A Look Into High WOEC Rates

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look very different.

Figure C also shows that although WOEC sells less kWh than many other utilities, they have similar amounts of income. The debt load they carry is a big contributor to the need to charge higher rates and create the needed revenue.

Is someone getting rich from WOEC's high rates?

This question pops up occasionally on social media and around town, especially when a rate hike is proposed.

According to General Manager Perry, and the by-laws of the Co-op, the Board of Directors who govern the Co-op receive no salary, but are currently compensated $75 per day, plus travel expenses for attending meetings and conducting other Co-op business. That may sound unusual to some people who might assume the Directors are volunteers, but this is standard practice for power utilities.

A comparison with some other utilities, available on Form 990, shows that WOEC Directors receive less compensation than most. WOEC Board President Robert VanNatta received $2,475 and Vice President Robert Paleck received $2,400 in 2014. VanNatta and Paleck received the most compensation of any WOEC Directors due to the other Boards they sit on to represent WOEC, and other Co-op business they conduct. In contrast, WOEC Director Brian Baker received $600 in 2014.

Comparatively, the Presidents or Vice Presidents of the Board of Directors at Columbia Basin Co-op received $9,680; at Blachley-Lane County Co-op, $9,550; at Raft River Co-op, $15,363. In fact, a brief search of a dozen other electric utilities did not reveal any that compensated their Directors less than WOEC.

According to Form 990, WOEC General Manager Bob Perry received a salary of $115,702 after starting January 30 in 2014. By comparison, the General Manager at Columbia Basin Co-op makes $117,353; at Blachley-Lane County Co-op, $173,449; at Harney Co-op $166,557; at Raft River Co-op $178,280. A review of the other management positions at WOEC shows compensation within industry standards.

According to Finance Director Western, WOEC has 23 employees. Among those, linemen are very well compensated, some earning over $100,000 per year, with overtime. Those salaries are negotiated as part of a union contract. Linemen all over the state receive similar salaries.

The conclusion: while WOEC management and employees are well compensated for their work, there is nothing to indicate there is anything unusual or outside of industry standards.

Is WOEC being mismanaged?

This is a somewhat complex question that probably can't be answered here. General Manager Perry did note that any manager of a utility can keep rates down and look good to their customers if they ignore infrastructure repairs and upgrades for long periods of time, which is what happened at WOEC in the past.

When asked about the decision to continue to take on more debt and begin new infrastructure improvement projects, Perry, Operations Manager Rose and Finance Manager Western all agreed that infrastructure upgrades were necessary. Perry stressed that FEMA will inspect utilities following a disaster to ensure that infrastructure has been maintained, so that FEMA isn't paying reimbursements for infrastructure that has been neglected.

Several years ago some very vocal Co-op members organized a group called Power of One and began questioning the financial policies and management of the cooperative. They submitted regular articles to *Vernonia's Voice*, attended Board and Annual meetings. They even paid for an independent audit of the Co-op's operations, which according to Western, ended up costing the members when the Co-op had to seek legal advice during the process. Western and Perry say the audit uncovered no suggestion of mismanagement or financial impropriety. During the rate hearing, Nick Galaday, a member of Power of One and a vocal critic of WOEC's management, said he "did not know" the results of the audit, when asked by a Board member.

No one likes the high rates we pay for WOEC electric service. Those high rates can be a deterrent to new families and businesses moving into the community. It makes it difficult for some residents already living here to continue to stay. WOEC's Board of Directors and most management are customers of the Co-op and pay those same rates as the rest of us. The Directors, management and employees are not being overly compensated. This is a unique and difficult area for providing service, with no large industrial customers to help share and subsidize the costs. Four FEMA weather related events in six years was a stroke of bad luck that has had a huge impact on the finances of the Co-op. Attempts to uncover some type of wrong doing or mismanagement have not uncovered anything significant.

