

Dear PUD Customers,

As we approach the end of 2011 it has become readily apparent that the poor economic conditions plaguing the country over the past several years are likely to continue. This makes the realization that increasing utility rates will be even more difficult to accept.

You have seen much communication in 2011 about the external forces exerting rate pressures on the PUD. If you look just at the Bonneville Power Administration (BPA), and the factors that impact our wholesale rates, all indications are that the BPA will continue to increase wholesale rates every two years.

Currently, about 1/3 of our BPA costs go toward fish and wildlife mitigation, and there is no indication that will lessen in the future. Also, BPA continues to upgrade its aging system, Energy Northwest's Columbia Generating Station just replaced its condenser, and transmission rates are expected to increase. BPA is also seeing increased costs as it works to integrate more volatile wind and other green power into the system.

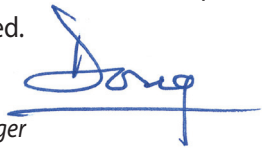
In addition to BPA, Washington's Energy Independence Act (formerly I-937) mandates the PUD to acquire 3% of its power from certain renewable sources (which does not include BPA hydropower) by 2012. This amount increases to 15% by 2020. Not only does the Act mandate renewable energy purchases, it also mandates increased conservation efforts, which ultimately increases costs as early as next year.

So, where do we stand now? The BPA increased its wholesale electric rate to the PUD by about 8%, effective October 1, 2011. As you might imagine, increasing rates at the retail level during these economic times is not something any of us want to do. The PUD is working to minimize the percent of rate increase to customers.

To be fair though, the PUD still requires replacing aging infrastructure, must still meet the requirements of I-937, and must still maintain the necessary resources to provide the quality service our customers have come to expect. As such, an electric utility retail rate increase of 3-6% per year over the next 3-5 years just in passing through BPA's increase would be a reasonable scenario. However, with the economy being as poor as it is this year, we will be looking at a variety of options for more efficient budgeting. We will know more soon as we sharpen our pencils further and go through budget and rate hearings, and will of course strive to keep you informed.

Doug Nass

General Manager



PUD Mission: Providing reliable, efficient, safe and low-cost utility services in a financially and environmentally responsible manner.

PUD Commissioners

Our Board holds public meetings most Mondays at 1:30 p.m. at our Port Angeles office, 2431 East Highway 101.

Call (360) 565-3231 or (800) 542-7859 for more information.

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Contact the PUD

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Newsletter Changes Coming

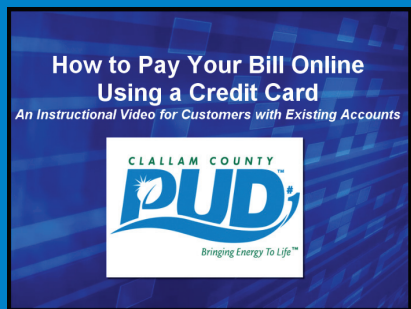
Beginning in 2012 the PUD is changing the way it delivers the HotLine customer newsletter. We are moving away from the monthly bill insert to a quarterly publication distributed separately from the bill. You can expect the same high quality information you have come to expect, just in a different format.

Additionally, beginning in January **we are offering a monthly opt-in electronic newsletter.** This will contain not only information about the PUD, but interesting information about the utility industry as well. **To sign up for the monthly e-Newsletter simply visit the PUD web site, look on the right hand side of the home page, and enter your email address.** The e-Newsletter is then sent to your provided email address each month.

Please visit www.clallampud.net to sign up for the e-Newsletter today.



Have you enrolled in the PUD's Online Bill Pay program? If not, watch the NEW brief tutorial video on how to sign up today.



Help Those Who May be Struggling Donate to the Neighborly Assistance Program



By donating a few dollars a month, you can help keep the lights on for a growing number of needy families and seniors. Through our Neighborly Assistance Program, you can bring light and warmth to your Clallam County neighbors through one-time or recurring donations to any or all of the following agencies: Olympic Community Action Programs, Sequim Community Aid, and Sequim St. Vincent de Paul. It's simple! Just complete the form below, enclose it with your bill payment and/or drop it off at a PUD office. You can also sign up online: www.clallampud.net/customer_service/NeighborlyAssistance.pdf

Name: _____ Acct. #: _____

Address: _____ Phone: _____

My choices for participation in the Neighborly Assistance Program are indicated below. This **replaces** any previous pledges.

☐ I prefer to be billed, beginning with my next statement, as follows:

☐ Please bill \$ _____ for _____ months.

☐ Please bill \$ _____ every month until I contact the PUD to cancel.

☐ I prefer a one-time contribution of \$ _____.

I want my one-time or monthly contribution of: \$ _____ to go to Olympic Community Action Programs

\$ _____ to go to Sequim Community Aid

\$ _____ to go to Sequim St. Vincent de Paul

Signature: _____

Date: _____

Receive Outage Information Via Twitter

With Social Media becoming more and more important, the PUD is committed to providing quality information to its customers by using these outlets. Now you will see that major outage information is not only posted on our web site, but it will be tweeted as well. **This means if you follow the PUD on Twitter @ClallamPUD you can have major outage information sent directly to your smart phone.**

Of course, we also encourage you to "Like" us on Facebook, where we share a wide variety of information, and view our PUD-TV videos on YouTube.

Here's a sampling of what you will find:



- ✓ Major outage update / information
- ✓ News

- ✓ Conservation tip of the week.
- ✓ PUD related photos
- ✓ Videos
- ✓ Information about PUD employees in the community
- ✓ News
- ✓ And more...



- ✓ Energy efficiency videos
- ✓ Ways to save money
- ✓ Rebate information
- ✓ Safety videos
- ✓ Fun videos (such as your PUD in a parade)

Fuel Mix

Your PUD's electricity comes from the following fuel mix:

Biomass:	0.29%
Coal:	4.88%
Hydroelectric:	83.89%
Landfill Gas:	0.01%
Natural Gas:	1.93%
Nuclear:	8.86%
Other:	0.14%
TOTAL:	100.00%