

Questions and Answers:

## Electric Rate Increase

The Cowlitz PUD Board of Commissioners approved new electric rates effective October 1, 2009. We have tried to answer the most common questions customers are asking us about electric rates and the need for an increase. Email us at [customercomments@cowlitzpud.org](mailto:customercomments@cowlitzpud.org) or call (360) 423-2210 or (800) 631-1131 if you have additional questions.

- 1. How much will my monthly PUD bill increase?** All residential customers will see a \$5 per month increase. The per kilowatt hour (kWh) rate of 5.12¢ has not changed, but a new “basic” charge of \$5 per month is added. The \$8.00 monthly minimum charge has been dropped. Non-residential rates increased in the 3.0% to 4.6% range.

For a residential customer using the monthly average of 1,600 kilowatt hours, the cost increase will amount to 6.1% – from \$81.92 to \$86.92. As shown in the examples below, the percentage of the increase will vary for residential customers, based on their average usage.

Average monthly usage for one year	Monthly bill prior to Oct. '09	Monthly bill today	% Change
800 kWh	\$40.96	\$45.96	12.21%
1,600 kWh	\$81.92	\$86.92	6.10%
2,400 kWh	\$122.88	\$127.88	4.07%
3,200 kWh	\$163.84	\$168.84	3.05%

- 2. What is a basic charge?** It's a means for an electric utility to recover the costs it incurs while standing ready to serve whenever you choose to turn on the light switch, rather than bundling those costs into rates. Our business and industrial customers have had a basic charge (called a “customer charge”) for years and virtually every other utility has a similar charge in place for all customers.

Examples of those costs include the electric meter and reading it (whether manual or automated), processing and mailing of a bill, and the infrastructure to deliver the electricity to individual customers. The basic charge separates those costs out of the rate, making it a more equitable way for the PUD to recover such costs from each individual customer.

- 3. When was the last PUD rate increase?** Until the rates went up on October 1 they were the same as the rates set in October 2003, six years ago. The last rate increase was 3% in March 2006, but before that we had a 3% rate decrease in October 2004.
- 4. Why did PUD rates increase?** The Bonneville Power Administration (BPA) raised its rates 7% effective October 1. BPA power costs make up 68% of our annual operating expenses and its wholesale rate increase will add up to \$8.6 million in additional expenses for the PUD in 2010. That is too large of an increase for the PUD to absorb, so as a consumer-owned utility we must pass it on through retail rates. There are some other lesser factors also contributing to the increase – including general inflation, increase in health care costs and a slow economy, which has reduced the PUD’s industrial power sales from projected 2009 levels.

- 5. Why did BPA increase its rates?** The BPA rate increase was driven by rising fish and wildlife costs, which include major fish passage projects at hydro facilities, fish hatcheries and habitat projects, foregone revenues for water spilled over the dams for fish purposes and the resulting market power purchases. BPA's annual fish and wildlife costs have grown by \$407 million, or 87 percent in the last 10 years, and are now nearing \$1 billion a year.

Last year BPA signed agreements with several tribes and the States of Washington, Idaho and Montana which will cost electric customers \$64 million a year over the next 10 years. The cost of these agreements alone is responsible for nearly half the 2009 BPA rate increase.

Over 20% of every PUD customer dollar is for fish and wildlife costs or about \$210 a year for the average residential electric user. As an example, one local large church with an annual electric bill of \$14,000 will pay over \$2,800 a year toward the fish recovery effort.

- 6. Is there an alternative to buying power from BPA?** Not a lower priced alternative. The fact is BPA is still easily our lowest cost power option and will remain so for years to come. There's a perception by some that wind or solar power is cheaper than BPA hydro, since the fuel (wind or sun) is free. However the future cost of wind power is about 2-3 times greater than BPA hydro and solar is 4-5 times greater.
- 7. How do Cowlitz PUD's residential electric rates compare?** A Cowlitz PUD average residential customer using 1,600 kWh per month will pay \$86.92, which compares to:
- \$123.20 for the average electrical user in Washington, making Cowlitz PUD 29% lower.
  - \$183.52 for the average electrical user in the U.S., making Cowlitz PUD 53% lower.
- 8. Why is the rate increase more (percentage-wise) for residential customers?** The decision was made decades ago to extend nearly all of the financial benefit of the extremely low-cost hydropower produced at the Swift No. 2 Hydroelectric Project to our residential customers.
- For years the cost of Swift power was roughly \$10 per megawatt hour (about 1/3 of BPA power today) and served about 25% of our residential power needs. Today that same power costs about \$32 per MWH – still inexpensive in the big picture, but not what it once was. As we begin to factor today's higher Swift power costs into our residential rates the result is a higher rate increase for that group of customers.
- The higher cost of Swift power is attributed to two factors: 1) Our 50-year federal license to operate Swift No. 2 ended in 2006 and the new license requires \$36 million in fish & wildlife and other improvements over the next 50 years. 2) The reconstruction of the 2002 Swift power canal failure cost another \$35 million above what was covered by insurance.
- 9. What is the future rate picture?** We are confident that this rate increase will cover the next two years. We will enter a new era with BPA in October 2011, which will see our BPA power allowance reduced and the PUD responsible for meeting its own load growth. We will have a better idea of rates for 2011 (and beyond) after our future BPA power allowance is determined later next year.
- 10. Does the PUD offer bill-paying assistance for low-income customers?** Yes. With this proposed rate increase on the horizon, the PUD recently enhanced its low-income rate discount programs by increasing the discounts from 10% and 20% to 15% and 25%, and added a new 5% discount level. This will help minimize or negate the rate increase for upwards of 700 to 1,000 low-income customers. The programs are for seniors (65 and older) or disabled (who earn a disability income). Please call CAP at (360) 425-3430 or the PUD for more information about these special rate discounts.

Low-income customers may also qualify for substantial weatherization funds available through the PUD. Please contact our 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.

**11. Does Cowlitz PUD provide energy conservation programs?** Yes. Our conservation programs offer funding for all customers toward measures such as insulation, thermal windows, heat pumps and energy-efficient appliances and water heaters. Contact our Conservation Department at (360) 577-7514 or (800) 631-1131 to sign up for an energy audit and/or to determine what measures for which you may qualify.