

FOR IMMEDIATE RELEASE

Franchise Tax Increase - 1 - 1 - 1

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City Discussion Item to Increase PUD Franchise Fees 66 Percent

THE DALLES, OR – At Tuesday night's Northern Wasco County PUD monthly Board meeting the directors discussed a notification recently received from the City of possible action to increase the PUD's franchise fees paid to the City. At this point in time the franchise fee is a discussion item for the Council's March 29th meeting.

The PUD board and management are quite concerned of such action's future impact on customer rates and electric bills. The electric rates charged by the PUD are among the most competitive in the Pacific Northwest and are only about one-half the average U.S. rates as compiled by the U.S. Department of Energy's Information Administration.

In 2009 the PUD paid over **\$680,000** in franchise fees and nearly **\$290,000** in property taxes for a total of nearly \$1 million - **\$972,200**. The City's discussion item pertains to considering a one-half percent increase per year for four years. The current franchise fee rate is three percent of the value of electric sales in the city; the new rate at the end of four years, if approved by the Council, would be five percent of gross sales – an increase of **66 percent**.

If current rates were to hold for the entire period the new franchise fees paid to the City from the PUD's customers' bills would be in excess of \$1.1 million dollars not counting property taxes.

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The PUD management and Board have long testified that adequate supplies of energy at affordable prices are paramount in the community's efforts for economic development and quality of life. The PUD is quite concerned that such action, if approved by the City Council, will escalate an already challenging energy future where customer rates will increase.

The Board cited several pending legislative and regulatory matters that have the potential to dramatically increase customer rates and it wants to keep the rates as competitive as possible. For example, the current snowpack is only sixty-five percent of normal which could result in increased rates from BPA as a result of reduced hydro generation. Judge Redden is yet to rule on a pending biological opinion for the Federal Hydro System which could result in increased customer costs, **twenty-five to thirty percent** of the cost of power from BPA is already attributable to salmon recovery programs.

In addition, there is the carbon cap and trade legislation from either the State of Oregon or nationally from Washington, D.C. or both. Estimates of the impact of carbon cap and trade legislation range from 30 to 70 percent to customer rates.

Unfortunately, legislators in Salem and in Washington, D.C. see electric utilities as the perfect vehicle to raise revenue to finance social projects and agendas without the public's knowledge - it's a hidden tax and one of which customers need to be apprised. We do not want our City Council to use the franchise fee to further burden PUD customers with added costs in their electric rates.

This and more is expected to be shared with the Council at Monday's meeting.

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