



CONNECTED

The Newsletter of Cowlitz PUD

Volume 14, No. 5

Second 2011 Retail Rate Increase Still Expected this Fall

Late in 2010 the PUD announced that electric rates would have to be increased at least 15 percent during 2011.

Not wanting to have an increase of that size all at once, the PUD Board of Commissioners approved an overall nine percent rate increase (10 percent for residential customers) on January 1, 2011 and announced a second, smaller 2011 rate increase could be expected later in the fall.

Like most other NW utilities our revenue levels were down sharply in 2009 and 2010 due to lower retail power sales, mostly as a result of warmer weather and a slow economy. Wholesale power sales also dropped below projections due to poor water conditions and low market prices in 2010.

The January rate increase was driven by the need to increase revenues to meet debt service coverage levels. That helps ensure we can access capital at lower interest rates when we need it for investing in new and improved electrical infrastructure.

BPA rate increase coming in October

The final piece to our 2011 rate picture is the Bonneville Power Administration rate increase coming on October 1, 2011. BPA has already projected a wholesale rate increase of 8.5 percent, although it will not be finalized until late this summer.

Over 90 percent of our wholesale power is purchased from BPA and over half our annual electric budget is for BPA power and transmission costs. An 8.5 percent BPA rate increase would increase PUD expenses by over \$10 million annually.

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- April Board Report
 - Call Before You Dig
 - Seventh Avenue Substation Complete

For public utilities with cost-based rates, a cost increase of that magnitude can only be recovered by increasing retail electric rates. We are often asked if there is a cheaper alternative than BPA. There is not. Over the long term BPA is clearly the lowest cost wholesale power resource.

The BPA financial picture could have been helped by the good water year we are experiencing in the Pacific Northwest, which has resulted in higher hydroelectric production. But market power prices are currently at record low levels, which for the time being has reduced the revenue BPA can earn from its non-firm power sales to outside the region.

Once BPA makes its final announcement, Cowlitz PUD will be able to pinpoint the size of the fall rate increase. We will continue to communicate information as it develops.

NEVER FORGET...

Stay away from downed lines and never touch objects that are in contact with downed lines. Teach children to assume that any downed utility line carries electricity and is dangerous.

Your safety – and the safety of our PUD repair crews – is our first priority during a power outage.



Cowlitz PUD's substation crew sits atop the newly rebuilt Seventh Avenue Substation in Longview, prior to it being re-energized in early April when construction was completed. The substation was rebuilt to help serve load growth in the area, which included a conversion to 115 kilovolts. JH Kelly of Longview did the civil construction work to clear and prepare the site and the PUD substation crew built the electrical structure. PUD relay and line crews and wiremen also worked on the project. This is the fifth PUD substation built or rebuilt in the last four years as part of our long-term infrastructure improvement plan. Next up is the John Street Substation in Lexington.

Don't Gamble With Your Safety – Call Before You Dig

Are you planning an outside home improvement project that involves digging? **Before you start call 1-800-424-5555.**

will help speed up the process and avoid the possibility of having to call again.

There could be underground lines where you plan on working. Calling this number ensures that publically-owned underground lines will be marked so you can dig safely around them.

RED	Electric power lines, cables or conduits, and lighting cables.
YELLOW	Gas, oil, steam, petroleum or other hazardous liquid or gaseous materials.
ORANGE	Communications, cable TV, alarm or signal lines, cables, or conduits.
BLUE	Water, irrigation, and slurry lines.
GREEN	Sewers, storm sewer facilities, or other drain lines.
WHITE	Proposed excavation

With one free, simple call you can avoid the undesired consequences of expensive fines and repairs to the damaged line, or personal injury. Not to mention that if a utility line is accidentally damaged it could cause a disruption of service to an entire neighborhood.

When you call the "One Call Center," make sure you have all the information they need. You can find a list of these questions and more at <http://www.callbeforeyoudig.org/>. This

Call at least two days prior to digging. The call center will notify each utility with services in your area. Each utility will then send a locator to your location to mark their lines with the color that represents their utility.

The call center will provide you with a list of facility owners in your area, a time by which the lines will be marked, and a ticket number for your reference in case you need to call back for any reason. Once all the locators have marked their lines and the time given to you by the call center has passed, then you are ready to dig.

Being safe is no accident. Plan ahead and take a few moments to call 1-800-424-5555 before you dig. It's not only the smart thing to do – it's the law.

What's Happening

COLUMBIA RIVER CORVETTES

19th Annual Bowtie Bash - Car Show & Shine

Saturday, July 2 - 9:00 a.m. to 3:00 p.m.

Commerce Ave., Downtown Longview

Admission to the public is FREE

- For more information and to register your car and enter the Show & Shine visit www.columbiarivercorvettes.com
- Pre-registration: \$15 entry fee per car until June 21
- After June 21 the fee is \$20 per car
- Additional fees for NWACC-judged Corvettes
- Open to all American made or American muscle powered cars

All monies raised are donated to local charities. Since 1993 over \$43,100 has been donated to charities like the Salvation Army, Relay for Life, Progress Center and youth camps sponsored by Western WA Lions Clubs and Community Home Health & Hospice.

