

CONNECTED

The Newsletter of Cowlitz PUD

Volume 13, No. 1

Electrical System Upgrades Key Part of 2010 Budget

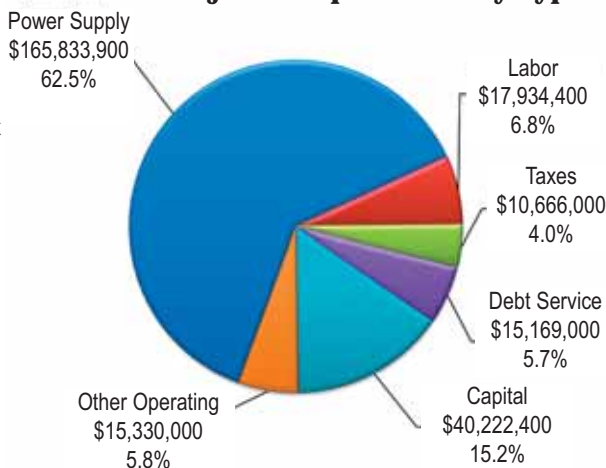
The Cowlitz PUD Board of Commissioners has approved a \$265.2 million operating and capital budget for 2010, which calls for no changes to electric rates this year. The budget includes \$40.2 million for continued work on electric system upgrades and other capital improvements.

Market sales of wind generation are projected to grow by \$2 million with the startup of the Harvest Wind project, but overall operating revenues are projected to decrease by 1.62 percent from the 2009 budget. This is mostly due to reduced industrial power sales as a result of a slower economy.

Even though most O&M line-item expenditures have been reduced in 2010, total expenditures for 2010 are budgeted 3.9 percent above the 2009 budget. This is attributed to increases in energy conservation incentives, capital improvements and debt service, which has grown due to the investments made in the Harvest Wind Project. The conservation costs are reimbursed by BPA.

Staffing levels will drop by 2.0 FTE in 2010. For 2010, regular wages are estimated to increase 2.9 percent. Wage adjustments are not based on a Seattle or Portland consumer price index (CPI), but on a comparison of wages paid for similar positions at 13 other Pacific Northwest public utilities.

2010 Projected Expenditures by Type



Capital Expenditures in 2010

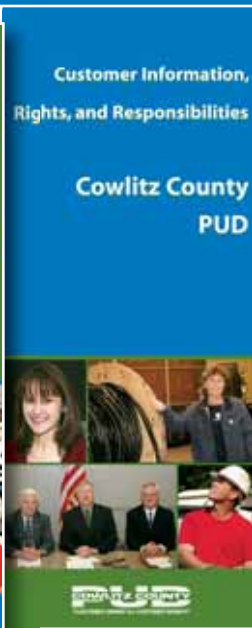
This is the fourth year of our eight-year plan to upgrade the electrical system to meet the future needs of our customers.

2010 Highlights:

- Planning and initial investment into renewable power sources.
- Automatic Meter Reading – Completing the residential meter deployment and installation of equipment and communications to remaining substations.
- Project Focus – the replacement of the PUD’s computer hardware and software with a new system that will integrate customer service and financial systems – and work hand-in-hand with automated metering to provide customers new products and choices.
- Completing construction on the Technical Services Center and storage yard expansion project at the Operations Center on Industrial Way.
- Substation upgrades at Columbia Way, Baker’s Corner, West Woodland, John Street and Seventh Avenue.

For more detail: www.cowlitzpud.org
Click the link for 2010 budget

- Inside This Issue:
- December Board Report
 - Port, PUD - Powerful Partners
 - Lower Your Water Heater Temperature



Customer Information Available on Request

Looking for more information about Cowlitz PUD? We publish an annual customer report, a fuel mix report and brochures with information about electric rates and customer policies that are available to anyone who asks.

Just call us at (360) 423-2210 or (800) 631-1131 or email customercomments@cowlitzpud.org and make your request. The same information can also be accessed on our website.

MAKING YOUR HOME SAFER:

A Lower Water Temperature Reduces Your Electric Bill and Scalding Risk

An electric water heater set at 120° F will save you \$100 a year on your electric bill, compared with it set at 150° F. And more importantly, you greatly reduce the risk of a scalding accident when the water temperature is set lower.

