



February 8, 2013

Stephen R. Oliver
Bonneville Power Administration

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

U.S. Entity Coordinators, Columbia River Treaty
CRT Review (DKE)
P.O. Box 14428
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Delivered via e-mail to: treatyreview@bpa.gov

Dear Mr. Oliver and Mr. Ponganis:

Thank you for the opportunity to provide input into the U.S. Entity's Columbia River Treaty ("CRT") review process. For the reasons discussed below, Pacific Northwest Generating Cooperative ("PNGC Power") supports the U.S. Entity recommending to the U.S. Department of State that it send notice of termination to the Canadian government, triggering the ten year termination period pursuant to the terms of the treaty. Such a recommendation of notice of termination would allow for negotiations with Canada that address the overvaluation of the Canadian Entitlement ("CE")¹ and other issues critical to PNGC Power and to the region.

I. PNGC Power

PNGC Power is a wholesale electricity 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 of the Federal Columbia River Power System ("FCRPS"), the Columbia River, and the CRT. Through the Columbia River Treaty Power Group² and independently, PNGC Power has been actively engaging in CRT discussions

¹ The CE is the amount of energy and capacity that the United States provides to Canada each year pursuant the CRT. The CE is based on a formula in the CRT originally meant to represent one half of the downstream power benefits resulting from the treaty.

² 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.

over the last few years; and we will continue to be active during upcoming decision making processes.

II. The Current Overvaluation of the Canadian Entitlement

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, the U.S. Entity forecasts that terminating the CRT would result in increased annual revenue to United States stakeholders of between \$180 and \$280 million.

Quite simply, it makes no sense for ratepayers, including PNGC Power’s Members’ retail customers, to continue to pay for this overvalued CE. A recommendation to the Department of State to provide notice of termination will allow for negotiations with Canada to address this inequity.

III. Additional Issues for Negotiations with Canada.

In addition to addressing the inequity of the current overvaluation of the CE, the United States should maintain the following principles when addressing issues in negotiations with Canada.

A. Flood Control

Consistent with the flood control funding approach used throughout the United States, any payments for Columbia River flood control must be the responsibility of the taxpayers of the United States, not electricity ratepayers in the Northwest. Flood control benefits everyone, not just electricity consumers.

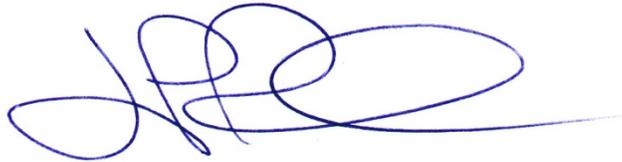
B. Ecosystem Management

PNGC Power has consistently supported a science-based and cost effective approach to fish and wildlife management related to the FCRPS. We believe the United States should follow this approach in any CRT negotiations. This is especially true if negotiators are to consider such steps as a return to a natural hydrograph, increasing flood risk to benefit fish, or re-introducing native anadromous fish above Grand Coulee Dam. And, although we believe that climate change effects and mitigation can be a part of the conversation, we must bear in mind the incredibly valuable role that hydropower plays in minimizing carbon dioxide emissions in electricity production.

IV. Conclusion

Again, thank you for the opportunity to provide input into the CRT review process. In addition to the views in this letter, we support the separately-submitted comments of the Columbia River Treaty Power Group in response to your request.

If you have any questions about these comments, please feel free to contact Zabyn Towner at 503-528-5308 or ztowner@pngcpower.com.



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