



P.O. Box 1898, Boise, ID 83701

August 7, 2013

The Honorable C.L. "Butch" Otter
Office of the Governor
State Capitol
P.O. Box 83720
Boise, ID 83720

Dear Governor Otter:

The Idaho Consumer-Owned Utilities Association (ICUA) is writing to provide our perspective on the working draft of a regional recommendation for "Improving the Columbia River Treaty Post-2024" produced through the Sovereign Review Team (SRT) process. Over 137,000 electric consumers in Idaho and 6.4 million ratepayers throughout the northwest depend upon affordable, clean and reliable power and the majority of it comes from the Columbia River Hydrosystem.

ICUA represents twenty-two rural electric cooperatives and municipal power companies across the State of Idaho. Our members purchase 96% of the power they distribute from the Bonneville Power Administration. All ICUA member utilities deliver power "at cost" and no member operates on a "for profit" basis.

ICUA is also a member of The Columbia River Treaty Power Group (Power Group), which provides a forum for electric utilities, industry associations, and other entities that depend upon power produced by Columbia River generating plants to engage in the United States' evaluation of whether to continue or terminate the Columbia River Treaty.

Utility involvement in the Columbia River Treaty review process has been primarily through briefings delivered by Bonneville Power Administration and U.S. Army Corps of Engineers (collectively, the U.S. Entity) staff to the Columbia River Treaty Power Group since utilities were excluded from the SRT process. This glaring error has created a situation where ratepayers have no advocates in the process and the working draft of the regional recommendation can scarcely be called a regional recommendation at all since it excludes a critical constituency.

On June 27, 2013, the US Entity released their working draft recommendation document which does not reflect the importance hydropower has for our state's economy and the environment.

We felt it was critical to notify you of our strong concern with the current draft document so that you can engage more directly in the deliberations of the SRT where you are represented by Northwest Power & Conservation Council Commissioner Jim Yost. It is important to note that Jim continues to be a stalwart and strong voice for Idaho during this process and we would like you to help him raise the power issue to the level it deserves in the Treaty negotiations.

US Entity Working Draft Recommendations

As you know, the original Treaty signed in 1964 had two primary provisions: flood control and hydropower. In a new “modern” Treaty, ecosystem interests are proposed to be added as a third primary purpose to a renegotiated Treaty. ICUA is concerned that the current draft does not recognize the investments that have been made over the past 40-years by utilities to protect and enhance fish, wildlife and habitat. In addition, despite numerous studies showing the disparity between the downstream power benefit paid to Canada and the commercial value of the water storage provided by Canada to United States power customers, the lack of focus on power issues in the draft are worrisome.

Hydropower and the Ecosystem

We understand why the US Entity wants to include the ecosystem as a third primary purpose of a renegotiated Treaty. However, as stated above, United States electric utility customers have been making ecosystem improvement investments for decades. Utilities individually through their Habitat Conservation Plans make significant ecosystem investments in addition to the \$700m-800m paid annually by BPA’s customers (nearly 25% of BPA’s annual budget) for fish and habitat restoration and protection. BPA has the largest fish and wildlife restoration program in the world and it is notable that the US Entity draft recommendation does little to acknowledge, let alone honor this investment by BPA’s customer-utilities and the people they serve.

We are proud of the work we have done and have demonstrated the investments are paying off with increased anadromous fish returns. We recognize work still needs to occur and we plan on continuing our efforts. However, we have strong concerns that the US Entity draft recommendations reflects various US interests negotiating against themselves to create new US ecosystem obligations. The biological benefit and cost of the ecosystem proposals, or any real justification for them, is missing from the draft recommendation. Any proposals for new investments must reflect the best available science and be considered in the context of the costs and benefits that may accrue.

Canadian Entitlement

The draft recommendation states one of its goals is “preserving reliable and economic hydropower benefits” but it is woefully inadequate in specifying the amount of inequity in the current and forecast power benefit between the two countries. The Canadian Entitlement (the annual US payment via energy provided to Canada by BPA and the Mid-Columbia utilities for the added “benefit” the US gets from the storage of water in Canada) was calculated based on a number of 1960s assumptions that have not come to fruition. Currently the Entitlement is estimated to have a replacement value of \$250m-\$350m annually. The value of this electricity represents jobs and economic development occurring in Canada instead of the United States.

We believe that current payment is not aligned with what the true benefit from the water stored in Canada and must be renegotiated to an appropriate level via a framework that better aligns US and Canadian interests for the foreseeable future.

ICUA urges that the US Entity's recommendation should clearly state any payment made to Canada for downstream power benefits *should not exceed one-half of the actual, incremental power benefit achieved* through coordinated US/Canada operation as compared to non-coordinated operation.

If and when we secure a more appropriate formula for sharing the true value of the service provided in Canada, our customers will benefit. The Entitlement inequity, which is hundreds of millions of dollars per year, could directly benefit our customers and businesses.

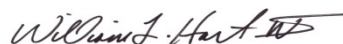
The region's economy is closely tied to our affordable energy and we cannot miss the opportunity to protect our low rates and our customers' bottom-line.

Decisions made regarding the Columbia River Treaty will have major impacts to the State of Idaho and the Pacific Northwest for many years. As the Treaty is evaluated, the importance of the Columbia River Hydrosystem must not be ignored or sacrificed for other competing goals. The region has simply worked too hard and invested too much to not provide a clear Northwest message to Washington, D.C. about the importance of the Columbia River and a usable roadmap for an improved Columbia River Treaty. We need a better recommendation that doesn't ignore or harm the interests of 6.4 million electric ratepayers.

We are requesting your direct engagement in the coming weeks. We must not undervalue the hydropower system's contributions to Idaho's economy. We must not ignore ecosystem investments and programs already in place. We must not de-value and de-rate the hydrosystem as generation has already been reduced by more than 1,200 MW. We must recognize the importance of hydropower as our country's largest renewable energy source.

Please help us produce a recommendation that protects Idaho's interests. We look forward to working with you and Council Member Jim Yost to address our concerns and create a more useful regional recommendation. If you have any further questions, please feel free to have your staff contact me at 208-344-3873 or by email at whart@icua.coop to coordinate a follow up discussion.

Sincerely,



Will Hart
Executive Director, Idaho Consumer-Owned Utilities Association

Cc: Jim Yost, NW Power and Conservation Council
US Senator Mike Crapo
US Senator Jim Risch
US Representative Mike Simpson
US Representative Raul Labrador