

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

A few weeks ago the Bonneville Power Administration finalized its plans for a wholesale rate increase effective October 1. Based on many circumstances, the rate increase varies slightly utility-by-utility. Cowlitz PUD will see its BPA wholesale rates increase by about 7.5 percent.



When adjusted for inflation BPA's rates are about the same as they were 20 years ago, even with the big increase in 2001-02 following the Enron debacle.

The big driver for the 2009 BPA rate increase is fish and wildlife costs. This includes major fish recovery projects at hydro facilities, fish hatchery operations and habitat projects, and foregone revenues and power purchases. When BPA has to change river flow or spill water for fish considerations that water can't be used to produce power. That means lost revenue opportunities for BPA.

When you combine those expenditures, BPA's annual fish and wildlife costs have grown by \$407 million or 87 percent in the last 10 years. You and I pay those costs.

Over 20 percent of every dollar you send us when you pay your electric bill is for fish and wildlife costs. By comparison 6.5 percent of every dollar you pay on your electric bill (one-third of the fish cost) is spent on PUD labor costs.

The BPA increase translates into \$8.6 million in additional power costs to our PUD. As a result, and pending Board approval, local rates will rise in October.

We recognize that in economic times like these an increase in electric rates is difficult. As I wrote this column in late August the amount of the retail rate increase was not yet determined.

We are alarmed that the F & W spending is showing no signs of slowing. Last year BPA signed agreements with several tribes and the States of Washington, Idaho and Montana

which will cost electric customers an additional \$64 million a year (net) over the next 10 years. The cost of this agreement alone is responsible for nearly half the 2009 BPA rate increase.

Why would BPA make that agreement? Coupled with all the other steps it has taken, the expectation was Judge James Redden would finally accept the biological opinion (Bi-Op) that directs how the Columbia River system is managed for fish recovery.

However, at the recent urging of fervent fish advocates, Judge Redden has delayed the Bi-Op and the new administration is reviewing it. Many believe he's looking to remove four hydroelectric dams on the Snake River. It's beyond me how a semi-retired Federal judge has control over a billion dollars a year of Pacific Northwest electric customer money and the operation of the Columbia River.

The removal of these dams, combined with existing restrictions on how water flows down the river, has other consequences. It would severely limit further development of intermittent renewable resources, because it reduces our ability to back up these resources with hydro when the wind isn't blowing or the sun isn't shining.

BPA has a legal obligation to take steps and spend money to enhance the viability of native salmon. The preservation of that species is a goal that most residents of the Pacific Northwest support, including the electric utility industry. Recent Cowlitz PUD customer opinion surveys tell us you also support salmon recovery.

The fact is we are all paying for the most extensive and expensive endangered species recovery effort in history. You may or may not be OK with that. But the question must be asked: "Is there ever enough?"



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