

**Columbia River Treaty 2014-2024 Review
Electric Power Representatives Dialogue
June 9, 2011; 9:00-11:30 a.m.
Spokane, Washington**

Summary of Dialogue

SRT Members in Attendance:

Taylor Aalvik, Cowlitz Tribe
Scott Aikin, Bureau of Indian Affairs
Mark Bagdovitz, U.S. Fish and Wildlife Service
Jim Barton for Wit Anderson, U.S. Army Corps of Engineers
Debbie Bird, National Park Service
Joan Dukes, State of Oregon
Leif Horwitz, U.S. Geological Survey
Tom Karier, State of Washington
Brian Lipscomb, Conf. Salish and Kootenai Tribes
Paul Lumley, Columbia River Inter-Tribal Fish Commission
Patrick McGrane, U.S. Bureau of Reclamation
Bruce Measure, State of Montana
D R Michel, Upper Columbia United Tribes
Steve Oliver, Bonneville Power Administration
Heather Ray, Upper Snake River Tribes Federation
Mary Lou Soscia, U.S. Environmental Protection Agency
Bruce Suzumoto, National Marine Fisheries Service
Jim Yost, State of Idaho

Electric Power Representatives

Scott Brattebo, Public Generating Pool
Gregg Carrington, Chelan County PUD
Scott Corwin, Public Power Council
Bill Dearing, Grant County PUD
Bill Drummond, Western Montana Electric Generating and Transmission Cooperative
Ian Hunter, Snohomish PUD
Keith Knitter, Grant County PUD
Shaun Parkinson, Idaho Power Company
Tessia Park, Idaho Power Company
Zabyn Towner, PNGC Power

Welcome and Meeting Overview

Steve Oliver, Bonneville Power Administration, and Jim Barton, Army Corps of Engineers, welcomed everyone to the meeting. Steve reminded panelists that the Sovereign Review Team was not looking for consensus on the topics at hand; just individual opinions from panel members.

Dialogue with Electric Power Representatives

Panel members had been provided with seven discussion questions in advance of the meeting. The panelists began by introducing themselves, and then responded to a particular question or issue of priority to them. After this initial round of responses, the group engaged in a dialogue with the Sovereign Review Team.

Scott Brattebo began by introducing SRT members to the Public Generating Pool (PGP). The PGP is made up of the ten largest public utilities in the United States. In addition to purchasing electricity from BPA, the group generates 6071 MW of power on an annual basis, and serves 940,000 customers in Oregon and Washington. Scott emphasized that 50% of the costs and benefits of the Columbia River Treaty are borne by PGP members.

Scott announced that the PGP was joining with other utilities to form the Columbia River Treaty Power Group, which represents a number of the region's utilities. The group plans to deliberate various Treaty scenarios, and is also available to provide ongoing information and advice to the Sovereign Review Team. The SRT is invited to participate in CRT Power Group meetings.

Bill Dearing from Grant County PUD expressed concern about the Canadian Entitlement. He said that, in general, utilities feel the payment to Canada is too high. He asked the SRT to establish a better baseline for the true value of Canadian operations, noting that the current financial obligation is *based on a theoretical treaty calculation*. Bill also wondered what the utility share of financial obligations would be post-2024.

Gregg Carrington from Chelan PUD stated that 28% of the Canadian entitlement is paid for by the mid-Columbia utilities, and the remaining 72% is paid for by other BPA customers. Again, this cost is a concern. Gregg emphasized the navigation issues associated with the Treaty and ongoing river management. The CRT Power Group hopes to determine how the Treaty has worked in the past. *It is providing the benefits it promised?* The group is also trying to determine how the BiOp has affected both the Treaty and overall utility operations. Gregg noted that there are a number of unknowns in the system, and the utilities are trying to look at the future in a more probabilistic manner. *How will flood operations work and how will Canada operate the power system in the future?*

Scott Corwin from the Public Power Council reminded the SRT that the Council is an umbrella organization for BPA's priority customers. Scott said that the region *needs a brutally blunt and rigorous assessment of the value of the Treaty*. Scott emphasized the need to make sure *value is maintained for utility ratepayers and customers throughout the region*. And, *Let's not upset the apple cart on the delicately balanced work we've successfully completed on fish and wildlife. We've done a lot of work together – let's stay together as a region. Let's not let this be a forum where that regional cooperation starts to fray*.

Keith Knitter from Grant County PUD wondered about the flood control and power issues associated with the Treaty. *Is the Treaty working in the right way to accomplish those goals? Could another vehicle be optimized to achieve those goals in a better, more efficient manner?*

Bill Drummond from the Western Montana Electric Generating and Transmission Cooperative informed the SRT that his organization is made up of six rural electric cooperatives and Mission Valley Power, which is owned by the Salish and Kootenai Tribes. Bill said he had a particular focus on fish and wildlife as well as hydroelectric power. *We have made huge investments in our fish and wildlife programs and we want to make sure those investments are well taken care of.* Bill further noted the uniqueness of the Treaty Review process, and said the utility community was not accustomed to being in a subordinate role. Bill echoed other panelists when he expressed appreciation for the opportunity to speak with the SRT, and urged everyone to both continue working together and to keep an open mind throughout the process.

