



CONNECTED

The Newsletter of Cowlitz PUD

Volume 9, No. 2

Monthly Billing Questions Arise

As we wrote last month, Cowlitz PUD is now reading meters and sending out bills every month. So instead of receiving six bills per year as in the past, you will now receive a bill monthly.

Many Cowlitz PUD customers requested this change. While it won't reduce your annual electric bill, it is much easier to budget when you are sent two smaller monthly bills versus one large bimonthly bill.

Several customers have commented on the switch to monthly billing, some in favor and some in opposition. The major concern we are hearing is over the fact that monthly billing costs more to administer. This is mainly due to increased meter reading and postage costs which add up to about \$500,000 a year, or a little over two-tenths of 1 percent of the PUD's annual electric budget of \$214 million.

A benefit of monthly billing is the expected reduction of the bad debts we write-off due to customers who simply "walk away" from their final billing. Based on the experiences of other utilities who switched to monthly billing long before Cowlitz PUD, customers are more likely to keep current with the smaller monthly bills. That will eventually show-up in the form of reduced bad debts. We think we can offset one-third to one-half of the additional costs required by monthly billing, by reducing the bad debt write-offs.

Cowlitz PUD's Board and staff studied monthly billing during 2005 and discussed it at several public meetings before deciding to make the change. We think you will find it to be a nice convenience, with the added benefit of helping those on fixed incomes.

Inside This Issue:

- Overhead Power Line Safety
- Renewable Resource Energy Program
- A Message from the General Manager

Consumer Alert

Be Wary of Product Pitches Promising Big Savings on Your Electric Bill

Cowlitz PUD customers ask us often about the validity of product offers that promise big savings on their heating bill. This includes items like specialized portable heaters and voltage regulators.

It is not Cowlitz PUD's position to say whether a certain product offer is valid or not. But if you read an ad or receive a telemarketing inquiry from anyone asking you to spend several hundred dollars, with a promise of cutting your bill in half, we suggest you ask a lot of questions before committing to purchase that product.

For example, a recent national ad placed in the local media implied that a certain brand of electric portable space heater is more energy efficient than other heaters. But that's not possible, because all portable electric space heaters are equally efficient. They all operate at nearly 100 percent efficiency. Various heaters may have other features that make them more costly, but none are more efficient than others.

You can contact the PUD's Energy Conservation Department if you have a question about an energy-saving claim. We also recommend researching the Electric Ideas Clearinghouse website at www.energyideas.org.

Help the Environment with Your Voluntary Purchase of Green Power - Only \$2 a Month!

Cowlitz PUD's Renewable Resource Energy Program

Cowlitz PUD's Renewable Resource Energy program provides the opportunity for PUD customers to support the further development of environmentally friendly "Green Power" in the region. This is a voluntary program for PUD customers. The additional \$2 fee per block of green power helps support the development of new renewable energy sources in the Pacific Northwest.



Cowlitz PUD has been in the Green Power business for many years, utilizing water power (hydroelectricity) as its

TO PARTICIPATE

Cowlitz PUD's residential, commercial and industrial customers can take part in the Renewable Resource Energy Program and pay a monthly supplemental charge of \$2.00 per block of 100 kilowatt-hours of green power. Call our Customer Service Department to sign up.

main source of electricity. However with continued economic growth in the Pacific Northwest, the region needs to develop new power sources to meet its growing demand for electricity.

Green power is generated from earth-friendly resources like wind, solar, hydro, geothermal and biomass. The growth of the green power industry in the Northwest benefits our environment by helping reduce air pollution and global climate changes.

Cowlitz PUD contracts for the services of Bonneville Environmental Foundation (BEF), a non-profit environmental organization that serves as a broker for green power. BEF invests in several Northwest green power sources which generate wind and solar power.

What's Happening in Our Community

Think back to your childhood...Who was the person in your life, other than a parent, that brought a little magic into your life by just being there? Big Brothers Big Sisters enhances the positive development of youth by providing Cowlitz County children, ages 7 to 12, with a caring adult mentor "Big Brother" or "Big Sister."



You too can turn little bits of magic into big moments in a child's life. To learn more about becoming a "Big" or a "Little" in Cowlitz County call toll free to: Big Brothers Big Sisters of Southwest Washington (866) 882-6696.

As space is available each month in Connected, Cowlitz PUD may offer a brief listing promoting activities (on a first-come, first-served basis) for public, non-profit groups with wide interest in Cowlitz County. Please send your request via email to: whatshappening@cowlitzpud.org.

Available on Request

Information about Cowlitz PUD's electric rates and customer policies is available in our Annual Customer Report. The report is available at our office or you can call and request a copy at (360) 423-2210. The report can also be viewed online at www.cowlitzpud.org. (Click on the link "About the PUD.")

Contact Information

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Electrocution Hazards Exist When Working Near Overhead Power Lines

Many occupations and household jobs require work near overhead power lines. While electric utility line workers are highly trained to recognize and manage electrical hazards, you may not be. Cowlitz PUD strongly suggests you follow these guidelines closely when working in the vicinity of power lines:

- **Pruning or Falling Trees** – A tree limb touching a power line may be energized. If you are planning to trim a tree near a secondary power line (the line between the transformer and your meter), please contact Cowlitz PUD and ask us to temporarily disconnect the service. Only qualified workers conducting work in a safe manner should perform work where power lines are a potential hazard.
- **Ladder, tools, and equipment** – Non-conductive ladders and other tools should be used when working in the vicinity of power lines. Ensure that scaffolds, pipes, window washing or painting tools, and other types of tools and materials do not come within 10 feet of power lines. Be aware of the hazards of working with metal ladders near power lines.
- **Traveling Under** – Check the height of your vehicle's load and the height of the power lines before you go under.
- **Safe distances** – Maintain safe working distances from all overhead wires and power transmission lines. When operating mechanized equipment make sure that the equipment, or material being moved, is at least 10 feet away from power lines. Very high voltage levels (over 50 kilovolts) require distances greater than 10 feet.

