



CONNECTED

The Newsletter of Cowlitz PUD

Volume 10, No. 5

From the Desk of the General Manager

We appreciate you taking a few minutes and reading Connected, which this month offers a review of 2006 PUD activities and statistics. It was a busy and exciting year.

Last year started well when our Swift hydro project returned to service in January, after being down for repairs due to the power canal failure in 2002. We switched to monthly billing and introduced online payments in 2006, two big changes in the way we serve you. In December, our line crews responded to a major wind storm and got the electricity back on within two days to thousands who lost power.

We took some big steps toward completing the White Creek Wind Project (in Klickitat County). Construction got underway and financing was finalized late in the year, in anticipation of the project beginning operation next January. White Creek power will help us meet future load growth and the renewable power requirements of I-937, passed in November by voters.

Improving our electrical infrastructure – substations, poles, transformers and power lines – remains a major priority. As Commissioner Buz Ketcham said in our newsletter last month, we are now building our grandchildren's electric system. An example is the advanced metering infrastructure project we began planning in 2006 and will build over the next five years.

PUDs are not-for-profit, community-owned utilities. You elect the Board of Commissioners. Customer accessibility to decision makers is what sets public power apart from private utilities. They hold regular, public meetings and you have access to their phone numbers and email addresses.

We run the utility in a businesslike manner with a plan to achieve positive financial results. The PUD operates under a board-approved financial policy. Our budget is drafted each fall and approved in December at a public meeting.

Our 150 employees, the board and I believe in giving back to our community. Last summer PUD employees took part in events like the Relay-for-Life, Go Fourth Parade, Cowlitz County Fair Charity Bingo and United Way Day of Caring. In 2006, hundreds of children experienced an electrical safety demonstration put on by our line crews at schools and many community events.

Our goal remains to provide you with reliable and safe service at the lowest possible cost. Thanks for being a customer of Cowlitz PUD.



Brian Skeahan, General Manager

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- Annual Financial Report

Cowlitz PUD Board of Commissioners



Buz Ketcham
District 1
(Kelso, Kalama,
Woodland, Ariel,
Yale, Cougar)



Mark McCrady
District 2
(Longview)



Ned Piper
District 3
(West Longview,
Castle Rock, Toutle,
Ryderwood)

Cowlitz PUD Major Changes and Activities – 2006

Cowlitz PUD made some notable changes for customers in 2006, including a switch from bi-monthly to monthly billing and the addition of online bill payments. From a capital standpoint, we continued on a multi-year plan to upgrade our electrical infrastructure.

MONTHLY BILLING

When electric rates were much lower in the region, bi-monthly billing was the norm at most Northwest utilities. But as power rates have increased over the years, virtually all utilities switched to a practice of monthly billing. Cowlitz PUD followed suit in 2006.

Many customers had requested the switch following double-digit electric rate increases during the energy crisis in 2001. Higher rates had resulted in many bi-monthly winter billings in the \$300-\$400 range. Monthly billing helps keep those bills more manageable, especially for our customers living on a fixed income.

We projected beforehand that it would cost an extra \$500,000 per year to make the switch. However that projection turned out to be a little high. The actual additional cost for monthly billing in 2006 was \$450,000 - to employ more meter readers, double postage expenses and for additional office work.

A big benefit provided by monthly billing is the reduction in unpaid final bills. On top of that, by having a contracted meter reading staff on hand it has allowed for our PUD field reps to focus solely on collection work. The result: The PUD has reduced its bad debt expenses by \$148,000 in 2006 (as compared to the average bad debts in 2004-2005). So the net cost of monthly meter reading was \$302,000 in 2006.

The PUD Board and staff knew from the start that a switch to monthly billing would come with a cost. We were also very aware that some customers disagreed with the change, citing the extra cost as unnecessary. One year later and after hearing from many customers on both sides of the issue we think it is a good change with good results. We thank our customers for adapting with us.

YOU CAN PAY YOUR PUD BILL ONLINE

www.cowlitzpud.org

Debit or credit card (Visa/MasterCard)

ONLINE PAYMENTS

Another service many, many customers have asked for in recent years is the ability to pay their PUD bill via the internet. We added that option in September 2006, which allows customers to pay their bill securely on the PUD website with a credit or debit card. As an example of its popularity, we received 1,030 online payments in December. That number increased to 1,509 in March 2007.

ELECTRIC SYSTEM CONSTRUCTION

Cowlitz PUD stepped up its construction and maintenance program in 2006, to meet the growing electrical needs of customers. The biggest project was the rebuild of the PUD substation near Silver Lake, which was completed in December. The substation was first leveled and then rebuilt from the ground up. This was done to meet growth in the area and to provide more system reliability in the Spirit Lake Highway corridor.

At the end of 2006 we budgeted \$22.3 million for capital improvement costs in 2007 – which includes construction of two new substations, major upgrades to three existing substations, introduction of the first phase of advanced metering infrastructure and replacement of 20 miles of aging underground power lines.

This is the result of a strong economy in Cowlitz County. Projected electrical use in the county is up 10.9 percent in 2007, mainly due to new and increased industrial power loads. That growth creates a demand for additional and improved electrical infrastructure in the county.

Wondering about the Yellow Return Envelope?

We announced in January that our return envelopes would soon be changing color, from green to yellow, and that they would be addressed to Vancouver, WA. That change went into effect May 1.

Cowlitz PUD is one of nine area utilities sharing in a joint mail processing center operated by Clark Public Utilities and Clark County. When you use the yellow return envelope, your payment is sent to the Vancouver center and then electronically scanned and transmitted to us. Your payment record will be processed just as quickly as if you walked into our office.

