

## SALEM ELECTRIC'S COMMITMENT TO RENEWABLE POWER

In September 1995, the board adopted a policy to replace all non-renewable BPA power currently being purchased by Salem Electric with power generated from renewable resources, not to exceed an amount equal to the cost of a 4% rate increase.

In November 1995, BPA offered to provide up to 15 megawatts of power to SE from four renewable resources. The power would be available 100% of the time since it would be backed with BPA's hydro system. The proposed projects included Foote Creek Rim, a wind plant in Wyoming. The cost was calculated at 3.5 cents per kWh, and a contract was signed in November 1998.

Effective October 2001, SE executed a Full-Service Subscription Power Sales Agreement with BPA, which had a provision to purchase 4.5 aMW of BPA's Environmentally Preferred Power (EPP) product. BPA's resource mix was 90% renewable, therefore the non-renewable portion dropped to 4.5MW.

At the September 2003 board meeting, the board approved a staff recommendation to not renew the EPP contract and to study available alternatives.

Effective October 1, 2006, Salem Electric entered into an agreement with BPA to purchase 1.8 aMW of renewable energy from BPA. A 1% rate increase was necessary to cover the added cost. The current contract is effective for three years.

dh

11/06/06

WibSERPH