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WA-18

Looking Ahead to the New Year

In June, my back page article focused on moving ahead with a new project to begin using the renewable methane gas from the Republic Services landfill in Roosevelt for the production of a renewable fuel. Renewable natural gas—RNG as it is called—will be injected into the nearby Williams pipeline and sold.

Why are we doing this project? What does it mean to you as a ratepayer?

When we were working through our 2017 budget process a year ago, our forecasts indicated we faced potential rate pressures of up to 17 percent in the coming five years due to increasing costs and decreasing wholesale revenues.

A year later, with a contract to sell RNG starting August 1, 2018, we are completing the first draft of the 2018 budget. There are no projected rate increases in the five-year forecast.

To put this in perspective, 17 percent of our electric rates is about \$5.5 million a year. These funds now will come from outside Klickitat County. This does not mean there is not the potential for rate increases in the future as the board grapples with the trade-offs of accelerated debt repayment versus rate relief and the likes. What this does mean, however, is there is a marked improvement from a year ago.

The contract for the RNG provides a stable, fixed revenue stream for two-thirds of the gas we produce. That pays for the RNG expansion, the operations and maintenance of the facility and capital improvements. This amount leaves us where we are currently when generating electricity. However, we also have a variable, market price for one-third of the renewable attributes. The contract portion of RNG revenue is budgeted to generate nearly \$6 million during the first five months of operation in 2018. This is nearly as much revenue as was budgeted to be provided by the landfill gas operation for all of 2017. The value of the renewable attributes portion of RNG during those same five months is a little more than \$3 million.

The 2018 proposed budget also begins to add back some staffing and capital spending on our systems. Even with these increases, we will still have fewer staff than we had in 2009. We believe this budget is conservative, and we will work to exceed the revenue forecast provided in the budget proposal.

None of this would be possible without actions we have taken during the past eight years to cut our budgets, reduce staffing and implement rate adjustments. Without first establishing a sound platform and solid financials, we would not have been able to put the contracts, funding and suppliers necessary for the RNG project in place.

Looking to 2018, our focus is delivering the RNG project and delivering value back to our ratepayers. The 2018 operating budget will be presented in a public meeting Tuesday, December 12, at 3 p.m. in the Klickitat PUD commission room in Goldendale.

Jim Smith
General Manager