

Important Informational Meetings For Blachly-Lane Members

Monday, September 19

5:30 to 7 p.m.

Lane Fire Authority Veneta Headquarters
88050 Territorial Highway, Veneta

Tuesday, September 20

5:30 to 7 p.m.

Junction City Community Center
175 W. 7th Ave., Junction City

Wednesday, September 21

3 to 4:30 p.m.

Deadwood Community Center
91792 Deadwood Creek Road, Deadwood

Wednesday, September 21

5:30 to 7 p.m.

Lane Fire Authority Alderwood Station
22900 Highway 36, Cheshire

Cliff Kelley, Chairman—District 5
Ernie Jacksch, Vice Chairman—District 1
Marlene Northrup, Secretary/Treasurer—District 4
Cheryl Haskell, Director—District 3
Curtis Short, Director—District 2

Dear Member,

In April 2015, an invited guest of Blachly-Lane Electric Co-op members attended the board of directors meeting. The guest was unable to access the co-op's upstairs meeting room due to mobility limitations. The guest subsequently filed multiple claims with various agencies, alleging violations of the Americans with Disabilities Act of 1990.

This year, the board has diligently researched all sides of the matter—from the legal to the practical. Last summer, the board became aware of the co-op's seismic vulnerability, which introduced additional factors into the deliberations and are compounded by the board's awareness of significant deferred maintenance issues.

We invite you to attend one of four informational open houses to learn more about the four accessibility, seismic and other building improvement options before the board for a decision. The four options are outlined on the following pages. The open houses provide an opportunity for members to learn about each of the options and ask questions of the board and staff. We seek to arrive at reasonable solutions that reflect sound stewardship to the future of the co-op.

Sincerely,

Your Board of Directors



Option 1: Replace Roof and Minor Upgrades

Option 1 addresses deferred maintenance on the roof and makes minor ADA enhancements to the building. The current three layers of roof do not meet code, and the building has multiple leaks. This option keeps the current upstairs boardroom.

This option does not address all potential accommodation issues and may leave the co-op vulnerable to future claims.

This option leaves the buildings vulnerable to loss of life, loss of ability to provide essential service and loss of value to its member-owners in a seismic event.

Estimated cost: \$200,000-plus, depending on extent of roof sheathing water damage.

Rate impact: Rate adjustment of 0.09 percent spread across 30 years. The average residential member would see a \$0.13 per month increase over the current rate, or \$1.56 per year.

Timeline: Could be complete by the end of 2017.

Cost: **Low**
Benefit: **Low**



Current three-layer roof does not meet code requirements and is tarped to reduce internal leaks.

Option 2: Harden Buildings to Seismic Standards and Minor Building Upgrades

Option 2 keeps the current upstairs boardroom, and makes minor ADA enhancements that may leave the co-op vulnerable to future claims. Seismic improvements would allow for safe evacuation of employees and guests in case of a seismic event, yet building may remain unsuitable to provide essential service to the community and may be greatly reduced in value to members. *

This option includes a new roof and minor upgrades for improved operations and engineering functions.

*Cascadia events occur every 246 years on average. The last major activity occurred 316 years ago, or 50 years beyond the average.

Estimated cost: \$2,260,100.

Rate impact: Rate adjustment of 1.18 percent spread across 30 years. The average residential member would see a \$1.75 per month increase over the current rate, or \$21 per year.

