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## ELECTRIC COOPERATIVE ENDS YEAR IN GOOD FINANCIAL CONDITION

February 1, 2011 [Port Orford, OR]: The CCEC board of directors reviewed the preliminary 2010 year-end financial statements at their regularly-scheduled monthly board meeting last Thursday. The discussion focused on wholesale power, the factor that makes up nearly 50 percent of the cooperative's budget.

About ten years ago, PNGC Power entered into a contract to purchase most of its power from the Bonneville Power Administration (BPA) on behalf of its 16 member cooperatives, including CCEC. Part of this power is in the form of a traditional "block" of power and the other portion is referred to as a "slice" of the total power output of the federal base system marketed by BPA. While all power secured as part of the block contract arrangements is purchased through BPA, under the slice contract, customers are able to go to the open market to purchase additional power as needed to meet load and sell any power excess to their needs. Acting as a joint operating entity, PNGC Power aggregates the loads and resource needs for its members to help manage market volatility, minimize risk and obtain more favorable wholesale power prices.

"For the first time in nine years, PNGC Power had an operating loss which was directly related to a higher cost for wholesale power," Meader explained. The Northwest depends on water as fuel for a majority of the region's power supply. "We've had a couple of low water years where we haven't been able to generate

enough through the hydropower system and we've had to make up the difference by buying on the open market often at higher prices," Meader continued.

"In good water years, we have excess power to sell, and it's usually at favorable prices; however that wasn't the case last year," Meader said. "When we had excess to sell, the price was down and when we needed to buy power, the price was up because everyone else needed it at the same time." Meader went on to explain that the cooperative knew water projections were grim going into last year and had budgeted accordingly. CCEC's additional cost for wholesale power was approximately \$600,000; and the board of directors elected to account for the loss in 2010 to match the liability to the period in which it occurred. "Fortunately, we were paying close attention to the water and wholesale power forecasts going into last year, and we budgeted approximately \$400,000 additional for wholesale power, so we only have to book an additional \$200,000 to cover the loss," Meader said. The overall price of wholesale power the cooperative purchased on behalf of the membership jumped from \$10.6 million in 2009 to nearly \$13.2 million last year.

At the end of every fiscal year, BPA also makes an adjustment under the slice contract that requires an additional payment or a refund to "true up" the amount of money actually paid for wholesale power under the contract. For the 2010 operating year, CCEC received a \$130,000 credit which the board of directors elected to defer booking until the 2011 operating year.

"Even with all the uncertainties in the wholesale power market, we're very sound financially," Meader said, "and since we budgeted for an operating loss in the area of wholesale power last year, I recommend we take the entire loss in 2010 and push the Slice True Up Adjustment credit to 2011 to help offset any future uncertainty with regard to wholesale power."

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Coos-Curry Electric Cooperative, Inc. (CCEC) was founded in 1939 by a group of Coos County, Oregon, residents who wanted electricity in their area. Today, the nonprofit cooperative has approximately 14,000 members, over 17,000 meters in Coos, Curry, and Douglas Counties, and 1,626 miles of line, including 52 miles of transmission line between Gold Beach and Brookings. CCEC serves the rural populations east and south of Coos Bay in Coos County, a portion of Douglas County and all of Curry County except for the town of Langlois. Headquartered in Port Orford, Oregon, CCEC has area business offices in Port Orford, Coquille, Gold Beach and Brookings.