

A Look Into High WOEC Rates *continued from front page*

hours of power. Some of those utilities do have more miles of distribution line and less customers per mile, but a Google map search of where those utilities are located shows they don't have the same type of terrain and number of trees that the WOEC service area contains. Harney Electric Co-op's service area near Burns is all farmland with the majority of their power sales coming from irrigation. Raft River Rural Electric in Idaho certainly looks different, with almost no trees, and so do the territories around Idaho County Light & Power, and Big Horn County Electric Co-op, utilities with less customers per mile than WOEC that sell similar amounts of power.

WOEC customers have been told that trees are the enemy of an electric utility, and the Co-op has made it a practice to try and install underground lines where and when they can. Following the harsh winters of 2006, 2007 and 2008, that caused almost \$3.5 million in damage to the system, WOEC undergrounded the Timber/Elsie distribution line, at a cost of \$3.6 million to the Co-op for just this reason.

According to WOEC Finance Manager David Western, WOEC spends approximately \$800,000 a year on tree trimming to help protect their distribution lines. This expense is an indication of the forested region the Co-op serves and makes up a large portion of the overall maintenance and operations budget for the Co-op. Members have questioned why the Co-op contracts out

for this service and doesn't use local loggers. WOEC General Manager Bob Perry says anyone who works near power lines needs to be certified and trained, so the Co-op hires a certified service to do the work.

Yes, WOEC is unique, although they certainly aren't the only electric utility with long distances between customers, but they rank fairly low when it comes to the amount of power they sell. Without large industrial customers, WOEC finds itself with less opportunities to generate income and less resources to operate, maintain and improve their system.

Are WOEC rates really that high?

The answer again, unfortunately, is yes.

Recent phone calls to several utilities in the region produced this comparison of residential rates (Figure B):

Utility	Base Rate	Per kWh	Cost for 1,000 kWh
WOEC	\$39.00	\$.147	\$186.00
Idaho County L&P	\$20.00	\$.0907	\$110.70
Lincoln Co-op	\$32.50	\$.070	\$102.50
Blachley-Lane County Co-op	\$38.00	\$.0901	\$128.10
Clatskanie PUD	\$12.00	\$.0511	\$63.10
Columbia Basin Co-op	\$26.00	\$.07941	\$105.41
Harney Co-op	\$28.75	\$.087	\$115.75
Parkland L&W	\$16.00	\$.0540	\$70.00
Portland General Electric	\$10.00	\$.12	\$130.00
Columbia River PUD	\$10.00	\$.068	\$78.00
Douglas Co-op	\$20.00	\$.083	\$103.00

Figure B

One very important thing to remember when comparing rates from one utility to another is, although WOEC is unique, all utility services are unique for their own reasons. Electric service providers come in all shapes and sizes and comparing them is bit like comparing apples to oranges to lemons to limes... with a banana, an avocado, and a watermelon thrown in. "It all depends on the make up of the service territory," said the office manager at one rural Co-op I spoke with.

Service areas differ for many reasons; some have a lot of trees, some have a lot of farmland, some have dense populations, some have a lot of industry. Comparing them can be tricky, and really not very fair.

In this comparison, we contacted several of the similarly sized utilities in Figure A, along with several utilities that did not fit the size profile in order to contrast and expand the sample. Portland General Electric is obviously a huge urban utility, Columbia River PUD is our neighbor in St. Helens and Douglas Co-op in Roseburg has similar terrain to WOEC with a rugged landscape and a lot of trees.

The bottom line is that WOEC's rates are higher than any other electric service provider that we contacted.

Why does WOEC have so much debt?

At the rate hearing on September 16, when asked, Finance Manager David Western told members that WOEC has over \$18 million of debt. Western recently updated that number to \$21 million.

The revenue on the 2014 form 990 tax return, required to be filed by all nonprofits, shows that WOEC has \$32 million in assets and \$22 million in liabilities. A quick comparison to other electric utilities of similar size from 2013 and 2014 (Figure C) shows that the amount of WOEC's liabilities, compared to their assets, is high.

