



# CONNECTED

The Newsletter of Cowlitz PUD

Volume 14, No. 10

## California Decisions, Falling Market Prices Will Impact Local Rates

Cowlitz PUD's wind sales revenue is expected to drop by \$10 million or more in 2012, which will force local electric rates higher than originally thought. The PUD Board of Commissioners will set rates in October, to take effect on November 1.

The revenue decline is due to falling market power prices that Cowlitz PUD and other power generators can earn, along with a new law in California which intends to restrict future out-of-state renewable power purchases.

### Background

The PUD entered the wind business in 2004, anticipating state-mandated Renewable Portfolio Standards (RPS). State voters subsequently approved I-937 in 2006, which requires Cowlitz PUD to provide three percent of its generation from new renewable sources by 2012, nine percent by 2016 and 15 percent by 2020.

Working with five other public power partners, the PUD built two wind projects – White Creek in November 2007 and Harvest Wind in 2009. By building ahead of need the PUD had enough renewable power to meet the 2012 standard and nearly enough for the 2016 requirements.

In 2007, not yet needing this power to meet loads or the RPS, the PUD contracted to sell the power to a NW power marketer with access to transmission interties with California where the use of renewables was already required by law.

From 2007-2009 PUD excess power sales were enough to pay the annual debt service the PUD owed to finance the wind projects. This helped offset local electric rates. An

- Inside This Issue:
- September Board Report
  - Power Poles Get Checkup
  - Protect Your Electronics From Damage

additional \$5.3 million of “net margin” was placed in a “rate stabilization” fund.

Although market prices began to drop in 2010-2011, sales were healthy and another \$2 million in net margin was expected.

### What's changed?

The weak economy has reduced power demand. Coupled with a glut of natural gas, market power prices have slipped and are projected to stay low for awhile.

Earlier this year California adopted a law which could ultimately limit the ability of Cowlitz PUD and other out-of-state generators to sell wind resources to CA utilities. The PUD is an intervener in California's rulemaking process, pushing to retain its ability to freely sell wind generation to utilities there.

A second, related issue is a delay by the California Public Utility Commission in approving the sales contract that is now in place. This delay has amounted to about \$9 million being withheld from Cowlitz PUD.

These funds represent money not in the bank that could be used to help offset PUD rates. The PUD is pursuing legal channels to collect the funds it is owed.

More information:  
**See GM Brian Skeahan's  
column on page 4**

## Power Poles Get a Regular Checkup



With 20,000 power poles in Cowlitz PUD's countywide electric system, it's important that each one is properly tested and maintained to improve its lifespan.

That's why the PUD inspects and tests every pole approximately every 10 years. We've maintained that practice since the early 1980s.

The majority of the poles are made of wood and their exposure to the environment takes a toll. Wind, moisture, insects and soil conditions all can distress or decay wood.

Regular pole inspections and treatment helps to spot and take care of a problem before it becomes a critical situation. With proper treatment and maintenance the average lifespan of a pole can be extended by 20 or more years beyond the normal life of 40 years.

The PUD has hired Davey Tree Surgery to perform its pole inspections this fall on about 2,000 poles in the Willow Grove area and the area west of Lake Sacajawea, between Industrial Way and Ocean Beach Highway in Longview.

Besides an internal inspection, Davey's specialists will also be conducting a visual inspection looking for external damage and deterioration to the pole and other pole equipment – including guy wires and guy markers, as well as a code compliance inspection and conflicts with communications facilities on the pole.

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The results will provide the PUD with the essential information to determine which poles need to be repaired or replaced.

If you see Davey employees drilling holes in PUD poles, don't worry. They are checking for interior voids caused by insects or fungal decay. After inspection, each hole is treated and plugged to prevent the entry of insects or corrosives.

Inspections are underway and will be complete by the end of the year. If you have any questions or concerns with their work, feel free to call the PUD Engineering Department at 360-577-7546 or 800-631-1131.

## PUD Conservation Rebate Programs Will Help Save You Money

If you're shopping for new appliances, a water heater or heat pump, don't forget to check into the PUD's various rebate programs. Check out the savings:

	PUD Rebate
Refrigerator	\$25
Freezer	\$25
Refrigerator/Freezer recycling	\$30
Clothes Washer	\$30-\$70
Water Heater	\$25
Heat pump (w/ducts)	Up to \$900
Ductless Heat Pump	\$1,500

When shopping, make sure to ask the retailer about products that qualify for a Cowlitz PUD rebate. For appliances and water heaters look for Energy STAR<sup>®</sup> rated products.

**Before you make a purchase:** If you have any questions, call one of our energy conservation experts at 360-577-7514 or access the Conservation and Renewables section of our website at [www.cowlitzpud.org](http://www.cowlitzpud.org).

**YOU CAN PAY YOUR PUD BILL  
ONLINE  
[www.cowlitzpud.org](http://www.cowlitzpud.org)  
Debit or credit card (Visa/MasterCard)**

## What's Happening

### Working Together to Stop Wire Theft

The PUD posts Crime Stopper signs at every substation around Cowlitz County in an effort to remind the public that we need its help to identify and prosecute people who steal utility wire and electricity. We want costly thefts of electric wire and electricity to stop.



Crime Stoppers offers a unique crime fighting tool by creating a partnership between the media, citizens, businesses and all of the law enforcement agencies in Cowlitz County.

