

CONNECTED

The Newsletter of Cowlitz PUD

Volume 11, No. 11

Cowlitz PUD Prevails in Swift No. 2 Insurance Lawsuit

It was a long, hard fight that took nearly five years, but in the end Cowlitz PUD and its customers came out the winners.

In November the U.S. Court of Appeals for the Ninth Circuit denied the final appeal by TIG Insurance, thus upholding a lower court decision that TIG make an insurance policy payment of \$29.8 million for repair costs incurred at Cowlitz PUD's Swift No. 2 Hydroelectric Project.

The PUD and Lloyd's of London shared the TIG proceeds under a 2004 agreement made when the London-based insurance company paid \$70 million in coverage for Swift No. 2 damages. After legal costs, the PUD's share of the TIG award was \$14.4 million.

Cowlitz PUD owns the hydro project on the North Fork of the Lewis River, east of Cougar. It was heavily damaged April 21, 2002, when its canal embankment failed, and water, soil and rock inundated Highway 503-Spur and destroyed the adjacent powerhouse.

Cleanup and reconstruction work at Swift No. 2 was completed at the end of 2005 at a cost of about \$135 million, which included the cost to purchase replacement power while the project was shutdown for nearly four years. The TIG payment brings the PUD's net insurance proceeds to about \$100 million, with the balance of the repair cost



The Swift No. 2 Hydro Project failure as it happened on April 21, 2002.

paid with proceeds raised from 30-year bonds issued in 2004. The TIG payment will be used to pay down a portion of those bonds.

The insurance litigation case dates back to February 2004 when Federated and TIG sued the PUD in U.S. District Court (Tacoma), asking that the court declare there was no coverage under their policies. Cowlitz PUD filed a counterclaim in U.S. District Court in May 2004 seeking coverage for its loss.

In March 2006 an Order of Summary Judgment by the U.S. District Court sided with Cowlitz PUD's counterclaim. In June 2006 a \$25 million out-of-court settlement was reached with Federated.

The PUD will now pursue a bad faith claim against TIG. A new Washington law allows insured entities to seek damages against insurance companies who they believe acted in bad faith in responding to their claims.

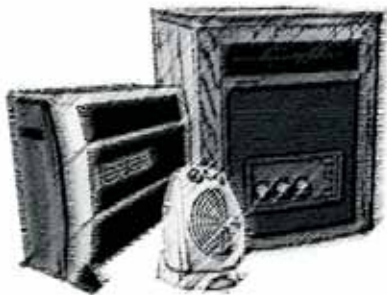
"TIG's behavior throughout this affair, combined with the potential additional benefits to our customers, compels us to pursue a bad faith claim. This is a new law that allows for enhanced damages, making it difficult to predict how a court might view it. But we think it's another battle worth fighting on our customers' behalf," PUD General Manager Brian Skeahan said.

Inside This Issue:

- November Board Report
- Shop Smart for Electric Heaters
- Help Stop Wire and Electricity Theft

Shopping for a Portable Electric Heater? Be a Smart Buyer!

These tips will help you save money and energy, while staying comfortable and safe.



- Most electric space heaters are 1,500 watts, and all 1,500-watt electric heaters produce the same amount of heat.
- All electric space heaters are 100% efficient, because all of the heat produced is released into the room.
- Any 1,500-watt portable electric heater will cost about 7.7 cents an hour to operate (at the PUD's current residential rate).
- An electric space heater can help you feel more comfortable, but it won't save money unless you turn down your central heating system and use the heater in just one room.

- **Important:** You can purchase an effective, lightweight, safe, 1,500-watt electric heater for under \$40 at many local stores.
- **Most Important:** Follow the safety rules listed by Underwriters Laboratory: www.ul.com/newsroom/heating/space.html

Working Together to Stop Wire and Electricity Theft

Cowlitz PUD hosted a regional wire theft forum in October with many other utilities, law enforcement personnel, legislators and recyclers. Since that time we have had discussions with Crime Stoppers of Cowlitz County on working together with us to help identify and prosecute people who steal utility wire and electricity.



Thefts of electric wire and electricity in the past three years have cost Cowlitz PUD customers over \$300,000. The PUD wants that 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 our local media and anyone with information about that crime, any other crimes, or wanted fugitives 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.

We encourage all PUD customers to watch and listen for the Crime of the Week and to get involved to help fight crime in our community. You can visit www.cowlitzcrimestoppers.com for more information. If you witness someone stealing or tampering with PUD lines, call 911 immediately.

Go Green!

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

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



YOU CAN PAY YOUR PUD BILL ONLINE

www.cowlitzpud.org
Debit or credit card
(Visa/MasterCard)

What's Happening

Free Tax Prep –

It's Your Money, Come and Get It!

Lower Columbia CAP and the Cowlitz Asset Building Coalition want you to know about free tax preparation and e-filing available in our community, and that you may be eligible for the Earned Income Credit if your family earned less than \$41,646.

