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WA-18

Manager's Message

When we set our budget for 2015, staff estimated an overall revenue increase of about 5 percent likely would be required. The board asked staff to complete an electric cost-of-service and rate-allocation study (COSA) and bring back rate recommendations for implementation on April 1. The board's desire was that if we increased rates, we do so after the winter period, when most of our customers have higher electric use.

A COSA study does two things. First, it determines the total revenue required to cover the costs of providing electric service.

Second, it looks at the allocation of those costs to our various rate classes to ensure the relative rates we charge for each rate class are appropriate.

These numbers are translated into the rates we charge to provide electric service.

As you probably know, each rate class has different base fees and usage charges. For some of our larger loads, there also is a demand charge to ensure we collect costs for the infrastructure that has to be built and maintained to serve those larger customers. There are various rate structures because serving many types of customers involves different levels of infrastructure and service, and therefore, different costs to serve them.

When we completed our last customer survey, it was clear our customers prefer smaller, more consistent rate increases if they are necessary. We are trying to follow that direction.

Although we still are finalizing the study, I want you to know we are going to recommend an electric rate increase to our board of commissioners. Preliminary drafts indicate our revenue requirement

increase estimate of 5 percent looks to be accurate.

We are working through details and determining if our rate structure as it exists is still appropriate. That means any proposed rate increases will be in the order of 5 percent, although they may vary between the various rate classes.

One of our major cost drivers is the Bonneville Power Administration, which supplies more than 80 percent of the power we buy to provide to you as our customers. BPA is forecasting a rate increase of 6.6 percent effective October 1, 2015. This one item increases our wholesale costs in the order of \$1 million annually.

Our plan is to hold a public electric rate hearing the latter part of March to review our findings and present the final report and rate recommendations to the board. The board will take public comments at that time for consideration, along with staff recommendations, before taking any actions with respect to rates. There are no approved rate increases at the moment.

Check local newspapers and listen for radio advertisements for notification of the date and time of the public meeting and further information regarding our recommendations to the board. You also may call us for meeting information at (509) 773-5891 or visit our website at www.klickitatpud.com.

As always, if you have questions, please don't hesitate to call me.



Jim Smith, General Manager