

Consumers Power, Inc.
2020 President's Annual Meeting Message

These are extraordinary times for all Oregonians, and especially for CPI members. Just one week ago, who would have foreseen the full fury of nature in the form of so many devastating wildfires across our state? Earlier this week nearly a third of CPI's 23,000 members endured long hours and even days without electricity after strong east winds over multiple days sent countless trees through power lines, blocking numerous roads and highways for miles. This kind of storm event is most unusual for this time of year in our part of the country.

During the past several years a lot of the state's attention and discussion has focused on the subject of disaster preparedness. Thanks to the coronavirus pandemic that Chairman Sapp just talked about, we are all probably better prepared now for the long-predicted Cascadia Subduction Zone event than ever before. Now it seems that we are learning how to prepare for and deal with wildfires. So what does CPI do to mitigate the risk of wildfire?

After assigning a fire risk rating for each circuit of our electric system, we developed a fire mitigation plan comprised of three parts, the first of which is vegetation management. Besides cutting and trimming trees within rights-of-way (1,800 spans so far this year), we identify and remove hazard trees outside the right-of-way – 1,400 trees so far in 2020 and 650 last year. We patrol high-risk circuits before fire season and address any identified problem areas early. We have also started using drones or Unmanned Aerial Vehicles to analyze vegetation line clearances.

System coordination is the second part of our fire mitigation plan. System coordination involves selectively installing more sophisticated equipment to provide better system protection. We also continuously monitor the electric system during "red flag" or extreme weather events contributing to high fire risk, and we de-energize lines not needed for power delivery. During red flag events such as the one that occurred earlier this week, power restoration takes far longer than normal because every section of line must first be patrolled to ensure no fire hazards exist before the section is reenergized.

System hardening is the third part of our fire mitigation plan which includes selectively replacing wood poles with iron, steel, or fiberglass in areas of high risk, and strategically converting overhead lines to underground.

Before I leave this subject I would be remiss not to mention the horrific destruction that occurred this week in the Santiam Canyon from Stayton through the Little North Fork and Elkhorn Valley, and the communities of Lyons, Mehama, Mill City, Gates, Detroit, Idanha, and Marion Forks. This portion of CPI's system was essentially destroyed, but that pales in comparison to the heartbreaking loss of life, property, and possessions of countless friends and neighbors that less than a week ago called those places home. It's far too painful to think about right now.

Safety & Operations

Last year our employees established a remarkable and impressive five year record for workdays without a lost time accident. That record ended in an unremarkable way with a fairly common injury that routinely occurs in sports. We have worked injury-free so far in 2020, and that includes no coronavirus infections. We have been continuously operating under our highest level of protection in our Pandemic Plan since March 23rd with nearly all of our 65 employees

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either working remotely or in the field. Once again I am proud to congratulate all CPI employees for their tremendous safety and health achievements. Keep up the good work.

Speaking of good work, I'd like to share some more of our accomplishments over the past year. CPI employees have installed or replaced an astounding **23 miles** of overhead line, 200 new poles, and **26 miles** of underground line. Among noteworthy system hardening projects are completion of the third phase of a line reconductor project in the Harrisburg area to increase reliability, accommodate increased load, and provide better voltage support; converting two miles of overhead line to underground for fire risk mitigation on Marys Peak; installing multiple remote switching devices for better system reliability and control; cable replacement in the Sweet Home area to improve reliability; installing new steel poles at strategic locations throughout our system; and completion of another phase of a multi-year transmission project to provide additional reliability and flexibility for five substations in the Philomath-Corvallis area which serve several thousand CPI members, including the Good Samaritan Regional Medical complex.

Wholesale Power

I would like to comment briefly on some important wholesale power issues. After serving seven years as administrator for the Bonneville Power Administration, Elliot Mainzer left the agency at the end of August for a new job as president/CEO of the California Independent System Operator (CAISO). Earlier this month longtime BPA employee, John Hairston, was named acting administrator while the US Dept. of Energy conducts a process to select a new administrator.

Later this year BPA is expected to announce its initial wholesale power rate proposal for the upcoming 2-year rate period. Rumor is that BPA's initial proposal will be around a 2% increase, but it's also likely that a 2% Financial Reserves Policy surcharge will go into effect. Although BPA's final decision on rates is nearly a year away, this is a discouraging start to the rate case process.

We are following the California blackout situation this year with great interest and some trepidation. Rumors of possible market manipulation similar to that seen during the California Energy Crisis in the early 2000s are extremely troubling, although in all fairness judgement should be reserved until results of the investigation are released. In any event much of the responsibility for this predicament rightfully belongs with legislative and regulatory policies that dictate abandoning dispatchable, baseload resources like natural gas and nuclear generation in favor of an overdependence on intermittent, non-carbon emitting, renewable resources like wind and solar. Extreme region-wide weather events lasting even a couple of days quickly demonstrate the high social and economic cost of these unbalanced energy policies. I fear that our state is determined to follow suit and I am confident that if we do, we will pay the same high price.

I am pleased that the Northwest is finally undertaking a serious effort to establish a regional Resource Adequacy standard, which addresses the vulnerability I just described. Prior to this new initiative, each utility determined the adequacy of generating resources to cover their peak

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demands on an individual utility basis. This method has worked well for decades but the wholesale power market in the Northwest has changed greatly over the past couple of decades.

Big changes in how electricity is generated driven by public demand for clean, non-carbon emitting resources and the bankruptcy of a number of power traders in the aftermath of the 2000-2001 Energy Crisis has greatly reduced the amount of energy and number of companies participating in the Northwest wholesale power market. In addition, the Northwest transmission grid has become increasingly constrained as the need for power has grown over time. These two forces combined put a dangerous squeeze on traditional utility Resource Adequacy assumptions, which often rely on an adequate supply of energy from the wholesale power market. Northwest utilities have finally realized that the time has come to determine the adequacy of resources on a region-wide basis. To steal a well-known phrase, "Admission of a problem is the first step to recovery" and in this case I believe it's not a moment too soon.

2020 Youth Tour

On a final note, the coronavirus pandemic robbed this year's Washington D.C. Youth Tour student of a memorable experience with her counterparts from co-ops across the nation. We selected Kimberley O'Hara, daughter of CPI members Tracey and Sean O'Hara, prior to the onset of the pandemic.

Kimberley is now a senior at Lebanon High School and was selected for her bright personality and dedication to the Lebanon community. She has volunteered at the Lebanon Veteran's Home, Safe Haven Humane Society, and her church where she teaches younger children. At school she participates in DECA which is a program that prepares young adults for careers in marketing, finance, and hospitality management. During her junior year she served as DECA club secretary.

Since travel restrictions prevented our national trade association, NRECA, from hosting the Youth Tour this year, we decided to make a similar financial contribution to Kimberley in the form of a one-year college scholarship. We wish her much success in the months and years ahead.

We so appreciate everyone who joined us today for CPI's 81st Annual Meeting especially under such unusual and difficult circumstances. We are honored to serve you and wish you continued good health and better times ahead.