

Columbia River Treaty Litigation Proposed Settlement

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Columbia River Treaty Litigation - Proposed Settlement

- Background

- Columbia River Treaty

- Circa 1964 between U.S. and Canada to build storage and help regulate the river
 - U.S. to share benefits of increased generation due to improved streamflow with Canada (Canadian Entitlement)
 - Mid-Columbia PUDs (Chelan, Douglas and Grant) need U.S. permission to use improved streamflow
 - PUDs agreed to collectively return 27.5% of Canadian Entitlement to U.S. in exchange for permission
 - Agreements set to expire in Sept of 2024
 - No agreement on PUD contributions post Sept 2024



Columbia River Treaty Litigation - Proposed Settlement

- Litigation
 - Against uncertainty, June 2024 – Mid-Columbia PUDs commence litigation against the U.S. seeking to establish PUD obligations to U.S. under treaty post Sept 2024
 - Both the Canadian Entitlement and PUD contribution too high
 - Compel the U.S. to share the benefit calculations and methodology
 - Limit the PUD contribution to actual benefit
 - After litigation starts, U.S. and Canada reach AIP
 - Sept 16, 2024, after expiration of PUD agreements with U.S., PUDs stop contributing to the Canadian Entitlement return
 - U.S. asserts counterclaims re: PUD obligations and use of improved streamflow
 - Asserting Canadian Entitlement was established by agreement with Canada
 - PUDs had no permission to use improved flow
 - Permission contingent on PUDs returning 27.5% of agreed Canadian Entitlement
 - PUDs owed their share from Sept 16, 2024, when PUDs stopped contributions
 - Feb 7, 2025, Court dismissed all PUD claims in full leaving only U.S. counterclaims
 - Trial set for late January 2027 in Spokane



Columbia River Treaty Litigation - Proposed Settlement

- Parties have reached a proposed settlement
 - Resolve litigation
 - Establish obligations through July 2044 to match current term of Agreement in Principle (AIP) between U.S. and Canada
- Material Terms
 - Term – matches AIP between U.S. and Canada
 - PUDs to pay financial equivalent of 25% of Canadian Entitlement
 - Chelan's share is ~40% of the 25% of AIP amounts
 - Financial payment – not a return of energy, capacity or attributes
 - PUDs to pay ~\$29.9M for non-payment period - Sept 2024 to May 2026 (Chelan ~40%)
 - Coordination obligations between parties – hydraulic planning, information sharing, and energy emergency operating protocol
 - PUD obligations are capped, but reduce or go away if the AIP amounts change



Columbia River Treaty Litigation - Proposed Settlement Proposed Motion

To approve the proposed settlement with the United States to resolve the Columbia River Treaty litigation and authorizing the General Manager to take all steps necessary to effectuate the settlement

