

BIG BEND ELECTRIC COOPERATIVE, INC.



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Manager's Message

Co-op to Explore Power Supply Options

Your Cooperative, along with many other utilities in the Northwest, currently buys all of its power from the Bonneville Power Administration (BPA). Under our power supply contract, BPA is required to provide us with all of the power we need as our loads grow.

BPA charges us at a rate that helps the agency cover its total costs. This means if BPA needs to buy power at market prices to meet our load growth, those additional costs are averaged into BPA's rate.

When our contract ends in September 2011, BPA plans to stop this method of pricing.

Instead, BPA plans to set up a two-tier rate structure. Tier 1 power would be provided from the power supply portfolio BPA has available at the time our contract expires. This power would continue to be priced at "cost-based" rates—just enough to meet the agency's total costs.

BPA will not have enough Tier 1 power to meet all of its customers' needs. Your Co-op will be able to buy only an allocated share of the Tier 1 power BPA has available. It will be the responsibility of your Co-op to determine the source of our remaining power needs.

BPA plans to offer a Tier 2 power supply product to meet our remaining needs. However, this power will be priced at market rates.

Before contracting with BPA for the agency's Tier 2 product, it is

BPA Rate Relief Payment

As a result of a U.S. Ninth Circuit Court of Appeals ruling in 2007, the Bonneville Power Administration (BPA) has recently offered your Co-op an interim \$1.3 million rate relief payment. Although we have signed an agreement to receive the payment, legal challenges by other parties may postpone or eliminate the deal.

It likely will be later this year before we know the outcome of a BPA rate case that determines exactly the amount of funds, if any, to which we are entitled. A possibility exists that any funds your Co-op receives now may need to be returned to BPA, depending on the rate case decision. ■

important that your Co-op explore its options to fill the gap between our total power needs and what we can buy from BPA at the Tier 1 rate.

To preserve long-term access to our share of Tier 1 power, we plan to enter into a 20-year contract with BPA.

With the cost of power being the largest single cost component for your Co-op, picking the most cost-effective power supply option to meet our power needs is critical to minimizing the impact on your

electric rates in the future.

Big Bend Electric Cooperative is not facing this issue alone. Your Co-op has joined with nearly 40 other utilities in the Northwest to study power supply options available to us. Through this effort, we are able to bring experts in the power supply industry together to help us.

With this help and, given the excellent financial condition of your Co-op, I'm optimistic we will have some great options to consider later this year. ■

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