

Media release

COWLITZ COUNTY PUD

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Electric Rates to Increase an Average of 17.5 Percent

The Cowlitz PUD Board of Commissioners voted unanimously on Tuesday to adopt a 17.5 percent average rate increase, beginning with electric bills sent on November 1, 2011.

The increase varies slightly by customer class, ranging from 17 to 17.4 percent for businesses and most industrial customers, to 17.8 percent for residential customers. Based on the average electric usage of 1,500 kilowatt hours per month, residential customers will see a monthly increase of \$16.

The rates for PUD customers enrolled in the discount programs for low-income seniors or disabled citizens will not be subject to an increase until April 1, 2012.

Several factors are driving the increase, most notably \$11 million in reduced sales of surplus wind power in 2012. Other factors include a 7.8 percent wholesale rate increase from the Bonneville Power Administration, which took effect on October 1, and no longer being able to purchase low-cost hydroelectric power from Grant PUD's dams on the mid-Columbia River.

"This is a much higher rate increase than we expected when we planned our 2011 budget a year ago," PUD Board President Mark McCrady said. "For now lower market prices and changes in the California renewable power law are reducing the revenue we can earn selling our surplus wind power. That lost revenue affects the PUD's bottom-line and drives up power rates."

A public rate hearing was held on October 11 and about 25 PUD customers addressed the Board with questions and comments about electric rates. "We appreciated customers taking the time to come that night and learn about PUD issues and rates and sharing their opinions," McCrady said.

"We despise having to raise rates, whatever the amount is. But ultimately this Board is responsible to oversee a public utility that is financially strong and able to serve customers safely and reliably for many years to come."

Questions about the rate increase can be directed to the PUD at (360) 423-2210 or (800) 631-1131 or by emailing mailbox@cowlitzpud.org. Detailed information, including a video of the October 11 rate hearing, is posted at www.cowlitzpud.org.

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Additional details on page 2

WHAT IS DRIVING THE HIGHER PUD RATES?

- **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.
- **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 the infrastructure. It is an expensive project, with costs ranging from \$15-\$30 million per year.