

Power of the People

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West Oregon Electric Cooperative



Rate Summary for 2010 & 2011

The WOEC Board of Directors at their meeting of September 28th, approved a rate increase of 4% on October 1, 2010, and a 5% increase on October 1, 2011.

The increase was based upon the completion of a 10-year Load Forecast, a 10-year Financial Forecast, a Cost of Service Analysis (COSA), and the determination of management staff of West Oregon Electric Cooperative that an increase of 9% spread over two years will be necessary to maintain the level of services and cover operational costs of the cooperative. The increase is based on the following facts:

- BPA will increase our wholesale power costs by 3% in 2010-2011, and by at least 9% in 2011-2012. The final amount of the increase is being determined in a rate hearing currently underway.

- The new building will add \$3 per month to the facility charge, which equates to a 2% increase in the rates.

- We've reduced our tree trimming by three months in order to make budget and this has put us behind in maintaining our system and meeting PUC requirements. This should be fully funded going forward.

- Our overall costs of goods, services, and materials have continued to increase in costs, especially metal prices.

- Cost of living adjustments in labor and benefits.
- Increased legal fees, due to pending litigation.
- We are still trying to recover financially from the three FEMA events that took over \$1 million of cash out of our Co-op. Our reserves have to be sufficient to deal with the next event or events.

Reasons for the 4% increase in October, 2010:

- a) Labor costs will increase 3.5% effective July, 2011. Approximate increase - \$38,000.

- b) Benefit costs will increase (don't know the exact %). Approximate increase - \$19,000.

- c) Tree trimming costs (full yr and 2% increase). Approximate increase - \$48,000.

- d) Cost of power will increase. Approximate in-

crease - \$73,000.

- e) Principal & interest for building loan. Approximate increase - \$97,000 (\$129,000 in 2012).

- f) Potential lawsuit against WOEC will increase legal expenses. Approximate increase - \$50,000.

Total projected increases in expenses - approximately \$325,000.

The rate increase will generate approximately \$329,000 of additional revenue over 12 months, allowing WOEC to cover the increased cost of doing business.

Reasons for the 5% increase in October, 2011:

- a) Cost of Power (BPA) is expected to increase about 10%, which equals about a 4% increase for WOEC.

- b) Normal cost of living increases will cover the balance - about 1%.

As you can see from this list, we have little or no control over most of these items. Of the things we do have control of, we have been, and continue to keep costs down as much as possible. All of our staff has taken a voluntary wage freeze for one year which has helped and will continue to benefit us in the future. We are freezing all non-capital expenditures for the remainder of 2010 unless absolutely necessary, freezing overtime unless authorized in advance for a project or outages, and putting off our pole inspection this year to next year to make sure we make tier. Our revenue is down and costs up, but we are managing against it as much as possible.

Most of the increase is due to increases in our wholesale power costs from BPA. As I stated above, we will be subject to at least a 12% to 13% increase in our costs if all goes well. The increase in 2011-2012 could be higher if BPA decides it needs to recover more costs. We will keep our members informed when the final decisions are made.

It is interesting how even WOEC is subject to the global market. As demand for metal has increased in China, they are buying all they can from the U.S. which has shrunk the supply here, thus driving up the price to us. All of the wire, tools, transformers, and other necessary metal items to operate our business have gone up in price dramatically.

We have spread the costs evenly among the rate classes as recommended by the COSA and are not recommending any other changes to the rate structure.

Candidate interviews offer insight

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should be implemented soon.
Johnson, E. - Better communication with the public. If I was a council member I would make it a point to get people in the community more involved; maybe by using a column in the newspaper or a newsletter, and then be open to receiving the information the citizens give. I would listen, and listen some more.

Johnson, S. - I believe people in city government have good intentions but I am concerned with decisions they've made and the direction they've taken.

I think it's time for change or new thinking.

Nicks - I think the biggest thing is that people don't feel listened to and the results indicate that. A better decision-making process needs to be in place. All city staff and the council should avail themselves of educational opportunities to improve their skills.

Smith - We need city government to be transparent. There is nothing that goes on in city council meetings, other than personnel issues, that the citizens should not know about.

Tschache - I believe that no in-

stitution is perfect and what was right one day may not be right in the future. It's all a matter of perspective. We recreate Vernonia city government in a proactive image that promotes managed change, intelligent growth and encourages self-sufficiency. We need to be visible and transparent at the same time. We need to know how to prioritize knowing which issues require addressing and which may well take care of themselves. We need to coordinate the overall process of government more efficiently. In

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We will be reviewing our rate structure and how it fits into the new Tier 1 rate structure from BPA that will change us to a load following and demand focus. We will be working on a new rate design that will better fit this new rate structure for 2012 and beyond.

The other area we will continue to address is the facility charge. The COSA indicates that our cost to maintain the system on a per meter per month basis is about \$80 to \$88. We are the only industry that does not charge all of its fixed costs up front, then charge for usage. Gas, water, sewer, phone, etc...all operate this way which allows them to be able to know that the base rate covers all of their fixed costs each budget year. We cannot do this as the majority of our revenue comes from kilowatt usage. If usage is up we can cover our costs. If they are down we will be caught short. It makes operating and budgeting very difficult. The other issue is that those who use very little power, especially those with seasonal homes who use no power for months, are not paying their fair share of the operating costs for maintaining the system. That means that the rest of the membership is subsidizing the system costs for everyone else. The fair and equitable way to make sure everyone shares in the costs equally is to increase the facility charge, which would then allow us to reduce the costs per kilowatt. Currently we are not even covering half of the fixed costs of operating and maintaining our system. The facility charge needs to continue to be increased over time until we reach the point where we are adequately covering our fixed costs. We will be looking into ways to accomplish this in a fair and equitable manner going forward as we look at our rate design for the future.

We continue to strive to do our best to increase reliability and provide good service to our members while keeping costs down as much as possible. Where we can control costs, we do. Where we can't, we try our best to minimize the impact on our membership and make sure that the costs we do put in our rates are fair to all classes of our members.



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