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Mike DeMott
Interim Power Manager

Brandy Myers
Customer Service Supervisor

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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

2017 Financial Outlook

Following a public hearing on December 13, 2016, the Klickitat PUD Board of Commissioners adopted the 2017 budget. It forecasts \$50.1 million in net revenues—an increase of just over 1 percent compared to the 2016 budget of \$49.5 million.

The majority of revenues continue to be derived from electric rates. However, our transmission and generation business lines account for 27 percent of our total revenues.

As we have talked about in previous Ruralite articles, generation revenues are down due to oversupplied surplus electric markets. Enhancing and protecting the value of our power sales is an area of significant focus for staff.

Water and wastewater revenues are totals for the 13 individual systems we operate. They each have their own financials and are stand-alone entities.

Aid in construction is funds paid by new customers to build their services and related equipment we provide.

The 2017 budget sets expenditures at \$49.7 million. This is a decrease of about 2 percent compared to the 2016 expense budget of \$50.6 million.

On a year-by-year basis, some costs are difficult for us to control, such as wholesale power—which is power needed to sell to our customer; depreciation and amortization of existing equipment; interest expense on our debt; and taxes.

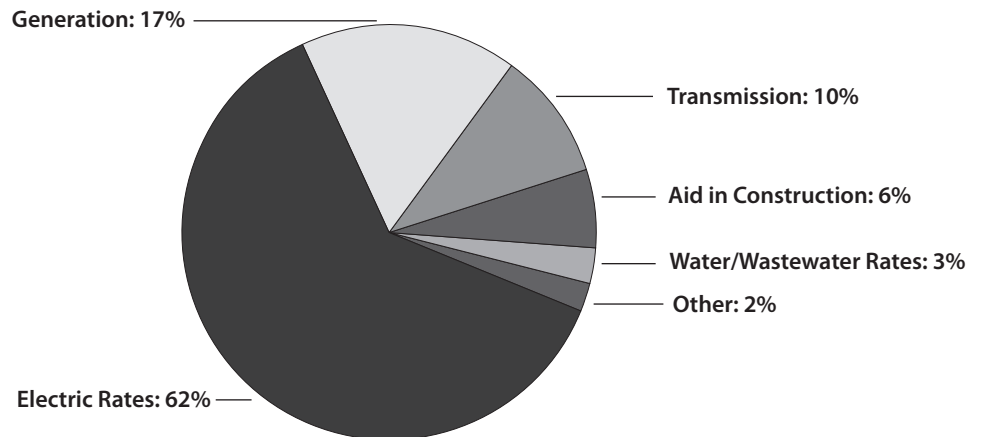
Those costs make up 67 percent of our budget. That leaves 33 percent of our budget that staff can directly impact each year in our day-to-day work activities.

Given that interest and debt are significant portions of our costs, we continually look for ways to reduce our debt and this expense. This is also a focus in our strategic planning.

The budget for 2017 includes an estimated 5 percent increase in the cost of wholesale power we buy from the Bonneville Power Administration. Wholesale power includes the cost to operate the McNary Hydroelectric

Continues on page 28

2017 Budget Revenue Sources



2017 Financial Outlook

Continues from page 32

Project, which we own in a 50-50 partnership with Northern Wasco PUD. Our 5-megawatt share is used to directly service our customers, and provides about 12 percent of the power we use annually. Our cost to produce this power is less than our costs to buy and deliver power from BPA.

Operating expenses are a critical component that reflect our day-to-day operations keeping the lights on; our water and wastewater service flowing; and serves you, our customers.

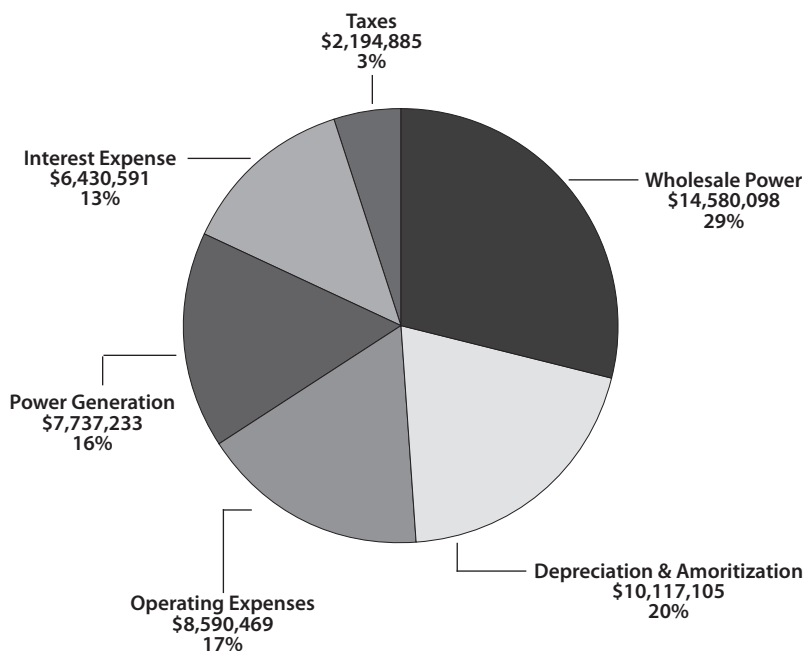
Power generation expenses are related to the H.W. Hill Landfill Gas Project and White Creek Wind.

All of us at the PUD are focused on working together to provide safe, reliable, low-cost utility services to our customers.

Please visit our website at www.klickitatpud.com for additional financial information about your PUD.

Jim Smith
General Manager

2017 Expense Budget



Beware of Scammers

If someone called claiming to be from the PUD and said to meet them at the drugstore with cash to pay your electric bill, would you do it?

What if the caller said you are due a rebate from the statewide magazine? Would you believe it?

Those are two of the newest scams being reported by electric co-op members.

In central Florida, members of SECO Energy report being called by a supposed utility employee telling them to take cash and meet them at a local CVS pharmacy to avoid disconnection.

In Pennsylvania, a utility member got a call from someone claiming to have a \$25 rebate to cover subscription costs to the statewide magazine, Penn Lines.

As you do with Ruralite, Pennsylvania co-op members receive Penn Lines magazine as part of their

membership, with no subscription required.

It is assumed that if the member had been receptive, the caller would have asked for banking information so the "rebate" could be deposited into the member's account.

In Colorado, members are getting calls from people claiming to be from the utility's billing department, threatening disconnection if they don't pay immediately.

Electric utilities advise consumers to think twice before trusting an email message or the voice on the other end of the phone. A common method is for scammers to place fraudulent phone calls to homes and businesses, impersonating electric utility employees.

Be aware: These criminals are capable of manipulating the number displayed on caller ID to

show the electric utility's office number.

During the call, the scammer instructs the consumer to buy a prepaid debit card to pay a bill. If they fail to do so, they are told service will be disconnected. In some instances, scammers have requested and received the billholder's personal credit card information.

These criminals also may distribute fraudulent emails to collect money from unsuspecting consumers. The emails often appear as a monthly bill from an electricity provider, and may contain links to untrustworthy sites.

Be alert for unusual calls—especially those related to financial information.

Members are encouraged to contact their local utility office to verify a caller claiming to be from the utility is a legitimate caller. ■