



CONNECTED

The Newsletter of Cowlitz PUD

Volume 12, No. 3

Proposed BPA Rate Increase Could Raise Local Electric Rates

The Bonneville Power Administration (BPA) announced in February that its wholesale power rates could increase by 9.4 percent next October. That could also mean an increase in PUD rates late this year.

BPA is a federal agency that markets electricity to 140 utilities in the Pacific Northwest, including Cowlitz PUD. That electricity is produced at 31 federal dams and one nuclear plant.

About 91 percent of the electricity Cowlitz PUD sells to you is purchased from BPA. From a budget standpoint about \$124.8 million of our total 2009 budget of \$256 million – or about 49 percent – is for BPA power. The rate increase proposed by BPA would translate to nearly a \$12 million increase in the PUD's budget next year. Since our retail rates are cost-based, that kind of budget increase could only be offset with higher electric rates.

We can't stress enough that this news is very preliminary. There are many other variables which affect rates, either in a positive or negative manner. There are some concerns within the utility industry that BPA's rate picture could even worsen between now and the time when a final decision is made.

There are four primary drivers behind BPA's proposal:

- A substantial increase in funding to boost protection and survival of threatened and endangered Columbia Basin salmon
- Costs have increased for operations and maintenance of the hydro system, to maintain and improve its reliability and output.
- Increased costs to operate the Columbia Generating Station nuclear plant

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- The economic downturn is reducing prices for BPA's surplus power sales. These sales have been worsened by another year of poor water conditions. Revenues from these sales are used as a credit to help keep rates low. The region is in need of some late snow and heavy spring rains, or poor water conditions could ultimately lead to an even worse BPA rate picture.

BPA Rate Setting Process

BPA's rate announcement in February was the first step in an extensive public review process. It is much like a court case, where written and oral testimony is taken and considered prior to a final decision in August.

Cowlitz PUD actively participates in this process and is already at the table asking BPA to take every possible step to reduce the amount of the proposed increase.

There were many large rate increases across the West in 2000-2001 after the Enron mess. Since then we have worked hard to provide you stable electric rates. Cowlitz PUD's rates are the same today as they were in 2003 and we will take every step necessary to minimize an increase later this year.

Once BPA makes its final decision later this summer we will be able to pinpoint exactly how retail rates will be affected.

BPA will take written comments on its rate proposal through April 24. You can comment at www.bpa.gov/comment or by mail to BPA, P.O. Box 14428, Portland, OR 97293-4428. Your comments should include the project name "2010 BPA Rate Case."

Survey of PUD Customers Offers Insight, Important Results

Cowlitz PUD conducted a random survey of customers in November and December 2008, the second such survey in the past three years. The goal of these surveys is to measure the level of satisfaction (or dissatisfaction) with our services and to use the results to help set a course to better serve and communicate with customers. We conducted a similar survey in 2006.

The survey was performed countywide by an independent company and included phone calls to about 1,100 randomly selected (and anonymous) PUD customers. From that sampling, 401 surveys were completed and data was compiled with a margin of error of +/- 5 percent.

Overall satisfaction

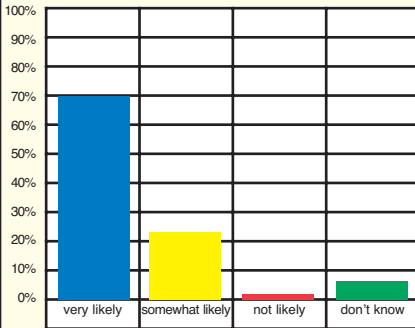
In response to a question addressing overall satisfaction, customers gave Cowlitz PUD a score of 4.0 on a scale of one to five, with 5.0 being excellent. That was a small improvement over the 3.9 you rated us in 2006.

On one hand, 4.0 is a reasonably good score – the equivalent of a “B” on a school report card. But our goal is to be an “A” student, so there’s room for improvement in several areas including communicating clearly and openly, keeping costs in check, making sure we answer our phones promptly and that we provide service quickly and accurately – both during routine business and in emergencies.

The boxes below feature some of the more interesting responses to the survey. For full results you can access the survey at www.cowlitzpud.org.

