

Media release

COWLITZ COUNTY PUD

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Cowlitz PUD Electric Rates Proposed to Rise up to 18 Percent

The Cowlitz PUD Board of Commissioners will hold a public meeting on October 11 to discuss a proposed electric rate increase of 17-18 percent, effective November 1.

Several factors are driving the increase, most notably an expected drop of \$11 million in sales of wind power in 2012 as compared to recent years.

Based on the proposed increase, the average residential customer in Cowlitz County would see a \$16 per month increase in their bill, from \$90 to \$106. That is based on using 1,500 kilowatt hours of electricity per month.

“This is a much higher rate increase than we anticipated would be necessary back in January,” PUD Board President Mark McCrady said. “Since it became apparent just a few weeks ago that the wind sales were heading for a downturn and we realized a bigger increase was needed, we have decided to cutback our capital spending, have looked hard at FTEs and are preparing to make cuts in other areas as we finalize our 2012 budget.

“But in the end our Board is responsible to oversee a utility that is financially strong and here to serve our customers safely and reliably for years to come. While we understand this may be an unpopular action, this rate increase is necessary and is the right decision,” McCrady said.

The key factors driving the need to increase electric rates are:

- **A projected \$11 million reduction for wind sales in 2012, due to a drop in market prices for renewable resources.** “From 2007-2011 the PUD sold its wind resources and realized a positive net margin, but market prices have dropped considerably for the time being,” PUD spokesman Dave Andrew said. “We sell our wind power mostly to California utilities and those sales help keep local rates lower. So when that sales revenue is reduced it has a negative impact on rates. On its own, this loss of wind revenue would increase our rates by 11 percent.”
- **The California legislature has recently passed a law that limits the ability of Cowlitz PUD and other out-of-state generators to sell wind resources to CA utilities.** “Cowlitz PUD is an intervener in the rulemaking for this amended law, but until this is resolved it has created uncertainty for future sales and hinders our chances of a California utility signing a contract to purchase wind power from us,” Andrew said.

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- **A Bonneville Power Administration rate increase of 7.8 percent** which took place on October 1. Cowlitz PUD buys over 90 percent of its wholesale power from BPA.
- **The loss of the ability to purchase low-cost hydroelectric power from Grant PUD.** Cowlitz PUD has had a contract to purchase power from Grant PUD's Priest Rapids and Wanapum Dams on the Columbia River since the late 1950s.

"Cowlitz PUD customers have benefited from low-cost power from the mid-Columbia dams for over 50 years. But Grant County is experiencing unprecedented industrial growth and now will keep its hydro to serve its own needs. Our next cheapest option is to replace it with BPA power, which is a good deal but still represents about a \$3 million hit on our budget and three percent on rates," Andrew said.

- **Increased energy conservation budgets to meet state requirements.** Beginning in 2012, the PUD will budget \$2 million annually to supplement the BPA conservation funds, which have been reduced. "This is a new expense. I-937, the state initiative approved in 2006, requires us to provide financial incentives to customers to perform conservation starting in 2012," Andrew said.

The rate hearing on October 11 will begin at 7:00 p.m. in the John Searing Auditorium at the PUD's main office – 961 12th Avenue in Longview. Public comment will be accepted at the hearing.

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