



Cowlitz PUD



New Electric Rates – November 1, 2011 Information and Frequently Asked Questions

The Cowlitz PUD Board of Commissioners has approved an average 17.5% rate increase, effective November 1.

In this document we've answered the most frequently asked questions about the increase. If you have other questions feel free to call us at (360) 423-2210 or (800) 631-1131, email mailbox@cowlitzpud.org or visit www.cowlitzpud.org. On our homepage you'll find a video of the October 11 rate hearing, along with other information about electric rates.

HOW MUCH CAN I EXPECT MY BILL TO INCREASE?

The average rate increase for all of our customers is 17.5%. For residential customers (schedule 1) the increase is 17.8%, based on the average usage of 1,500 kilowatt hours in a month. Please note:

- The **monthly "basic" charge** has changed from \$6.00 to \$7.00.
- The **energy charge** changes from 5.60¢ per kilowatt hour (kWh) to 6.60¢ per kWh.
- Based on using 1,500 kWh, the average monthly bill will increase by **\$16 per month**.
- Residential customers who have qualified for the **senior or disabled citizen low-income discount rate** for 2011-2012 will not be affected by the rate increase until April 1, 2012.
- **Budget pay** customers will see a 17.8% increase in their monthly payment in November (nearest dollar).

The rate increase for other customer groups:

- General service (schedule 4) 17.42%
- General service (schedule 5) 17.35%
- Industrial service (schedule 8) 17.03%
- Industrial service (schedule 9) 17.31%
- Area lights (schedule 10) 17.50%

COWLITZ PUD'S RESIDENTIAL RATES COMPARED TO OTHERS IN THE STATE AND REGION

ALL WASHINGTON PUDs	Base chg.	Per month*
Douglas (E. Wenatchee)	\$9.00	\$40.20
Chelan (Wenatchee)	\$7.85	\$48.29
Grant (Moses Lake)	\$12.00	\$72.42
Okanogan (Omak)	\$10.00	\$85.00
Lewis (Chehalis-May 2012)	\$13.00	\$91.40
Pend Oreille (Newport)	\$24.50	\$92.00
Pacific (Raymond, Ilwaco)	\$10.00	\$102.44
Skamania (Stevenson)	\$8.70	\$102.60
COWLITZ PUD	\$7.00	\$106.00
Mason 3 (Shelton)	\$15.00	\$107.10
Benton (Kennewick)	\$10.50	\$107.85
Wahkiakum (Cathlamet)	\$12.00	\$111.75
Klickitat (Goldendale)	\$14.25	\$114.00
Clallam (Port Angeles)	\$18.60	\$116.10
Mason 1 (Hoodsport)	\$17.25	\$117.00
Ferry (Republic)	\$17.00	\$121.70
Grays Harbor (Aberdeen)	\$34.78	\$123.79
Franklin (Pasco)	\$17.00	\$126.65
Snohomish (Everett)	\$0.00	\$127.22
Clark (Vancouver)	\$10.00	\$129.70
Kittitas (Ellensburg)	\$15.00	\$133.50

OTHER WA AND OR UTILITIES	Base chg.	Per month*
Clatskanie PUD – Clatskanie	\$0.00	\$59.25
Clatskanie PUD – Rainier	\$0.00	\$74.25
Columbia River PUD - St. Helens, Rainier	\$8.00	\$99.05
COWLITZ PUD	\$7.00	\$106.00
Tacoma Public Utilities (April 2012)	\$5.50	\$112.08
Avista - Spokane, Pullman, Clarkston	\$6.00	\$121.51
PacifiCorp – Yakima, Walla Walla	\$6.00	\$122.35
Seattle City Light	\$3.50	\$123.14
Average – All WA Utilities	varies	\$124.05
Eugene Water & Electric (proposed)	\$7.00	\$136.53
Average – All OR utilities	varies	\$142.20
Puget Sound Energy (1/3 of all WA users)	\$7.25	\$146.43
Portland General Electric	\$9.00	\$161.33
Average – All of United States	varies	\$180.45

**Totals in "Per Month" column are based on the cost for 1,500 kilowatt hours of electricity plus the base charge.*

WHAT CAUSED THE NEED TO RAISE LOCAL ELECTRIC RATES?

The combination of reduced revenue for the PUD's wind power sales, along with increased power costs, is driving higher rates. The breakdown below shows a \$20 million increase in expenses in 2012, mostly related to a reduction of power sales and higher power costs:

• Cost of power/reduced sales	+\$17 million
○ Wind sales reduced (\$10.8 million)	
○ Wholesale power cost increase (\$6.2 million)	
• Conservation funding	+\$2 million
• Taxes (based on higher rates)	+\$1 million
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• Total	\$20 million

WHY DID RATES RISE MORE THAN THE PUD PREDICTED A YEAR AGO?

As noted, the PUD is budgeting for a reduction of \$10.8 million in wind power sales in 2012. On its own, this would have caused about an 11% rate increase. This was not expected when we projected our 2011-2012 rates a year ago. In fact it only became apparent in August-September that we would see dramatically lower wind sales in 2012. Wind sales have been a benefit to rates the past few years, but not so in 2012.

