

# 2014 Financial Outlook

Your Klickitat PUD commissioners approved the 2014 operating budget at a public hearing December 10. There are no electric rate increases anticipated in the budget. Total revenues are forecasted to be \$46.7 million, cash expenditures total \$40.1 million and capital spending totals \$8.1 million.

As you are aware, we have several business lines that have been established since 1995 and provide revenues to your PUD. These revenues are above and beyond traditional retail revenues, which are received from you as a ratepayer. Retail revenues are forecasted to make up

57 percent of our total revenues in 2014, which means the additional 43 percent of our revenues will come from sources other than your rates. Revenues from our 230,000-volt transmission service to generation projects within the county totals \$5.2 million, and revenues from our generation projects total \$12.1 million.

We have reported in previous Ruralite articles that wholesale electric markets have fallen in the past four years. This has led to decreased revenues from some of our generation projects.

As shown in the total generation revenue chart, revenues from our share of the

White Creek wind project declined significantly from 2010 to 2012 and have recovered somewhat in 2013. The HW Hill Landfill Gas generation project revenues have increased significantly as the expansion has come on line. Revenues for LFG also fell with the change in wholesale markets; however, the increase in output is showing favorable impact to the utility. We anticipate significant returns from these assets in the future.

Since 2009, we have worked hard to reduce our traditional electric system operating expenditures. 2014 operating costs are expected to be \$8.8 million. We are setting the 2014 expenditures at 2009 levels, which is a slight increase over 2013. In 2014, we reached the point where additional decreases to our operating budgets would start to degrade the services we provide, and your commissioners decided that maintaining our current levels of service is important.

In 2014, we are reinstating several key programs, including our pole test and treat schedule. We are trying to ensure that some of the reductions in expenditures we have made in recent years do not impact our system integrity and safety, or lead to increased long-term costs.

Within the annual expense chart, the other largest change recently is in power generation. Most of this growth shows the increased cost of operating the expanded LFG generation facility. In the future, power generation costs will mainly be inflation-driven on materials and services.

Capital spending is money invested in improvements and developments to our water, wastewater, electric systems and the LFG plant. This is an area we have contained for the past four years. However, we are at the point where further cuts will impact our systems in the long term.

We anticipate increases in electric system spending for capital in the coming years as we continue to ensure a safe and reliable infrastructure for all of our customers. You will note the large construction cost at LFG, which has decreased as the project was completed. There also is a significant increase in water/wastewater system costs in 2014, which is the anticipated construction of the Bickleton water system. These funds primarily come from a USDA grant/loan and county funds.

We look forward to 2014 and improving our asset management and concentrating on operating as efficiently as possible. ■

**2014 Revenue Breakdown**