Additional tips for employers:

Ensure that employees and supervisors are trained to recognize the hazards of working near overhead power lines and how to use proper procedures to eliminate or minimize these hazards. Supervisors and employees should know the location of all overhead power lines before starting work.

- **De-energize or insulate** – Contact Cowlitz PUD prior to the start of work to de-energize and ground the lines or install insulation, if feasible.
- **Spotter** – A trained, qualified worker should be assigned to observe the clearance of equipment operating near power lines when it is difficult for the operator to judge and maintain the required distance.
- **Warning devices** – Electronic warning devices installed on cranes or other equipment can be used to alert the operator if the boom is coming too close to an energized line.

Commission Activities



This column provides highlights of notable action items considered by the PUD Board of Commissioners. In recent weeks the Board has:

- **Authorized participation in American Public Power Association's "Plug-in Partners" campaign.** This is a national, public power-led grassroots effort to encourage auto manufacturers to develop plug-in hybrid electric vehicles.
- **Authorized the transfer of \$79,881 to Reserve for Bad Debts** from accounts closed in third quarter 2004.
- **Adopted the 2006 budget for the electric distribution system** in the amount of \$214.5 million. The electric budget assumes a 3.2 percent rate increase in March, related to growing power costs and large increases in premiums for liability and health insurance.
- **Adopted the 2006 budget for the water system** for \$1.2 million. (Cowlitz PUD serves 3,700 water customers in residential areas just outside Longview and Kelso). The water budget indicates a need for a significant water rate increase in 2006, primarily attributable to results of a State-mandated Water System Plan, system growth and general inflationary pressures.
- **Approved an Electric System Capital Requirements Plan** that reflects estimated costs for replacement and upgrade of the District's electric system facilities over the next 20-year period.
- **Adopted a Salary Compensation Policy** that establishes new guidelines and procedures pertaining to salary administration for employees not covered by a collective bargaining agreement.

The Cowlitz PUD Board of Commissioners meets at 2:00 p.m. on the second and fourth Tuesday of each month at the PUD main office at 961 12th Avenue in Longview. These are open, public meetings and we encourage our customers to attend.

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

Earlier this winter The Daily News featured several excellent articles by reporter Don Jenkins regarding our efforts to return the Swift No.2 Hydroelectric Project to operation, following the April 2002 failure of the power canal. The project, located on the Lewis River just east of Cougar, WA, produces roughly 15 percent of the PUD's wholesale power for residential and commercial customers.



Brian Skeahan

The newspaper articles discussed problems at the canal related to leakage and the specifications for allowable leakage through the newly-constructed concrete portion of the canal. In light of this, we have been asked by customers how the cost of Swift repairs will affect electric rates.

First let's take a step back and address some bigger picture issues. The Swift project has been an extremely important part of Cowlitz PUD's power supply portfolio. When the project was built in the 1950s its power cost more than BPA power, and in fact the power it produced was sold to others for many years. That changed in the early 1980s when the cost of BPA power significantly increased. From then on Swift power cost less than BPA, so it was used to meet the growing power needs of Cowlitz County.

While the cost of Swift will be significantly higher after reconstruction (plus costs associated with obtaining a new 50-year federal license to operate the project due to fish requirements), it will continue to be a valuable asset. Just as in the 1950s it may be a little more expensive than BPA power in the short-term, however, we don't expect that situation to last for long. The cost of BPA power will rise over the 50-year period, while Swift costs will stay stable.

More importantly, the cost of Swift power after reconstruction will still be much less than the cost of any other option, including market power or any potential new generation resources. Thus we remain committed to Swift No. 2's return to service.

As we have shared in the past, these reconstruction and relicensing costs will eventually drive up electric rates a few percentage points. We will use the local media and this newsletter to inform you of the rate impact.

As for construction and insurance issues, the PUD took several steps to protect its customer's interests in Swift. First, we believe we had significant and comprehensive insurance coverage on the failure event. We have received \$70 million from one company, while another has refused to pay. Unfortunately we will have to turn to the courts to get what we believe we are entitled to. That trial is scheduled for fall. We have excellent legal representation in this matter and intend to aggressively argue our position. The initial legal proceedings have been favorable to the PUD.

Secondly, the PUD took great care in writing the contracts associated with reconstruction. We retained experienced construction attorneys to review contracts both for engineering services and construction work prior to awarding this work. As the Daily News, reported the canal contractor has filed a \$13 million claim. While we believe that claim may have limited merit, we do not believe it is anywhere near that amount under the contract. In turn, the PUD has a claim against the contractor.

The construction contract contains "liquidated damages provisions." These clauses are intended to protect our customers in the event of an unjustified delay. It calls for a payment of up to \$40,000 per day from the contractor to the PUD for every day the project is delayed. It is our belief that this clock started running in mid-August 2005.

The construction contract requires the parties to attempt to settle disputes first through mediation. We made that attempt in December, but with the canal leakage situation the mediation did not result in settlement. Rather, we agreed to meet again upon completion of the project, to attempt to settle this matter.

Litigation is time consuming and expensive. If a reasonable compromise can be reached that makes good business sense we probably ought to settle. However if that proves impossible, the PUD, as with the insurance litigation, has assembled a first-rate team of legal advisors and construction experts to argue forcefully on our behalf.

In the meantime our number one goal has always been to get our Swift project back on line and producing power to benefit the customers of Cowlitz PUD.

A handwritten signature in dark ink, appearing to read "Brian Skeahan". The signature is fluid and cursive.

Brian Skeahan
General Manager