Manager Marks 10th Anniversary

John Gerstenberger has helped the co-op launch broadband Internet service

By Mike Doke

John Gerstenberger usually has lines on his mind. If he is not casting lines for electrical power, you often can find him casting for fish.

This month, John marks his 10-year anniversary as Hood River Electric Cooperative (HREC) general manager.

Like an experienced angler, John has demonstrated a sure hand in waters that are sometimes calm and sometimes choppy.

Since moving into the general manager’s seat January 1, 1997, John has waded through shifting wholesale power rate currents as the co-op experienced steady growth in residential and small commercial members.

He also helped launch a new service for members: broadband Internet access.

Much in the same way HREC’s first manager, Willard Johnson, helped pioneer electrical distribution in Hood River’s middle and upper valleys, John has been on the forefront of Internet connectivity.

John serves on the Public Power Council executive committee, which involves several types of consumer-owned utilities. He also has a seat on the Northwest Requirements Utilities trade association and is a board member with LightSpeed Networks for broadband Internet.

John has followed in the footsteps of his predecessors—Ted Perry succeeded Willard Johnson as general manager in 1974, and was replaced by Don Walker—by building on the fundamentally sound co-op they help create and maintain.

“Boy, I inherited great infrastructure on the electrical side,” John says. “We have good distribution facilities. We’ve added lines—mainly underground—to serve new members, but the main lines have needed little upgrading.”

John joined HREC in 1986 as its system engineer. When he was promoted to general manager 11 years later, the co-op had 3,153 customers and had generated $4.48 million in revenue the previous calendar year.

As John enters his second decade at the utility’s helm, the co-op has 3,529 customers and a projected $6.11 million in revenue for 2006.

HREC owns about 250 miles of lines on power distribution. Approximately one-third of those lines are underground.

When John joined the co-op, he was part of a staff of 14. Staff size is the same today, even though the utility now provides broadband Internet access and electrical power.

“We’re a frugal operation,” John says.

The board of directors—Doug Mahurin, Patrick Moore, Joyce Weseman, Butch Gehrig, Bernie Wells, Ken Raasch, Roger Nelson, Michael Udelius and Gary Bloom—plays a large role in the utility’s efficiency.

These volunteers and their predecessors have set a sound fiscal direction, John says, adding “the board members have been fairly astute in terms of business operations.”

A constant challenge is keeping rates as low as possible for members, John says.

In recent years, the Bonneville Power Administration (BPA) has increased HREC’s wholesale rates twice. The first resulted in a retail rate hike of 30 percent. The second produced a 7-percent increase.

“Our residential rates were among the lowest in Oregon,” John notes. “We knew in advance what was coming, and we alerted our members to it.”

“Hood River Electric Co-op couldn’t control BPA’s wholesale rates,” John says. “Folks were pretty forgiving about it. And we responded the best way we knew how. We try to provide great value, both in service and helping with customer requests.”

The co-op conducted a rate analysis for its large commercial customers so local companies could prepare for increases, John notes.

The utility’s wholesale power purchases peaked in October 1999. By 2003, purchases had dropped by 15 percent, mainly due to the loss of large commercial members.

As window-maker Cardinal IG and sawmill Mt. Hood Forest Products came on line, purchases started to rebound.

“We need to balance the cost of providing power with revenue,” John says. “Wholesale power costs are 60 to 70 percent of our total budget.”

As the co-op wrestled with power costs, the larger Hood River
Valley community was grappling with another issue: how to provide broadband Internet power to local residents and businesses.

HREC became a leader, establishing the Communications Access Cooperative Holding Enterprise (CACHE) to give members access to the emerging technology.

“We wanted to make broadband available in areas where it didn’t exist, and we wanted to make it affordable,” John says.

The co-op surveyed members as it considered offering broadband.

“We found there was great interest, and we found out rates that would be acceptable,” he explains. HREC set its base rate at $30.

“We developed a business case for the service,” John explains. “It is slow to profitability. It would be quicker to profitability if we charged $50 rather than $30. But we’re here for the long term. We don’t need an instant return on an investment.”

Providing broadband access came with a risk. An upfront financial outlay was needed. It will take time for the utility to recoup those dollars.

But John and the co-op’s board of directors recognized the value.

“What influenced me was the very adamant opinion of folks at the port, at the county and at the school district that this would be beneficial to the community,” recalls John, whose interest in technology rivals his passion for fishing. “This gave us the ability to provide something our customers were interested in and to be able to serve the wider community, like those involved in education, health care and local government.”

HREC did not need to troll long before hooking a market. The initial rollout connected the system with local schools and Providence Hood River Memorial Hospital.

The system serves homes and businesses from Parkdale to downtown Hood River. More than 500 customers are wireless. About 40 have direct fiber access.

Like HREC’s electrical side, the broadband effort is a nonprofit enterprise, answering to the people it serves and returning any operating margins to members.

“There is not a positive margin yet, but that will occur in some fashion,” John says. “Like any other business, we need to take in more than we pay out. We’re not creating profit for shareholders, but we use the margin to build equity. Over time, this equity is allocated back to our members.”

John and his wife, Lynette, celebrated their 27th anniversary in October. They have three children. Ryan, 26, works in fisheries management with the U.S. Forest Service in the upper valley. Daughter Kelly, 24, has a position with Louisiana Pacific in Portland. Son Paul, 23, is the co-op’s network administrator.

John can be reached during the workday at HREC, 334-1233. The utility’s Web site is www.hrec.coop.