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www.klickitatpud.com

Goldendale Office
1313 S. Columbus Ave.
Goldendale, WA 98620
(509) 773-5891
(800) 548-8357

White Salmon Office
110 NE Estes Ave.
P.O. Box 187
White Salmon, WA 98672
(509) 493-2255
(800) 548-8358

WA-18

Manager's Message

We recently completed a strategic planning session with our commissioners, and I want to provide you some information about where we are going as a utility.

Many of you know, if you read Ruralite, that since 1992 we have been developing resources to support keeping our rates lower than they would be otherwise. This has been a successful program during the past 20 years. During that time, we kept rates significantly below where they otherwise would have been.

With recent changes in the economy, depressed electricity market prices, changes in legislation and regulations affecting the electricity marketplace, our rates have increased. While they are now higher than we would like them to be, as ratepayers, we have had many years of benefits from our projects, such as McNary Fishway Hydro, H.W. Hill Landfill Gas and White Creek Wind I.

On the longer-term horizon, we believe these projects will continue to provide benefits to our ratepayers. Our unchanged mission statement reflects this belief:

Mission Statement—Public Utility District No. 1 of Klickitat County provides safe, reliable, cost-based utility services at the lowest possible cost consistent with sound business principles.

However, given the increased risks in a marketplace driven by legislation and regulation—rather than normal market forces—it became apparent that our vision statement, which starts to relate our mission into the things we will actually do, needed to change.

It is now:

Vision Statement—Investigate and implement strategies to utilize our

renewable assets and other resources to support our efforts to provide stable, low-cost electric and water/wastewater services to our ratepayers.

The major change in our vision is a decision to work with the resources we now have, as opposed to focusing on continued development of additional renewable resources. In other words, we will focus on improving the use of the assets we have.

It does not rule out expanding our existing resources—such as the HW Hill landfill gas generation facility—if it results in a lower cost of production. However, our board of commissioners' direction is clear: Take the efforts we have applied to grow our renewable and other business lines and apply them to using all of our assets in making them even more beneficial.

In part, this is a risk-management decision. We currently derive \$16.1 million in revenues from our non-traditional business lines. This represents 36 percent of our total revenues. By comparison, retail electric sales—the power we sell to our customers—accounts for \$26.1 million, which is 59 percent of our revenues. This mix represents a good balance between retail revenues and wholesale revenues.

We will continue to apply the same focus we always have with respect to electric, water and wastewater service reliability. We also will continue to ensure our staff is well-trained, that we provide excellent customer service, and provide a safe working environment for our employees.

Jim Smith
General Manager