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WA-18

Market Factors Spur Rate Increase

As we end the first half of 2011, low electric markets and a very high water year are continuing to hurt the financial positions of most Pacific Northwest utilities. Your Klickitat County PUD is no exception.

In the 22 community and service organization meetings we attended across the county this spring and summer, we provided updates on KPUD and talked about the probability that we would raise rates this fall.

Rate pressures include the Bonneville Power Administration's increases, low surplus market sales prices, rising costs of materials and services we purchase, and an almost nonexistent California renewable energy market.

BPA's next rate increase October 1 will be about 8.3 percent. This is the agency's third increase since 2003, but the first we will have to pass along to our ratepayers.

BPA's new rate will be more than 30 percent higher than in its 2003-2004 fiscal year.

In past Ruralite articles, I have talked about what we are doing at KPUD to reduce the size and/or likelihood of a rate increase. Our 2011 operating budget is the same as it was in 2010 and 2009. We are 10 percent below our 2011 budgeted operating expenses. Our transmission service to local wind farms continues to provide positive benefits to our financial bottom line. We have worked diligently

to keep our costs down so we could postpone rate increases to our customers, but we now are out of options.

We have not implemented a general rate increase since 2003. That is a significant achievement given the cost increases in the overall general marketplace. Don't we wish gas was still \$1.40 a gallon, as it was before the start of the Iraq War in 2003?

The consumer price index is 23 percent higher today than it was in 2003. In contrast, the price you pay for power today is the same as it was in 2003.

In August, we will advertise a public hearing about electric rates to take place during the September 13 KPUD board meeting. The commissioners will take your comments and staff recommendations into consideration before deciding what action to take.

We likely will recommend a rate increase in the range of 10 percent. This means if you use the KPUD average of 1,500 kilowatt-hours per month, your average monthly bill in 2003 was \$114. As of October 1, 2011, it would go up to \$125. For comparison, if we had implemented 3-percent increases every year for the cost of conducting business since 2003, your bill already would be \$140.

While I understand no one likes cost increases, I think our PUD has been very successful in working on your behalf to maintain retail electric power rates.

I welcome your comments any time, or you can address the board at our rate hearing.

Jim Smith, General Manager

