



# CENTRAL ELECTRIC

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## **Central Electric Cooperative to Implement First Rate Increase Since 2001, Rising External Costs Driver Behind 9.5 Percent Average Increase**

REDMOND, Ore. – Citing the need to increase revenues to address the rising costs of buying and delivering electricity, Central Electric Cooperative (CEC) board of directors yesterday authorized a 9.5 percent average increase in members' rates effective with the utility's October billings.

“We have been able to forgo any increase in our rates for nine years, but we began explaining to our members early in 2009 that this period would be drawing to a close, largely due to rising power costs,” said Member Services Director Jeff Beaman. “Wholesale power rates have increased considerably since we last adjusted rates and were raised almost 7 percent just last October. We’ve been able to defer the impact on members through efficient operations, cost-conscious management practices and the establishment in 2005 of a rate stabilization account. That account will continue to relieve some of the pressure on rates, but it will be depleted after 2013. When this trend is combined with projections for additional increases in the cost of power we purchase from BPA, it appears likely that we will need to seek another increase next year, similar in size to this year’s.”

The wholesale power rate Bonneville Power Administration currently charges CEC is 23 percent higher than 2001's rate. Another increase is slated for 2011 and rate of the increase could reach double figures in size. All of these circumstances prompted CEC's board of directors to commission an independent analysis of CEC's costs-of-service and rates earlier this year. The study showed that the co-op's costs were exceeding revenues and that it would experience negative operating margins beginning next year without a rate increase. The board endorsed a recommendation for a 9.5 percent average increase in order to produce a positive operating margin in 2011.

The next step in the rate-making process was to convene the rate advisory committee comprised of co-op members from a range of business backgrounds. The board presented the study to the committee in July. The committee reviewed the recommendation and advised the board on how the increase should be applied across the co-op's five major customer classes.

“The participation of our members in the rate-making process goes to the heart of the Central Electric Cooperative business structure,” said Beaman. “Although we are a non-profit, member-owned cooperative, positive net margins are critical to our financial strength. This is essential to financing operations cost effectively, which allows us to make the investment needed to ensure the safety and reliability of our electrical system.

(more)

## **Rate Increase (cont'd)**

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The 9.5 percent average increase combines increases in rates and fixed charges applied monthly to members' accounts (see below). CEC's residential rates will increase 8.4 percent, from 6.76 cents per kilowatt-hour (kWh) during April through October to 7.33 cents per kWh. The winter rate, from November through March, increases from 6.52 to 7.07 cents per kWh. The average monthly bill for the co-op's residential members using 1,400 kWh will increase from \$102.53 to \$112.36.

Beaman noted that according to the latest figures available from the U.S. Energy Information Administration, CEC's new summer residential rate is nearly 37 percent lower than the 2009 national average residential rate of 11.55 cents per kWh.

### **Facilities Charges**

Customers also will experience increases in their facilities charges, or the fixed portion of members' bills that equate to a monthly service charge. Funds from facilities charges are directed to the coverage of such non-energy utility costs as lines, substations, vehicles, fuel, labor and supplies which must be paid for regardless of the amount of energy consumed by members. Residential members' monthly facilities charge is being increased from \$9.75 per month to \$11.75.

Members of the rates advisory committee supported facilities charge increases because they currently cover only about one-third of the co-op's fixed costs, with the balance of the cost recovery folded into energy charges. Committee members support the movement toward covering more of the fixed costs with the recurring monthly charges.

### **Conservation**

"We are well aware that the timing of this increase could pose some difficulty for our members in these tough economic times," said Beaman. "We did not enter into this decision lightly and are implementing the increase because it is in the best long-term interests of the co-op and its membership as we maintain and strengthen our ability to provide reliable, safe service."

CEC offers nearly a dozen energy efficiency and conservation programs that help members save energy and save money. Several involve rebates or financial incentives designed to encourage members to pursue improvements or replace old appliances by making it more affordable and reduce the amount of time it takes for their investment to pay for itself.

"We hope all of our members will visit the Products and Services section of [www.cec.coop](http://www.cec.coop) to learn about the energy saving ideas and the conservation programs we offer," said Beaman.

### **Central Electric Cooperative, Inc. Background**

A member-owned electric cooperative, Central Electric (CEC) has provided electric utility services to its members in central Oregon since 1941. At the close of 2009, CEC served 31,564 accounts held by 24,297 members in its 5,300 square-mile service territory utilizing its electrical system of 24 substations and 3,886 miles of energized power lines, including 183 miles of transmission line, 2,296 miles of overhead and 1,407 miles of underground distribution line.

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