For more information please contact Mike at 360-270-5005 or Randy at 360-578-2563.

ETHNIC SUPPORT COUNCIL

21st Annual International Festival

This popular community event is Saturday, June 4, from 10:00 a.m. to 5:00 p.m. at the Lower Columbia College Student Center. It's **FREE** and open to the public.

Contact Cindy Lopez Werth, 360-751-4427 or cindylopezwerth@comcast.net

Each month Cowlitz PUD offers this space to a non-profit group in Cowlitz County as an avenue to promote its activities (on a first-come, first-served basis). Send your request to: whathappening@cowlitzpud.org.

Go Green!

You can support the development of environmentally friendly "Green Power" sources like wind, solar, low-impact hydro, geothermal and biomass. The cost is as low as \$40 a year and may be tax deductible.

1. Log on to www.cowlitzpud.org
2. Go to the **Conservation and Renewables** menu
3. Click on **Purchase Green Tags**

Commission Activities

April 2011 highlights:

- **Approved a resolution in support of Bonneville Power Administration's proposed Residential Exchange Settlement.**
- **Approved an extension of the 2010 plow project contract with Potelco, Inc.** Cowlitz PUD's capital budget calls for replacing 15 miles of underground wire in eight locations around the county during 2011.
- **Approved a transfer to bad debts of 198 past-due, final accounts from 4th quarter 2010.** The net amount transferred was \$18,009.

Upcoming PUD Board meetings:

Tuesday, June 14

Tuesday, June 28

These public meetings begin at 2:00 p.m. in the John Searing Auditorium at Cowlitz PUD - 961 12th Avenue in Longview. Please check our website for up-to-the-minute Board agendas, meeting dates and times.

Cowlitz PUD's Fuel Mix

Fuel type	PUD mix
Coal	6.3%
Hydroelectric (Water)	82.9%
Natural Gas	2.5%
Nuclear	7.8%
Other*	0.5%

* Includes biomass, landfill gas, natural gas, petroleum and waste incineration.

About 91 percent of our power resources are purchased from BPA, which markets mostly hydroelectricity. BPA also uses nuclear power produced at the Columbia Generating Station near Richland. At times when these hydro and nuclear resources are in low supply, BPA makes market power purchases to meet customer power demands, which includes coal and natural gas resources in the region.

Cowlitz PUD's wind resources from the White Creek and Harvest Wind projects are currently sold to other utilities. We will begin using that wind power in 2012 when it's needed to meet future load growth and the state's renewable resource requirements.

From the General Manager's Point-of-View...

I think most PUD customers are aware that our residential electric rates are very low compared to most others.



According to statistics compiled by the U.S. Energy Information Administration our rates are 30 percent less than the Washington average, 39 percent less than the Oregon average, and 50 percent below the national average.

That said, from time-to-time someone will tell a Board member or me “well that’s all fine that we have lower rates, but our incomes are lower here, too.” I take that to mean that some believe that electricity is not affordable in Cowlitz County when you take cost vs. income into consideration.

It’s an interesting comment, but in all honesty statistics don’t support it.

The median household gross income in Cowlitz County is \$46,935. The average residential electric user spends \$1,080 per year for electricity, based on 1,500 kilowatt hours (kWh) per month.

	Electric Cost as % of Income	Median HH Income*
Columbia (OR)	1.8 percent	\$57,568
Cowlitz	2.3 percent	\$46,935
Lewis	2.3 percent	\$42,677
Skamania	2.4 percent	\$49,248
State of WA overall	2.5 percent	\$56,730
Clark	2.7 percent	\$57,246
Clatsop (OR)	3.0 percent	\$44,307
State of OR overall	3.3 percent	\$50,165
Pacific	3.3 percent	\$36,185
Grays Harbor	3.6 percent	\$39,074
U.S. overall	3.8 percent	\$52,029

**Median income statistics take into account 2008 census data and 2010 WA Office of Financial Management data.*

That means on-average Cowlitz PUD customers spend 2.3 percent of their gross household income for electricity. Again, that’s the county average. Your household may be above or below that.

Using the same basics –the median household incomes and electric costs based on using 1,500 kWh per month – this chart shows the average percentage of the electric cost to the median household income for other nearby counties.

The statistics show that as a percentage of household income, Cowlitz PUD costs stack up pretty well against others around us and across the region and country. At the same time we are fully aware that in our slowly recovering economy some customers continue to have difficulty paying their bill. And rates will be on the rise again soon.

As you have probably already read on page one of this newsletter, BPA will raise wholesale rates on October 1. If BPA rates rise by 8.5 percent as initially proposed, that will bump our power expenses by over \$10 million per year. For a cost-based public utility like ours, that kind of increase can only be recovered through higher rates.

It is still too early to say what our rates will be, but you can expect an increase later this year.

Much of my time, and the time of several others on our staff, is spent working on BPA issues and other regional and national power issues, trying to hold down the wholesale cost of power and your rates as much as possible.

Our main job remains to work hard to keep your rates as low as possible – today and tomorrow.



Brian Skeahan
General Manager

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