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KPUD 2019 Budget at a Glance

The 2019 operating budget was approved by the board of commissioners December 11. No rate increase is planned this winter, but a 1.5 percent electric rate increase is anticipated in spring. A separate public rate hearing process will be held at that time.

The budget includes an expected Bonneville Power Administration rate increase of 5 percent effective October 1, 2019, and it reflects our external costs increasing 2.5 percent as we have seen the past several years.

This budget follows two years where we have not raised electric rates. In the 2018 budget, we budgeted borrowing \$5 million for capital projects. Due to our improvements in financial performance, we did not borrow these funds. We have had two good years in a row and feel confident in our future.

Since the addition of the Renewable Natural Gas facility, we are feeling a decrease in rate pressures. RNG began commercial operation November 1, 2018. We are just finishing tuning the plant and, as of today, the system is operating to all standards and expectations. The contract associated with this facility will provide a more stable base for our future than the previous generation facility. We are exploring ways KPUD can use the electric generation facility in the future. This would be done only if we can obtain contracts that increase external net revenues to our utility and hence our customers.

Highlights of the 2019 operating budget. Revenues have been increased \$16 million from 2018. The proposed electric rate increase equates to about \$450,000. The remainder is primarily from the White Creek wind project and the RNG facility.

Expenses were increased \$2 million, including BPA and external costs. That leads to the question “Where does the other \$14 million go?” Seven million dollars will go toward additional debt repayment, \$6 million to electric system improvement projects and \$1 million toward improving our cash balance.

We plan to focus on core systems in 2019, starting with a new customer information and billing system, and new accounting software. This will provide more understandable bills as well as tools for our customers to better manage their accounts with us. This will allow the utility to better manage its finances.

We have increased our vegetation management program and plan significant upgrades to our system infrastructure for long-term reliability and improved service. We will talk more about the specific projects in future articles. During 2018, we completed a strategic plan to set targets for our electric rates in the future. Reducing long-term debt is a significant part of that plan. We will develop more detailed targets and financial metrics in 2019.

I want to wish you all the best for 2019. I look forward to another successful year.

Jim Smith
General Manager