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WA-18

As you read this, PUD staff members are implementing a 7-percent electric rate increase that will be effective for bills issued after October 1, 2012. These bills will be for your power usage in the month of September.

There will be an additional 5-percent increase, effective April 1, 2013. Your PUD commissioners considered increasing rates in one step on October 1, and opted to split the rate increase to lessen the effects of the increase on customers through this winter.

I have talked about the uncertain future of the electric marketplace in the past several years, and this uncertainty continues. When we completed budgets and our rate increase last October, we had been dealing with a weak economy and weak surplus power sales prices since late 2009. Since 2009, we have tightened budgets, and used cash reserves to maintain rates as best as we could.

What has changed, and why is there another rate increase? The fairest summary is that nothing has changed. The surplus electric market has been slower to recover than we expected. Driven by low natural gas prices and a weak economy, this has significantly reduced the revenues from our generation projects. These are the same projects that helped keep our rates stable since 2003. However, for at least the next three years, we are not expecting to get the benefits from these projects that we have seen in the past. This changes our budgets and forecasts.

As a result, we have made some

significant changes here at the PUD.

We laid off four employees from our Goldendale office. This is just more than 10 percent of our office staff, excluding our landfill gas generation operating staff. We will not increase salaries in 2013, and we are changing our health and wellness benefits. These changes will save \$435,000 in 2013.

We will spend many months figuring out how we can get the work done to continue providing our rate payers with quality service. We also will revisit our financial outlook and review expenditures again this fall as part of our annual budgeting process.

We are discussing how to best apply the union contract for additional cuts, totaling about \$340,000 for 2013. I am confident the strong relationship we have with our union personnel and union management will lead to the right results.

These are tough times. Tough for many of you economically, and tough for us, too, as we try to balance providing excellent electric, water and wastewater service and attempt to deal with ever-increasing costs. These have been difficult decisions to make, but I believe they are in the best interest of the PUD and the rate payers. ■



**Jim Smith**  
**General Manager**