Ian Hunter from Snohomish County PUD explained that Snohomish is the second largest PUD in the Pacific Northwest, purchases a significant amount of power from Bonneville, and pays a portion of the Canadian Entitlement return through BPA rates. Ian wanted to make sure the cost-benefit analysis is performed correctly, and further emphasized that it is important to maintain the integrity of the Pacific Northwest's power system. *We need to recognize the costs for power as well as for fish, wildlife and flood control, and draw on all of the experience we have at the table. There is a wealth of knowledge here.*

Shaun Parkinson from Idaho Power explained that flood control is certainly a major issue for that utility, with the question of how any changes in the Treaty might affect flood control and flows on the Snake River. Idaho Power has a set of models that could be helpful for the process, including the Snake River Planning Model, which has a historical record of spring flows from 1928-2005. The Hells Canyon optimization model is another helpful resource. *This seems like a primary piece of information. We have a strong set of modeling capabilities, and they didn't seem to be available to the larger entities for the Phase I Studies.*

Shaun further reiterated the importance of evaluating the Treaty in terms of renewable resources, including the overall market and the impacts of market shifts in light of varying flows. Other panelists contributed to this discussion, noting how difficult it is to predict market conditions, timing, and the anticipated increases in renewable capacity. They emphasized that there are many different considerations that must be factored into the Treaty Review analysis in this regard.

Climate change is another concern, with several panelists urging the SRT to make sure the potential impacts of climate change are fully incorporated into the modeling and analysis.

Zabyn Towner from PNGC Power told the SRT that the ongoing integrity of the hydropower system is of critical importance to PNGC. He also reiterated the importance of maintaining rate stability during the Treaty Review process.

Sovereign Review Team members followed these initial comments with a number of questions for the panelists.

Q: How does the Canadian Entitlement specifically affect the mid-Columbia utilities?
(Bagdovitz)

A: We pay 28% of that entitlement every single day. That power comes right off the top for us no matter what the stream flows are or the conditions we are facing. And Canada uses that

power whenever it is beneficial for them to do so; they have complete flexibility. It's the equivalent of 100-150 MW of power for Canada in exchange for the downstream benefit. It's really important to take a good hard look at that entitlement as we move forward. (Carrington and others)

Q: What is the new power group you described, and how do we work with you? (Lumley)

A: It's called the Columbia River Treaty Power Group and right now we have an informal charter and a set of goals. There are two primary points of contact, Andrew Monroe at Grant County PUD and Jeff Smith at Chelan County PUD. We are happy to meet with the SRT at any time. We have a great deal of policy and technical experience and are eager to provide you with that information. (Brattebo)

Q: Regarding modeling – will there be a comprehensive list of the models being used so we can get a good understanding of what modeling efforts are currently underway? (Aalvik)

A: Grant County PUD hired a consultant to look at BPA's models, and we have come to the determination that BPA's model is the best to use for the whole system. Other utilities, however, may have different models they prefer and which may be helpful to the overall analysis. (Knitter and Dearing)

Q: When was the 28%/72% payment on the Canadian Entitlement negotiated? (Soscia)

A: That was established during the first 30 years of the Treaty, and was renegotiated at the 30-year point. There have been two such agreements in the history of the Treaty. (Corwin and others)

Q: Would Idaho Power be willing to share the models you mentioned so that the SRT and STT can incorporate that information into our analysis? (Lumley)

A: That would require some internal discussion; some of our models aren't easy to transfer. We could, however, run a specific scenario for the SRT and then provide you with the results of that model run.

The Idaho Department of Water Resources (IDWR) developed and supports the Snake River Planning Model. The SRT could request the Snake River Planning Model from the IDWR if the SRT believes the model would be beneficial to include in the studies. (Parkinson)

Q: Early studies showed a need for deeper drafts of Idaho reservoirs to make up for the lack of Canada storage without the Treaty. Have you looked at that connection? (Yost)

A: We do have concerns about deeper drafts on the Brownlee Reservoir; we would have recreation, BiOp, and load service issues to wrestle with as a result of those drafts. Those reservoirs need to be able to refill in order to serve peak summer loads. We didn't feel that the Supplemental Report adequately addressed that issue and we'd like to have more input into that during the Treaty Review. (Parkinson)

Q: How do the utilities see themselves participating in this process? (Suzumoto)

A: We want to help support this process; that's why Chelan PUD, for example, evaluated the BPA model and came to the conclusion that it will satisfy our needs. The last thing we want or need is to have dueling models and arguments about which one is best. One of the main reasons to develop the CRT Power Group, for example, is to get everyone together and form a unified

opinion, so you are hearing from us as one voice as opposed to 25 difference voices. (Carrington and others)

Grant County PUD spent a half day with BPA brainstorming on potential elements of the modeling. We also spent some time trying to ascertain what the Canadians are going to do. That's a huge unknown in this whole process. (Knitter and Dearing)

Steve Oliver reiterated the importance of sharing the model, providing training, and continuing to work together. He wanted to make sure the SRT understood that it is a common model that is in use, not separate models for each utility.

