

**WESTERN MONTANA ELECTRIC
GENERATING & TRANSMISSION COOPERATIVE, INC.**
P.O. Box 1495 Ennis, MT 59729

August 6, 2013

The Honorable Steve Bullock
Office of the Governor
PO Box 200801
Helena, MT 59620-0801

Re: Columbia River Treaty Review Regional Recommendation

Dear Governor Bullock:

Western Montana G&T is writing to provide our perspective on the working draft of a regional recommendation for “Improving the Columbia River Treaty Post-2024” produced through the Sovereign Review Team (SRT) process. Over 100,000 electric consumers in Montana and 6.4 million ratepayers throughout the northwest depend upon affordable, clean and reliable power and the majority of it comes from the Columbia River Hydrosystem.

Utility involvement in the Columbia River Treaty review process has been primarily through briefings delivered by Bonneville Power Administration and U.S. Army Corps of Engineers (collectively, the U.S. Entity) staff to the Columbia River Treaty Power Group since utilities were excluded from the SRT process. This glaring error has created a situation where ratepayers have no advocates in the process and the working draft of the regional recommendation can scarcely be called a regional recommendation at all since it excludes a critical constituency.

The draft recommendation calls for an expansion of flow augmentation without identification of the impact on U.S. hydropower generation. However, the Iteration 2 studies of the review did identify the impacts to hydropower generation and came up with chilling results. The studies identified a Loss of Load Probability (i.e. blackouts) of 91.5 to 94.7% and the need for 9,200 to 9,700 MW of new fossil fueled combustion turbines for the region at an annual cost of \$1 billion to \$1.8 billion. The studies demonstrated that carbon emissions from the northwest would increase 30-40% and the ability to integrate wind generation would be substantially reduced in winter, spring and early summer. These results clearly indicate that implementation of normative river concepts for management of the Columbia River is not possible without endangering the life, health, safety and economy of the northwest and its residents!

We feel it is critical to inform you of the lack of understanding of these critical issues associated with the Sovereign Review Team process so that you can engage more directly in representing Montana’s interests. This process is currently at an important crossroads and we strongly believe that the SRT lacks perspective on the important balance required between power, flood control and ecosystem considerations. The region has invested \$13 billion since 1992 in fish and wildlife mitigation and

recovery and this investment has made a major improvement. The draft recommendation overlooks this fact.

The draft recommendation includes a goal of preserving reliable and economic hydropower benefits, yet contemplates reducing hydropower output. Rather than identifying the level of inequity associated with the current Canadian entitlement, the draft recommendation simply notes that Canada derives greater value and power benefits are not equitably shared. The treaty review studies have in fact shown that the U.S. receives only 10% of the value of the 1,300 MW of capacity and 450 MW of energy that it returns to Canada. The recommendation should reflect an expectation that payments to Canada not exceed one-half of the actual benefits achieved through coordinated operation. This would provide future capacity to the U.S. that could support the integration of additional wind generation rather than curtail the ability to integrate wind power as contemplated through reductions to hydropower output discussed in the draft recommendation.

Decisions made regarding the Columbia River Treaty will have major impacts to the State of Montana and the Pacific Northwest for many years. As the Treaty is evaluated, the importance of the Columbia River Hydrosystem must not be ignored or sacrificed for other competing goals. The region has simply worked too hard and invested too much to not provide a clear northwest message to Washington, D.C. about the importance of the Columbia River and a usable roadmap for an improved Columbia River Treaty. We need a better recommendation that doesn't ignore or harm the interests of 6.4 million electric ratepayers.

We are requesting your direct engagement in the coming weeks. We must not undervalue the hydropower system's contributions to Montana's economy. We must not ignore ecosystem investments and programs already in place. We must not de-value and de-rate the hydrosystem as generation has already been reduced by more than 1,200 MW. We must recognize the importance of hydropower as our country's largest renewable energy source. We must also recognize that it provides carbon-free energy and allows for integration of new non-dispatchable renewable generation.

Please help us produce a recommendation that protects Montana's interests. We look forward to working with you and Council Member Pat Smith to address our concerns and create a more useful regional recommendation. If you have any further questions, please feel free to have your staff contact me at 406-682-5632 or by email at jlukas@3rivers.net to coordinate a follow up discussion.

Sincerely,



Joe Lukas
General Manager

Cc: Pat Smith, NW Power and Conservation Council
Tim Burton, Chief of Staff
Tim Baker, Policy Advisor for Natural Resources
Steve Oliver, Bonneville Power Administration