Utility	Kwh of use (million)	Annual Revenue (million)	Assets (million)	Liabilities (million)
WOEC	67.2	\$10.40	\$32.02	\$22.37
Idaho County L&P	53.2	\$5.45	\$16.11	\$6.05
Raft River Rural Co-op	286.3	\$17.96	\$46.77	\$19.64
Big Horn County Co-op	62.2	\$6.60	\$14.17	\$7.07
Blachley-Lane County Co-op	165.2	\$12.52	\$19.11	\$5.70
Columbia Basin Co-op	104.3	\$8.42	\$23.83	\$6.14
Harney Co-op	211.1	\$11.74	\$18.63	\$3.37
Wasco Co-op	106.4	\$10.74	\$26.95	\$12.53

Figure C

General Manager Bob Perry said in an earlier interview that it is not unusual for a utility company to carry significant amounts of debt. The nature of operating utilities requires constant maintenance, system upgrades and infrastructure repairs. According to Perry utilities are constantly borrowing money at low rates for long periods of time to fund these projects and depreciate them over time.

According to WOEC management, maintenance on the infrastructure of the utility was ignored for several decades prior to the arrival of former General Manager Marc Farmer in 2005. Farmer began a work plan to upgrade and repair poles, lines and other infrastructure to help improve the reliability of service. Current General Manager Bob Perry, along with current Operations Manager Don Rose have continued with that philosophy to meet the mission of the Co-op and ensure that customers enjoy the benefits of reliable electric service.

Reliability has improved over the last decade. According to WOEC records, in 2005 members suffered 24,740 outages for a total of 62,139 hours. In 2013 those numbers had dropped to 7,762 member outages lasting 25,072 hours. In 2014 those numbers were 11,481 member outages for 44,870 hours.

Obviously fluctuating weather plays a huge role in those outage numbers. WOEC has suffered through four large weather related disasters in the last decade: a windstorm in 2006 that caused \$571,300 in damages, the flood in 2007 which caused over \$1 million in damages, a snowstorm in 2008 that caused almost \$2 million in damages, and a snowstorm in 2012 that caused \$690,500 in damages. All told those storms caused \$4.23 million in damages.

The storms are significant for several reason. They caused loss of power to customers: the 2008 snowstorm contributed to 17,157 member outages for a total of 385,758 hours that year.

More importantly, those storms resulted in WOEC spending \$1.46 million for repairs after they received reimbursements from FEMA of \$2.77 million.

In addition, because of those storms, WOEC was forced to move their headquarters at a cost to the Co-op of \$3 million. They also chose to move the substation to a new location that is out of the flood zone, at a cost of \$2.66 million and the previously mentioned project to underground the Timber/Elsie line, which cost \$3.65 million.

Those large capital projects carried a total cost of just over \$13 million dollars of which FEMA contributed \$3.61 million, leaving WOEC to foot the rest of the \$9.3 million bill.

WOEC did not have \$9 million on hand and had to borrow a good portion of the funding. WOEC's 2015 budget showed an expense line item of \$820,000 just for Interest on Long Term Debt. Remove that \$9 million dollars from the liability of the co-op and things would

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Thursday November 12th 6:30 pm
Internet Safety
It's imperative in today's online culture we understand the dangers posed to ourselves and to our children through internet crimes. WCSO Community Outreach Specialist will bring to light the risks we take when using/allowing our children to use the computer. Must be at least 16 to attend.

Thursday November 5th 6:30 pm
'State of Vernonia Address'
For Vernonia and outlying areas including Mist and Birkenfeld.
This meeting will be presented by Vernonia Police Chief Michael Connor and Columbia County Sheriff Jeff Dickerson. The status of our law enforcement departments and current and future concerns for crime prevention in our community will be discussed including time for questions and answers. Join us as well in welcoming Vernonia's newest police officer.

Events hosted by VPD, VernoniaOnWatch, Mist/BirkenfeldOnWatch & The Cabin.

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