

Harney Electric Cooperative, Inc.
PO Box 587
Hines, OR 97738

December 27, 2018

Mr. Paul Rossow
Oregon Public Utility Commission, Utility Analyst
PO Box 1088
Salem, OR 97308-1088

Dear Mr. Rossow:

Pursuant to OAR 860-29-080(2), I am filing avoided cost information on behalf of Harney Electric Cooperative, Inc.

As a publicly owned entity, Harney Electric Cooperative, Inc. (HEC) buys all of its wholesale power from the BPA at the priority firm (PF) rate in accordance with Section 5(b)(1) of the Northwest Power Act. HEC is a full requirements customer of BPA. Under our contract, BPA provides wholesale power at the PF rate sufficient to meet all of our current load and future load growth. Therefore, our avoided cost will continue to be the PF rate as established by BPA in its regular rate proceedings.

Currently, the average PF rate for FY 2018 is about 29.64 mills per kWh. BPA currently expects that rate will stay at this level through 2019. We all would hope to see these rates go down; in reality that probably won't happen, and an escalation of 1-3% per year is more likely. The final rates for this period are uncertain but could be in the range of 46.58 mills in 2038. These rates include the effect of BPA's cost recovery adjustment clauses and do not include demand costs as well as transmission costs. That is, these are energy only rates.

The Tier 2 rate for 2038 is expected to be closer to 83.48 mills. It is expected that by 2038 HEC would be taking some Tier 2 power.

Our power supply contract with BPA runs through 2027. BPA is in the process of developing new twenty-year contracts with a tiered structure. We will update this contract and rate information in future filings.

If you have any questions regarding this information, please contact me at your convenience at Harney Electric Cooperative, Inc.

Sincerely,

Fred Flippence
General Manager