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CRT Review (DKE)
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Transmitted Electronically:
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U.S. Entity Coordinators, Columbia River Treaty:

Mr. Stephen R. Oliver
Bonneville Power Administration

Mr. David Ponganis
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Greetings,

Clark Public Utilities appreciates the opportunity to respond to your request for input dated January 16, 2013 regarding the potential content and direction of the Columbia River Treaty (Treaty) post-2024. As a member of the Columbia River Treaty Power Group, we are in agreement with the response proffered by the Power Group and strongly support their efforts in assisting the U.S. Entity toward making prudent decisions and recommendations that benefit all stakeholders.

We also offer these additional thoughts and insights to illustrate our heightened interest in this large and impactful issue.

Clark Public Utilities serves a population of 433,000 and is located downstream of Bonneville Dam, the last hydropower project on the Columbia River prior to its discharge into the Pacific Ocean. Clark County's southern border is the Columbia River. In addition, the county is home to the Port of Vancouver, USA, which annually handles more than 500 ocean going vessels as well as river barges with a total cargo volume exceeding 5 million metric tons.

Clark Public Utilities purchases roughly half of its wholesale power supply from the Bonneville Power Administration (BPA) at a cost of approximately \$125,000,000 per year.

Clark County connects to the Columbia River in many ways. The county has benefitted from the stewardship provided by the federal, state, and local agencies, tribes, and foreign governments involved with Columbia River issues for many years.

All of the categories listed in the January 16 correspondence are important to Clark Public Utilities. However, as with the Treaty itself, Flood Risk and Flood control are paramount in these categories. Flood control management changes in 2024 according to the Treaty regardless of whether the U.S. terminates the Treaty per Article XIX. Clark Public Utilities is confident that the U.S. Entity will keep Flood Risk at the forefront in all discussions around the construct of the Treaty post 2024.

The remaining categories with the exception of hydropower are what used to be termed non-power requirements. Under the Pacific Northwest Coordination Agreement, these non-power constraints have priority over hydropower production. Each hydro project operator has authority and obligations to meet non-power constraints as promulgated and placed upon the project through federal licensing or legislation.

Clark Public Utilities advises against actions by the U.S. Entity that would jeopardize any downstream project from meeting any of its present non-power requirements. In addition, the U.S. Entity should not look to this process as a means to enable or negotiate additional heretofore non-existent requirements on any downstream project.

Hydropower is a certainly a key component of the projects located on the Columbia River, and Clark Public Utilities encourages the U.S. Entity to optimize the water and power production to the fullest extent once non-power requirements are met. We also encourage the U.S. to share the downstream benefits of the power production with Canada but only after all accounting for all non-power requirements in the calculation of those benefits. The present situation of Canada receiving benefits based upon a “no non-power requirements” world is untenable and unfair.

There are two areas of impact perhaps embedded in the categories but we would like to call out as equally important to us:

- **Economics.** The Columbia River has been a force of great economic value over the years enabling the region to improve the lives of its citizens in every way measurable. We implore the Entity to focus on measurable economic improvements for all the citizens of the region as part of the ongoing processes. This includes any arrangements made with other stakeholders that may or may not represent the interests of all residents of the Northwest.
- **Power Planning Efforts.** The region continues to face the challenges of variable resource integration. By terminating Treaty power provisions with no other agreements replacing them, the U.S. would immediately realize the equivalent of roughly two hydropower projects the size of Lower Granite Dam returning to U.S. control. This could change long-term resource planning considerably. The U.S. Entity should consider this possibility in all analyses associated with the negotiations and implementation of new terms under the Treaty. It may enable the U.S. to look at temporary fixes to the current situation rather than the construction of long lead-time and expensive projects that could prove unnecessary just a few years after becoming operational. We encourage the U.S. Entity to engage the Northwest Power and Conservation Council and the Pacific Northwest Utilities Conference Committee for assistance in forecasting the return of the Canadian Entitlement or variations of these products as this process continues.

One of the largest decisions to face the stakeholders of the Columbia River in recent times is, “What should the U.S. Entity recommend to the U.S. Department of State with respect to the

right under the current Columbia River Treaty to terminate certain provisions of the Treaty effective in 2024?” Clark Public Utilities respectfully advises the U.S. Entity to exercise this option as soon as possible for the following reasons:

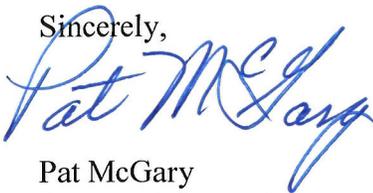
- The framers and drafters of the Treaty leading up to ratification in 1964 very wisely separated the need for flood control by the Treaty projects from the need for optimization of operations for power production. So, the Treaty continues in perpetuity with respect to flood control. Thus exercising the option to terminate does not terminate the Treaty completely but only those provisions around the calculating and sharing of the downstream benefits.
- The option to terminate provision was meant for the very situation that we are facing today. The framers and drafters foresaw a situation where the calculation of the benefits under the Treaty may not align with the actual operation of the Columbia River System and thus revisiting the terms of the Treaty makes sense. A notice of termination was and still is the only leverage either party would have to bring the other party to the table.
- The load and resource forecasts that drove the implementation of the original downstream benefits and the allocation of these benefits between the two Entities have not come to fruition. Many factors and events occurring since 1964 render the current methodologies in calculating downstream benefits, the allocation of those benefits, and the manner of their return essentially useless. Indeed, they are quite harmful to ratepayers of U.S. utilities connected to Columbia River power production.

Clark Public Utilities sees exercising this option to terminate the Treaty as a means to push the “reset” button on the Treaty. We encourage the two Entities to engage in meaningful conversation to avoid an actual termination of the Treaty in 2024 and to find terms acceptable and amenable to all stakeholders starting even before 2024. However, at this time given the decided disadvantage that the U.S. Entity and Clark Public Utilities share in carrying the full burden of costs associated with non-power requirements in the U.S., we would prefer no Treaty power provisions in 2024 versus continuing with the status quo.

Clark Public Utilities appreciates the opportunity to provide its thoughts and insights regarding the daunting task before the U.S. Entity.

We look forward to following the progress of the U.S. Entity through this process.

Sincerely,



Pat McGary
Director, Energy Resources