



April 2008

Dear PUD Customer:

## Electric Rates to Decrease 6%

We are happy to report that all Northern Wasco County PUD customers will see a six percent (6%) rate reduction. Electric bills mailed after April 1, 2008 will be calculated on this lower rate. If you used 1000 kilowatt hours, your bill on the old rate would have been \$60.38, under the new rate it will be \$57.13.

### Why A Rate Reduction?

The Bonneville Power Administration (BPA) will be refunding over \$1.6 million to Northern Wasco County PUD. A recent court ruling determined that BPA had over-collected \$322 million from public utilities around the region through their Residential Exchange Program.

The Northern Wasco PUD Board of Directors voted unanimously to return the full amount of this overpayment plus accrued interest back to our customers, through this rate reduction.

Best regards,

Dwight Langer  
General Manager

Additional information is included to help you understand some of the challenges, issues and decisions facing our PUD in the near future. As a "customer-owner, this is your utility. Please use the attached form to let us know your thoughts or concerns. We value your input.

## What is Residential Exchange?

The Residential Exchange Program is part of the Northwest Power Act of 1980. It mandates BPA pay for-profit investor-owned utilities (such as PacifiCorp and Portland General Electric) the difference between their average system cost and BPA's Priority Firm (PF) exchange rate for its residential and small farm customers. From 1980 through 1996, these investor-owned utilities received nearly \$2.5 billion. This was money collected from public power utility customers such as you. [For additional information on this process, visit the web: [http://bpa.gov/power/pl/review/backgrounder\\_residential\\_exchange.pdf](http://bpa.gov/power/pl/review/backgrounder_residential_exchange.pdf).]

## What Caused Bonneville (BPA) To Refund Money to Utilities?

In 2000, BPA abandoned the methodology established in the Northwest Energy Act (Act), and entered into settlement agreements with six investor-owned utilities. This action essentially increased Bonneville's payments to these utilities ten fold. Northern Wasco County PUD and other public power utilities and entities from around the Northwest challenged the actions taken by BPA as being unfair to public power customers because it collected more from them than was mandated by the Power Act.

In May 2007, the Ninth Circuit Court of Appeals ruled in the public utilities' favor. It determined BPA had exercised its settlement authority contrary to the requirements in the Act. As a result, BPA was forced to stop making the inflated residential exchange payments to the investor-owned utilities. The \$1.6 million refunded to Northern Wasco PUD is an *interim* payment until BPA completes its current rate case and decides how best to proceed in the future and in accordance with the law. A final "true up" may determine our utility is due additional monies or it may determine we received too much. In either case, your rates will be adjusted accordingly.

## What Is a Rate Case?

The Bonneville Power Administration is required to go through a series of public hearings, referred to as a rate case, each time they anticipate the need for rate changes or adjustments. At this time, Bonneville is holding hearings to establish a revised rate that will put them back in compliance with the Northwest Power Act. This rate case will be for the fiscal year beginning October 1, 2008 through September 30, 2009. A new rate case will begin in 2009 to establish rates for fiscal years October 1, 2009 through September 30, 2011, and so on.

## What Does The Future Hold?

**Rates** We do not have a crystal ball. The Board of Directors and management of your Northern Wasco PUD have always tried to establish stable rates that are fair and equitable. Proof is that our rates are among the lowest in the region and the nation. Despite labor and material cost increases, our rates have remained unchanged for the last six years. The PUD's debt service ratio (money held in reserve to meet annual interest and principal payments on debt) is at a level that will benefit PUD customers by qualifying for a higher bond-rating (lower interest rate) if at some point in the future the District needs to invest in additional energy generation.

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**Reliability** Customers continue to enjoy a very reliable electric system. This is accomplished by trimming trees from lines, testing equipment and budgeting appropriately to replace equipment as needed in a timely manner. This due diligence has been successful as our PUD customers experience few outages. Because our lines have sustained little storm damage, from time to time we are able to send our crews to help other utilities during emergencies.

**Unknowns** Rates and system reliability are things over which we have greater control. The unknowns pose the greatest threat to our local economy. Currently, over twenty-five percent of your power bills go to ensure fish survival. If political pressure at both the state and Federal level force removal of some of the dams on the Columbia River system, the impact on your rates to secure replacement power from other sources could be substantial. The Corps of Engineers recently completed an exhaustive \$23 million study on dam removal. It concluded that dam removal (breaching) is not the best option for fish – or for our economy. In addition to not knowing what our power needs will be in 2020, if BPA cannot supply those needs, where will that needed power come from and at what cost? One thing we do know is we need to start exploring those options now and not wait until 2020. Long range planning is critical to ensure affordable power to meet future energy needs.

### Does Wind Provide the Answer to Future Energy Needs?

Some believe conservation and wind turbines will provide enough power to meet all future energy needs. Wind is clean and renewable. Studies show it blows about 35% of the time. Utilities will depend on power produced by dams to “firm” their loads and provide energy when the wind does not blow. As more and more wind projects are developed and the Federal hydroelectric system becomes maxed out there will be a greater need to develop new “firm resources” to pick up when hydro and wind fall short of meeting our growing energy needs.

Wind is clean and renewable but it is more costly. Wind turbines are located in windy, rural locations at costs over three times that of hydro generation. In addition to high construction costs, the cost to build transmission lines to each wind farm location costs millions of dollars per mile. Electric consumers will be paying these costs. We are continuing to explore cost effective options.

### What is being done?

There are more changes currently taking place in the utility industry than at any time in our PUD's history. In the next several months, Northwest utilities will be signing long-term power purchase contracts with BPA that will affect electric consumers for the next 20 years or longer. BPA has estimated they will not be able to supply 100% of our power needs into the future from the existing hydro federal system. What will be our community's energy needs twenty years from now; how many new companies will locate here and what will be their energy needs? Will BPA be able to supply these needs or will it be necessary to look to other resources? These real and very serious questions will have a long-term consequence.

### PUD Interests Well Represented

Your Board of Directors is very involved on a state level through the Oregon PUD Association, which represents Oregon's six PUDs in legislative issues. Howard Gonser will be serving as President of that association for 2008. At a regional level, Bill Ward serves on the Executive Committee of the (Northwest) Public Power Council, and General Manager Dwight Langer serves on the Board of Directors of the Northwest Requirements Utilities (representing utilities who are reliant upon BPA for 100 percent of their energy needs). The Bonneville Power Act of 1939 granted “publicly owned” utilities the first right to cheaper hydropower produced by the Columbia River dams. This right is constantly being challenged by larger investor-owned for-profit utilities which serve the majority of Oregon electric consumers.

**Your 2008 Board of Directors --**



**Barbara Nagle**  
Subdivision. #1  
298-1227



**Bill Ward**  
Subdivision #2  
980-7213



**Clay Smith**  
Subdivision #3  
296-1314



**Howard Gonser**  
Subdivision #4  
296-9849



**Milt Skov**  
Subdivision #5  
298-4093

Visit our website at [www.nwasco.com](http://www.nwasco.com)

As a “customer-owner,” this is *your* PUD. If you have questions or concerns about power availability, rates or other utility related issues, please let us know your thoughts and suggestions on the form below. Staff, management and the Board of Directors value your input and feedback. Please mail responses to Northern Wasco County PUD, 2345 River Road, The Dalles, OR 97058

Name \_\_\_\_\_ Address: \_\_\_\_\_

Phone (optional) \_\_\_\_\_ Email address: \_\_\_\_\_

Comments: \_\_\_\_\_

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I would like a PUD representative to contact me to discuss my concerns.