

KPUD Increases Electric Rates

Customer impact depends on rate class usage and demand trends

On Tuesday, December 13th, Klickitat PUD held the 2023 budget and 2023 public electric rate hearing. Following KPUD staff presentations and public feedback, the 2023 operating budget and the respective rate revenue increase were approved. The electric rate increase is the revenue equivalent of 4.5% effective January 1, 2023.

A 1.5% increase is spread across all rate classes and rate components. The remaining 3% rate revenue increase was placed on specific rate classes and rate components. Customer bill impacts will vary depending on rate class usage and demand

trends. For example, residential and small general service rate revenues will increase by 2.5%. The average residential customer will see an increase of roughly \$3.30 per monthly bill.

Klickitat PUD last increased electric rates in 2019, and at that time forecasted rate increases of 1.5% for 2020, 2021 or 2022; however, no rate increases were implemented. The Board made these decisions partly due to the performance of our Renewable Natural Gas and White Creek Wind projects, and partly because the Board of Commissioners chose to defer increases during the COVID-19 pandemic.

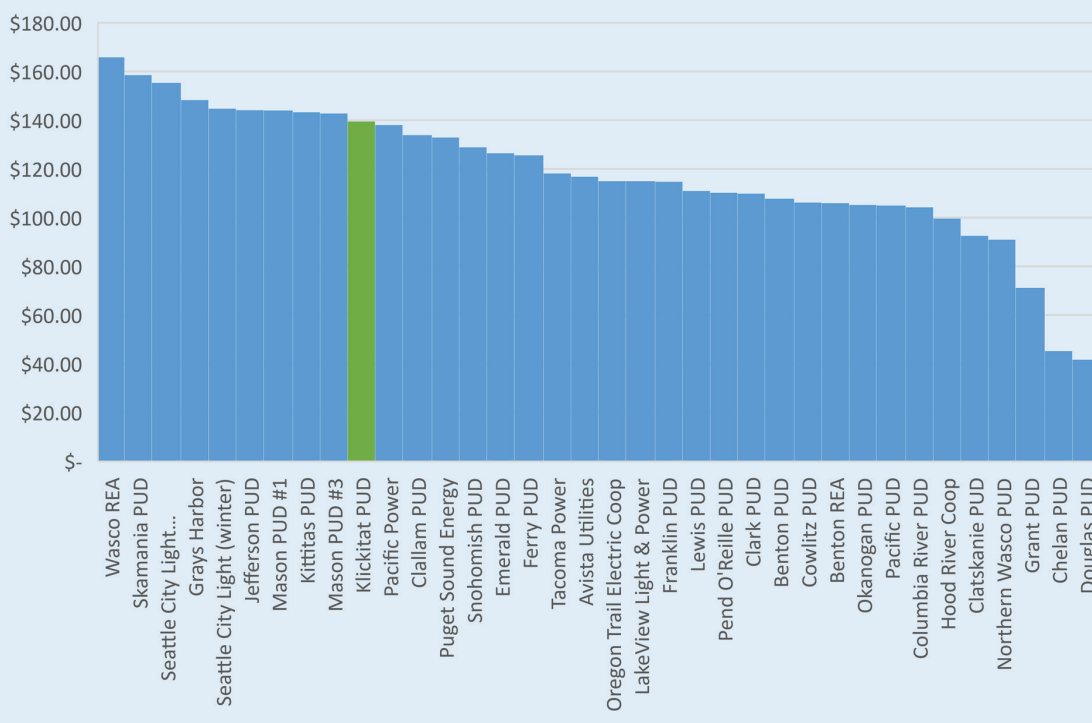
The KPUD 2023 operating budget reflected financial projections through 2027. As part of the process, many options were considered prior to recommending the rate increase needed to meet the revenue requirements. The intent of the budget is to develop a plan

Past Electric Rate Increases

	2017	2018	2019	2020	2021	2022	2023
Forecasted Increases	0%	0%	1.5%	1.5%	1.5%	1.5%	1.5%
Actual Increases	0%	0%	1.5%	0.0%	0.0%	0.0%	4.5%

KLICKITAT PUD PEER GROUP AVERAGE RESIDENTIAL BILL COMPARISON

Based on information available 12/1/2022



This graph at right is an internal reference developed to track how KPUD's average residential rate compares to other utilities. It is based on 1,200 kilowatt hours per month and applies rates publicly available at the time for comparison purpose.

to ensure KPUD continues to be financially sound, pay off debt, maintain adequate cash flow, meet regulatory requirements, all while meeting system load and reliability standards.

