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WA-18

PUD Transformation Benefits Ratepayers

As I move to the role of general manager at Klickitat PUD, I've been looking at what we have accomplished during the past 15 years, and where we want to go for the next 15 years.

Fifteen years ago, all of our revenues were derived from "normal" electric retail sales; that is, sales to the ratepayer. Our total revenues were \$13 million. Today, retail sales represent only 48 percent of our total sales, and our total revenue forecast for 2010 is approaching \$50 million. That is a remarkable change.



We have completed many projects to add to these revenues, including McNary Dam, the H.W. Hill landfill generating facility and its expansion now under way, our partnership in the White Creek Wind Project and our transmission wheeling business lines.

Our plan for taking on projects of this scope was to bring in dollars from people other than our ratepayers, help spread our overhead costs to keep rates low, and lessen our reliance on the Bonneville Power Administration (BPA) and its rate changes. These are long-term goals, and we are well on our way.

I think we will look at new projects with sound business cases in the future,

but we will slow down some. We need to focus on integrating the projects and facilities we have constructed or acquired, and we need to move from a construction company to an operating company. This is a huge task that will offer many opportunities and challenges for us as a utility.

We need to get even better at operating generation facilities, power sales and risk mitigation. We need to get good at operation and maintenance of high-voltage transmission facilities. We need to apply the skills we have and develop new skills and ideas. We have long-term projects with medium-term debt, and therefore will need to be conservative in our budgets.

We must plan for how BPA costs will affect us in the future. BPA rates are going up 7 percent this year. I do not want to raise rates, however, and we are not planning a rate increase at this time. We might have to at some point, given our short-term challenges, but my ultimate goal is to hold rates down as other utilities raise theirs in the coming years.

Few other PUDs of our size that have instituted such radical changes to benefit their ratepayers.

I look forward to working with all of you in the coming years as KPUD's general manager. You know where I live—right here in the community with the rest of your PUD employees.

Jim Smith, General Manager