



August 16, 2013

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CRT Review (DKE)
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Dear Mr. Oliver and Mr. Ponganis:

Thank you for the opportunity to provide input into the U.S. Entity's June 27th Columbia River treaty Review Working Draft of a Regional Recommendation ("Working Draft Recommendation"). For the reasons discussed below, Pacific Northwest Generating Cooperative ("PNGC Power") supports replacing the Working Draft Recommendation with a different approach to the future of the Columbia River Treaty ("CRT"). Specifically, PNGC Power supports refocusing CRT review efforts on what should be the region's top priorities: rebalancing the Canadian Entitlement ("CE"), ensuring the reliability and flexibility of the system, and continuing the same level of flood risk in the Columbia River Basin.

These comments supplement my letter to you, of August 6, 2013, discussing these and related issues.

I. PNGC Power

PNGC Power is a wholesale electric cooperative that provides electricity and management services to its 14 retail cooperative Members. PNGC Power's Members are based in Oregon, Washington, Idaho, and Montana and serve mostly rural communities in seven western states. PNGC Power is the Bonneville Power Administration's ("BPA's") third largest customer, procuring a significant amount of power from the agency to meet its Members' needs. We therefore have a strong interest in the management and operation of the Federal Columbia River Power System, the Columbia River, and the CRT. Through the Columbia River Treaty

PowerGroup¹ and independently, PNGC Power has been actively engaging in CRT discussions over the last few years; and we will continue to be active during upcoming decision making processes.

II. The Working Draft Recommendation

As I stated in my letter to you of August 6, PNGC Power was extremely disappointed with the Working Draft Recommendation. It needs to be rewritten. The draft does not put the United States in a strong position to advocate for our regional and national interests in discussions with Canada, and **it does not come close to representing a regional consensus** on this important issue before the U.S. Entity. I appreciate your request for edits to this document, but, rather than editing the document, you must simply delete much of it and the U.S. Entity should focus on regional priorities with an effort to provide a recommendation to the Department of State.

III. Regional Priorities (Basis for regional recommendations)

The effort to provide a recommendation to the Department of State must refocus on what are truly our regional priorities and our national interests when considering the future of the CRT. These include the following.

A. Rebalancing of the Canadian Entitlement (CE)

As you know, the management conditions of the Columbia River Basin have changed significantly since the United States signed the CRT in 1961, and these changed conditions have resulted in a severely overvalued CE. For example, using formulas established under the CRT in 1961, the U.S. Entity projects that the CE payments in 2025 would be 450 average Megawatts (“aMW”) of energy and 650 aMW of capacity. But, based on actual conditions today, taking into account such things as operating constraints due to fish and wildlife mitigation and the construction of Libby Dam and Dworshak Dam, the CE payments in 2025 should be just 45 aMW of energy and 0 aMW of capacity.

Because of this overvaluation, rebalancing the Canadian Entitlement could lead to significant savings for Northwest electricity ratepayers in the United States, including ratepayers of PNGC Power Members.

B. System reliability and flexibility

Maintaining a power system that will “keep the lights on” is critical for both the U.S. and Canada. Changes in river flows and dam operations will have a direct impact on system reliability and flexibility. Consider the role of hydropower in maximizing the benefits of the region’s wind generation. The U.S. Entity should not make recommendations that diminish the robustness of current system operations.

¹ The Columbia River Power Group is an ad hoc collection of utilities, other river users, and trade associations that work together to represent utility interests related to the CRT. Members of the group collectively represent all 6.4 million electricity ratepayers in the Northwest.

C. Flood Risk Management

Flood risk management will continue regardless of the decision about sharing the cost of downstream power benefits. The mechanics for calling on flood protection when it is needed must be worked out with Canada to ensure the same level of protection and risks we have enjoyed in recent years. Flood risk management is a public purpose and should continue to be paid by taxpayers.

D. Ecosystem Management

Any ecosystem management discussions that are part of CRT negotiations need to reflect the existing, robust, and incredibly expensive fish and wildlife efforts already underway in the Columbia River Basin. Decades of effort and billions of dollars in investments are indicators of the Northwest power industry's commitment. Environmental stewardship is of monumental significance in the Northwest. It is not necessary or helpful to make it a primary function of the Treaty. Yet it is extremely valuable and important to acknowledge the activities, arrangements and plans that are underway today. We do not want to disrupt the delicate balance of river operations for fish and wildlife with other uses of the river. Such discussions should also recognize ecosystem management efforts under the existing treaty; ecosystem considerations are already part of the annual operating plan under the Treaty.

PNGC Power has consistently supported a science-based and cost effective approach to fish and wildlife management in the Columbia River Basin. We believe the United States should follow this approach in any CRT negotiations.

IV. Additional considerations

A. Selection of options for the future of the Treaty

The Working Draft Recommendation focuses on an option to “modernize” the Treaty, assuming the Canadian government is open to that approach. There are at least two other reasonable options available for going forward that should be considered. One option is to take no action and continue the sharing of downstream benefits as is being done today. Another option is to issue a notice to end the sharing of power benefits in 2024 without establishing a new treaty. Both of these options are viable. The option selected should be based on alignment with the regional priorities described above and the willingness of Canadian Government to consider those priorities.

B. Below the Border considerations

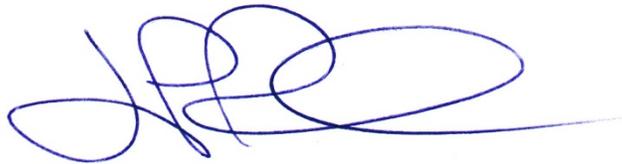
Many of the recommendations in the Working Draft Recommendation do not belong in an international negotiation since they already have viable domestic forums. Specifically, expansion of ecosystem measures should be addressed through biological opinions, the Northwest Power and Conservation Council Fish & Wildlife Program, individual utilities' relicensing processes, and recent Accords with Tribes and States.

C. Treaty governance

The U.S. Entity - the U.S. Army Corps of Engineers (the Corps) and BPA, - has done an outstanding job implementing the Treaty for over fifty years. These system operators – the Corps and BPA, working with BC Hydro – will continue to achieve the most efficient and effective implementation. Introducing additional governance will only complicate and erode the effectiveness of the existing collaboration.

V. Conclusion

Again, thank you for the opportunity to provide input into the CRT review process. We look forward to continuing to work with you as the U.S. Entity crafts a final recommendation to the Department of State on the future of the Treaty.



John Prescott
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cc: Northwest Governors
Northwest Congressional Delegation
Matthew Rooney, Department of State