

RATE REVIEW PROCESS

Background

City Light is one of two “enterprise” fund departments in City government. The other department is Centralia Public Works which manages wastewater, stormwater, and water services. An enterprise fund means that money to run the operation is derived primarily from customer rates and other independent sources of revenue. City Light does not receive City general fund dollars. In fact, just the opposite is true. City Light returns 6% of its income to the general fund in taxes (over \$1,270,000 in 2013) and pays additional funds annually to the City for fees and services (e.g., legal services, human resource services, City Manager services).

In response to BPA rate increases, City Light rates were increased in 2013 for 2013-2015. The City Council is the final arbiter on rate increases and holds workshops that interested citizens may attend.

Need

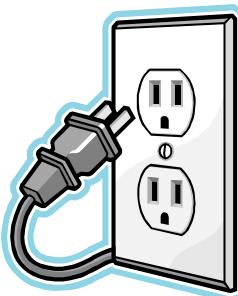
Centralia receives over 25% of its power from the Yelm Hydroelectric Project and the rest from the Bonneville Power Administration (BPA). Altogether, wholesale power costs constitute 60% of the total operating budget for City Light. BPA power and transmission costs are expected to increase by approximately \$750,000 in 2014.

As with a number of other municipal utilities, City Light also has a lot of catching up to do as a result of delayed or deferred infrastructure maintenance and replacement. An aggressive capital improvements program was initiated in 2007 and resulted in the addition of two substations to the

system – the North Port substation on Foron Road serving the Port of Centralia industrial load, and the Cooks Hill substation, providing power to the hospital complex west of the Chehalis River. Both of these substations went into service just in time. In the spring of 2009, a cable failure below I-5 would have caused serious disruption to the hospital area power supply had the Cooks Hill substation not been energized in the summer of 2008. Port expansion with Millard Cold Storage, Michael’s and Lowe’s would have strained the system to the north without the North Port substation. The May Street substation was built in 2012 and will be completed and put into service in 2015.

However, even with these accomplishments, much remains to be done to improve the reliability of the system. There currently is no means for supporting one substation from another in the event of substation failure. Upgrades to the substation intertie conductors are estimated to cost another \$4 million. And there is no provision for serving any new load to the south of the City. A proposed Salzer Valley substation will remedy that and provide additional support to other substations, but will cost between \$4 and \$5 million to construct.

The Yelm Hydroelectric Plant was constructed in 1929 and went on-line in 1930. It has seen a number of overhauls and improvements over the years, but some of the original components are still in place. One of the penstocks carrying the water from the canal forebay down to the plant is the original 1929 riveted penstock. A five-year plan to refurbish both penstocks is planned to start in 2015. Nearly 50% of the poles in the 26.3-mile transmission line from Yelm to Centralia are original 1929 cedar poles. Unfortunately, replacing these components is expensive; for instance, a rebuild of the entire transmission line would cost an estimated \$13 million. The present plan is to replace 40-50 worn poles annually until



CENTRALIA CITY LIGHT'S RATES BACKGROUND

the entire line has been refurbished. In general, projects are planned, as necessary, to deliver energy safely and reliably without causing undue disruption to customers' lives and businesses.

Plan of Action

City Light has maintained staff at approximately the same level for several years, in spite of major growth in the system (energy consumption increased 18% from 2003 to 2008; large commercial customer consumption is forecast to increase 25% from 2009 to 2015).

To limit the rate impact, smaller rate increases have been spread over all rate classes for a three-year period (2013, 2014, and 2015) as opposed to a single large rate increase.

Public Engagement

City Council members are available to hear comments and listen to feedback from their constituents. All rate workshops, public hearings, and studies are open to the public. The City website at www.cityofcentralia.com is available for public comment at any time.

Centralia City Light is dedicated to safely providing low-cost reliable power with excellent customer service. Budgets and operating expenses undergo extensive and constant review to ensure we are providing the best possible service at the lowest possible cost.

