

CONNECTED

The Newsletter of Cowlitz PUD

Volume 11, No. 5

From the Desk of the General Manager

Thank you for taking a few minutes to read Cowlitz PUD's special issue of *Connected*, which this month offers a review of 2007 PUD activities and statistics.

Life continues to be busy at Cowlitz PUD and in the entire electric industry for that matter. The highlight in 2007 for Cowlitz PUD was the completion of the White Creek Wind Project near Goldendale, WA. We are one of four consumer-owned utilities in the state that teamed up to develop White Creek and we will receive 46 percent of the electricity it produces for the next 20 years. White Creek power will help us meet future load growth and the renewable power requirements of I-937, passed in November 2006 by voters. It will also help address looming climate change issues and possible legislation.

Improving our electrical infrastructure – substations, poles, meters, transformers and power lines – remains a priority. In 2007 we kicked off a five-year plan to install a new Advanced Metering Infrastructure. This includes installing automated meters at every home and business in the county by 2011. Our meter technicians installed 1,500 of the new meters in 2007 and testing is completed and approved. We expect to install 11,000 more new meters in 2008. One day you will be able to read your meter and track usage online.

PUDs are not-for-profit, community-owned utilities. You elect the three-member Board of Commissioners. Customer accessibility to decision makers is what sets public power apart from private utilities. Our board holds regular, public

meetings and you have access to their phone numbers and email addresses. Our board meetings are held the second and fourth Tuesday at 2:00 p.m. in the PUD Auditorium. You are invited.

We run the utility in a businesslike manner with a plan to achieve positive financial results. The PUD operates under a board-approved financial policy. Our budget is drafted each fall and finalized and approved in December at a public meeting.

Our 155 employees, board and I believe strongly that the PUD should be involved in the community. Last year PUD employees took part in events like the American Cancer Society Relay-for-Life, Go Fourth Parade, Cowlitz County Fair Charity Bingo and United Way Day of Caring. In 2007, hundreds of local school children experienced an electrical safety demonstration put on by our line crews. Our employees also held a food drive in December and collected 2 1/2 tons of canned foods and other household items that were donated to CAP's Help Warehouse.

Our goal remains to provide you with reliable and safe service at the lowest possible cost. Thanks for being a customer of Cowlitz PUD.



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 – 2007 Highlights

AUTOMATED METER READING

Cowlitz PUD launched a 5-year Advanced Metering Infrastructure project in 2007. When the project is completed in 2011, every PUD customer will have a new electric meter that communicates on a real-time basis with computers in the PUD office via a signal over existing power lines. Advanced metering will allow us to read your meter automatically from the PUD office. In the future the system will also provide you the option to monitor your electric usage online and a flexible monthly billing date – set by you.

Advanced metering will help the PUD to manage electric loads and will better pinpoint who is out of power during a power outage. Someday we expect to offer time-of-day rates and voluntary load management options.

The PUD installed and successfully tested the first 1,500 new meters in 2007. We expect to install the next 11,000 meters in 2008, and continue on a similar pace until the project is completed in 2011.



WHITE CREEK WIND PROJECT COMPLETED

Cowlitz PUD joined Klickitat PUD, Lakeview Light and Power and Tanner Electric Cooperative in 2005 to develop the 205 megawatt White Creek Wind Project. A little over two years later in November 2007, the project was completed – six weeks early and one percent under budget. Power from the wind project will be crucial to help Cowlitz PUD meet load growth and new state mandates for renewable power beginning in 2012.

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LOW INCOME DISABLED RATE DISCOUNT

Three years after introducing a discounted electric rate program for low-income seniors (age 65), the PUD Board voted in September 2007 to extend the same discounts to qualified disabled customers. The program kicked off in October and by the end of the sign-up period 215 customers had qualified. Sign-ups will take place again beginning in September 2008.

WATER SYSTEM TRANSFER

Plans were laid in 2007 for an inter-local agreement between the PUD and Beacon Hill Sewer District that will lead to the eventual full transfer of the PUD's water system to BHSD. PUD water customers were invited to two public hearings and given the opportunity to comment and ask questions about the transfer in March and October 2007.

Beginning January 1, 2008, BHSD began handling day-to-day maintenance and installations and will soon be processing bills and payments. About 80 percent of PUD water customers also have BHSD sewer service.

ELECTRIC SYSTEM CONSTRUCTION

In 2007 Cowlitz PUD continued on its second year of a stepped-up construction and maintenance program, in an effort to meet the growing electrical needs of customers. Some of our more notable projects include starting construction on a new substation to serve Cameron Glass in Kalama and another at the Mint Farm Industrial Park in Longview.

We also began laying plans for an aggressive seven-year project to upgrade and interconnect the transmission grid system in Cowlitz County. The end result of that project will be improved reliability of the electric system for all customers. During 2007 we also replaced and added over 12 miles of underground electric lines.

CONNECTED is published by Cowlitz County PUD.
COMMISSIONERS: Buz Ketcham, Ned Piper,
and Mark McCrady
GENERAL MANAGER: Brian Skeahan
EDITOR: Dave Andrew

COWLITZ PUD — GENERAL INFORMATION

Cowlitz PUD delivers electricity to 47,800 residential, commercial, industrial and street lighting customers in Cowlitz County. The PUD owns the 70 megawatt Swift No. 2 hydroelectric project on the Lewis River near Cougar, WA. It provides about five percent of our wholesale power needs. About 90 percent of the electricity used in Cowlitz County is supplied by the Bonneville Power Administration.