COWLITZ PUD — GENERAL INFORMATION

Cowlitz PUD delivers electricity to 47,400 residential, commercial, industrial and street lighting customers in Cowlitz County and also provides water service to about 3,800 Longview-Kelso area customers.

Here are some other key numbers:

AVERAGE ELECTRIC USAGE STATISTICS (2006)

<i>Customer Type</i>	<i># of Customers</i>	<i>Share of Total Electric Use</i>
Residential	42,089	17.0%
General Service*	5,267	9.0%
Large Industrial	28	73.9%
Street Lighting	12	0.1%

**General Service customers include commercial, small industrial and other non-residential applications.*

TAX RECAP (2006)

Cowlitz PUD's total tax bill for 2006 was \$10.8 million, which was collected from customers via utility bills and paid to the appropriate state and local governments. This represents about six percent of Cowlitz PUD's total 2006 expenditures and includes:

Utility/B&O tax (state)	\$5,286,110
Privilege tax (state)	\$2,852,956
Combined city taxes	\$2,559,650
Other taxes	\$ 76,047

RESIDENTIAL RATE COMPARISON

The chart below compares Cowlitz PUD rates to others in the Pacific NW and the nation. Prices shown are based on residential electric customers using 1,500 kilowatt hours per month (the average household usage in Cowlitz County):

MONTHLY COST*

Clatskanie	\$55
Rainier	\$70
Chehalis-Centralia	\$73
Cowlitz County	\$77
Yakima	\$80
St. Helens	\$96
Tacoma	\$99
Kennewick	\$99
Olympia	\$103
State average – Washington	\$106
Seattle	\$108
Aberdeen-Hoquiam	\$109
State average – Oregon	\$116
Vancouver	\$117
Portland	\$123
United States average	\$151

**Rates as of January 2007, rounded to the nearest dollar*

QUICK FACTS ABOUT LOCAL ELECTRIC RATES

- Electric rates today are the same as they were in October 2003.
- A PUD customer who pays \$100 a month for electricity, spent about \$200 for Northwest salmon recovery in 2006.
- The average Cowlitz PUD residential customer used about 8 percent more electricity in 2006 than in 2005. Average outdoor temperatures were similar in both years.
- 401 customers qualified for the Senior Citizen Discount rate, which provides qualified low-income customers (age 65) with a discounted rate.

Contact Information

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Cowlitz PUD Financial Information – A Two-Year Comparison

Cowlitz PUD Statement of Revenues, Expenses and Changes in Net Assets –For years ended December 31, 2005 and 2006

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES	\$200,332,253	\$183,980,334
OPERATING EXPENSES		
Operations expense	160,052,259	155,176,348
Maintenance expense	3,566,879	3,144,585
Depreciation & amortization	5,808,616	5,581,375
Taxes	10,774,763	9,532,903
Total Operating Expenses	<u>180,202,517</u>	<u>173,435,211</u>
Total Operating Income	<u>20,129,736</u>	<u>10,545,123</u>
OTHER INCOME	3,428,742	2,566,801
INTEREST CHARGES	6,289,933	1,717,043
NET INCOME BEFORE EXTRAORDINARY ITEMS	17,268,545	11,394,881
EXTRAORDINARY ITEMS	0	27,758,257
CHANGE IN NET ASSETS	17,268,545	39,153,138
TOTAL NET ASSETS, Jan. 1	<u>145,285,444</u>	<u>103,580,919</u>
TOTAL NET ASSETS, Dec. 31	<u>\$162,553,989</u>	<u>\$142,734,057</u>

Cowlitz PUD Statement of Net Assets –December 31, 2005 and 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$118,222,253	\$63,559,326
Temporary Cash Investments	0	0
Accounts Receivable (net)	43,427,983	27,914,106
Materials & Supplies	3,111,101	2,078,743
Other Current Assets	9,144,479	2,264,964
Total Current Assets	<u>173,905,816</u>	<u>95,817,139</u>
UTILITY PLANT		
Electric Plant in Service	258,890,817	181,760,498
Construction Work in Progress	2,718,976	71,818,061
Less Accum. Deprec. & Amort.	98,611,592	93,790,298
Net Utility Plant	<u>162,998,201</u>	<u>159,788,261</u>
OTHER ASSETS		
Other Property & Investments	2,514,771	2,664,803
Deferred Debits	7,904,299	9,536,223
Total Other Assets	<u>10,419,070</u>	<u>12,181,026</u>
TOTAL ASSETS	<u>\$347,323,087</u>	<u>\$267,786,426</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	\$23,586,179	\$31,046,717
Current Portion Long-Term Debt	3,945,000	5,850,000
Bond Interest Payable	2,357,342	1,241,121
Other Current Liabilities	798,414	756,902
Total Current Liabilities	<u>\$30,956,935</u>	<u>\$38,894,740</u>
NON-CURRENT LIABILITIES		
Long-Term Debt	148,333,318	80,849,680
Other Liabilities	5,478,845	5,307,949
Total Non-Current Liabilities	<u>\$153,812,163</u>	<u>\$86,157,629</u>
TOTAL LIABILITIES	<u>\$184,769,098</u>	<u>\$125,052,369</u>

NET ASSETS	<u>\$162,553,989</u>	<u>\$142,734,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$347,323,087</u>	<u>\$267,786,426</u>

Expenditures by Major Categories - 2007 Budget