If you were given the choice of electricity providers, how likely would you be to stay with Cowlitz PUD?

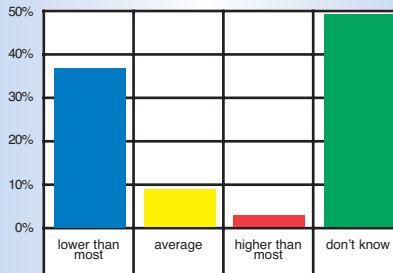
Very likely – 70%
Somewhat likely – 22%
Not likely – 2%
Don't know – 6%



In 2006, about 76 percent of our customers said they would be likely to continue doing business with Cowlitz PUD if given a choice. Today that approval rating has improved to 92% (adding the first two bars together). We appreciate that vote of confidence and at the same time will keep working hard to get that number even higher.

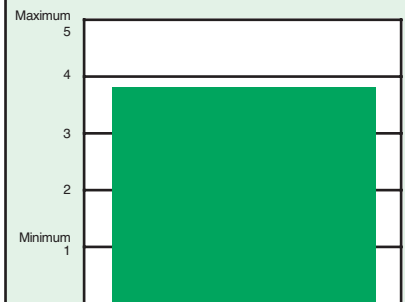
Compared to other electric utilities in the US, would you say Cowlitz PUD residential electric rate are:

Lower than most – 38.2%
Average – 9.5%
Higher than most – 2.9%
Don't Know – 49.4%



If you are one of those who “don’t know,” the right answer to the question is “lower than most.” Out of nearly 3,000 electric utilities in the entire country, Cowlitz PUD was 85th for lowest residential rates in the last national survey provided to us. We charge 5.12¢ per kilowatt hour, while the average in the entire United States is over two times higher at 11.4¢ per kWh.

On a scale of 1 to 5, how environmentally responsible, or “green” do you feel Cowlitz PUD should be, where 1 is doing the minimum necessary to meet legal requirements, and 5 is being an award winning environmental steward, even if that comes at additional cost?



Frankly this response surprised us a little. Out of 401 respondents, 248 scored it a 4 or a 5. This information will help us as we develop new policies around future development of renewable resources, issues like climate change, and in-house environmental practices.

What's Happening

HULDA KLAGER LILAC GARDENS

"LILAC DAYS"

April 18 through May 10

Open DAILY 10:00 a.m. to 4:00 p.m.



Come stroll four acres of blooming lilacs, with exotic tree and vast shrub and perennial plantings. Admission is \$2, with kids under 12 free, if accompanied by an adult.

The Hulda Klager Lilac Gardens have been a long standing beloved attraction in Cowlitz County for so many decades. The Victorian home (built in the late 1880s) and the nearly four acres of blooming lilacs are not only on the historic registry, but also a beautiful, relaxing and fun place to tour.

It's located at 115 South Pekin Road, Woodland, WA. Take exit #21 off Interstate 5 and follow the signs.

More information: www.lilacgardens.com or (360) 225-8996

As space is available in Connected, Cowlitz PUD offers the What's Happening column to provide public, non-profit groups with wide interest in Cowlitz County an avenue to promote their activities (on a first-come, first-served basis). Please send your request via email to: whatshappening@cowlitzpud.org.

Commission Activities



February 2009 highlights:

- Received a presentation from Rachel Shimshak of the Renewables Project Northwest, which included a review of the renewable power projects built in the region during the past 10 years and addressed a comparison of the Renewable Portfolio Standards in Washington, Oregon and California. Ms. Shimshak congratulated the Board for its foresight to begin development of renewable power projects, like the White Creek and Harvest Wind projects, ahead of other utilities in the region.
- Met with a group of 15 PUD employees to discuss the strategic planning goals for 2009 (and beyond) and to review accomplishments of 2008. The Board meets with a different group of employees each month in a 90-minute discussion session.

Upcoming PUD Board meetings:

Tuesday, March 24

Tuesday, April 14

Tuesday, April 28

These public meetings are held in the PUD Auditorium, 961 12th Avenue in Longview at 2:00 p.m. Please check our website for up-to-the-minute Board agendas, meeting dates and times.

