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WA-18

Progressive Planning Keeps Rates Affordable

For our ratepayers, rates are the most important part of Klickitat PUD. Rates affect you, me and each of our employees as ratepayers ourselves.

The Bonneville Power Administration (BPA) raised its rates 6 percent in October 2009. The KPUD Board of Commissioners elected not to pass along that rate increase.

The last rate adjustment was implemented in 2007. It affected our irrigation customers by 8 percent as a result of an increase in BPA's irrigation mitigation product. Our irrigation rates are subsidized by BPA, and we passed along BPA's increase directly to our irrigators. Aside from that, our last rate increase for our customers in general was in 2003.

That represents a reduction of about 22 percent in electricity costs to our customers, relative to general cost-of-living increases.

How have we done this?

I have mentioned previously that since about 1995, your board of commissioners and the PUD staff have worked on new business lines to increase our revenues. These changes are paying off.

- In 1995, we participated and built the McNary hydroelectric project using fish attraction water at McNary Dam.
- In 1999, we built the H.W. Hill

landfill gas generation facility.

- In 2002, we built our first transmission project as a service for what is now the Puget Sound Energy plant in Goldendale.
- In 2007, we brought our share of the White Creek Wind Project online.
- From 2007 through 2010, we brought more high-voltage transmission and substation facilities online to service many of the wind developments built in Klickitat County.
- In September of 2010, we will bring the H.W. Hill landfill gas generation facility's expansion online.

These projects now provide KPUD with 50 percent of our revenues and provide positive returns to you as ratepayers. They also offer us tools to be able to mitigate rate increases. Without these projects and the forward thinking of the board members you have elected, I can say without a doubt that your rates would be higher than they are today.

While most utilities already have raised rates this year, we have not.

I wish I could say rates will not go up in the future. Obviously, I can't. The electric utility market is changing drastically around us. We will do our best to adjust and prepare ourselves to mitigate future rate pressures from BPA and the electric markets in general.

Next month, I will run through some of these changes to give you some insight into what to expect from your PUD in the coming years.



Jim Smith, General Manager