Washington State law (RCW 19.27A.060) requires new water heaters sold in the state (for residential use) be pre-set at 120° F and requires Cowlitz PUD to notify customers annually that:

- State law recommends their water heater should be set no higher than 120° F (or the minimum setting on a water heater which cannot be set as low as 120 °) to prevent severe burns and reduce excessive energy consumption; and,
- That the thermostat of an individual water heater provided to new tenants in a leased or rented residence shall be set no higher than 120° F (or the minimum setting on a water heater which cannot be set as low as 120 °) pursuant to chapter 19.27 RCW.

TO CHECK AND ADJUST YOUR HOT WATER:

- Run hot water at the faucet nearest your water heater.
- Measure the water temperature with a cooking thermometer. If it's above 120° F, consider turning it down.
- You will need a flat-tip screwdriver and possibly a Phillips screwdriver. We also suggest using gloves, as you will be working around insulation.
- **TURN OFF THE ELECTRICITY TO YOUR TANK PRIOR TO MAKING ANY ADJUSTMENTS.** This is done by switching off the appropriate breaker at your electric panel.
- Remove the thermostat access panel(s) and cover(s). Do not remove the plastic protectors covering the thermostats.
- Using a flat tip screwdriver, rotate the adjusting knobs to the desired setting.
- Replace the covers and access panels, and turn on the electrical supply.

Water Temp.	Serious Burns Occur	Electric Cost*
150° F	2 SECONDS	\$341
140° F	5 seconds	\$306
130° F	30 seconds	\$270
120° F	10 MINUTES	\$241

**The estimated electric cost is based on usage for an average family of four.*

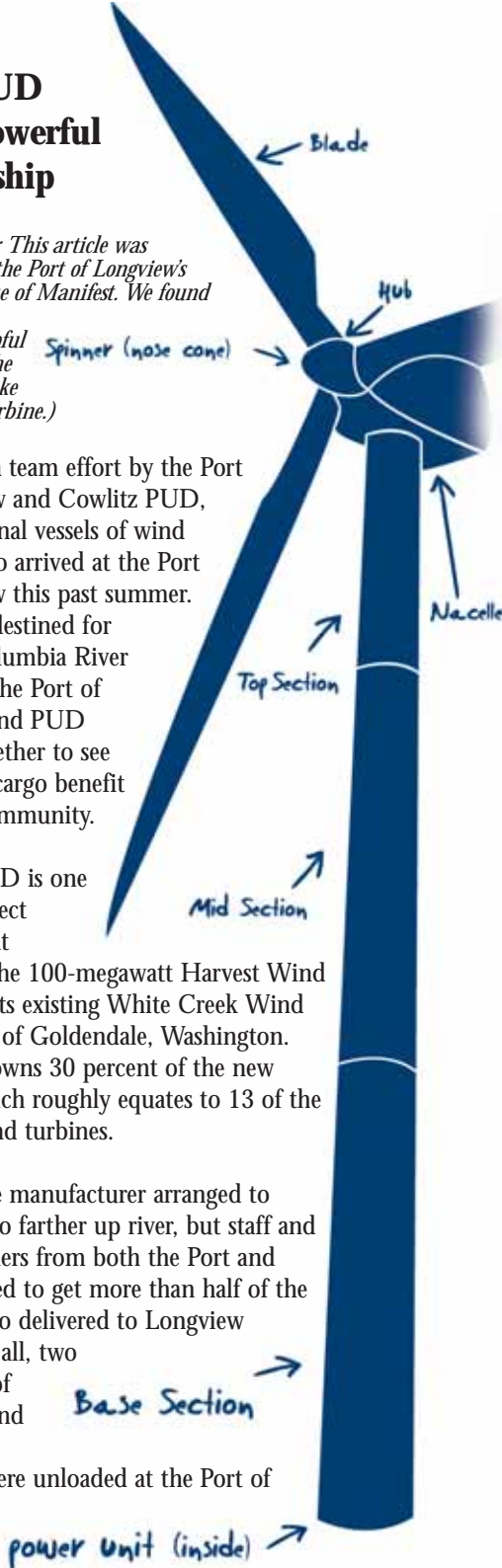
Port, PUD Have Powerful Partnership

(Editor's note: This article was published in the Port of Longview's fall 2009 issue of Manifest. We found the artwork especially helpful to illustrate the parts that make up a wind turbine.)

Thanks to a team effort by the Port of Longview and Cowlitz PUD, two additional vessels of wind energy cargo arrived at the Port of Longview this past summer. Originally destined for another Columbia River port, both the Port of Longview and PUD worked together to see the PUD's cargo benefit the local community.

Cowlitz PUD is one of four project partners that developed the 100-megawatt Harvest Wind farm, near its existing White Creek Wind Project east of Goldendale, Washington. The PUD owns 30 percent of the new project, which roughly equates to 13 of the total 43 wind turbines.

