



CONNECTED

The Newsletter of Cowlitz PUD

Volume 9, No. 3

March Billing Reflects Slight Rate Increase

The 3.2 percent general electric rate increase, approved earlier this year by the PUD Board of Commissioners, went into effect with the billings beginning March 2. The rate increase had earlier been recommended by PUD staff in the 2006 Electric System Budget adopted in December.

This is the first rate action taken by Cowlitz PUD since October 2004, when rates dropped by about three percent. With the March 2 increase, rates have returned to the 2004 levels.

The average PUD residential electric customer, using 1,500 kilowatt-hours a month, will pay \$2.40 per month more under the adjusted rate.

It appears likely that an additional rate increase will be needed late in 2006 to meet several growing costs, including:

- BPA wholesale power costs, now projected to increase 12 percent in the fall. This would increase the PUD's wholesale power budget by nearly \$7 million over the final three months in 2006 and about \$12.5 million annually. BPA power costs represent over half of the PUD's budget for non-industrial customers.
- Swift No. 2 replacement power costs that totaled nearly \$2 million earlier this year.
- The expected higher cost of wholesale power from Swift No. 2 due to reconstruction, plus fish-related costs associated with obtaining a new 50-year federal license to operate the project.
- Liability and health insurance premiums which are up about \$2 million in 2006.

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- Surge Protection – Wise Investment
- A Message from the General Manager

We have heard from many PUD customers that if higher costs are causing rates to increase, they would prefer smaller, more frequent rate increases versus larger, occasional rate increases. A 3.2 percent increase now helps meet the PUD's immediate budget concerns and will partially offset a potentially larger increase later in the year.

Once BPA rates are finalized this summer and we have more information on how construction and insurance litigation will affect the cost of Swift No. 2 power, the PUD will be able to determine the future effect on rates.

What's Happening in Our Community

Cowlitz PUD is participating in two events coming up in April. We encourage you to attend both events and come by our booth and say hello.

Lower Columbia Contractor's Association Home and Garden Show – Saturday, April 1 (9:00 a.m. to 6:00 p.m.) and Sunday, April 2 (11:00 a.m. to 5:00 p.m.)

Earth Day Celebration – Saturday, April 22 (10:30 a.m. to 3:30 p.m.)

These community events are being held at the Cowlitz County Expo Center (Fairgrounds) on 7th Avenue in Longview.

As space is available each month in Connected, Cowlitz PUD may offer a brief listing promoting activities (on a first-come, first-served basis) for public, non-profit groups with wide interest in Cowlitz County. Please send your request via email to: whats happening@cowlitzpud.org.

Swift No. 2 Back in Service

Cowlitz PUD's Swift No. 2 Hydroelectric project, located on the Lewis River three miles east of Cougar, WA, was back in full operation in early February. The 70 megawatt hydro project provides 10-15 percent of Cowlitz PUD's non-industrial power supply.

Swift No. 2 had been out of commission since April 21, 2002, when a 250-foot section of its power canal embankment failed, causing water, soil and rock to inundate Highway 503-Spur and damage the adjacent powerhouse.

The newly constructed concrete-lined canal extends to the east for the first 5,900 feet of the 3.2 mile long canal. The rebuilt powerhouse and sub-station are shown in the foreground.



The PUD's 50-year federal license to own and operate Swift No. 2 expires April 30, 2006. An application for a new 50-year license was filed in 2004 and the Federal Energy Regulatory Commission is expected to issue a new license soon.

Surge Protection Equipment is Your Best Bet to Prevent Costly Damage

Most of us own electronic equipment which is sensitive and usually expensive to replace. As electronic components become smaller and more delicate, they are increasingly susceptible to damage by power surges.

A power surge can destroy data and computer equipment, disrupt satellite signals, degrade sensitive audio/video components and ruin a microwave. That's why Cowlitz PUD strongly recommends the use of surge protection equipment.

Power surges are the result of an event that causes normal electric service voltage to rise suddenly and then return to normal very quickly. Inside the home, surges can be caused by faulty wiring, loose connections, poor grounding and operation of heating and air conditioning units, major appliances and large motors.

Potential causes outside the home include power outages due to bad weather, downed trees, lightning, squirrels and other animals contacting power lines, auto accidents involving power poles, and neighbors using power equipment and large motors. Surges can also occur when electric service is restored after a power outage.

Surge protection equipment greatly reduces the chance of damage. We suggest you choose a surge protector with an

Underwriter's Laboratory (UL) label. Many local stores sell high quality surge protection equipment.

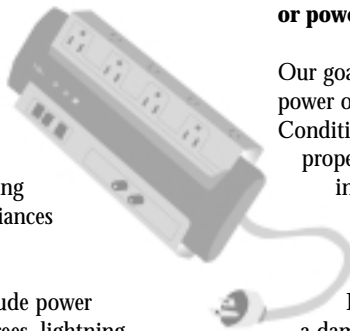
It's as simple as picking out the surge protector that fits your needs, plugging it in the outlet nearest the equipment you want to protect, and then plugging that piece of equipment into the surge protector. Feel free to contact our New Services Department for assistance in choosing the right surge protector.

Is the PUD responsible for damages due to a power outage or power surge?

Our goal is to provide adequate and uninterrupted service, but power outages are inevitable. As addressed in our Electric Service Conditions Policy, the PUD is not liable for personal injuries, property damages or other losses resulting from service interruptions due to causes reasonably beyond our control or normal operations. Power outages and equipment failure usually fall into this category.

If you experience a loss due to a power surge, you can file a damage claim with Cowlitz PUD. It will be investigated, and possibly turned over to our insurance carrier for review. But if the loss is due to an action that is beyond our control, chances are the claim will be denied.

