



CONNECTED

The Newsletter of Cowlitz PUD

Volume 13, No. 6

From the Desk of the General Manager

Once a year we like to change up our newsletter format and recap the previous year with news highlights and other information about Cowlitz PUD. It's really more of an annual report. Thanks for taking a few minutes to review our 2009 PUD activities and statistics.

A big accomplishment in 2009 was the completion of the Harvest Wind Project, the second wind power project in which your PUD has made a major investment. Beginning in 2012 we will be required to meet new renewable power standards approved by Washington voters. By building White Creek and Harvest Wind now, we are ahead of the game and in great shape to new meet those future standards.

In 2009 we continued to invest in major upgrades to the electrical system that will serve future generations of customers. This included building a new substation and rebuilding two others, replacing over 33 miles of older underground lines, and installing 20,000 automated meters as part of our Advanced Metering Infrastructure. We also began the major task of replacing our customer service and financial systems hardware and software, a project that will conclude in 2012.

Serving the community is a priority at the PUD. Our employees conducted a food drive to help stock the shelves at the Help Warehouse, teamed up to raise money for cancer

research at the Relay-for-Life and for the Warm Neighbor program at the County Fair Charity Bingo tent, and participated in the United Way Day of Caring and Go Fourth Parade. We also had employees volunteer on work projects at Hospice and we took an electrical safety message to hundreds of school children through a live safety demonstration put on by our line crews.

PUDs are not-for-profit, community-owned utilities. You elect the Board of Commissioners and they are accessible to you, which sets public power apart from private utilities. Our Board meetings are held monthly on the second and fourth Tuesday at 2:00 p.m. in the PUD Auditorium.

We work hard to provide you with reliable and safe electrical service at the lowest possible cost, commensurate with sound long-term business practices. On behalf of the Board and all 165 of our employees, I thank you for being a customer of Cowlitz PUD.

Sincerely,



Brian Skeahan
General Manager

Cowlitz PUD Board of Commissioners



Buz Ketcham
District 1
(Kelso, Kalama,
Woodland, Ariel,
Yale, Cougar)



Mark McCrady
District 2
(Longview)



Ned Piper
District 3
(West Longview,
Castle Rock, Toutle,
Ryderwood)

Cowlitz PUD – 2009 Review

Harvest Wind Project Built

Construction was completed last November at the 100 megawatt Harvest Wind Project. Commercial operation began in December.

Harvest Wind, with 43, 2.3 megawatt Siemens wind turbines, flanks the White Creek Project on both the east and west. The projects are located near Roosevelt, WA in the Columbia River Gorge. Cowlitz PUD owns 30 percent of Harvest Wind, joining with Northwest utility partners Lakeview Light and Power, Peninsula Light and Eugene Water & Electric Board.

The cost to build Harvest Wind was reduced 30 percent by a Federal Investment Tax Credit. The ITC lowered the capital costs of the project by a little over \$60 million, reducing the net cost of the project to \$160 million. Cowlitz PUD received \$18 million as its share of the ITC, which was used to replenish the financial reserves we used to finance our share of the project during development.

Bad Debt Write-offs Decrease Again

When you add up the electric bills in 2009 for all PUD customers, the total is about \$176 million. While it's our goal to collect every dollar, inevitably some customers don't pay their final bill. After a period of time those bills are transferred into a bad debt category, where we continue our collection effort.

We've made it a priority in recent years to take every step to reduce bad debt write-offs. That effort paid off again in 2009, as we reduced the write-offs to \$92,152 – the lowest amount dating back into the 1990s.

Not counting our largest industrial customers, that's the equivalent of writing off 19¢ for every \$100 we bill our customers. We're about 44 percent ahead of the average for Northwest utilities of 34¢ per \$100 billed.

Our job as a public agency is to minimize these write-offs. A dollar that is written off, is a dollar that eventually must be made up by customers who pay their bill. We will continue to work hard on this front to keep that number as low as possible.

