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BPA: A New Way to Do Business

Klickitat PUD (KPUD) is a partial requirements customer of the Bonneville Power Administration (BPA). What does this mean? KPUD buys about 85 percent of its power from BPA. We get the remainder from our McNary hydro project.

As a public power utility in the Northwest we have a priority to receive power from the federal system. KPUD and other priority customers are negotiating new contracts to replace the current ones, which expire in 2010.

The new contracts will signal an entirely new way of doing business with BPA, which is going to cap the power we get from the existing system. This is termed the high water mark, and it will be set on actual usage during 2010. The present contract allows for new customers or increasing loads.

The new contracts will include an option for BPA to provide this service, but not at current rates. Existing BPA power costs a little under 3 cents a kilowatt-hour (kWh). New power is expected to cost more than twice that amount. BPA has dubbed this concept tiered rates.

KPUD likely will choose to provide for its own load growth. KPUD has invested in resources such as the Roosevelt landfill gas and White Creek Wind projects that will provide lower cost options to the citizens of Klickitat County for years to come.

Even with these lower cost options, we face difficult decisions. The first impact—especially for new business—is that if the business is operational in 2010 the cost for power will be significantly less than if the business starts up after the new contract takes effect. KPUD has met with various economic development entities within the county to make sure everyone understands the magnitude of this.

KPUD's commissioners will have many other decisions to make during the next several years, including how to charge increases in residential and small commercial customers loads. Having these new customers pay significantly more than existing customers would be a challenge. Conservation becomes a more direct benefit as each kWh saved is one we can buy from BPA at the cheaper Tier 1 rate. Rates need to reflect costs, so a rate that increases with usage to match these costs makes more sense.

We are thankful we have time to work out these details. With the investments we already have made, we are more prepared than almost anyone else to meet these new challenges.

Tom Svendsen, General Manager

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