That's why we stress that all customers utilize surge protectors. Please take the time and responsibility to provide adequate protection for your valuable property.



Save Time and Postage with Autopay

Cowlitz PUD's easy-to-use Autopay program is the most convenient way to pay your monthly bill. It means no more postage and trips to the mailbox or trips to the PUD office to pay your bill.

Autopay automatically transfers your PUD payment from your checking (or savings) account to your PUD account, about 10 days after the day we send your statement.

You will continue to receive a PUD bill every month showing your usage, charges and the date funds are transferred from your bank account.

To sign up for Autopay, simply call our office (see the contact information on the back page) and ask for an application. We will mail it to you and all you have to do is fill it out and return it to the PUD with a voided blank check or deposit slip. It's easy to set up and it's free.



CAP Executive Director Ilona Kerby presented the annual Community Partner Award to PUD General Manager Brian Skeahan at CAP's annual banquet in February. The PUD was chosen to receive the award for its longstanding collaboration with CAP to assist low income persons to pay their electricity bills. In recent years CAP and the PUD have also cooperated on the Warm Neighbor Fund and the low-income Senior Discount Rate.

Commission Activities



This column provides highlights of notable action items considered by the PUD Board of Commissioners. In recent weeks the Board:

- **Adopted an Interconnection Standards Policy for electric generators with a capacity of not more than 25 kilowatts.** This policy is linked to the Net Metering law enacted in the late 1990s that allows electric customers in Washington to generate electricity to offset their load and to sell the power they generate (which is in excess to their needs) back to their local utility.
- **Approved a resolution calling for a general rate increase of 3.2 percent for PUD electric customers, effective March 2, 2006.**
- **Took part in a White Creek Wind Project workshop, where key issues like financing and construction of the project were addressed.** Cowlitz PUD is one of four public utilities in the state involved in the Klickitat County wind project, which is expected to go online in late 2007.
- **Met in Olympia with other PUD commissioners at the Washington PUD Association's monthly meetings, held while the legislature is in session.** Key issues discussed included renewable energy and legislative issues related to public power.
- **Traveled to Washington DC to take part in the American Public Power Association's Legislative Rally, March 1-3.** This was an excellent opportunity to meet with the Northwest Congressional delegation members and staff to discuss key public power issues related to BPA rates and salmon recovery.

The Cowlitz PUD Board of Commissioners meets at 2:00 p.m. on the second and fourth Tuesday of each month at the PUD main office at 961 12th Avenue in Longview. These are open, public meetings and we encourage our customers to attend.

From the General Manager's Point-of-View...

Connecting the Dots

As you probably know by now, retail electric rates went up a little effective March 2. This returns our rates back to pre-October 2004 levels, by reversing the three percent decrease we had 18 months ago.

The front-page article in this newsletter explains the rate increase is primarily due to higher wholesale power costs. Let's use the back page to put in perspective how rates are affected by the various operating costs that make up our annual budget, and in particular, the impact of wages and benefits paid to PUD employees.

Recently I've had the opportunity to meet with local service clubs to hear community input and answer questions about PUD operations and the outlook for electric rates. At these meetings, I used a power point presentation with multiple-choice answers to share some basic PUD facts.

Here's a question that stumped the majority of my audiences:
What percent of Cowlitz PUD's total electric system budget is spent on labor and benefits?

A. 6% B. 20% C. 33% D. 50% E. 66%

The correct answer is six percent. If you got the answer wrong don't feel bad, you're in good company.

Most of my audiences guessed wrong too, including several local business people and administrators from our local governments and school districts. People are surprised when they hear that only six percent of the PUD's budget goes toward labor costs – which includes wages and benefits for 145 employees.

Roughly 80¢ of every ratepayer dollar we receive goes right back out the door in the form of wholesale power purchases. The remaining 20¢ is used to deliver that product to your homes and businesses. It covers everything else in our operating budget, including labor, taxes, principal and interest payments on debt, improvements to the system, and costs associated with new customers. Six cents of that dollar goes for labor and benefits.

To put our labor costs in perspective, consider the budget impact if we were to cut our labor costs in half (which would be impossible, but helps make the point). Cutting labor in half

would reduce costs by \$6 million or just 2.8 percent of our total budget. By comparison, the latest proposed BPA wholesale power cost increase will add \$12.45 million per year. That's more than the PUD's entire annual labor and benefits expenditure.

Having said all that, Cowlitz PUD has an obligation to operate frugally and efficiently. However, that need must be balanced with other important duties.

First, we have a responsibility to offer reliable service to our existing customers. That means preventing problems before they happen, fixing things if they break and responding to requests for new or expanded electrical service.

We also have a responsibility for the future. Our 2006 budget assumes we will have 800 new customers coming onto the system this year alone. We have to act today so future generations will have an electric system capable of meeting their needs tomorrow.

Doing these things takes qualified people. And in the electric utility industry, the backbone of our business is fairly-compensated, skilled craft labor such as journey-level linemen and electricians, as well as electrical engineers. These people are in very high demand.

A recent issue of the Northwest Public Power magazine had 80 help-wanted advertisements. Cowlitz PUD has had an engineering manager position open for over six months. We found someone we wanted to hire, but couldn't match what he was being paid at an investor-owned utility.

Our business will be hard hit by the impending baby boom retirement, and experts predict the problems in recruiting and retaining technical professionals will only get worse. Ultimately it's a balancing act of keeping rates as low as possible, offering services our customers demand and recruiting and retaining the people we need to do the jobs our customers expect to get done.



Brian Skeahan,
General Manager

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