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WA-18

Manager's Message

This month, I would like to give you an update on the Bonneville Power Administration rate actions.

BPA released its record of decision to raise electric rates effective October 1, 2013. According to BPA, the average increase to customers is about 9 percent.

We have expected these results, and this increase was a factor in our electric rate increase earlier this year. So, while there are definitely impacts to our costs, there will not be a PUD rate increase to our customers as a result of this BPA announcement.

No two BPA contracts and customers are identical, and there are different options we can select, so the impacts vary with each utility. The bottom-line impact to your PUD is an increase in our costs from BPA of just less than \$1 million per year. That is a net increase of about 8 percent.

We pay BPA in two major areas: for power and for transmission to get that power to us. Our power cost will increase \$750,000 and our transmission costs increase \$200,000.

BPA adjusts rates every two years. The process takes 18 months, so they will start the review for the next rate period in about six months. Yes, we soon will be talking with BPA about the potential for a BPA rate increase in 2015.

The largest driver for the rate increase is a decrease in revenues, caused by depressed excess power sales markets. BPA expects that 7.7 percent of the total

increase, or \$145 million, is necessary to make up for the fact that its excess sales into the market are down from the 2011 through 2013 rate period.



If this does not seem to make sense, you can go to www.klickitatpud.com and look at the back page article from November 2011, where I discuss this phenomenon.

While there are many smaller areas that add up, other major drivers of the increase are increases in fish and wildlife costs (an impact on rates of 1.1 percent, or \$20 million), an increase in the Bureau of Reclamation and the Army Corps of Engineers costs to maintain the dams (2.3 percent, or \$43 million) and internal BPA operations (0.6 percent, or \$12 million).

These increases are partially offset by reductions in costs at the Columbia Generating Station (-0.4 percent, or -\$8 million) and a reduction on capital spending in the two-year rate period (-3.8 percent, or -\$71 million). These capital projects will be completed, but they will not be put into the budgets until later rate periods in an effort to keep capital spending more consistent than it has been in the past.

Jim Smith, General Manager