



Skamania County PUD's

News From the Wire

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**PUD #1 of
Skamania County**

**PO Box 500
1492 Wind River
Hwy.
Carson WA 98610**

Office Hours:

8:30 a.m.—5:00 p.m.

www.skamaniapud.com

Phone: 509-427-5126

Toll Free: 800-922-5329

Fax: 509-427-8416

**Board of
Commissioners**

Meeting Schedule

9 a.m.

Monday 04/20/09

Monday 05/04/09

Monday 05/18/09

Monday 06/01/09

Monday 06/15/09

An Economic Outlook, Speculation, and Wild Guess

As I ate lunch today I read a letter from BPA Administrator Steve Wright that put a bad taste on my sandwich. The Administrator did not relay good news. Earlier in the same day, while eating breakfast, I read the Oregonian and saw a front page story about how unemployment is in the double digits. All of this on the 17th of March, three days from the end of winter, while mixed rain and snow continues to fall.

BPA informed us that the snow pack high in the Canadian Rockies at the headwaters of the Columbia River was only 79% of normal in early February. February was unusually dry, and it is getting late in the winter to catch up with any additional snow pack. The lack of snow pack impacts BPA in the spring run-off. During a good snow pack year and good spring run-off, the dams generate surplus power and BPA sells large amounts of surplus power out of the region and uses the revenue from the surplus sales to help keep our electric rates low. Regrettably this winter was poor for snow pack and it looks there isn't much power to sell this year.

Not only is there less surplus power to sell, BPA also expressed concern for the price they expect to get for this springtime surplus power. Because of the economic slowdown and reduced demand for electricity, the market price for bulk surplus power in the Western United States, and especially California, is down. So the revenue received for each unit of power sold will be less. The result is less power to sell and the price of this power will be low.

At this point you might be asking 'If the price of bulk surplus power is down, why haven't I seen a rate reduction from the PUD'? A reasonable question, and one that I ask BPA each year. They tell me the reason for the price difference is because the PUD buys 'Firm Power' rather than springtime bulk surplus. BPA is contractually and legally obligated to supply us with the proper amount of power that we need, even as the amount changes each second of each hour. They 'follow our load' as homes turn on and off their heat and ovens and the like. BPA must and does 'go to market' when the hydro system doesn't produce enough in any given hour, and sells power into the market when the hydro system must pass water for fish and navigation, even though the PUD and other public utilities don't need as much power. All of this managing of varying amounts of power takes manpower and computers and controls. BPA sets a rate for Firm Power every two years through an exhaustive process, and we are locked into this rate.

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In contrast, surplus bulk power is sold in fixed constant blocks for an hour, a day, even a month at whatever price the market will bear. On average, BPA earns \$400 million on surplus bulk power sales, and uses this money to reduce our Firm Power rates.

Put another way, BPA pays its costs by selling power. If they make less money from surplus bulk sales, then they will need more money from Firm Power sales to meet their fixed costs.

All that aside, my point today is simple and sad: BPA is now predicting another rate increase. This is not what we need this year; but may be unavoidable.

Tomorrow I will be in Portland for a meeting of the PUD Managers from around the region, with the BPA Administrator and his staff, to discuss ways to reduce the impacts of the underlying conditions, and reduce any increase BPA may need. We will be suggesting things like 'cut costs', 'delay projects', 'delay expenditures', etc. Your PUD is doing these things, as we always do. We will be helping BPA find ways to do the same.

Let us pray for late snow in the mountains, and a return to better economic conditions overall for our country.

Bob Wittenberg, your Manager at your PUD

Budget Plan– Time for recalculations and new sign ups

Now is the time to sign up for the monthly budget plan. Calculations are based on the accounts actual usage for the previous year history, divided into twelve equal monthly payments. Annually all budget accounts will be recalculated to adjust for changes in usage. The status of the budget is tracked through out the year and adjusted as needed. Please contact our office for details on how the budget would calculate for your account.

News From the Wire

is an informational newsletter published by
Skamania County PUD for our customers.
Reader comments are welcome.

PUD Commissioners:

District 1..... Dennis Gale
360-837-3862
District 2..... Curt Esch
509-427-8591
District 3..... Clyde Leach
509-493-3380

Skamania County PUD:

Manager.....Bob Wittenberg
Auditor..... Chris lobst

1492 Wind River Hwy
P.O. Box 500
Carson WA 98610

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