

Power of the People

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Residential Exchange Controversy

A lot is being written in the papers and reported on television regarding the rate increases at PGE, Pacific Power and other investor-owned utilities (IOUs) due the Ninth Circuit Court of Appeals decision regarding exchange benefits from BPA. This has obviously raised questions from our members wondering if the exchange will affect our rates at West Oregon Electric Cooperative, (WOEC). The direct answer is no, the court's decision on the residential exchange will not cause a rate increase for WOEC. The whys and wherefores are a bit more complicated, but I will attempt to communicate the different issues involved.

West Oregon is considered a public-owned utility and therefore is also a preference customer. We made a choice years ago to buy all of our power from BPA, giving us first rights to the low-cost hydro power. The IOUs chose not to, then came back to BPA through their congressional delegations and claimed their customers were being unfairly treated by having to pay more for their power supply than others in the Northwest.

They claimed that customers from the IOUs had the same right to benefit from low cost power produced from the Federal Columbia River Power System as the preference customers and wanted to be compensated for the difference in cost. In other words, they wanted the benefits of a preference customer even though they made the choice not to participate. The IOUs prevailed and so, 25 years ago, a Residential Exchange program was created which would allow the residential and small farm customers to share some of the benefits of the hydro system that the public utilities received.

The original intent of the program, called the 1980 Northwest Power Act, was to be a power exchange between BPA and the IOUs. Through negotiations, this power exchange instead became direct cash payments based on a formula or rate methodology. Rather than receiving low cost power from the BPA hydro system, PGE, Pacific Power, Pudget Sound Energy, Avista, and other investor-owned utilities

received monthly cash payments from BPA, which are now \$28 million per month.

In 2002, BPA decided to change the methodology and increased the amount paid to the IOUs. From 2002 through 2006, this change in the residential exchange calculations resulted in the payment of \$1.8 billion to the privately held utilities. Payments from BPA that were in the \$50 to \$150 million a year range until 2002, now were in the \$350 to \$380 million range. The higher payments to the IOUs came at the expense of WOEC and the other public utilities through increases to our wholesale power rates.

On May 3, the 9th Circuit Court ruled that BPA illegally changed the methodology. As you can well imagine, we are in agreement with the ruling. Our members should not be paying higher power supply costs to give arbitrary benefits above and beyond the established methodology of the Residential Exchange Program.

BPA, as a result of the ruling, decided on its own to suspend the exchange payments to the IOUs until the issue is resolved. This suspension is what has triggered the rate increases at the IOUs.

None of the public power utilities requested this action, but have instead asked for an opportunity to sit down with BPA and the IOUs to work out a settlement. In this settlement, we want to make sure the Residential Exchange Program at least goes back to its original methodology. We are open to working out a reasonable solution that does not punish our members through higher power supply costs.

There are a lot of questions to be answered during these negotiations, including whether we can expect to receive back the overpayments we were charged, and what is going to be the exchange rate going forward? We are in the middle of determining what we are going to do for our power supply after our current contract with BPA expires in September of 2011.

Included in the new contract BPA will offer, will again be a Residential Exchange Program. We need to work out a fair agreement now on what the new exchange should be for the next twenty years, and then make sure that BPA honors the contract. If we are not successful in our efforts to find a solution, we run the risk of having Congress step in, which puts our hydro system in jeopardy of being controlled by outside interests intent on using the profits from the dam to balance the Federal Budget. This most assuredly would result in significantly higher rates for all of us who rely on low cost hydro power to keep our rates down. We will be working with our state, regional, and national organizations to resolve this very important issue for our members.

Largest Sitka spruce losing branches All roads to Lost Lake now open

The nation's largest Sitka spruce, located just off U.S. 26 southeast of Seaside, will be allowed to fall naturally to its death. Officials will keep visitors from getting too close to the 200-foot tree. "It could last another 10 or 20 years, or it could fall over tomorrow," said Steve Meshke, Clatsop County Parks Director, "It is at the end of its life cycle; that is one thing we have all agreed upon. There is not much we can do at this stage, except keep everyone away from it and monitor it."

The tree shares co-champion status with a tree in Olympic National Park in Washington as the nation's largest Sitka spruce based on height, trunk circumference and crown spread. The tree has survived a lightning-induced scar for four decades but a recent windstorm knocked loose a large chunk and revealed a rotting interior. An icon in Oregon, the tree draws about 100,000 visitors each year.

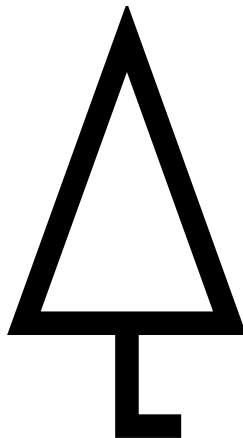
To prevent people from being injured or killed by a falling

limb, barriers will now be in place in part of the parking lot and visitors will have to view the tree from 165 feet away.

"There are two ways this tree is going to fall: entirely in a sudden event or it will continue to shed branches at a greater rate than it has in the past. The distance is safe enough if limbs are falling but may not be if the entire tree topples," said Terrence Flanagan, a Lake Oswego arborist consulted by Clatsop County. "Foresters will be looking at ways to cable the tree so that when it does tumble, they can direct the fall. Ideally, it will fall away from the

parking lot," said Paul Ries, Urban Forester with the Oregon Department of Forestry.

Adapted from National Woodlands, Winter 2007



Good news for visitors to Lost Lake in southeast Clatsop County. The Oregon Department of Forestry reports that a surface treatment project has been completed and roads to the lake are now open.

Access is available either from Highway 26 at Quartz Creek Road, or from Henry Riererson Spruce Run Campground on Lower Nehalem Road.

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