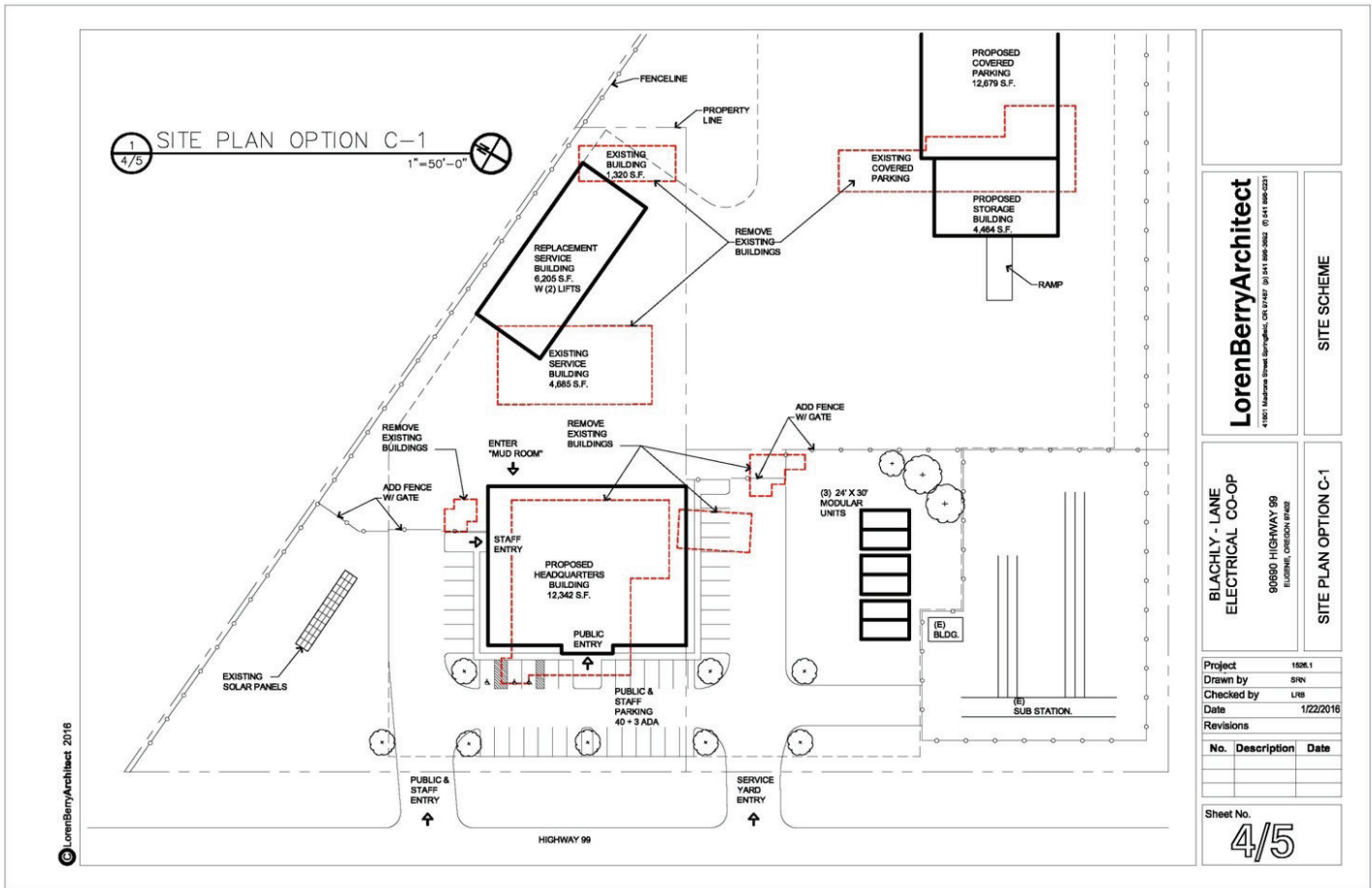
Timeline: May be complete by the end of 2017.

Cost: Moderate
Benefit: Moderate



Rebar supports are inadequate for seismic stability of block building.

Option 4: Construct New Buildings



Option 4 replaces existing buildings with fully ADA-compliant and seismically-sound buildings, reducing risk to people and property value in case of a seismic event, and retains the ability to provide essential services to co-op member-owners. This option eliminates all deferred maintenance issues.

This option provides the greatest risk reduction to the co-op.

Estimated cost: \$11.18 to \$12.68 million.

Rate impact: Rate adjustment of 5.08 to 5.76 percent spread across 30 years. The average residential member would see a \$7.54 to \$8.55 per month increase over the current rate, or \$90.48 to \$102.60 per year.

Timeline: Design, build and complete by the end of 2019.

Cost: High
Benefit: High

Architectural site plan for replacement of existing buildings.

More Information

How Did We Get Here?

June 2015

The board directed a thorough review of the building to evaluate possible accessibility improvements. Loren Berry Architect was hired to conduct the review and provide options.

July 2015

Architect presented accessibility alternatives to the board with cost estimates.

July 2015

At the Oregon Rural Electric Cooperative mid-year meeting, the board of directors gained awareness of seismic risks facing Oregon electric utilities and their ability to provide essential services following an earthquake.

August 2015

Architect was asked to include a seismic vulnerability assessment of the building in his scope of work.

November 2015

Preliminary reports from the architect revealed multiple points of structural deficit or limitation, including code violations and significant seismic vulnerabilities, putting the co-op at risk. Architect was asked to include seismic options in his scope of work.

January-June 2016

Four architectural plans that address accessibility, seismic and deferred maintenance needs were presented to the board for consideration.

August 2016

ADA complaints are still pending.

History of Blachly-Lane Headquarters

1937—Blachly-Lane's first headquarters was at the site of the original Triangle Lake Power Plant, and included a house where the original general manager lived. The co-op spent about 15 years here.

1952—The cooperative moved its headquarters from Blachly to a rented space on Highway 99, just south of Beltline where Tough Shed is now located. The co-op spent about 12 years here.

1964—The board of directors authorized a new headquarters facility to be built at its current location, using a loan to finance the project. Construction started in November.

1965—Blachly-Lane took possession of the new building on April 15. Driveway and parking areas were blacktopped in August. A Member open house was held in September. An earlier board of directors and administration had the foresight to invest in a building that has served us well for the past 51 years.

We believe the time is now to plan for the next 50 years of Blachly-Lane Electric Cooperative.

How Will Building Needs be Funded?

