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WA-18

Klickitat's Future Energy Plan

The Bonneville Power Administration is undertaking a process called Focus 2028. The intent is to look forward at what its rate increases will be from now until 2028.

BPA is focusing on 2028 because the contracts it has with its customers, including us, run through then. As of October of that year, we no longer have to buy our wholesale power from BPA. We can choose to, but we are not required to.

For the first time in many years, surplus power markets are below BPA's power price. BPA quite rightly fears its rates will not be competitive by 2028, and its customers might not renew their contracts. This would leave BPA, and any remaining customers, at risk of having to pay costs of the entire system.

Will this happen? No one knows for sure. We do know electric markets are changing quickly, and this is a very real risk.

I mention this process because it is important for two reasons.

The first reason is BPA is the single largest cost we have—about 30 percent of our annual costs. Working with BPA to ensure it is competitive and continues to be an option for us in the future is vital. To do that, we work directly with the administration. We are also a member of the Public Power Council, of which I was elected to serve on its executive committee. One of the major roles of PPC is to represent its members with BPA as an organization. With more than 80 members, it carries much more influence than we have as an individual utility. PPC analyzes BPA operations, activities and rates, and then provides critical feedback to BPA to push the agency to encourage efficiency.

A major focus area with BPA is fish and wildlife costs. About 30 percent of BPA's costs—about \$800 million a year—are related to fish and wildlife. Those costs are increasing. Our 12,000 Klickitat PUD customers pay \$4 million a year toward these costs. Ensuring the funds are necessary and spent efficiently can impact us greatly as ratepayers.

Given BPA's concerns about being competitive, we want to ensure we have options available to us before 2028. Output from our McNary hydroelectric generation project supplies about 11 percent of the power we need to serve our customers. The HW Hill Landfill Gas Generation Facility could provide another 50 percent of our power needs.

We are currently considering 10-year power sales agreements for the output from the HW Hill facility. I will talk more about that next time, but a 10-year contract would make the facility available to us to supply our own load in 2028, if it makes prudent business sense then. We have built our projects with a long-term outlook. This is one way our projects could benefit us in the future.

Jim Smith
General Manager