

POWERLINE

NEWS FROM THE GRASSROOTS – AMERICA'S COOPERATIVE COMMUNITIES • FALL 2009

Oregon

OREGON RURAL ELECTRIC COOPERATIVE ASSOCIATION

Message from Ted Case, Executive Director (ORECA)



Ted Case

October is National Co-op Month so we at the Oregon Rural Electric Cooperative Association (ORECA) join more than 900 electric cooperatives and 29,000 other cooperative businesses around the nation in honoring this business model by recognizing the value of belonging to a member-owned co-op. ORECA's eighteen non-profit electric co-ops bring at-cost power to more than 200,000 members' homes and businesses around the state of Oregon.

We also are using this month to honor our storied history. The cooperative business model, the federal hydropower system and Rural Electrification Administration (REA) are inextricably linked in the Pacific Northwest. Franklin Delano Roosevelt's legacy of creating the REA and federal hydroelectric programs is well known.

What is less understood is FDR's mission to duplicate this wildly successful New Deal Program throughout the world, particularly in war-torn Europe. And history books reveal that President Roosevelt attempted to advance this cause in the final days of his life, when his health was in serious decline and White House doctors implored him to reduce his work load.

According to author Jean Edward Smith in his book, FDR, the President had a White House meeting in March 1945 and shared his vision of rebuilding central Europe with a rural development program similar to electric cooperatives relationship with BPA.

That FDR would forcefully advocate for rural electrification and the cooperative business model should not surprise any of us. But that it ultimately turned out to be the topic of his last official meeting in the White House is a testament to his commitment. The ailing President then retreated to Warm Springs, Georgia—a place that had originally spurred his interest in rural electrification when he'd witnessed the abject poverty among the people there. Two weeks later, President Roosevelt died.

In this issue of Powerline, you'll find stories from three electric co-ops in Oregon that relate the principles we hold dear—not-for profit, local control and commitment to community—to their actual day-to-day business. Let's use Co-op Month to celebrate our success and our past leaders. •

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OTEC Celebrates Co-op Principles: Non-Profit

Michael A. Howe, Communications Specialist, Oregon Trail Electric Cooperative, (Baker City, OR)

One of the great things about being a member of an electric utility cooperative is that you know your money is staying local. The board of directors are locally and democratically elected, unlike the investor-owned utilities whose management may answer to a board and stockholders overseas. At an electric utility cooperative like Oregon Trail Electric (OTEC) the members can



Michael A. Howe

rest assured that the not for profit model is in full force and that the top priority is to provide safe, reliable, and affordable electric utility service to the members.

There are times, however, where outside forces have significant influence on the low rates even a non-profit cooperative can maintain.

That is why utilities like OTEC are proactive in the public policy process and defend against those unwanted

upward rate pressures.

OTEC proactively kept its members informed about the BPA wholesale power rate increase process, and was quite successful in encouraging its members to comment on both the BPA rate increase proposal as well as BPA's continued subsidization of the aluminum industry (Alcoa and CFAC) DSIs at the expense of industry in the OTEC service territory.

The results were quite evident with the large number of OTEC members who took advantage of BPA's public

comment period, and it was evident from the comments shared by BPA officials to OTEC.

OTEC's members can feel confident that any future issues that might impact the way OTEC does business or the rates OTEC's members pay will be shared with them.

Transparency is important to OTEC and OTEC will continue to rely on its members to help it provide safe, reliable, and affordable electric utility service. This is one of the many benefits of membership in a non-profit electric utility. •

Salem Celebrates Co-op Principles: Commitment to Community

Robert J. Speckman, General Manager, Salem Electric, (Salem, OR)

Salem Electric turned 68 years old in 2009, although the cooperative could be accused of lying about its age since it was incorporated in 1938. But we have always treated the day that Salem Electric began serving its members with power in 1941 as the day it

was 'born.' Not that the three years prior weren't busy ones for the founders. Fighting with the Salem City Council for the right to serve within its borders, and trying to convince the Bonneville Power Administration that Salem Electric was a legitimate enterprise that deserved 'preference customer' status

were the main fronts in the battle. Much of the fight was carried on in newspaper articles and advertisements as well as in letters between SE and BPA and PGE.

The end result was a small beginning with 22 members that has grown in these 68 years to over 18,000.

Salem Electric's growth can be measured in other ways over those six and a half decades such as the amount of power bought and sold, the increase in equity and decrease in debt, the increase in the number of employees and an increase in the number of members served per employee. Another area where growth has been noticeable is in Salem Electric's community involvement. That type



Robert J. Speckman

of involvement, which was there from the very beginning, has become very broad and very deep. By broad I mean the number of community organizations touched by SE either financially

or through the volunteer efforts of our board and staff. By deep I refer to the number of organizations with Salem Electric representatives serving on boards or committees.

We look for ways to serve the community because we hope to receive the support of the community in return. We all have a basic human need to be liked. Corporations have the same need—but for more practical reasons. If you like a

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Blachly-Lane Celebrates Co-op Principles: Local Control

Bud Tracy, General Manager, Blachly-Lane Electric Cooperative, (Junction City, OR)

I've worked in the electric cooperative business for over 42 years, I have never been more proud than recently. As many of Wall Street's gambles and schemes have hurt many folks around this country, it fills me with



Bud Tracy

pride to know that our electric cooperative was founded in a business model that provides honest and fair service to our community members.

There are many unique benefits of belonging to a member-owned cooperative. Local control allows the member-owners to select individuals to represent them by developing policies for providing reliable and competitively priced electricity.