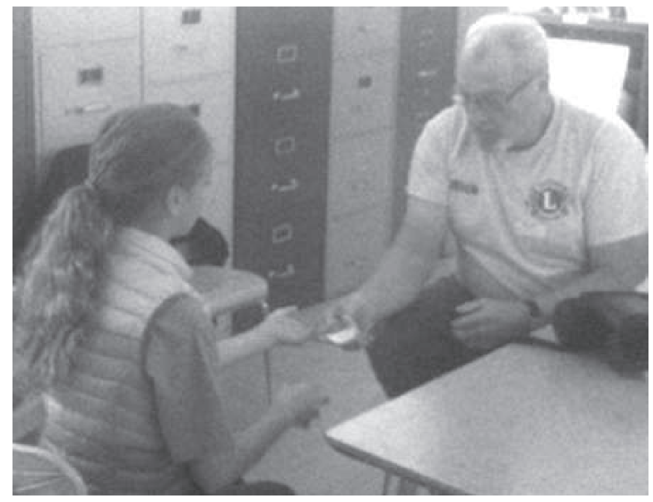
Unfortunately, WOEC rates are high for a reason. In fact, for a lot of reasons, which is a problem for rate payers.

Some members have suggested breaking up the Co-op and selling portions that are difficult to manage to other nearby utilities. The problem with that, as management and several Directors reminded those in attendance at the rate hearing, is that no other utility is interested in absorbing those demanding service areas.

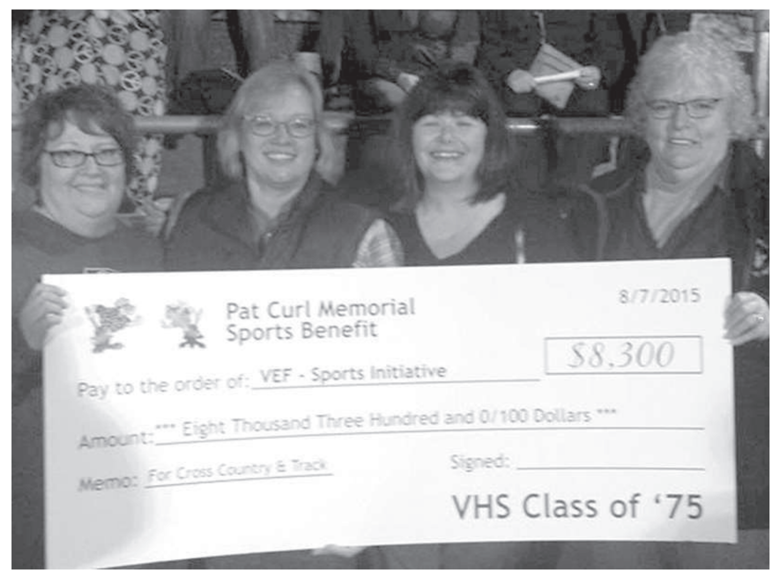
Another suggestion is to disband WOEC altogether and let the federal government take it over. The risk with that plan is that no one knows how that would actually play out or how it might impact rates; some Directors suggested it would lead to even higher rates and sounds like a gamble.

Perhaps an option that needs to be explored is lobbying government representatives to intervene on behalf of the Co-op and propose legislative action to require other electric utilities to absorb adjacent portions of WOEC's service district and also revise WOEC's district boundaries to include some industry.

Giving Back to Vernonia Schools



The Lions Club of Vernonia brought in the Oregon Lions Sight and Hearing Foundation on Thursday, October 8, to screen all of the elementary school students. Wally Anderson, the Mobile Health Screening Event Manager, taught the Lions, parents, and community volunteers how to use the state-of-the-art screening devices. The entire screening event took only about an hour and a half to complete. Thank you volunteers. Above: Lion Rick Hobart helps a student with sight screening.



Members of the VHS Class of 1975 presented a check for $8,300 to the Vernonia Education Foundation during this year's Homecoming football game. The funds were raised at the Pat Curl Memorial event during the 2015 Vernonia Friendship Jamboree. Pictured are event organizers Jill Gardner, Patty Cone, Evan Doyle and Tammy Vanderzanden. The funding is to be used for construction of a new track facility at the new school campus.