The turbine manufacturer arranged to unload cargo farther up river, but staff and commissioners from both the Port and PUD worked to get more than half of the project cargo delivered to Longview instead. In all, two shipments of Harvest Wind towers and hardware were unloaded at the Port of



STAYING SAFE AROUND ELECTRICITY

NEVER TOUCH OR EVEN COME NEAR A UTILITY WIRE — YOU MUST ALWAYS ASSUME IT IS CARRYING ELECTRICITY. IF YOU SEE A POTENTIAL SAFETY PROBLEM CONTACT COWLITZ PUD AT (360) 423-2210 OR (800) 631-1131 IMMEDIATELY.

Commission Activities

December 2009 highlights:

- **Hosted a workshop with District 18 and 19 state legislators** to discuss energy issues and the 2010 state legislative session. Discussion centered on potential legislation addressing amendments to I-937.
- **Approved the 2010 budget**, which included \$40.2 million for capital improvements.
- **Approved a policy addressing collecting on final accounts** that are over six years old.

Upcoming PUD Board meetings:

Tuesday, January 26
Tuesday, February 9

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

Longview. Local work crews handled 87 tower sections (29 full towers), 26 nacelles, 26 hubs, 26 power units, and 26 nose cone/spinners, for more than 2,000 man-hours related to the Cowlitz PUD wind project.

Overall, the Port handled more than half of the project's total cargo, which was loaded on trucks and transported to the construction site for installation. The construction work was completed late in 2009 and Harvest Wind began operating commercially on December 15.

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

Construction at Harvest Wind, the PUD's second wind project, is complete and commercial operation began December 15. Our first project, White Creek, has been operating since November 2007. How time flies.



The wind projects sit side-by-side in eastern Klickitat County. Both feature Siemens wind turbine generators. The projects have some other similarities, as well as some noteworthy differences.

White Creek offers 205 megawatts of capacity, twice that of Harvest Wind's 100 MW. With a 46 percent share in White Creek and 30 percent of Harvest, Cowlitz PUD has the largest share of the eight utilities participating in one or both projects.

With the completion of Harvest Wind the PUD has rights to 124 megawatts of wind capacity with a projected average annual energy output of 341,000 megawatt hours (MWH). That's enough to power 18,000 Cowlitz County homes.

For White Creek we created a financing plan that allows our customers to benefit from federal Production Tax Credits (PTCs). These incentives were designed to encourage wind development in the private sector, not for public utilities. But through a complex and innovative plan we were able to design a new financing concept, allowing Cowlitz PUD customers to benefit from PTCs. This means a lower cost of power, far more economically attractive than the contracts other utilities have signed with private developers these last couple years.

We anticipated financing Harvest Wind in a similar manner, but the collapse of the credit markets in late 2008 and the poor economy quickly changed things. The number of potential investors with a need for PTCs plummeted.

Instead we used a new financial tool, known as Investment Tax Credits (ITCs), recently introduced by the Obama

administration and Congress. ITCs are geared to the cost of the project rather than its energy output. ITCs are not as attractive as PTCs, but in the end the economics are still better than other alternatives.

The cost of producing power at White Creek and Harvest Wind, including the additional costs for transmission and the hydropower to back it up (when the wind isn't blowing), is in the low \$60 range per MWH into the BPA transmission system. By comparison, other utilities are reporting paying prices in the \$80 to \$100 range per MWH for wind power from private developers. We have clearly benefited from an early entry into the wind generation business and by building our own resources.

The PUD is now selling its wind output into wholesale markets at a positive margin. The revenue is used to help keep your rates lower than they would be otherwise. As the renewable resource mandates of I-937 take effect in 2012 and we need more power to serve growing loads, the lower cost of these projects will save Cowlitz PUD customers millions compared to others in the region.

So what's next? We are in a good position for the immediate future and can be picky as to our next resource decision. I expect Harvest will be our last wind project for awhile. Our future has been mapped out in an Integrated Resource Plan, and coupled with some potential local opportunities, we are now looking at biomass and other renewable energy projects.

With the need to meet our own load growth as a result of the limits to cheap federal hydropower under our new BPA contracts, and the prohibition on use of coal under Washington state law, we are constantly exploring renewable resource opportunities. We have challenges ahead, but are glad to report we are off to a strong start.

A handwritten signature in black ink, appearing to read 'B. Skeahan', written in a cursive style.

Brian Skeahan
General Manager

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CONNECTED is published by Cowlitz County PUD.
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