The PUD owns the water system which serves about 3,800 customers in the Columbia Heights, Lone Oak, Cedar Gates, Lexington, Beacon Hill and Ostrander areas of Longview-Kelso. As noted on page 2, the PUD and Beacon Hill Sewer District entered into an inter-local agreement in 2007 which calls for the transfer of the water system to BHSD over the next three years. Here are some other key numbers:

AVERAGE ELECTRIC USAGE STATISTICS (2007)

<i>Customer Type</i>	<i># of Customers</i>	<i>Share of Total Electric Use</i>
Residential	42,526	15.9%
General Service*	5,240	8.5%
Large Industrial	27	75.5%
Street Lighting	12	0.1%

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

TAX RECAP (2007)

Cowlitz PUD's total tax bill for 2007 was \$10.8 million, which was collected from customers via utility bills and paid to the appropriate state and local governments. This represents about six percent of Cowlitz PUD's total 2007 expenditures and includes:

Utility/B&O tax (state)	\$5,407,153
Privilege tax (state)	\$2,921,078
Combined city taxes	\$2,450,587
Other taxes	\$ 6,929

RESIDENTIAL RATE COMPARISON

The chart below compares Cowlitz PUD rates to others in the Pacific NW and the nation. Prices shown are based on residential electric customers using 1,500 kilowatt hours per month (the average household usage in Cowlitz County):

MONTHLY COST*

Clatskanie	\$56
Rainier	\$71
Chehalis-Centralia	\$73
Cowlitz County	\$77
Kennewick	\$95
Tacoma	\$99
Seattle	\$108
Aberdeen-Hoquiam	\$109
State average - Washington	\$109
Vancouver	\$117
State average - Oregon	\$122
Portland	\$145
United States Average	\$160

**Rates as of March 2008, rounded to the nearest dollar*

QUICK FACTS ABOUT LOCAL ELECTRIC RATES

- Electric rates today in Cowlitz County are the same as they were in October 2003.
- A recent American Public Power Association rate study ranks Cowlitz PUD's 2006 residential rates as the 81st lowest in the nation, out of a total of 2,944 electric utilities. That puts us in the top 2.8 percent nationwide.
- 646 PUD customers qualified for the Senior Citizen or Disabled Discount Rate plans, which provide qualified low-income customers with a 10 or 20 percent rate discount.

YOU CAN PAY YOUR PUD BILL ONLINE

www.cowlitzpud.org

Debit or credit card (Visa/MasterCard)

Cowlitz PUD Financial Information – A Two-Year Comparison

Cowlitz PUD Statement of Revenues, Expenses and Changes in Net Assets –For years ended December 31, 2006 and 2007

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES	\$200,890,789	\$201,656,986
OPERATING EXPENSES		
Operations expense	164,644,383	160,239,305
Maintenance expense	6,043,505	3,787,526
Depreciation	8,673,111	5,985,038
Taxes	10,872,722	10,825,069
Total Operating Expenses	190,233,721	180,836,938
Net Operating Revenues	10,657,068	20,820,048
OTHER INCOME (EXPENSES)		
Interest and dividend income	7,179,911	3,411,989
Interest on long-term debt	(7,483,296)	(4,165,914)
Amortization of debt expense	(225,738)	(54,984)
Total Other Income (Expenses)	(529,123)	(808,909)
NET (LOSS) INCOME BEFORE EXTRAORDINARY ITEMS	10,127,945	20,011,139
EXTRAORDINARY ITEMS	-	28,601,440
CHANGE IN NET ASSETS BEFORE CONTRIBUTIONS	18,126,799	48,612,579
CAPITAL CONTRIBUTIONS	1,473,113	-
TOTAL NET ASSETS, Jan. 1	211,291,452	162,678,873
TOTAL NET ASSETS, Dec. 31	\$230,891,364	\$211,291,452

Cowlitz PUD Statement of Net Assets –December 31, 2006 and 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash & cash equivalents	\$121,336,396	\$118,355,838
Accounts receivable (net)	24,032,700	44,362,972
Materials & supplies	3,691,075	3,168,524
Other current assets	965,465	2,043,423
Total Current Assets	150,025,636	167,930,757
UTILITY PLANT		
Plant in service	325,171,451	309,815,714
Construction in progress	9,505,483	2,745,059
Less accum. prov. for deprec.	(108,827,113)	(101,979,192)
Net Utility Plant	225,849,821	210,581,581
OTHER ASSETS		
Prepaid power contract	85,212,427	-
Long-term receivables	20,815,940	-
Other assets and deferred charges	13,882,668	19,092,527
Total Other Assets	119,911,035	19,092,527
TOTAL ASSETS	\$495,786,492	\$397,604,865
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$17,556,781	\$17,383,130
Current portion long-term debt	4,818,471	4,020,827
Other current liabilities	12,307,696	9,827,546
Total Current and Accrued Liabilities	\$34,682,948	\$31,231,503
NON-CURRENT LIABILITIES		
Long-term debt	227,291,746	150,350,370
Other non-current liabilities	2,920,434	4,731,540
Total Non-Current Liabilities	\$230,212,180	\$155,081,910
TOTAL LIABILITIES	\$264,895,128	\$186,313,413

NET ASSETS

Unappropriated	230,891,364	211,291,452
TOTAL NET ASSETS	230,891,364	211,391,452
TOTAL LIABILITIES AND NET ASSETS	\$495,786,492	\$397,604,865

Expenditures by Major Categories - 2008 Budget