KPUD customer load continues to grow, well above the average rate of many other utilities. This combined with the upward trend in per-customer usage drives KPUD's increased power supply need and respective expenses.

KPUD has reached a volume that requires us to purchase at prices heavily influenced by the wholesale power market, and these market prices are increasing. The current forward pricing estimates an increase in KPUD wholesale power costs of almost \$4 million since 2021. Staff continues to work to minimize the impacts of wholesale power markets

This is the challenge: utilities are facing reduced supply and increased demand within the power market. This creates serious concerns about power being available at peak times and during extreme weather events. The Washington State Clean Energy Transformation Act (CETA) and other carbon reduction policies throughout the west have placed restrictions on new fossil fuel base-load generation and have forced the retirement of coal and gas-fired generation. At the same time, these policies have increased electric demands and future demand forecasts with the electrification of buildings and motor vehicles. New wind and solar generation provide electric energy when the sun is shining and when the wind is blowing, but does not supply load when wind and solar generation is not producing.

Energy markets aside, the costs of doing business continue to increase. This includes transportation, fuel, material, insurance and construction costs. Traditionally, KPUD had a power system that was built with excess capacity. This is no longer the case, load growth combined with the upward trend in per-customer usage, makes system improvements critical to ensure reliability.

KPUD has many rate schedules to accommodate customer usage types and each rate schedule has a set of criteria that needs met to qualify. The electric rate schedules include residential and farm (most customers), small general, medium general, large general, unmetered services and irrigation services. KPUD completes cost-of-service studies to aid in the assessment of rate class revenue needs. The rate design objective was to move rate class and component rates toward the COS rate recommendations. **This ensures individual rate classes pay their fair share to reduce subsidization between rate classes. Largely, rate components increased were basic fee and demand.**

A 1.5% increase is spread across all rate classes and rate components. The remaining 3% rate revenue increase was placed on specific rate classes and rate components. Customer bill impacts will vary depending on rate class usage and demand trends. Rate increases are higher for medium and large commercial services and irrigation services. Similarly, rate increases are lower for residential, farm and small general services. The demand component increased more than the usage portion of the rates.

The new rate schedules are available at www.klickitatpud.com. Contact customer service to identify the rate impact based on last year's usage. ■

Designing Rates

The rate design objective was to apply increases where needed to reduce subsidization among customer classes. Demand rates were impacted the most.

For a full explanation of how public power sets electric rates, go to page 8.



Rate Schedules

Effective on bills issued after January 1, 2023

Residential and Farm Service

Basic Fee	\$ 22.33 per month
All Kilowatt hours @	\$ 0.0977
Average Residential Bill (1500 kWh)	\$ 168.88

Small General Service

Basic Fee	\$ 33.50 per month
All Kilowatt hours @	\$ 0.1046

Medium General Service

Basic Fee	\$ 54.81 per month
First 7500 kWh per month @	\$ 0.0740
All kWh in excess of 7500 @	\$ 0.0513
First 25 kW of demand	No charge
All kW in excess of 25 @	\$ 9.23

Large General Service

Basic Fee	\$ 55.84 per month
Monthly Rate:	
Period 1 – Mar, Apr, May Jun	\$ 0.0379 per kWh
Period 2 – All Other	\$ 0.0614 per kWh
Monthly Demand Charges:	
Period 1 – Mar, Apr, May Jun	\$ 6.36 per kW
Period 2 – All Other	\$ 8.71 per kW

Please visit www.klickitatpud.com or contact KPUD for rate classes not identified above.

Customer Service is happy to provide commercial customers and irrigators a rate comparison to identify rate impact based on usage trends.