



August 15, 2013

US Entity Coordinators, Columbia River Treaty

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Dear Steve and Dave,

You are keenly aware of our interest in the future of the Columbia River Treaty and its importance to the Northwest power community. You and your staffs' have regularly shared with the PNUCC Board of Directors your analysis and progress toward a recommendation for the US State Department. We appreciate your time and effort. We also appreciate the opportunity to provide you this input as you move forward on a final draft. It is our goal to be prepared to support your final recommendation to the Department of State later this year.

There are several concerns that surfaced as we reviewed your June 27th working draft on the future of the Treaty. Our concerns have prompted us to identify several items for you to embrace for your final letter to the State Department. These items include key points to be added for context, as well as major elements of a blueprint for your final recommendation. Ultimately a successful recommendation should focus on the two primary purposes of the original Treaty and recognize the extensive efforts to benefit fish and wildlife.

The Context

We suggest you provide Department of State the following background on the basics of the Columbia River Treaty and the Northwest hydro system.

1. **Changes in our relationship with Canada post-2024 were envisioned.** It was clear, even fifty years ago, that what worked when the Treaty was signed may not be as beneficial a half century later. The Treaty defined flood risk management for sixty years with a change to calling upon flood management post-2024. In addition, the sharing of downstream power benefits was set to continue for at least 60 years. Framers of the Treaty were insightful in providing the opportunity for either party to issue a 10-year notice to end downstream power benefits after 2024 if they so choose.
2. **There are multiple options for the future of the Treaty.** Your working draft focuses on an option to modernize the Treaty, assuming the Canadian government is open to that approach. There are two other reasonable options available for going forward that should be considered. The option to take no action and continue the sharing of downstream benefits as is being done today or the option to issue a notice to end the sharing of power benefits in 2024 are both viable.

3. **There are many benefits of the Columbia River hydro system.** The Columbia River hydro system is the heart of the Pacific Northwest economy and cultural identity. The citizens of the Northwest depend on the river for water supply, flood risk management, power production, transportation of goods, irrigation, recreation and fish and wildlife. These uses of the river must be a part of the formula as the future of the Treaty is evaluated and defined. We don't want to jeopardize the intense value of the river.
4. **We have been successfully addressing regional fish and wildlife needs for decades.** Fish and wildlife benefit from many efforts in scores of Northwest forums. Years of scientific analysis, data collection and deliberations have led the region to today's practices. Prescriptions for operating the river come from a variety of sources, e.g. Annual Fish Operating Plans, Non-Treaty Storage Agreement, biological opinions, Council Fish & Wildlife Program, individual utilities' relicensing processes, and recent Accords with Tribes. This list and much more define annual, monthly, daily management of our resources to benefit fish and wildlife.

The Blueprint

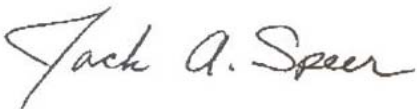
With the context set, PNUCC recommends you incorporate the following thoughts. These elements are essential to a blueprint for the recommendation you offer the Department of State.

1. **Rebalance the sharing of downstream power benefits.** The number one concern for us in modernizing the Treaty is the sharing of downstream power benefits. We must examine the obligations and benefits provided by the Treaty to ensure our payments to Canada do not exceed one half of the benefits of coordinated operations. Your studies indicated that Canada is deriving substantially greater value from the coordinated power operation than the U.S. We agree that to achieve a sustainable Treaty after 2024 there must be a reasonable balance of downstream power benefits.
2. **Maintain system reliability and flexibility.** This is critical for both the U.S. and Canada. Consider the implication of changes in river flows and dam operations on the ability to keep the lights on. For example, the role of hydropower in maximizing the benefits of the region's wind generation as underscores the need for system flexibility your efforts to modernize the Treaty.
3. **Define protocols for flood risk management post-2024.** Flood risk management will continue regardless of the decision about sharing the cost of downstream power benefits. The mechanics for calling on flood protection when it is needed must be worked out with our counterparts in Canada to ensure the same level of protection and risks has we have enjoyed in recent years. Flood risk management is a public purpose and should continue to be paid by taxpayers.
4. **Maintain the current scope of the Treaty.** We are troubled to see that the working draft includes ecosystem management as a third focus for modernization. Don't add it as a new focus for the Treaty. Instead, *separate domestic issues, including the ecosystem elements, from those that are relevant to the Treaty.* Sorting out the main issues to address with the Canadian government will help you focus on the top two priorities – power and flood risk management. Many of the issues identified and addressed in your working draft are best vetted in a domestic setting. We applaud your acknowledgement of these issues.

5. **Acknowledge the significant effort of ecosystem efforts in your recommendations.** Decades of effort and billions of dollars in investments are indicators of the Northwest power industry's commitment. Environmental stewardship is of monumental significance in the Northwest. It is a way of life for all of us. It is not necessary or helpful to make it a primary function of the Treaty. Yet it is extremely valuable and important to acknowledge the activities, arrangements and plans that are underway today. We do not want to disrupt the delicate balance of river operations for fish and wildlife with other uses of the river.
6. **Address new river operations for fish and wildlife in transparent, domestic settings.** It appears you are proposing ecosystem functions in your working draft that are currently being implemented through other arrangements, e.g. Non-Treaty Storage Agreement and Dry-Year Strategy. Any new or additional actions for fish and wildlife should be addressed in a transparent domestic setting, likely one of the many already in place. The costs and benefits of new actions and the implication on other fish and wildlife measures should be considered prior to taking action.
7. **Continue with the current governance structure for implementing the Treaty.** The US Entity, the Corps of Engineers and Bonneville Power Administration, has done a tremendous job implementing the Treaty for fifty years. Utilizing the system operators – Corps of Engineers and Bonneville Power Administration working with BC Hydro – will continue to achieve the most efficient and effective implementation. They are the entities and individuals who know and understand the system. They have the appropriate mechanisms in place to successfully implement the Treaty in whatever form it takes.
8. **Recommend a set timeframe for negotiations with Canada.** We see the wisdom in the two elements of your working draft for how the U.S. engages with Canada to come to an agreement in the next year. We concur that if agreement on a modernized Treaty can't be reached by summer 2014, the US Entity should keep in mind that ending downstream benefits after 2024 or waiting to reconsider the future of the Treaty remain viable options. Defining a schedule and process for the negotiation will serve you well.

We hope you will utilize these suggestions as you pull together the next draft of your recommendations. We stand ready to engage with you and other parties to have an open, honest discussion about what should be conveyed to the US State Department by December. We remain hopeful that your final recommendation is one that we can embrace and strongly support as we move forward.

Sincerely,



Jack Speer
PNUCC Chairman

cc: Colonel John S. Kem, Northwestern Division US Army Corps of Engineers
Elliot Mainzer, Acting Administrator, Bonneville Power Administration
PNUCC Board of Directors
Northwest Delegation
Northwest Governors