Each week a "Crime of the Week" is highlighted in the media and anyone with information about that crime is asked to call Crime Stoppers to provide information. All calls are anonymous. If your tip leads to an arrest or filing of charges, you could earn a reward up to \$1,000.

Visit [www.cowlitzcrimestoppers.com](http://www.cowlitzcrimestoppers.com) or call (888) 577-1206 for more information. If you witness someone stealing electricity or tampering with PUD lines, call 911 immediately.

*As space is available each month in Connected, Cowlitz PUD may offer a brief listing promoting programs and activities (on a first-come, first-served basis) for public, non-profit groups or events with wide interest in Cowlitz County. Send your request to: [whathappening@cowlitzpud.org](mailto:whathappening@cowlitzpud.org).*

## Surge Protection Equipment: It Can Help Prevent Costly Damage

Nearly everyone has sensitive electronic equipment that's expensive to replace – computer, TV, DVR, game equipment, microwave, etc. We strongly recommend you use surge protection equipment to help protect these devices from power surge risks.

Power surges result when normal electric service voltage spikes (rises suddenly) and then returns to normal very quickly. Inside your home or business there are many causes, including larger appliances switching on and off. In addition, faulty wiring, loose connections, or poor grounding can cause harmful spikes in voltage.

A power surge can also result from a power outage. Power outages are unpredictable and are caused by many factors, including bad weather, downed trees, animals, lightning,

## Commission Activities

### September 2011 highlights:

- **Approved new electric rate schedule** for large industrial customers effective October 1, 2011.
- **Awarded a bid to JH Kelly of Longview** to install a 500 kW generator at the PUD main office to provide backup power in the event of a power outage. This is crucial to maintain the PUD's phone system and data infrastructure at all times.
- **Met with staff in two workshops** to discuss electric rates and the 2012 annual operating and capital budgets.

### Future meeting dates:

- Tuesday, November 8
- Tuesday, November 22
- Tuesday, December 13

### Where and when:

John Searing Auditorium at 2:00 p.m.  
Cowlitz PUD - 961 12th in Longview

### Check our website:

Agendas and updated meeting times are posted in advance.

PUD equipment failure or auto accidents.

Be prepared for the unexpected.

Find a surge protector that fits your needs. We suggest one with an Underwriter's Laboratory (UL) label – specifically those with UL 1449 specifications. Surge protectors are not 100 percent effective, but they improve the odds greatly of saving your costly equipment in the case of a surge.



Read more online -  
[www.cowlitzpud.org/surge\\_protection.php](http://www.cowlitzpud.org/surge_protection.php)

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

I wish I had better news about electric rates. But as I write this I expect our Board to be forced to consider a rate increase of roughly 17 percent to take effect on November 1.



That is much larger than predicted at the beginning of 2011. Back then electric bills went up an average of nine percent, and we said to expect another increase in the fall that would bring the total increase for 2011 to around 15 percent.

The hope was that as the year unfolded we would see improvement in wholesale power markets that could help reduce the second rate increase. BPA's wholesale rate increase was about what we expected, coming in at 7.8 percent effective October 1.

But the rest of the power sales news got worse, much worse. Here are the factors driving this:

**Less revenue this year from the sale of wind power to California than what was anticipated:** For 2010-2011 we had a contract to sell our wind to a California private utility. We have been paid for most of this power, however a portion of it was contingent upon the California Public Utility Commission (CPUC) approving certain sections of the contract.

Apparently CPUC staff recommended approval, but for reasons still not adequately explained to us, the Commission refused to take action on it. Right now we are out about \$9 million. We've hired a lawyer familiar with CPUC proceedings to pursue this.

**Less revenue from the sale of wind power and surplus hydro power in 2012 and beyond:** We built our wind projects in anticipation of the requirements of the voter-approved Initiative 937, which requires an increasing amount of our electric load to be served by renewable power. We also needed resources to meet our load growth, which no longer will be met with BPA.

While we grow into our own need for these wind resources we have been selling it to California. We made some money on those sales, and that money helped keep your rates a little lower. Now the California legislature has passed a law that encourages development of California resources and penalizes renewable power imported from the Northwest.

Coupled with falling market prices, the amount of revenue we can expect from selling wind will drop by \$10-11 million in 2012. Low market prices will also hurt our sale of surplus hydro from our Swift No. 2 hydroelectric project and excess BPA power we have the right to sell. These reductions in market sales – on their own – would push up our rates by over ten percent.

We are not sitting on our hands. We are seeking possible customers for our surplus wind power. We are investigating all legal options in response to the CPUC rulemaking. And we have intervened in the rulemaking for the new California law, fighting for our right to freely sell excess resources, here or there.

**I-937 mandated conservation:** In addition to mandating part of our load be met with renewables, I-937 also requires us to provide financial incentives to customers to perform conservation. This comes at a time when BPA is reducing funding for conservation measures. It then falls on utilities like our PUD to fund conservation activity through local rates.

The three highlighted issues have multi-million dollar impacts to our costs. We are looking hard at our budget, but there are no easy solutions.

Laying off a few people or implementing furlough days doesn't put a dent in the problem. In the final analysis, when our resource costs go up by this magnitude the rates to pay for those costs must go up as well.

A handwritten signature in black ink, appearing to read 'Brian Skeahan'. The signature is fluid and cursive, written over a white background.

Brian Skeahan  
General Manager

## Contact Information

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