

RESOURCE PLAN NARRATIVE

Submitted by

Public Utility District No.1 of Whatcom County

September 1, 2008

Narrative Overview

Public Utility District No.1 of Whatcom PUD (“Whatcom PUD”) has submitted this Resource Plan Narrative in compliance with 19-280 RCW, as administered by CTED. Whatcom PUD is a full requirements customer of the Bonneville Power Administration (“BPA”) and has fewer than 25,000 electric customers. To fulfill its resource reporting requirement pursuant to 19-280 RCW, Whatcom PUD has submitted this Resource Plan Narrative and an accompanying Cover Sheet. The PUD will not be submitting any additional documents prior to the September 10, 2008 filing deadline.

Although not required to attain the renewable resource portfolio standards established in law for Washington State electric utilities with 25,000 or greater customers, Whatcom PUD’s power supply portfolio described in the narrative below, if accomplished within the time period covered, would consist of approximately 14% qualified renewable resources by 2013 and 18% by 2018.

Whatcom PUD has made a commitment to pursuing local, in-County resources to supplement its federal power purchases, when feasible. The resources pursued by the PUD will be consistent with the Northwest Power & Conservation Council’s (“NWPPCC”) resource stack as identified in the 5th Power Plan.

As evidence of this commitment, Whatcom PUD has increased the amount of BPA’s Environmentally Preferred Power (“EPP”) product from the amount it purchased in CY 2007 (0.494 MWa) to 1.25 MWa in BPA FY 2009. This higher total amount of EPP purchases is equivalent to 5.4% of Whatcom PUD’s 2007 electric energy requirements.

A. Load Estimates

I. Base Year CY 2007

Whatcom PUD has reported calendar year 2007 actual electric load data for its Base Year. The load figure (23.056 MWa) is less than calendar year 2006 (25.37 MWa) because Whatcom PUD’s major industrial customer scheduled a plant “turn around” for early in the year to complete scheduled maintenance and implement process improvements. The work lasted almost two months during which the electric load requirements at the facility ramped down to zero megawatts, then back up to full load.

The 2007 Base Year electric load has not been weather normalized for reasons discussed below.

Electric System Load Characteristics

Whatcom PUD's electric system power requirement is primarily industrial process load driven because of its retail industrial customer base and the PUD's own water system that supplies several large industrial facilities. System load factor is high (>95%) with little difference between peak & average energy and system wide energy use varies little between heavy load and light load hours. Given the composition of Whatcom PUD's requirements electric load, the estimates of future load are not weather adjusted.

2. CY 2013 & CY 2018 Estimates

The major factor utilized to predict future load for purposes of the Resource Plan is planned expansion at existing facilities, as determined through staff's communication with Whatcom PUD's industrial customers. Whatcom PUD's load growth is "lumpy" and driven primarily by expansion of existing processes or the addition of new electric loads at existing plants.

The estimated loads of 30.5 MWa listed for CY 2013 and 32.7 MWa for CY 2018 are based on anticipated load growth at existing customer facilities, including planned process additions and plant expansions that are known. Because Whatcom PUD serves a large industrial area in the northwest corner of Whatcom County, the siting of new industrial customer facilities is difficult to forecast and therefore, not included. Often, large load customers will arrange for their own power supply, as is the case for a number of facilities within the Cherry Point Industrial Zone.

Typically, Whatcom PUD's system load over time will plateau, then increase by several megawatts, and then plateau again.

B. Resource Options

1. Current Resource Supply (through September 30, 2011)

Whatcom PUD is currently a 100% net requirements load customer of BPA and since Whatcom PUD has no power resources, which it owns and/or has a contractual right to output, 100% of the PUD's load is covered by BPA resources.

During Base Year 2007, Whatcom PUD purchased 0.494 MWa of BPA's EPP power product, which is comprised of the output from certain specified wind energy projects. Beginning October 1, 2008 (the beginning of BPA's FY 2009), Whatcom PUD will ramp-up its EPP purchases from 0.494 MWa to 1.25 MWa and anticipates ramping these purchases even higher during BPA's next rate period (FY 2010 & 2011). The planned ramp-up will depend on the availability of EPP product in those years.

Further, Whatcom PUD, through a revision to its current power purchase agreement with BPA, will acquire the rights to the RECs associated with its EPP purchases from BPA. The PUD will use the RECs as an entre' to establishing a green power marketing program. As part of this effort, the PUD will join the Western Renewable Energy Generation System ("WREGIS") for the purpose of certifying, banking, and marketing the RECs it has acquired.

2. Future Resource Supply (October 1, 2011 through 2018)

Whatcom PUD plans to purchase as much BPA Tier 1 as available during the planning period covered by this Resource Plan. To cover normal load growth and new large loads above Tier 1, the PUD will purchase some BPA Tier 2 short term and begin developing and acquiring new non-federal resources with a preference for local in-County resources.

Further, Whatcom PUD will pursue resources consistent with the priorities and resource stack advocated under the Northwest Power and Conservation Council's ("NWPPCC") 5th Power Plan.

BPA Tier 1

Whatcom PUD anticipates executing a new twenty-year load following power purchase agreement ("Regional Dialog Contract") with BPA. Therefore, the majority of Whatcom PUD's net requirements load is currently planned to be covered by BPA Tier 1 resources, based on the estimates of the PUD's future load requirements. The new Regional Dialog Contract will also provide for the delivery of BPA load following products & services.

The 24.672 MWa average figure listed on the accompanying Cover Sheet is BPA's most recent forecast Contract High Water Mark ("CHWM") for Whatcom PUD. The CHWM represents the maximum amount of BPA Tier 1 resource Whatcom PUD can purchase under the new Regional Dialog Contract. According to its methodology, BPA will adjust the CHWM after determination of Whatcom PUD's actual net requirements load placed on BPA during FY 2010.

BPA Tier 2

Whatcom PUD anticipates also purchasing some amount of BPA Tier 2 short-term power product to be offered under BPA's proposed tiered rate structure. These purchases will afford Whatcom PUD the opportunity and time to develop local in-County resources and/or purchase other non-federal resources. Also, these purchases will provide a hedge against a shortfall in Tier 1 priced resource, as BPA's forecast Rate Period High Water Mark may be less than the CHWM.

Conservation

Given the characteristics of Whatcom PUD's existing electric system loads, programmatic conservation is not an option. Rather, opportunities for process efficiency improvements are a high priority and will be pursued. Since the electric loads served by

Whatcom PUD are associated with 24/7 operations, both the end-use industrial customers and the PUD's industrial water system, implementation of identified cost-effective measures are constrained by these operations and typically must be scheduled in coordination with planned maintenance and upgrade outages.

The conservation figures listed on the Cover Sheet for CY 2013 and 2018 (0.238 & 0.030 MWh) have been estimated, based on the methodology for sector conservation potential employed by NWPPCC.

Wind

As mentioned above, Whatcom PUD will ramp up its purchase of BPA's wind resource based EPP product and will purchase additional wind energy and/or associated RECs from eligible wind projects, if available.

Other Renewables

It is the intent of Whatcom PUD to cover the remainder of its load requirements with local, in-County biomass and landfill gas resources. Small-scale methane gas-fired projects are among the candidate resources in this category, as Whatcom County has a large dairy industry. Also, biofuels produced from the waste streams of the local refineries represents another opportunity.

Co-Generation

Should Whatcom PUD be asked to serve any new large electric load customers (>10 MWh) in its service area, on-site generation and specifically high efficiency cogeneration will be among the resource options pursued, if feasible versus the alternatives.