One adopted program is our Blachly-Lane Energy Share Program, funded by employees and members as an aid to members who need assistance in paying their bill.

This is one of the most visible local control issues that allow members to help those who first help themselves. This same principle was considered when our cooperative constructed a solar facility as a means of providing hands-on visibility and educational example of the cost-effectiveness and physical space required for a solar installation.

As our board is elected from the membership, they have the best interests of our service

territory in mind which can only be gained by living and working here, providing board members with the ability to make decisions and provide direction for our cooperative that fits the values and needs of our community.

I have witnessed a number of issues that were directed and completed in the collective benefit of the membership. One of the strongest and most meaningful commitments was support for their cooperative that was documented by an overwhelming vote of the members to maintain their existing control by not merging with another cooperative. It is heartening to know that the membership believes in their cooperative and was able to express their preference.

A Bylaw Committee was then formed to review the existing bylaws with recommendations for changes submitted to the complete membership. Local control with both the Board and the Members collaboratively demonstrated the value of direct member involvement with new and improved bylaws being instituted.

I keep thinking of additional benefits! The largest and greatest dollar issue is the uniting with 13 electric cooperatives in the procurement of a twenty (20) year power supply contract and the collective ability to develop generation resources. Helping mitigate and control costs to a lesser amount definitely excites me with the co-op principles! •

Coos-Curry Celebrates Co-op Principles: Commitment to Community

Roger Meader, General Manager/CEO, Coos-Curry Electric Cooperative, (Port Orford, OR)

Cooperatives have a strong commitment to community. A commitment that is typically carried out by partnering with local service clubs, supporting 4-H and other youth organizations, serving on volunteer boards, raising money to help those in need or working side-by-side with other community members to make the place they live a place they are proud to call "home." Coos-Curry Electric has been committed to the communities it serves for over 70 years in not only the traditional ways, but in new ways as well.

Last year, Coos-Curry Electric became a Touchstone Energy partner to bring even more value to the concept of being a member of an electric cooperative "community." While affiliation with Touchstone Energy brings many benefits, it was the Co-op Connections Program that was most appealing. We knew that electric prices were going to go up, economic times were tough and members were struggling, so we felt we had to find other programs that would help our members save money and maintain their quality of life.

Since January of 2009, Coos-Curry Electric members have saved nearly \$120,000 on their prescription drugs using the Co-op Connections card, ranking them second in the nation according to Touchstone Energy. Nationwide, members of the more than 219 cooperatives offering the program to their members have saved more than \$5.6 million. The program is providing more benefit to members than expected. We constantly look for programs



Roger Meader

that will add benefit to being a member of a cooperative and allow us to help members in need. I've heard stories about how the prescription drug discounts have helped single parents pay for a child's medication and how it has helped our elderly members; and to me that's what commitment to community is all about. Recently, a dental, vision and hearing discount package was added to the Co-op Connections Program. •

Committee Hearings, Markup Slated for Climate Change Bill

By Terry Halter, NRECA

Since the inception of cap and trade legislation, electric co-op advocates have been working aggressively with the U.S. Congress to protect their interests.

If passed, the American Clean Energy and Security Act (ACES) would create new costs for energy producers from refineries to coal-fired power plants that emit greenhouse gases. These new costs would be passed on to consumers. Figuring out how much the bill will cost consumers is causing angst for many legislators and their constituents.

Opponents of the legislation say that it will ruin the U.S. economy, while supporters say that costs are relatively minor, especially when compared to the catastrophic costs of not regulating greenhouse gases.

The bill, dubbed the Waxman-Markey bill in honor of its authors, U.S. Representatives Henry Waxman (CA, D-30th)

and Edward Markey (MA, D-7th), respectively, narrowly passed the U.S. House of Representatives in June. Legislation is awaiting mark-up by five committees in the Senate. Concerns center on which committee will take responsibility for overseeing the distribution of emission allowances—the Finance Committee or the Environment and Public Works Committee, the latter chaired by Sen. Barbara Boxer (D-CA). Boxer believes that the House Members gave up too much in the original bill to get it passed and has suggested working from an earlier proposal of the bill with much more stringent requirements.

Senate leaders want passage of the bill prior to the United Nations climate change negotiations in December 2009 at Copenhagen, where countries will try to reach a global agreement to lower emissions of greenhouse gases.

If you've wondered how cap-and-trade legislation would

work: Congress places a cap on the total U.S. emissions of greenhouse gases and requires companies and utilities to get "allowances" to emit the gases and sell carbon-based energy. After the government distributes a finite number of allowances, companies would be able to buy and sell them. The cost of these allowances would typically hit consumers at the gasoline pump and in their electric bills.

June 2009, the Congressional Budget Office estimated that the annual cost of the program would be \$175 per household in 2020, when the

cap will have been in effect for eight years. CEO of the National Rural Electric Cooperative Association Glenn English states, "If Congress is going to rely on the CBO estimate, lawmakers need to put their money where their mouth is and back up that projection. Given all the other pressures on electricity prices, including some of the other provisions in the bill, consumers must have a guarantee that the per household cost of a cap, covering all emissions, including transportation as well as electric generation, will not exceed the CBO estimate." •

Co-op Principles

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corporation you are more likely to do business with it. For an organization like ours it might mean that you will choose to locate or maintain your home or business in our service area. Of course that good feeling engendered through community

service has to be backed up with a good, affordable, reliable product and—at Salem Electric—it is. So the next time you see Salem Electric's name associated with a community event or organization, think of it as a value added to your electric service as well as an enhancement in the value of your cooperative. •



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