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WA-18

Rate Structure Preserves Autonomy

Recently, my Ruralite articles have addressed the economy, its effects on our utility and how the low-cost federal hydropower system is getting to the point of being almost depleted.

During the year, there are times when there is a surplus of hydro, but on average it is almost all being used and paid for by electric companies. In the near future, if we need additional power from the Bonneville Power Administration, it will come from more expensive generation, causing upward pressure on electric rates.

Two years ago, we were faced with a dilemma on whether to continue relying on BPA to provide all of our electricity needs or start taking steps to enable us to serve our own load. After weighing the pros and cons, we decided to go with the latter option. Our first step was to change our rate structure with BPA to what is called a "slice" customer, which is different than our current status as a "preference" customer. This will take effect October 1, 2011.

What is the difference in the two types of contracts with BPA? If we were to continue with our current rate structure with BPA, the agency would continue to read our electric use and send us a bill, just like today. Our bills from BPA would be broken down into two parts. One would be for the portion of power that comes from the hydro system, which



we are entitled to as a Northwest public utility. The second part would be for any additional power use. BPA would go out into the market and buy power on our behalf. As a preference customer, we would be reliant on BPA to take care of meeting our consumption needs.

In our decision making, we considered that if we continued the preference route, we would be required to notify BPA how we would use the energy generated from our McNary, H.W. Hill landfill gas facility and White Creek Wind Project for the next 17 years. Once we made this decision, we would not be able to change our minds, even if the market changed.

We decided not to give up this flexibility that we worked so hard to build.

In changing to the slice product, we will still get our designated portion of the hydro-based system from BPA. However, we will be in charge of buying power to meet any shortfalls we predict, as well as sell any surplus power ourselves. The slice product will allow us to choose how we use our own power resources.

Becoming a slice customer with BPA means our future is literally in our own hands. There are risks associated with managing our own power resources. However, we have formed a good partnership with The Energy Authority, which has assisted us with power management for years. We have gained valuable experience in power marketing, and believe that the potential benefits of the slice product outweigh the risks.

We are looking forward to the new challenges.

Jim Smith, General Manager