

August 15, 2013

Salem Electric
SERVING KEIZER AND SALEM



CRT Review (DKE)
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Transmitted electronically to:
treatyreview@bpa.gov

U.S. Entity Coordinators, Columbia River Treaty:

Mr. Stephen Oliver
Bonneville Power Administration

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

Gentlemen:

As representatives of Salem Electric, an electric cooperative headquartered in Salem, Oregon and serving nearly 18,000 members, we're responding to your June 27, 2013 "Columbia River Treaty Review Working Draft of a Regional Recommendation."

Salem Electric is a preference customer of BPA that relies upon the generation assets of the Federal Columbia River Power System (FCRPS) as its primary source of federal power supply. Hydroelectric power, along with the output of the Columbia Generating Station nuclear plant, represents the sources of energy for our cost based Tier 1 power supply from BPA. Because roughly 90% of this power is generated by the FCRPS dams and other related facilities, Salem Electric has a vested interest in the future of the Columbia River Treaty with Canada.

We are also a member of the Northwest Requirements Utilities (NRU) trade association and support the more detailed comments submitted by NRU, as well as the comments of the broader based Power Group that represents the interests of a diverse group of customers that have a stake in Treaty-related FCRPS operations. Given the critical impact the Columbia River Treaty could have on the value of our future power supply and related local economic health, we wanted to share the following concerns.

Salem Electric agrees with the major points NRU submitted on February 8th in response to your January 16th letter to stakeholders about the future of the Columbia River Treaty.

- *Maintaining the current Treaty protocols longer than is necessary does not make economic sense and is at cross purposes with BPA's responsibility to operate using sound business principles.*
- *Any payments for Columbia River flood control should be the responsibility of the taxpayers of the United States.*
- *An equitable correction to the Entitlement should not lead to an increased mitigation requirement.*

Salem Electric uses these evaluative measures as a basis for considering the U.S. Entity's draft June 27th recommendation. Unfortunately, the June 27th draft recommendation from the U.S. Entity fails to adequately address these principles in a conclusive manner. Instead, the draft places a disproportionate emphasis on potential actions identified as ecosystem-based enhancements. More troubling is the concern that these ecosystem items have not passed rigorous scientific scrutiny (such as additional flow augmentation and voluntary spill in the spring and summer periods), and the consequence of implementing them would likely have an adverse impact on both the amount of power available and the average price of power over the year.

The Treaty's primary purpose should be to address power supply and related financial compensation between the parties. However, the June 27th draft recommendation places greater emphasis on ecosystem-based activities and provides no instructions as to how differences between power supply and proposed ecosystem activities are to be reconciled. This is a fundamental shortcoming, which appears to be rooted in the fact that the Sovereign Review Team (SRT), which helped formulate the recommendation, did not have adequate representation of power customers' interests. Too many parties in the SRT process fail to recognize that the mechanism the region and the courts have used to evaluate, fund, and implement ecosystem-based fish and wildlife improvements is the FCRPS Biological Opinion. As a result the draft recommendations regarding a power supply treaty leaves us potentially "starting over" in the consideration of a list of potentially expensive ecosystem proposals.

The Federal Action Agencies have just released the Draft Comprehensive Evaluation 2013 Overview, which identifies the accomplishments in implementing the FCRPS Bi-Op from 2008 to 2012. The BiOp provides a plan for environmental mitigation for the FCRPS dams through 2018 where the measures and evaluation criteria have been subject to close scrutiny using the best science available from NOAA Fisheries. We have supported the Bi-Op and have not opposed BPA entering into Fish Accords with many Native American Tribes and Northwest States. The region has invested over \$13 billion between 1978 and 2012 for federal fish and wildlife measures pursuant to an adopted plan. It is our understanding that the Bi-Op provides a plan through 2018 that includes measures that fully mitigate for the impact of FCRPS facilities. In light of our support of the scientifically-based Bi-Op, and its related cost pressures, we vigorously object to using the Treaty review for consideration of a broad list of new undertakings that are categorized as an "Ecosystem-based Function" in the draft recommendation.

Salem Electric does not have the resources to examine each of the Ecosystem-based Function recommendations in detail. Nevertheless, it is fair for us to press for an explanation as to why these proposals are being advanced when we already have the FCRPS Bi-Op in place, particularly when some of the ideas appear to be at cross purposes with the Bi-Op.

For any negotiations to be successful, the regional recommendation from the U.S. Entity needs to be clear, focused and containing items that are mutually compatible. The June 27th draft recommendation fails that test because they contain incompatible provisions that work at cross purposes and try to please all target audiences. A document of this nature leaves us vulnerable to other decision makers picking and choosing what is important to them. Given the tone of the draft, we are vulnerable to the U.S. negotiators potentially advancing a strategy that is based principally on ecosystem modifications rather than flood control and hydropower.

Public power systems are very concerned about jobs in their communities. The price of electrical power in the Northwest is one of the reasons we have been able to attract and retain businesses where power supply is a major component of the cost of production. In order to participate in the hoped for regional economic recovery and to create more jobs, the Northwest needs to maintain or improve upon its competitive edge for power supply.

How to Move Forward

BPA and the Corps should not focus on the details of the June 27th recommendation but rather consider a process that has a likelihood of achieving a regional consensus. At this point, Salem Electric does not support and would likely actively oppose the draft recommendation because it is far too nebulous. The draft recommendation must be materially revised to provide a better balance for issues regarding power supply and flood control, while de-emphasizing ecosystem where ecosystem issues are at cross purposes with these other priorities.

The U.S. Entity should regroup and determine an open access path forward that involves meaningful customer participation, even if it means delaying submitting a draft recommendation to the State Department in September. As a member of NRU, we do not defer to any of the other sovereigns in the SRT as representing our interests.

Salem Electric recommends that the June 27th draft recommendation be revised as described above to achieve a better balance, as customers recommended in February. In the event that cannot be achieved by the U.S. Entity for any set of reasons, then the Entity should:

1. Recommend to the U.S. State Department that 10 year termination notice be given to Canada, while not being specific yet as to the items the U.S. would like to bring to the bargaining table. Then take the time to develop regional recommendations where BPA customers have a meaningful opportunity to provide input.

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2. Do not advance a recommendation to the State Department at this time. We are concerned that the outcome of negotiations with Canada based on the June 27th draft could be potentially more detrimental to power customers than continuing the status quo. We would rather face what we know today than what BPA could be ordered to do in the future by parties that have no vested economic interest in the outcome.

Thank you for the opportunity to comment.

Sincerely,



Robert J. Speckman
General Manager



Jim R. Dyer
Board President

cc: Elliot Mainzer, Bonneville Power Administration
Colonel John Kem, U.S. Army Corps of Engineers, Northwest Division
Matthew Rooney, U.S. Department of State
Daniel Poneman, Dept. of Energy
Bill Bradbury, NW Power & Conservation Council
Henry Lorenzen, NW Power & Conservation Council
Oregon Congressional Delegation
John Kitzhaber, Governor of Oregon
John Saven, CEO, NRU