The AARP Tax Aide Program offers free income tax preparation to seniors and low-income individuals starting on January 17:

Longview Library: Fri. 12-4, Sat. 11-4, Tues. eve. 4-8

McClelland Arts Center: Tues. and Thurs. 9-3

Fibre Federal Operation Center: Tuesday eve. 4-7

LPD Highlands Substation: Tues 1-3 (after Feb. 1)

Electronic filing is available. By furnishing an account number and bank routing number, refunds can be sent directly to your bank or credit union in 6-10 days. You may also self file on-line at www.icanefile.org and use direct deposit

For more information phone 2-1-1 INFO for details

As space is available in Connected, Cowlitz PUD offers the What's Happening column to provide public, non-profit groups with wide interest in Cowlitz County an avenue to promote their activities (on a first-come, first-served basis). Please send your request via email to: whathappening@cowlitzpud.org.

Commission Activities



November highlights:

- Held two half-day workshops with PUD staff to review the 2009 budget planning.
- Directed PUD staff to file comments with the Bonneville Power Administration, in opposition to the proposed BPA contract with Alcoa for 2011-2028.
- Authorized the execution of a long-term power purchase agreement with the Bonneville Power Administration for 2011-2028 and also determined that the contract complies with the greenhouse gas emission performance standards established under RCW 80.80.40.

Upcoming PUD Board meetings:

Tuesday, January 13

Tuesday, January 27

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.

Automated Metering - *Installations Cut Back Over Holidays*

As the year ends, work continues on Cowlitz PUD's Automated Metering Infrastructure (AMI) project. Through November we had installed about 10,500 new automated meters, nearly 22 percent of all PUD customers.

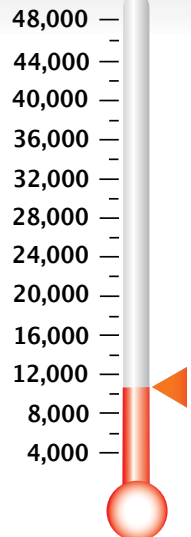
Our AMI work focus throughout the holidays is directed more toward software programming and hardware updates in our substations, rather than meter installation. During Thanksgiving week we curtailed new meter installations to avoid inconveniencing the holiday plans of our customers. No meters will be installed December 22 to January 2 either.

When we install a new meter the power is shut-off briefly and we think most customers would prefer that not happen as they prepare for the holidays. During December, Cowlitz PUD meter technicians will work

mostly in Castle Rock and south of Kalama, through December 19.

In 2011 every PUD customer will have a new automated meter with a digital readout. The new meters will communicate on a real-time basis with computers in the PUD office, via a signal over power lines. Meters will be read automatically from the PUD office. One day you'll be able to monitor your electric usage online and set your monthly billing date. The PUD will continue to send meter readers as the project continues.

If you have a question about automated metering, please email it to us at customercomments@cowlitzpud.org and type "Automated Metering" in the subject line. You can also send your question to us at 961 12th Avenue, Longview, WA 98632. Please write "Automated Metering" next to the address.



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

There has been plenty of tough economic news the past months. In a poor economy the PUD sees firsthand the additional hardships on senior citizens, the unemployed and others on fixed or low incomes, who are trying to pay their electric bill.



Recently we have talked to more customers who have fallen behind on paying the electric bill. In most cases these are customers who have paid their bill on time in the past, but poor economic circumstances have forced them to make tough choices on which bills to pay first. Some of these customers are understandably hesitant or unfamiliar on where to turn for assistance.

The PUD's Warm Neighbor program is one such source. It is supported by voluntary contributions from customers like you. Many PUD customers elect to add a few dollars to their bill each month. Others add in some extra dollars on occasion or send a donation directly to CAP. However you do it, it's greatly appreciated.

In a normal year customers contribute about \$30,000 to Warm Neighbor. Last August about 65 Cowlitz PUD employees and family members volunteered their time to work at the Cowlitz County Fair Bingo tent and helped raise an additional \$2,640.

CAP uses this fund to help local PUD customers not qualified under the senior or disabled rate discount programs. All told, those funds will assist 300 to 400 customers with their electric bill during the winter months when the bills are higher.

The recipients may be working poor – or people who have not needed assistance before, but temporarily find themselves needing a little help. We know of many cases where a small

boost from the Warm Neighbor fund made a big difference in a customer's life, by helping keep the lights on.

I wrote last year about the value of the Warm Neighbor program and shared a story from CAP at that time about a couple with two young children, who had never asked for help before. The husband was in a car accident, lost his job and lost the medical insurance that came with it. It left him unable to work at the time and unsure if or when an insurance settlement would be reached. The wife was working a minimum wage part-time job that did not cover the mortgage payment, utilities, food, etc. CAP used Warm Neighbor funds to help them through that difficult time, and reported the couple was very thankful for the help.

My wife and I moved here in 2003 and we both noticed immediately that residents of Cowlitz County are very generous when it comes to helping others. I know many of you donate to a variety of causes in the community. To those of you who are contributing to Warm Neighbor, thank you. To those of you who don't, we would appreciate your consideration. Every little bit helps, and it's always appreciated.

If you feel so inclined, please join me in making a voluntary donation to Warm Neighbor this holiday season. From all of us at the PUD we wish you a Merry Christmas and Happy New Year.

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

Brian Skeahan
General Manager

(Note: To contribute to the Warm Neighbor fund, just add an extra amount to your next payment and note that amount on the space allotted on the front of your PUD bill. You can also contact CAP and make a direct donation.)

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