Conservation Programs Grow

Using BPA conservation funding, Cowlitz PUD invested \$2.2 million in conservation programs in 2009. Programs ranged from home weatherization, to rebates on ENERGY STAR® rated appliances to energy-efficient lighting in commercial buildings and large projects to improve pumps and motors in local industries.

A new conservation program introduced in 2009 offers residential customers a \$1,500 rebate on a ductless heating and cooling system. This provides the benefit of heat pump technology in homes, without the cost of having to install ductwork. During 2009, 119 customers earned the rebate for installing a ductless system.

Infrastructure Plan Continues

In 2009 we completed the second year of an eight-year plan to overhaul the electric system and to install systems that will provide enhanced services to our customers. We're building a system today that will serve our children and grandchildren tomorrow.

Major capital improvements in 2009 included:

- Rebuilding two Longview substations – Olive Way and 30th & Washington Way – necessary to lift the voltage from 69 to 115 kilovolts (kV).
- Building the Beaver Bay substation at Swift No. 2 east of Woodland, allowing us to better serve customers from Speelyai Bay to Cougar.
- Installation of 20,000 new digital meters as part of the Automated Metering Infrastructure project.
- Replacement of 33 miles of underground lines in attempt to stay ahead of cable failures in older lines. The PUD has 1,200 miles of underground distribution lines.
- Launching of "Project Focus" to replace the computer hardware and software with a Cayenta enterprise system. The new system will be completed in 2011 and will integrate our customer service and financial systems, and work hand-in-hand with automated metering to provide customers new products and choices.

COWLITZ PUD — 2009 GENERAL INFORMATION

❖ TOTAL CUSTOMERS: 48,197

This includes residential, commercial, industrial and street lighting customers.

❖ POWER SALES: 4.63 billion kilowatt hours

Based on retail kilowatt hour sales, Cowlitz PUD is the second largest PUD in the state (out of 21 that sell electricity) behind only Snohomish PUD.

❖ REVENUE FROM POWER SALES (RETAIL): \$176.2 million

This is the third highest among Washington PUDs, trailing only Snohomish and Clark. Retail power sales were down 9.6 percent from 2008, in response to a downturn in the economy.

AVERAGE ELECTRIC USAGE STATISTICS (2009)

<i>Customer Type</i>	<i># of Customers</i>	<i>Share of Total Electric Use</i>
Residential	42,917	17.1%
General Service*	5,211	8.7%
Large Industrial	28	74.0%
Street Lighting-Other	41	0.2%

**General Service customers include commercial, small industrial and other non-residential applications.*

TAX RECAP (2009)

Cowlitz PUD's total tax bill was \$9.52 million, which was collected from customers via utility bills and then paid to the appropriate state and local governments.

Utility/B&O tax (state)	\$4,495,109
Privilege tax (state)*	\$2,435,644
Combined city taxes	\$2,549,041
Other taxes	\$ 39,509

**The Privilege Tax is enacted by state law and charged in lieu of a property tax, since PUDs are governmental entities and do not pay property taxes.*

RESIDENTIAL RATE COMPARISON

This chart compares Cowlitz PUD rates to other areas of the state, region and the nation. Prices shown are based on residential electric customers using 1,600 kilowatt hours per month (the average household usage in Cowlitz County in 2009):

	MONTHLY COST*
Wenatchee	\$51
Clatskanie	\$57
Rainier	\$73
Chehalis-Centralia	\$85
Cowlitz County	\$87
Tacoma	\$105
Kennewick	\$106
Seattle	\$120
Aberdeen-Hoquiam	\$123
State average - Washington	\$123
Vancouver	\$130
State average - Oregon	\$136
Bellingham	\$159
United States Average	\$171

**Cost as of January 2010, rounded to the nearest dollar*

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Cowlitz PUD Electric System Financial Information – A Two-Year Comparison

Cowlitz PUD Statement of Revenues, Expenses and Changes in Net Assets –For years ended December 31, 2009 and 2008

