

Congress of the United States
Washington, DC 20515

June 21, 2017

President Donald Trump
The White House
1600 Pennsylvania Ave, NW
Washington, D.C. 20500

Dear Mr. President:

We are writing to inform you of the importance of renegotiating the Columbia River Treaty (CRT) to the Pacific Northwest region and to request your assistance in commencing negotiations with Canada over the agreement as soon as possible, including use of available negotiation options, such as a “Notice of Termination,” to incentivize Canada to come to the table.

The CRT was first established in 1964 to provide the framework for the United States and Canada to invest in greater water storage capabilities in the Columbia River Basin and to increase coordination between our countries on issues such as flood control and power generation, which benefit both nations. For over 50 years, the Treaty provided critical flood control protections and enhanced power generation from clean, renewable hydropower. However, the current agreement is now outdated and needs to be renegotiated in order to ensure the United States, and communities across the Pacific Northwest, are not unduly burdened by provisions contained in the original CRT. While the Treaty has been successful, it also contains various assumptions and shortcomings, which have led to distortions that greatly affect the CRT’s value to the United States beyond its 60-year minimum term. We believe these negotiations provide the United States and your Administration with a unique opportunity to renegotiate this international agreement in a way that protects our country’s interests while strengthening and maintaining our historically strong relationship with Canada.

This is an issue of paramount importance to the entire Pacific Northwest region as it affects our economy, power generation, electricity rates, and flood control needs of communities along more than 1,200 miles of the Columbia River and its tributaries. The Treaty provided for the cooperative development of the water resources of the Columbia River Basin, with Canada providing flood control activities in return for compensation derived from power generation in the United States. Over time, inequities have arisen due to the outdated formula by which the United States compensates Canada for power coordination benefits (detailed in Article XIX), with some estimates showing Canada receives almost ten times the benefits that Pacific Northwest interests receive from coordinated system operations, according to studies conducted by the U.S. Army Corps of Engineers (Corps) and Bonneville Power Administration (BPA), which along with the State Department serve as the main “U.S. Entity” representing the United States in Treaty negotiations with Canada. The obligation to annually send hydropower benefits to Canada is commonly referred to as the “Canadian Entitlement” and it costs U.S. interests approximately \$250 million to \$350 million each year. This cost is paid by the 6.4 million Northwest electric customers, represented by more than 80 electric utilities and other entities, who receive power from BPA and the Mid-Columbia Public Utility District’s (PUD), which has clear impacts on power rates paid by Pacific Northwest consumers.

Certain provisions related to flood control automatically expire in 2024, yet the majority of the Treaty’s provisions – including the outdated formula comprising the Canadian Entitlement – would continue indefinitely without action. Under the Treaty, either country may terminate some Treaty provisions after September 16, 2024, by providing a ten year advance notice, while other provisions

terminate on that date without any action being taken. The record of how the 1964 agreement was reached illustrates that the Treaty's benefits were calculated on a 60-year lifespan, and that eventual termination of the commercial provisions was fully considered by negotiators, who recognized that long-term planning and market assumptions entailed a high-degree of uncertainty. Both countries carefully crafted and included "exit provisions" in the CRT so that either side would have the option of renegotiating, or terminating, certain "commercial" provisions at the end of the 60-year term.

In December of 2013, the U.S. Entity sent its Final Recommendations on the Treaty to the U.S. State Department, which included an emphasis on the importance of rebalancing the sharing of power benefits under the agreement. In October of 2016, the State Department officially notified the Canadian government of its desire to engage in discussions on the CRT, and this notification remains valid with the change in administrations. While Canada has been slow to act on their negotiating authority, the United States does have options to incentivize Canada to come to the table, including the formal issuance of a "Notice of Termination of the Power Provisions," which is provided for in Article XIX¹ and merely establishes a firm 10-year period to reach a modernized and rebalanced structure. With the potential for negotiations to drag out indefinitely, this "Notice of Termination" could provide the necessary incentive for Canada to enter into formal discussions, which will hopefully lead to a mutual agreement with Canada being reached much sooner. Additionally, the Notice could provide the opportunity to incorporate important lessons learned over the past 50 years, as well as to ensure that a post-2024 Treaty better represents the interests of constituencies in the Pacific Northwest and across the country.

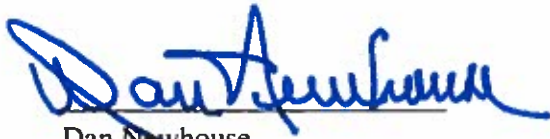
Substantial analysis by the U.S. Entity and federal agencies indicates the United States does not receive the reciprocal benefits originally expected in the Treaty, with usable streamflow for hydropower generation well below the amount assumed for in calculation of the Canadian Entitlement. Unless the Treaty is terminated or renegotiated, the U.S. would remain obligated to pay Canada for power coordination benefits, leading the Pacific Northwest region to face losses of approximately \$1 million every two to three days. Additionally, under any scenario the CRT must not threaten the operational flexibility of hydropower projects covered by the Treaty, which are the largest sources of clean, renewable power in the region. The Grand Coulee and Chief Joseph dams are particularly critical to the hydropower system, representing about 46 percent of generating capacity and 80 percent of active storage capacity on the U.S. Columbia River.

We request that your Administration, and the State Department, take any and all necessary actions to initiate Treaty negotiations with Canada as soon as possible. It is vital that we ensure there is a fair and equitable arrangement for U.S. electricity consumers that addresses the power benefit inequity in the current Treaty, and that U.S. negotiators remain focused on the importance of modernizing the CRT to be compatible with the region's needs and priorities in the 21st century. The imminent commencement of negotiations is critical to U.S. interests and we urge your Administration to promptly engage with Canada on this matter, so that revisions to the CRT can be reached expeditiously.

¹ Article XIX clearly states that the aspects of the Treaty which can be viewed as more commercial and are associated with joint optimal power coordination and its associated benefit splitting are allowed to be terminated via unilateral action by either country.

Thank you for your attention to this important matter and please do not hesitate to contact us if we can be of assistance as preparations for Treaty negotiations are finalized and as formal discussions with Canada commence.

Sincerely,



Dan Newhouse
Member of Congress



Kurt Schrader
Member of Congress



Cathy McMorris Rodgers
Member of Congress



Peter DeFazio
Member of Congress



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CC:

The Honorable Rex Tillerson
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