

Power of the People

By W. Marc Farmer, General Manager,
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Setting the Record Straight

A comment in Letters to the Editor in the June 6 issue of *The INDEPENDENT* is providing me with another opportunity to communicate with our members once again about the new building costs, the reason for the building, and the reality of the rates at WOEC. I welcome the chance to further educate and discuss the Co-op and the reasons for various aspects of our member-owned electric utility.

As a reminder, the Co-op had to relocate our headquarters by order of FEMA (Federal Emergency Management Agency). We had no choice in the matter and were given three years to relocate our facilities. The edict was due to the fact that, as an essential service being over 80% damaged as a result of the last flood, we had to relocate or lose future funding if flooded again. The message was clear, not only from FEMA but common sense, that after being flooded twice within 11 years we needed to get our offices out of the flood plain. It's the same reason and logic others in the community have used in raising their homes, the schools being relocated, and others homes and businesses relocating.

As far as the costs of the new building, we were able to provide a facility that looks good, is sufficient in size for current and future needs, is conveniently located, and is out of the flood plain, for a monthly cost to our Co-op members of only \$3. Our member survey said that 81% of our members would support a new building if we were able to keep it at or below \$3 per month, which we did due to some very smart and innovative decisions in the construction. You can't even buy a pack of cigarettes or a latté for that much. The cost is spread over 30 years, so both current and future members will share in the cost of the facility that was constructed to last over 50 years. So we not only did what we needed to do, but did it at a very reasonable and fair price.

The new building is not why the rates at WOEC are higher than our neighbors. There are several factors involved in our rates and I will briefly explain each. The major and unavoidable fact and reality of WOEC is our service territory. It is by far the toughest and most expensive system to maintain and operate in the

state of Oregon. The Co-op was created over 68 years ago because nobody else wanted to serve the area, and we exist today because, 68 years later, still nobody wants to serve our territory. Our service area covers parts of five counties and is spread over 1,224 square miles of rugged terrain containing over 2 million trees with 4,300 meters sprinkled among them. We have an unbalanced, low-density load, which means we have little to no industrial load, a small percentage of commercial load and heavy residential load, all spread across those 1,224 square miles. Forest Grove, by comparison, is a well balanced, high density load all contained within a five mile service area with few trees and little travel time to service.

The second factor is that for 33 years this Co-op had the lowest prices in the state, because no money was being put back into the system. Maintenance, upkeep, and upgrading were not being done. David Seuss, Russell Green and I then inherited a system that was aging, declining in value, unreliable, and in danger of being shut down for safety hazards caused by trees in the lines. The last three General Managers have had to take drastic measures to bring the system into compliance and invest dollars and time into upgrading the system. It would have been much cheaper to do all of this at yesterday's dollars and along the way, rather than doing a major consolidated push at today's dollars. The choice I had as Manager was to either bury my head in the sand and ignore the facts as Managers did during those 33 years, or make the tough decisions that had to be made and fix the problem. I chose the latter and have upgraded the system from one end to the other, with one substation transformer left to replace on 2014, in my ten year plan, and we will be done ahead of schedule. I have also brought in a second tree trimming crew to decrease the tree hazards and safety violations, have a ten year cycle plan in place to inspect, treat, and replace power poles to extend their useful life, moved the headquarters and main Vernonia substation out of the flood plain, and undergrounded the Elsie/Timber transmission line. All of these projects have resulted in greater reliability and longevity of our system, reduced maintenance, outages, and repair costs, and created a safer system. While there were obviously up-front costs to do so, the savings will pay off in the long run.

The third major factor is increases in both our wholesale power costs and the costs of goods and services we use. Just as our members experience higher costs in everything from other utilities, fuel, goods and services, so do we, and those costs have

to be included in our rates. We have and will continue to see dramatic increases in our wholesale power rates going forward which we simply have to pass through. We have no control over these costs and certainly don't want them, either. BPA sets the rates we are charged for the power we provide and we are at their mercy.

The only ways we could see rate relief at WOEC would be if we were to experience significant load growth, with a more balanced load, or a significant reduction in our costs of power, goods and services, or that our system was merged with another utility. None of these are likely to occur. Land use laws, our location off the beaten path, and the economy are working against any major growth occurring, costs are more likely to increase not decrease, and as I stated before, nobody else wants to service this area because it is so difficult and expensive to serve and maintain with little revenue to cover the costs. It is the nature of the beast, unfortunately.

It is the reality of our situation that keeps me awake at night, that there is little to nothing I can do to give rate relief to the members of WOEC, I have little or no control over the vast majority of our costs. Of those I can influence, we keep as low as possible. It is very frustrating to me, as General Manager, because I am fully aware and understand the impact our rates have on our members. Many of you are my friends, neighbors, and family, and I know the effects the economy is having on the members. We provide energy tips and programs to help our members use energy more efficiently to lower costs, the management team took a two-year wage freeze and union employees a one-year. We have kept our costs and rates as low as we can, and in some cases lower than we should, but made the conscious choice to do so, which will have to be addressed at some point in the future. I was told when I came here seven years ago that this was the toughest and most challenging Co-op management job in the entire state; it has and does live up to its reputation.

I understand that our rates have a negative impact on those who are here and the decision of others looking at relocating here. The reality I deal with is that there is nothing I can do to change the situation now or in the future. If there was, I would have done so already. Despite the reality I am faced with, I am constantly looking for possible solutions and will continue to do so. Let's hope for a major change in our economy and future load growth in our service area. We could all use it.

Out of My Mind . . .

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lion with ads opposing the measure, some of which were outright lies, it was defeated by less than one percent of the vote.

Would Oregonians fall for the big money tactics? Yes.

A few years ago, Oregon voters faced a ballot measure increasing the cigarette tax to help fund smoking cessation and low income health care. A majority of people supported the measure until they were bombarded by a few months of tobacco industry ads. One ad

bemoaned the economic pain that low income smokers would feel, another decried how unfairly smokers were being treated. Oh yes, the tobacco industry showed how it really cares about the poor and the unhealthy.

The measure was defeated, and the only industry in America that is legally allowed to sell poison for human consumption is still thriving.

Some extremely wealthy people won't rely entirely on the various secret donor organizations, and will be public

about at least some their political spending. Las Vegas casino mogul Sheldon Adelson is a good example. He has already spent \$35 million, first to promote Newt Gingrich, now Mitt Romney, and says he is ready to spend "at least" \$100 million. Adelson is upset about Obama's Wall Street regulations, which are so tough that he has already made more than \$21 billion under Obama.

These examples are only a whiff of the foul winds that will be blowing through our nation this year. The stench promises

to be truly overwhelming.

Action Ads

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