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WA-18

Columbia River Spring Run-Off and BPA's Oversupply Management Protocol

During spring and early summer, when there is a large snow melt and the river runs high, spilling excess water over Columbia River dams is normal. Spilling water for fish, even when it could be used for energy production, has unfortunately become normal as well.

Including the costs for this spilled water, Bonneville Power Administration spent in excess of \$800 million for fish and wildlife mitigation in 2010. That means you, as ratepayers, pay more for fish and wildlife than you pay for the PUD's annual payroll of operations and maintenance personnel who keep your electric system maintained and your lights on.

In the past three decades, Northwest families and businesses have paid, through rates to BPA, more than \$12 billion for fish and wildlife protection and mitigation.

Given everything I see, there seems to be a disconnect from a science-based approach to protection and mitigation that would show specific impacts for initiatives and projects, in favor of a popular opinion, court-based decision-making process.

I am all for environmental stewardship—and your PUD has been involved with conservation and renewable generation projects to support the environment—but it seems there should be a time when you have done enough and you move on. Instead, expenditures continue to increase irrespective of the progress made and the results of our efforts.

It probably won't surprise you to learn there is even more for us to deal with. We now face spring generation curtailments. We first saw this last year when our generation projects were shut down for six hours a day for about six weeks. As you can

imagine, this affects our revenues.

What is happening? New generation and lower electric loads due to a slow economy means there is a larger surplus of power during the spring run-off period.

BPA limits generation because more power is generated than needed to serve customers during certain periods.

This year, BPA's solution, as driven by the Federal Energy Regulatory Commission, is to pay variable generators to limit their generation output.

Also new this year, nondispatchable resources—resources not designed to start and stop on a regular basis, like our HW Hill Landfill Gas and McNary hydro generation projects—will not be curtailed.

However, BPA needs to find the money to make payments to variable generators when they are curtailed. To do that, BPA is planning to "assign" 50 percent of the cost back to generators and 50 percent of the cost to ratepayers through increased transmission bills. As a result, our BPA bills will likely increase starting October 2013.

We provide input to BPA whenever possible and voice our opinions, as do the various industry associations to which we belong. Still, it is easy to get frustrated with these increasing costs. At least we can console ourselves that BPA's hydro system still allows the Pacific Northwest to have the lowest electric rates in the country.



Jim Smith
General Manager