



Public Utility District No. 1

of Skamania County

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To Our Valued Customers:

Many of you have or will soon receive your first Skamania PUD bill with the rate increases that went into effect January 1, 2020. As your elected Board of Commissioners and fellow ratepayers, we are mindful of the impacts of rising utility costs. We would like to use this opportunity to explain the process and rationale behind the increases.

Public Utility Districts (PUD's) are not-for-profit, locally regulated utilities that were created in 1930 by a voter-approved initiative. PUD's charter under state law is to "conserve the water and power resources of the State of Washington for the benefit of the people thereof, and to supply public utility service, including water and electricity for all uses." Skamania PUD's mission is to provide quality utility services at a cost consistent with sound business principles. The Board's role is to establish budgets and guidelines to help lead the utility in a direction consistent with its mission.

Skamania PUD is comprised of three utility systems: Electric, Carson Water and Underwood Water. Each system maintains a capital improvement plan that identifies the repair and replacement (maintenance), and/or construction of facilities and infrastructure, provides a planning schedule, and identifies options for financing the plan. The initial development of capital projects is disclosed publicly and a collaboration between the Board, PUD staff and consulting experts. The projects are regularly reviewed, evaluated and updated. These plans play a large part in the Cost of Service Analysis (COSA) used to develop equitable rates.

FCS Group, a highly respected utility rate and fee consulting firm, was selected by the Board in June 2018 to perform the COSA and rate design study. There are many components and variables considered during this process. They include, but are not limited to, BPA power purchases, equipment, staffing, capital improvement projects, debt financing, district growth-load forecast, inflation, and changes to regulations and legislation such as the curtailment of carbon emitting resources. This information is compiled to determine the rate revenue requirements necessary to meet those costs and stay within the established financial policies. Rate revenues are structured to be recovered through a combination of the basic or minimum charge and usage fees. The basic (fixed) charge supports fixed costs such as improvements, additions and maintenance of substations, poles, wires, and transformers, and billing and customer service. This is a charge for having service available on demand and is billed even if no electricity/water is used. Energy/water usage charges are costs that vary based on total consumption over a specific period of time.

As ratepayers, the lowest rates always appear to be best. However, as elected officials there is a responsibility to base decisions on what's necessary to operate and maintain a healthy viable utility. Opting for the lowest rates would mean securing high levels of debt which passes the cost of today's improvements on to future generations. The other end of the spectrum, ramping up rates to minimize debt felt like too significant of a rate increase. We as a Board, chose the middle ground.

As a Board, efforts and measures to insure reliable, safe and cost-effective utility services are taken very seriously. A greater focus on being proactive and identifying obstacles hindering the ability to provide these services is being taken. Skamania PUD has been focusing on increasing tree trimming, upgrading outdated substations, pole replacement, and underground wire replacement in the electric system, all of which reduce risks to ratepayers. For the water systems we have been focusing on replacing aging pipes, increasing capacity of key pump stations and reservoirs, and securing water sources for the future. However, there are also many factors outside the utility's control that greatly impact costs.

Skamania PUD is a BPA full preference customer and benefits from the low carbon energy generated by the Columbia and Snake River dams. Bonneville Power Administration (BPA) expenses are the biggest driver of electric system energy charges and account for approximately 50% of the overall electric budget. The Board is keenly aware of BPA's rising costs and regularly participates in association meetings such as Public Power Council (PPC) and Western Public Agencies Group (WPAG), to stay informed and advocate for our customers. Like our COSA, BPA's rate impact model process allocates costs to service territories based on the cost of providing service. While the overall BPA-20 rate impact model shows an increase less any surcharges near zero, Skamania PUD is expected to see an increase of 3.05% after the Financial Reserves surcharge. Skamania has a strong relationship with its BPA representatives and a common goal to keep rates competitive.

With the passing of the Clean Energy Transformation Act (CETA) by the Washington State Legislature, a strong push to curtail carbon emitting resources in our region has begun. One of CETA's goals is for the state to be 100% carbon free by 2045. This goal comes at an additional cost to electric ratepayers, especially in rural areas. Resource Adequacy (RA) is the ability to have a supply of reliable resources available at any point in time to meet energy demands, except during extreme events. Coal and natural gas generation plants that historically played an important role in RA are being shuttered, eliminating energy resources from the market. While supply is being cut, demand continues to rise with initiatives to encourage electric transportation, heating and cooling systems. This is creating an imbalance between demand and available reliable resources.

A goal of the PUD is to seek continuous improvement in all aspects of the utility. We strive to improve our relationship with our customers and provide education on key issues that affect your PUD. Greater public outreach and communication is identified as a priority and your questions and suggestions are always welcome. In order to improve communication with our customers and address your issues of concern, Skamania PUD intends to expand our use of newspaper notifications, social media posts, public flyers and mailings. Another way to be involved is to attend our public Board Meetings, which are held the 1st and 3rd Tuesdays of each month at 9 am at the office building in Carson. Thank you for your continued support.

Liz Green, President, Commissioner-District 3
Dave McKenzie, Vice President, Commissioner-District 2
Dan Boyes, Secretary, Commissioner-District 1