Blachly-Lane Electric Co-op has extraordinarily high equity as a percentage of its assets. The equity the co-op has built puts it in an excellent position to borrow funds to finance a building project. In co-op finances, borrowing allows the costs to be fairly spread among current and future members over time.

While the equity as a percentage of its assets is high, the value of our headquarters as an asset compared to U.S., Oregon and similarly sized co-ops is low. By borrowing, future members financially contribute to the assets of the co-op rather than burdening today's members with all the costs of its assets. Spreading the costs over the life of a loan will minimize the rate impact to members.

More Information

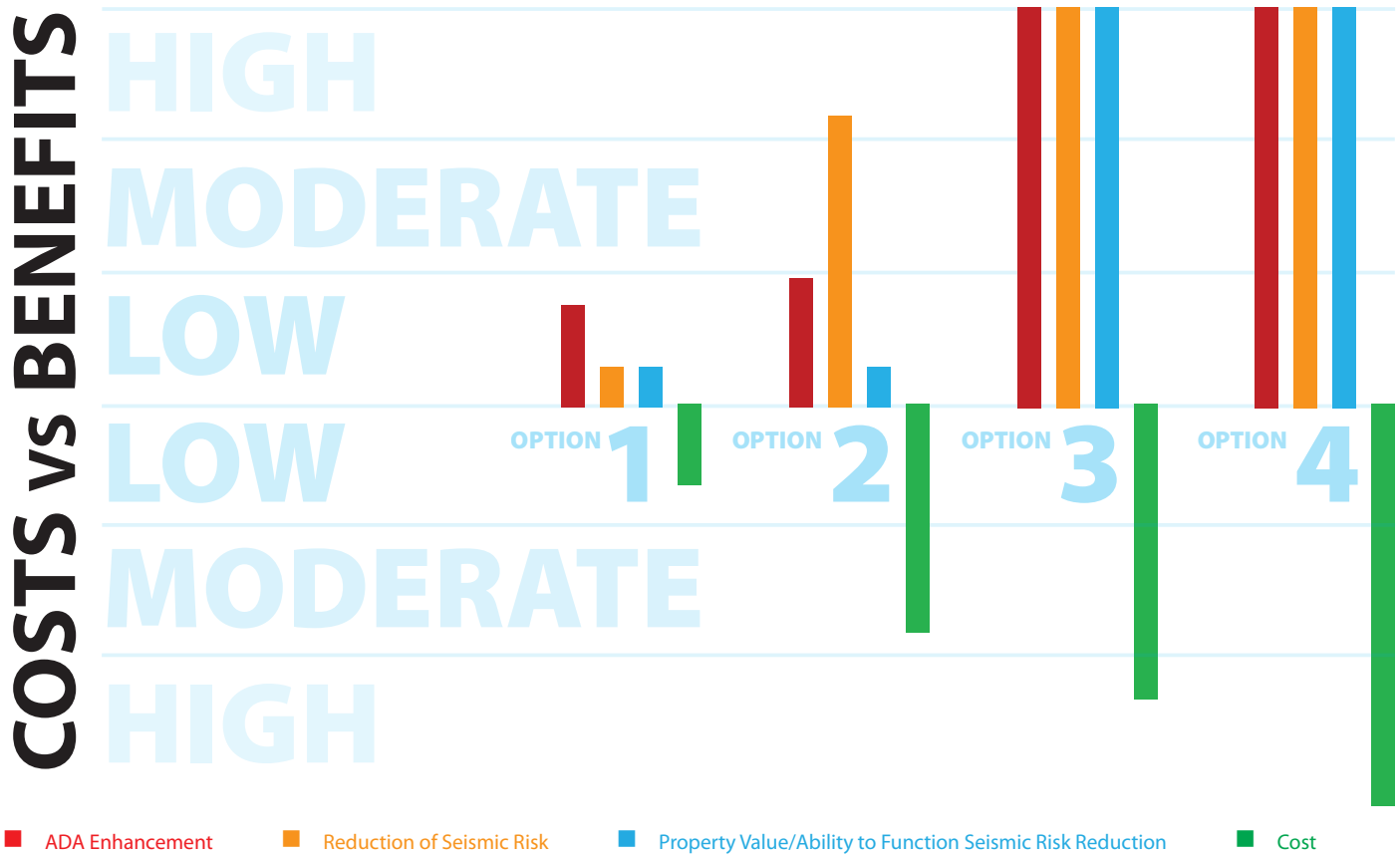
Next Steps

In accordance with Blachly-Lane bylaws, the board of directors plans to vote on its final decision from among the options at the September 27 board meeting. The selected option will be included in the 2017 budget process.

The board of directors will direct management to proceed with the selected option.

Members will be notified of the decision by mail, and an open house will be held at Blachly-Lane headquarters this fall to inform members of the selected option.

Cost Benefit Comparison of Options



Informational Member Open Houses

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Your Touchstone Energy® Cooperative 



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