Automated Metering - *How data will get from your meter to the PUD*

We have been asked by many customers how the signal from our new automated meters will someday be transmitted to the PUD, thus allowing us to read your meter from our office. It's a good question. The key is the power lines leading to your home or business.

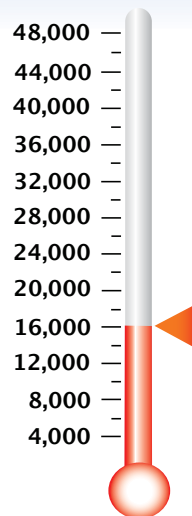
Power lines are capable of transmitting data, much like fiber-optic or telephone lines can. Although Cowlitz PUD is not in the internet business, some electric utilities in the U.S. provide retail internet service over their power lines. It is known as Broadband over Power Lines or BPL.

In our new system, your meter will communicate via a signal carried over the power line with computer hardware installed in a nearby PUD substation. From there the information will be

routed across new fiber-optic lines to the server in the PUD office. That's how we will be able to read your meter – and eventually how you will have access to your usage and meter reading on a real-time basis via the internet.

Project update: As of February, about 13,500 new automated meters are installed. During March and April our technicians will be installing new meters in the Castle Rock and Woodland areas. You will receive a letter from the PUD several weeks ahead of installation.

If you have a question about automated metering, please email it to us at customercomments@cowlitzpud.org and type "Automated Metering" in the subject line. You can also send your question to us at P.O. Box 3007, Longview, WA 98632. Please write "Automated Metering" next to the address.



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

I hope you took a few minutes to read the story on page two about the customer survey we conducted in December. This was the second such survey we've done, and as was the case in 2006 some of the results were surprising, some were rewarding, and some pointed out areas we need to continue working on.



Our customers gave us pretty good marks on two questions that look for the overall level of satisfaction with our services. About 92 percent said they would stick with us if they were given a choice of power suppliers. On a question asking about overall satisfaction with PUD services, you rated us a 4 – on a 1 to 5 basis, with 5 being excellent. There's still room for improvement there, but all-in-all a good score.

Perhaps the two most interesting answers on the survey related to environmental issues. We asked people how environmentally responsible, or “green” do you feel the PUD should be on a scale of 1 to 5, with 1 being the minimum necessary to meet legal requirements (which are pretty stringent in Washington) and 5 being an award-winning environmental steward, even if that comes at additional cost.

That question received a score of 3.8, higher than I thought it would. Cowlitz County is not necessarily considered a hotbed of environmental activists. But this score seems to show how many people are increasingly aware and concerned about those issues. That response will come into play as we move forward.

This score was reinforced by a question we asked about the costs of salmon recovery efforts that are embedded in your electric bill. The average PUD residential customer spends about \$900 a year on their electric bill – and about 20 percent or \$180 of that goes to fund BPA costs associated

with fish and wildlife. We asked customers if they thought \$180 a year was too much to pay for salmon recovery.

The answer again surprised us a little as 41 percent of the respondents thought that this was about right or even too low, and only 40 percent thought it was too high – a statistical dead heat. We perceive that our customers are sensitive about the cost of electricity, so this willingness by so many to spend \$180 on an environmental effort is noteworthy. By the way, a significant portion of the recently proposed BPA rate increase is due to fish costs going up even more.

One response that really surprised me was regarding our rates, which are very low when compared to other utilities here in the state and less than half of the U.S. average. But many people are not aware of that. Only 38 percent knew that our rates are much lower than the national average and only 36 percent knew that our rates are lower than the average for all Washington and Oregon utilities.

We have been considering a follow-up to the survey with focus groups. We would invite people to discuss the survey in more detail, in order to get a better idea of your thoughts about the PUD. I believe it would be useful to help us better understand the survey results and would help us know how to communicate better with you.

One last thought. In the survey you told us that this newsletter is the place you turn first for information about the PUD. About 60 percent of you tell us you read it casually or thoroughly and I thank you for that. We will work hard to make sure it continues to be informative and useful for you.

A handwritten signature in black ink, appearing to read "Brian Skeahan". The signature is fluid and cursive, written over a white background.

Brian Skeahan
General Manager

Contact Information

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