

Meeting Future 2009 Challenges

As Peninsula Light Company begins its 84th year as an electric cooperative, it is faced with meeting new challenges. Our four main priorities for 2009 are the Harvest Wind Project and meeting future load growth, rates and system reliability.

Harvest Wind Project: We continue to work with our three utility partners to build a 100 megawatt wind farm near Goldendale, WA. To date we have secured financing, construction permits, a purchase agreement for wind turbines and transmission design. This \$250 million project will help us meet our renewable requirements under Initiative 937 (I-937) until 2015. Completion is scheduled for late 2010.

Load Growth: Our load growth has been steady at approximately two percent annually. Under our new power contract with the Bonneville Power Administration (BPA), we will be required to meet all future load growth after October 2011. We won't be able to purchase this power from BPA at our preferred rate and will be required to pay market rate. We are examining our options to find the most cost effective source for future load growth, but there is no way to avoid increased power costs.

System Reliability: We started the reliability program in 1998 and last year received board approval to begin an enhanced reliability program over the next seven to ten years. Our commitment is to invest \$5 million per year by improving our transmission system, undergrounding the most vulnerable parts of the distribution system, acquiring new technologies to detect and respond to outages, and continuing our successful tree trimming program. Our benchmarking indicates we have made progress in reducing the number and duration of outages. Our goal is to be among the top performing utilities in the nation.

Rates: PenLight has operated its business since October 2001 without a rate increase -- a true testimony to our outstanding fiscal management. We'll need to increase rates in order to meet the state's renewable mandates of I-937, meet future load growth and continue system improvements. We are reviewing rate scenarios and will be making recommendations to the board in the coming months for a 2009 rate increase.

Despite the dismal state of our economy, we are working diligently to ensure we are getting the best value for our efforts. As we have mentioned before, "tomorrow's business will not be business as usual." We have been fortunate up until this point to have BPA provide us with all of our power resources. The time has come; we must now forge ahead on our own and meet the challenges that face us.