



## Board of Commissioners

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## From the KPUD Commissioners

The world has changed. You hear it all the time. If you are a customer of the Bonneville Power Administration (BPA)—as Klickitat PUD and most public utilities in the region are—it could not be more true.

Occasionally we take the opportunity to talk with you about our generation projects and other important issues and events that will have a profound affect on you. This is one of those times.

During the past few years, the BPA and the region's utilities have discussed ways to ensure the value of the BPA system remains within the region. As a result of these discussions, it appears the BPA will begin an allocation process.

So, what does this allocation mean to you? Allocation is a fancy way to say the BPA will divide the federal base system—the cheap stuff—among the region's utilities. A complex methodology establishes how much of the federal base system each utility will be allocated. Utilities will enter into 20-year contracts with the BPA. All of the firm capacity of the federal base system will be divided or allocated among those contracting utilities.

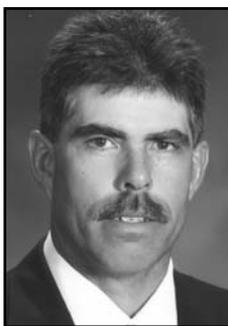
Fortunately, this will keep the value of the federal base system within the region. That is a good thing for the region and for KPUD.

We must now address the issue of load growth. In the past, when communities and businesses grew and needed additional energy, it was easy. You just asked for more energy from the BPA. By law, it had to meet your needs.

In the future, if you ask the BPA to supply additional energy above what you received in the allocation process, it will do so, but it will be called "Tier 2 energy." Tier 2 energy will be priced based on the costs the BPA incurs to serve that load request. Take that to mean more expensive.

Fortunately, your PUD saw this day coming years ago. We are prepared to meet our load growth requirements with our own generation resources.

With the surplus energy we produce above our current needs, we will help meet the needs of other utilities that have not invested in generation resources. This will provide a revenue system to keep your rates as low as possible.



*Dan Gunkel*



*Randy Knowles*



*Ray Mosbrucker*

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