WHAT IS DRIVING THE HIGHER COSTS?

- **Reduced revenue from selling surplus power.** Cowlitz PUD is a seller of surplus power and today market power prices are down. Why? Demand for electricity is down in the West, a key factor behind the reduction of market prices. Another factor is low natural gas prices, which drives market power pricing. Lower market prices means the PUD's surplus wind and hydro power sell for a lower price, bringing in less revenue.
- **An amended renewable power law in California.** This new law would restrict future out-of-state renewable power purchases by CA utilities. This has created uncertainty in the CA market and limits the interest of CA utilities signing a power purchase contract with the PUD. The PUD has "intervened" in the CA legislative rulemaking process, fighting for the right to freely sell surplus resources, here or there.
- **\$9 million still owed to Cowlitz PUD for 2010-11 wind sales.** The California Public Utility Commission has delayed approval of part of the current wind power sales contract the PUD has with a CA utility. No adequate reason has been given for the CPUC's delays. The PUD is using legal channels to pursue the funds it is owed and may be joined by other WA public utilities in a similar situation. This represents money "not in the bank" which otherwise could have helped offset some of this rate increase.
- **Voter approved I-937 takes effect in 2012.** Initiative 937, approved in 2006 by voters, calls for the PUD to provide 3% of its power supply from new renewable resources – which does not include hydroelectricity. The renewable resources allowed by the law cost about double what we pay for hydroelectricity, which affects rates. In 2016 the renewable power standard increases to 9% and tops out at 15% in 2020.
- **A 7.8% increase in BPA wholesale power costs, which took effect on October 1.** Nearly 94% of the PUD's power will be purchased from BPA in 2012. About 25-30% of BPA rates represent costs for Federal and state-mandated fish and wildlife protection programs, making that a significant part of your power bill.
- **The loss of low-cost hydro power from Grant PUD's Mid-Columbia dams.** PUD customers have benefited since the 1950s from some very low cost power purchased from Grant PUD's Mid-Columbia dams. Unfortunately we are losing these low-cost resources, as economic development in Grant County makes it necessary for Grant PUD to keep its hydropower to meet growing power demand there. Cowlitz PUD will fill the void with BPA power, inexpensive in its own right, but more costly than Mid-C power.
- **Increased energy conservation program funding.** Beginning in 2012, the PUD will budget \$2 million to supplement energy conservation programs to meet the requirements of I-937, which also sets conservation standards for utilities. Cowlitz PUD has passed-through nearly \$60 million of BPA conservation funds to customers since 1982, but our new contract with BPA offers less conservation funding than in past years.

NOTE: Some customers have commented that they take steps to conserve energy, only to see rates increase. Conservation funding and reduced PUD revenue do affect rates, however those who conserve energy will lower their own costs.

- **Long-term plan to rebuild and maintain the electrical infrastructure in Cowlitz County.** It became apparent in 2005 that much of our distribution and transmission system was in need of rebuilding or major maintenance, to provide more reliable service and new services for our customers – today and tomorrow.

An aggressive eight-year plan was launched in 2007 to upgrade our services, including:

- Advanced Metering Infrastructure – which means the PUD will be able to offer many new optional services for customers beginning in late 2012.
- Customer information system and financial system hardware and software.
- Updating the electric distribution system in the Lewis River Valley to improve reliability, including a new substation near Swift No. 2.
- Upgrading electric service in the Spirit Lake Highway Corridor, including rebuilding the substation on South Silver Lake Road.
- Rebuilding and/or upgrading several substations to 115kV for reliability, energy efficiency and load growth. To date we have built or rebuilt five substations and work is now underway at the Columbia Way substation in Longview.
- Installing a new System Control and Data Acquisition (SCADA) system. This allows our dispatchers to manage the electric system from the PUD Operations Center.
- Annual replacement of 20 miles (or more) of underground cable. The PUD has over 1,000 miles of underground lines, of which about 350 miles is over 30 years old and is at or near its expected life.
- Meeting new Federal laws requiring measures to increase security of our facilities and electrical grid, and protection from cyber attacks.

CAN THE PUD JUST CUT ITS BPA POWER PURCHASES AND USE ITS WIND POWER INSTEAD?

That would be a mistake that would cost our customers millions of dollars for many years to come. BPA's prices may be rising, but it is still – by far – our lowest cost resource. Our agreement with BPA provides us with a set allocation of power through 2028. If we were to give up some of that allocation today, it would be lost until at least 2028. Today the PUD pays BPA about \$35 per megawatt hour (MWH), while our wind resources cost about \$70 per MWH to produce. We will continue to sell the excess wind power and seek favorable prices.

DOES THE PUD OFFER BILL-PAYING ASSISTANCE FOR LOW-INCOME CUSTOMERS?

Yes. The programs are for seniors (65 and older) or disabled (who earn a disability income). The rate increase has been delayed until April 1, 2012 for the customers enrolled in the rate discount programs.

Low-income customers may also qualify for substantial weatherization funds available through the CAP and the PUD. Please contact CAP at (360) 425-3430 or the PUD Energy Conservation Department at (360) 577-7514 to find out if you are eligible for assistance to insulate or add thermal pane windows at your residence.