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WA-18

How We Compare to Others

Over and over, I have been asked about our electric rates—how they compare to electric rates at other utilities in the state or why our rates are so high.

Our service territory is an expensive area to maintain. We have a very rural system, which is why the PUD exists in the first place. In the 1930s, private investor-owned utilities did not want to serve the entirety of Klickitat County, precisely because it was so rural and they could not make any money providing service.

The challenge with our service territory is we have many miles of line and few customers. That means there are fewer customers to share the costs of installing, operating and maintaining those lines, substations and transmission infrastructure.

We also do not have many customers who require large electric loads to help increase our revenues. The homes and small businesses in our county carry a larger percentage of PUD costs than is the case at many PUDs and privately owned utilities in Washington.

Lastly, we do not have legacy dams as some of the mid-Columbia utilities do. Investments made in the 1960s by those utilities pay dividends because those dams are paid off. It was this fact that prompted your PUD commissioners to explore renewable generating projects to help bring revenues from outside the county into the PUD.

Utilities similar to ours are Kittitas and Ferry counties in Washington and Wasco Electric in Oregon. On my informal, and probably incomplete list, our rates are currently the fourth most expensive in Washington. In 1992, prior to any projects being completed, we were also fourth on the list. Factoring in our generation projects, in 2011 we were 15th—or about the middle of the pack. Since 2011, electric markets have changed. We have received less revenue from our projects, which has brought us up the list again.

Our goals for Klickitat PUD are to reduce debt and move the utility rates more toward the middle of the pack again. This is only possible with projects that create value and help offset electric rates. Without surplus revenues, we would stay at our current place relative to other utilities. We would be just as we were prior to any projects being completed.

The plan for 2019 is to pay off the remaining debt on the White Creek Wind project and the McNary hydroelectric facility. With the carbon reduction legislation passed in Olympia this year, and with more being considered for future years, we believe Klickitat PUD will become more competitive with the more urban utilities in the state. Our rates may still increase due to some of these carbon reduction requirements. However, I firmly believe the PUD is much better positioned to reach these mandated carbon reduction goals. In doing so, we will become more competitive while other utilities' costs may rise.

Jim Smith
General Manager