



Grant County
PUBLIC UTILITY DISTRICT
Excellence in Service and Leadership

August 16, 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. 2 of Grant County (Grant PUD) appreciates the opportunity to provide comments with respect to your June 27, 2013 Columbia Treaty Review Working Draft of a Regional Recommendation (Working Draft). Grant PUD recognizes the extensive work the U.S. Entity has done over the last several years; we applaud your desire to seek a consensus regional recommendation and your willingness to consider stakeholder input. As the owner and operator of a major hydroelectric project, comprised of two dams, on the Mid-Columbia River, Grant PUD believes it is critical that its input is heard because we are directly affected by the Columbia River Treaty (Treaty) both operationally and through the Canadian Entitlement (CE) payment for improved downstream power benefits. Moreover, Grant PUD believes that the decisions the United States will make regarding the Treaty disposition will have large and long lasting impacts on the region.

In reviewing the Working Draft, Grant PUD concurs with the U.S. Entity position on several key issues such as achieving a fair and reasonable balance of the coordinated power benefits with this being reflected in the calculation of the CE return and that a modernized Treaty must be flexible and resilient into the future. Grant PUD also agrees with the draft proposal that negotiations with Canada must begin immediately and quickly reach consensus on key principles (the proposal of summer 2014 is reasonable), chief of which for Grant PUD is the rebalancing of equity associated with the CE return. We further agree that failure to quickly reach an agreement should result in parties "starting from a clean slate," which we interpret as issuing the 10 year notification for termination of the Treaty. In order to successfully move forward with this approach, it is vital that power interests have a much stronger voice in the development and evaluation of proposals than was provided for in the development of this draft proposal.

While Grant PUD is able to support certain elements of the Working Draft, we do have a number of concerns with other key proposals. In areas such as elevating ecosystem-based functions to a third primary purpose of the Treaty and modernizing the treaty for climate change and other factors, the Working Draft lacks detail and raises potential concerns for us. Grant PUD sees the Working Draft as emphasizing the ecosystem-based functions and other aspects of modernization at the expense of the power system issues. In addition, the Working Draft does not seem to recognize the significant investments and operational changes made by the region, both the Mid-Columbia PUDs and the Federal Columbia River Power System (FCRPS) programmatic agreement, in the area of ecosystems-based function improvement and the

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associated successes from these programs and investments. These significant contributions to ecosystem-based functions must be recognized by the U.S. Entity in its recommendation if it seeks to achieve a fair and equitable outcome and gain regional consensus. The U.S. Entity should ensure that its ultimate recommendation does not compromise the benefits of a low cost, reliable, renewable and carbon free power system which provides tremendous benefit to the region's economy.

Grant PUD is one of three public utility districts that own and operate non-federal hydropower dams on the Mid-Columbia River. Together, the three Mid-Columbia PUDs pay 27.5 percent of the CE. The CE results from the Treaty requirement for the U.S. to provide Canada with "one-half" of the downstream power benefits created by its storage facilities. Determination of the downstream power benefits is the result of a rigid and unrealistic methodology which does not accurately approximate the actual downstream power benefits resulting from upstream operation of Canadian storage projects. As identified by the Bonneville Power Administration, the actual benefits to the U.S. of ongoing coordinated operations with Canada have reduced significantly over the past 49 years, equating to approximately 10 percent of the current CE delivery. If the Treaty continues post-2024, the Mid-Columbia PUDs are concerned that U.S. electric customers, including our local customers, will be paying too much for the diminishing ongoing downstream power benefits. Grant PUD believes the Working Draft does not provide sufficient recognition of this important issue as it is only briefly mentioned on page 4 of the document. Moreover, the Working Draft does not provide any detail as to what a satisfactory outcome in this area would require. The U.S. Entity recommendation should include a very clearly detailed statement regarding the requirements in this area. Grant PUD suggests the U.S. Entity should include the following statement in its recommendation: "*downstream power benefits should not exceed one-half of the actual incremental power benefit achieved through a coordinated US/Canada operation as compared to a non-coordinated operation.*" Addressing this issue should be central to the U.S. Entity's recommendation to the State Department.

With regard to the Working Draft's proposal to add ecosystem functions as a "third primary purpose" of the Treaty, Grant PUD urges the U.S. Entity to more clearly recognize the significant gains already achieved in this area as a direct result of the region's decades' long investment in ecosystems-based functionality. Grant PUD also suggests that ecosystem management be recognized as a domestic matter being addressed under federal and state regulatory requirements primarily outside the scope of the Treaty. Grant PUD believes the primary framework for U.S. based ecosystem efforts must continue through existing domestic laws, regulations, contracts, and voluntary actions rather than creating an additional layer of obligations through an international Treaty. In addition to the obligations of the U.S. federal hydropower system, non-federal dam operations significantly address and improve ecosystems-based impacts through their project operating licenses.

Grant PUD appreciates the desire of the U.S. Entity to seek input from regional stakeholders and its practice of collaboration with parties outside the Sovereign Review Team. Moving forward,

Public Utility District No. 2 of Grant County, Washington

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Grant PUD believes that the process employed to build consensus and a regional recommendation should be altered to accommodate greater participation by stakeholders, particularly utility parties directly affected by the Treaty. This is important to foster efficiency and to employ the broadest and highest degree of expertise in pursuit of a regional recommendation that achieves a fair and equitable outcome while maintaining or enhancing the power benefits to the region from a coordinated power operation under any future Treaty outcome. The experience and the demonstrated successes of the region's utility community in the collaborative solution of issues across a broad range of stakeholder interest areas gained through FERC licensing and other forums should be recognized and capitalized upon so as to most efficiently resolve the issues associated with a post-2024 Treaty disposition.

Grant PUD appreciates this opportunity to provide comments and looks forward to working with the U.S. Entity to provide additional input as the Treaty review process continues.

Sincerely,



Anthony Webb
General Manager