Q: The current Treaty is built around power and flood control. Several SRT members want to expand this review, with the goal for a new Treaty to include a third pillar of ecosystem function. We see a great benefit if this function is included, perhaps leading to the delisting of some species. How does the panel feel about this? (Lumley)

A: It would be helpful to hear more about that; perhaps get a better definition of the ecosystem pillar. Under U.S. law, if we have an approach now that is legal and meets our obligations, we'd want to make sure it wasn't duplicated in another forum. Many of us worked very hard together to create a strong platform through the BiOp process. We would not want to see another plan developed that is inconsistent with the BiOp. If there is a flow augmentation on the table for example, that would exacerbate issues we're already struggling with, that would be of concern from a pure power standpoint. But, we're certainly eager to hear more about what you have in mind. (Brattebo and others)

Bill Dearing noted that Grant County PUD has a Habitat Conservation Plan in place at this time that has been working extremely well since 2003. This was a first for a hydroelectric project in the United States. *There hasn't been a single time when we have been working with the tribes and have needed to resort to dispute resolution measures. All of the BiOps established have been implemented, so I would be concerned about any changes in fisheries measures. We're currently achieving no net impact on fisheries habitats, and you can't get any better than that.*

Q: BiOps aside – what are the opinions of your customers regarding ecosystem protection? Do you survey them and do you know what they care about? (Karier)

A: Yes, some of us do survey and we also engage in outreach to our customers. They certainly believe that habitat protection is important, but they also care about cost. They want to see a balance between the two. (Corwin and others)

Panel members had some questions for the Sovereign Review Team

Panel members wondered about the current baseline – how that is being developed and whether or not it includes the new flow regimes mandated by the BiOp. SRT members responded that the Supplemental studies included most of that information, but that further refinement in the modeling analysis was needed. (Carrington and others)

Panelists also urged the SRT to analyze what would happen if the Treaty did not exist and if Canada decided to operate in a way that would maximize energy production. *What would happen then with flood control, fish and wildlife?* It was noted that the mid-Columbia utilities take

environmental protection very seriously; in contrast, there are questions about Canada's requirements for environmental protection. (Knitter and others)

Steve Oliver explained that BPA is trying now to get additional information from Canada to help structure the analysis of alternatives. He urged the mid-Columbia utilities to provide input to the SRT if they have suggestions for the types of information that would be most helpful.

Panelists also wondered what fisheries issues Canada might have to wrestle with if the Treaty was terminated. SRT members described the Canadian Species-At-Risk Act (SARA); sturgeon is currently listed among these species. (Knitter and others)

Another question from panel members had to do with non-treaty storage – if the Treaty is terminated, what replaces it, if anything? *Would non-treaty storage come into play and does that offer a model of what might be agreed to and worked with between the two entities?* (Drummond)

SRT members did not believe the non-Treaty storage would necessarily serve as a replacement in this regard. *There is currently 15 maf of storage under the Treaty. Non-treaty storage includes 5 maf; Canada and the U.S. can each use 1.5 maf of this total amount for fish purposes, power purposes, or both. The United States wants to use this storage for a dry year strategy.*

It was noted that the U.S. Entity has created considerable flexibility in the Canada/U.S. operations through some of the shorter-term agreements available through the Treaty Planning process. While the current non-treaty storage agreement may have some flaws, it is typical of the types of more flexible arrangements that could be an example of agreements going forward if the recommendation is to terminate or modify the Treaty.

The Peace River was mentioned as a situation that is particularly tough to get a handle on, and the study process will be looking at details there more closely.

In response to a question about the studies underway regarding flood risk management, Jim Barton replied that the Corps is heavily engaged now in a floodplain and levee assessment. The Corps is starting to formulate alternatives and will get into an analysis of those late this year or early next. *Part of that analysis could possibly look at new storage opportunities within the U.S. However, it will be important to look at the potential risk of additional storage on our existing structures.*

Panel members again thanked the SRT for the invitation to engage in a discussion about Treaty Review, and emphasized the importance of continuing to work together.

SRT members also thanked the panel for its attendance, with one commenting *I'm struck by how much information you've provided to us, as well as the range of your questions. This has really opened my eyes to all of the things we need to consider in this process, and I realize now how much more help we'll need in our analysis*

In addition to the verbal comments provided at the meeting, panelists shared written comments with the Sovereign Review Team, which were also distributed to the SRT.