	2009 (1)	2008
OPERATING REVENUES	\$197,585,125	\$213,475,012
OPERATING EXPENSES		
Operations expense	164,864,076	180,489,687
Maintenance expense	4,630,859	5,717,156
Depreciation	7,093,238	6,387,255
Taxes	9,519,323	10,966,359
Total Operating Expenses	186,107,496	203,560,457
Net Operating Revenues	11,477,629	9,914,555
OTHER INCOME (EXPENSES)		
Interest and dividend income	882,376	2,762,741
Interest on long-term debt	(7,235,005)	(6,729,155)
Amortization of debt expense	(200,869)	(192,827)
Other	(490,423)	47,184
Total Other Income (Expenses)	(7,043,921)	(4,112,057)
NET INCOME	4,433,708	5,802,498
TOTAL NET ASSETS, AT BEGINNING OF YEAR	138,860,313	133,057,815
TOTAL NET ASSETS AT END OF YEAR	\$143,294,021	\$138,860,313

Cowlitz PUD Statement of Net Assets –December 31, 2009 and 2008

<u>ASSETS</u>	2009 (1)	2008
CURRENT & RESTRICTED ASSETS		
Cash & investments	\$61,679,005	\$91,205,452
Accounts receivable (net)	20,755,882	18,302,559
Materials & supplies	4,098,850	3,648,106
Other current assets	1,159,085	1,373,678
Total Current Assets	87,692,822	114,529,795
UTILITY PLANT		
Plant in service	230,851,048	208,149,902
Construction in progress	11,784,600	7,344,307
Less accum. prov. for deprec.	(100,160,623)	(95,201,154)
Net Utility Plant	142,475,025	120,293,055
OTHER ASSETS		
Prepaid power contract	76,576,977	80,894,702
Investment in assoc. org. (2)	61,942,417	-
Long-term receivables	5,803,908	6,175,270
Other assets and deferred charges	4,868,801	12,986,633
Total Other Assets	149,192,103	100,056,605
TOTAL ASSETS	\$379,359,950	\$334,879,455

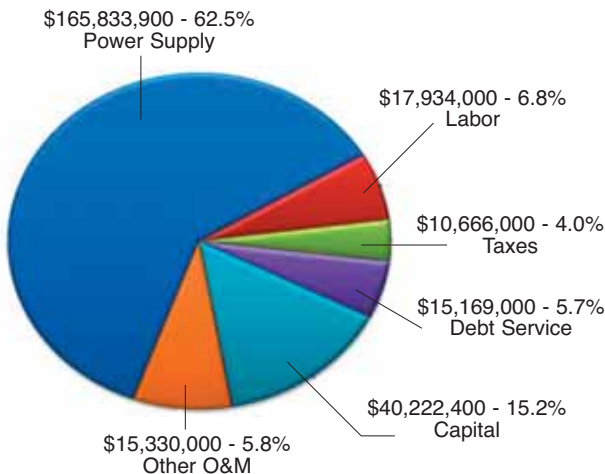
LIABILITIES

CURRENT LIABILITIES		
Accounts payable	\$22,049,393	\$17,400,074
Current portion long-term debt	45,680,473	4,137,394
Other current liabilities	12,474,777	12,324,642
Total Current and Accrued Liabilities	\$80,204,643	\$33,862,110
NON-CURRENT LIABILITIES		
Long-term debt	145,569,543	152,614,777
Deferred revenue		
(rate stabilization fund)	7,700,000	7,700,000
Other non-current liabilities	2,591,743	1,842,255
Total Long-Term Liabilities	\$155,861,286	\$162,157,032
TOTAL LIABILITIES	\$236,065,929	\$196,019,142

NET ASSETS

Unappropriated	143,294,021	138,860,313
TOTAL NET ASSETS	143,294,021	138,860,313
TOTAL LIABILITIES AND NET ASSETS	\$379,359,950	\$334,879,455

2010 Operating Expenditures Budget by Category



(1) Unaudited

(2) Represents our investment in the Harvest Wind Project