UNITED ELECTRIC
CO-OP, INC.

"Owned By Those We Serve"

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Jo Elg, General Manager

United Electric Co-op, Inc.

United Electric was formed in 1998 by the consolidation of two cooperatives, Unity Light & Power and Rural Electric. Although United Electric has been incorporated for only 15 years, the roots of Unity Light & Power and Rural Electric run much deeper in the communities now served by United Electric. In fact the history of the small cooperatives and municipalities in southern Idaho is very similar. The first generation at Minidoka Dam was installed in the early 1900s to provide pumping capability for irrigation. Excess power was sold to local merchants, residents, and farmers providing the genesis of utilities like United Electric.

United Electric serves 6,400 meters in portions of Minidoka and Cassia counties and maintains 570 miles of line. Retail load is 32 aMW with a peak demand of 60 MW that was established July 2013. The largest customer class is residential at 37%, followed by industrial and large commercial at 23%, irrigation at 22%, and general service at 18%. Since 2009 several large loads have developed in the service territory, including a 5 MW ethanol plant.

Additionally, United Electric provides a full suite of maintenance services for two small municipal utilities and on-call services for a large industrial customer of Idaho Power.

Bonneville Power Administration (BPA) is our main supplier of wholesale power. When service under the contract began in 2011, United Electric load already exceeded its allocation of Tier 1 power. Market purchases were obtained to serve the additional load. In the current rate period, our above High Water Mark load is slightly over 2 aMW. While 2 aMW of above High Water Mark load may not mean much to a 100 aMW utility, it is noticeable for a 32 aMW utility.

Conservation efforts have been robust at United Electric. Over 3.5M KWhs of savings were achieved in 2012-2013. Interestingly, less than 10% of the savings were in the residential sector. I think this sends a message. Many residential consumers don't have the cash flow to contribute to energy efficiency opportunities, and yet they are probably the ones who could use the savings most.

Challenges for United Electric

Growth such has been experienced by United Electric since 2009 does not come without challenges.

Power Supply Risk - Effectively mitigating power supply risk is one of the challenges. A survivor of the 2000-2001 West Coast Energy Crisis, I'm painfully aware of the risk associated with relying on the market. Four-digit hourly market prices are difficult to forget. However in today's environment, it is difficult to ignore the attractive market prices. It is also difficult to sell investment in a rock and mortar resource at a cost of three or four times current market rates.

Redundancy and Reliability - Industrial processes demand a reliable source of power 24x7. In today's world, irrigation demands a continuous reliable source of power. Interruptions in power are a real cost to this type of consumer. Even the residential consumer has an expectation that the 'power is always on'. The ability to provide redundancy and reliability across 150 square miles of service territory is challenging. It may be achievable but at what cost. Yet, the pressure and expectation exist.

Considerations for the 7th Power Plan

Transmission Adequacy – United Electric is served by Transfer Service under a BPA Network Transmission Agreement. United Electric is not directly connected to the Federal Columbia River Transmission System and does not receive power directly from BPA. Rather the power is transferred across Idaho Power's transmission system for delivery to United Electric's consumers. BPA should be encouraged to look at long term transmission needs of customers in southern and eastern Idaho and continue to engage in joint transmission planning and joint investment in transmission infrastructure. Approximately 700 MW of BPA native load in southern and eastern Idaho will continue to place increased demand on transmission capacity and system reliability throughout the Region.

Resource Adequacy - The entire Magic Valley area of southern Idaho has experienced growth with the recent completion of a yogurt facility, which triggered the expansion of a local box plant, and recent announcements of a fruit processing company and energy bar company locating in the area. Additionally, a local potato processor announced a $100M expansion. All of this activity has occurred within the past two years. The growth is encouraged and welcomed, but as mentioned does not come without challenges.

I'm concerned that as a Region we will rely on conservation, renewables, and current low market prices and not maintain a forward long-term vision as we consider resource adequacy. Conservation can be part of a cost-effective solution, but conservation and intermittent resources cannot accommodate the growth we are experiencing in southern Idaho.

Conservation – Although United Electric has load in excess of its High Water Mark, conversely many utilities find themselves in quite the opposite situation. Many utilities have little to no load growth and have Tier 1 headroom. There appears to be a disconnect between the NWPPC perspective that all conservation is good and cost effective, and the utility perspective when there is no load growth or indeed there is load loss. From a utility perspective, it is difficult to promote energy efficiency measures when rates are increasing to cover costs due to loss of load.

As you know, conservation is a major issue of concern utilities have with the Power Plan. We understand the Council is accounting for the fact that no two utilities are the same, but it is unclear how that plays out.

A few questions I would pose to the Council: Does the Council believe that adopting a target again is the proper approach? Would a range be more reflective of the realities of conservation acquisition and the differences from utility to utility? Is a target or range necessary? Neither of the first two power plans included a target.

A final point on conservation, it is important the Council understands that while it is not a regulatory body its policy on conservation has a regulatory effect through the BPA Energy Efficiency Incentive program and I-937 in the state of Washington.

Columbia River Treaty – Although the NWPCC is not directly involved in current discussions on the Columbia River Treaty (CRT), several individual members of the Council are, and it is important the Council as a whole understands the potential impact the CRT negotiations will have on BPA and its public power customers. United Electric is a member of the Columbia River Treaty Power Group and supports the position of the Group.

Briefly, United Electric's principle concerns that have not adequately been addressed in the Draft Recommendation are: 1) prioritizing the Canadian Entitlement as the most important issue to address in any renegotiated Treaty, and 2) fully accounting for the significant ongoing efforts in the Columbia River and its tributaries for fish and wildlife in any proposal to expand the Treaty to include ecosystem function.

Process - An open and transparent collaborative process should take place in the development of the 7th Power Plan, as was demonstrated in the mid-point review of the 6th Power Plan. This includes outreach to regional stakeholders and power planners beyond advisory committee meetings and regularly scheduled Council meetings. Stakeholders need to be able to provide useful and active feedback, which requires involvement during the process rather than comment after the fact. The NWPCC staff has taken steps in this direction, which we applaud.

Fish and Wildlife Program

The Federal Columbia River Power System Biological Opinion (BiOp) should be adopted into the Fish & Wildlife Program by the NWPCC as part of its Fish & Wildlife Program baseline. A number of entities have submitted proposed amendments to the NWPCC trying to increase spill levels that would cost ratepayers additional money while exhibiting no conclusive biological benefit. Formal adoption of the BiOp by the Council keeps the Fish & Wildlife Program consistent with regional science and policy.

The Council should take special note that the Fish & Wildlife Program is the largest of its kind, but it is also finite. The Council needs to identify redundancies and seek efficiencies in the current Program in order to fund new projects rather than assuming new dollars will be available from a Program that is already causing higher rates.

A number of things that have been proposed in the amendment process are beyond the responsibility of the Federal Columbia River Power System (FCRPS), including the issues of toxics, invasive species, and the ocean. While these issues impact fish, mitigation for these issues is not the sole responsibility of the FCRPS and regional ratepayers. We ask the Council to demonstrate leadership in amending the Program to one that is properly scoped, and effective in action and budget.

I thank you for the opportunity to share the concerns of United Electric Co-op, Inc.