



Klickitat PUD
Owned By Those It Serves

Board of Commissioners

Randy Knowles
President

Dan Gunkel
Vice President

Harold Hill
Secretary

Tom Svendsen
General Manager

Nadine Huxley
Customer Service Manager

Michael Macy
Chief Financial Officer

Allen Barkley
Power Manager

Ron Ihrig
Operations Manager

Jim Smith
Engineering Manager

Judy Packwood
Energy Services Manager

Lorraine Reynolds
Water/Wastewater Manager

Ron Schultz
White Salmon Branch Manager

www.klickpud.com

Goldendale Office
1313 S. Columbus Ave.
509-773-5891
800-548-8357

White Salmon Office
110 NE Estes Ave. • P.O. Box 187
509-493-2255
800-548-8358

Wanted: Fair Settlement With the BPA

Klickitat PUD, along with a number of other public power utilities, sued Bonneville Power Administration (BPA) when it offered power contracts to investor-owned utilities (IOUs).

In 2001, BPA offered new power sales contracts to all of its customers and initiated a process whereby utilities subscribed for power.

KPUD subscribed for all of our power requirements, except for what we generate at our McNary project.

When BPA started the subscription process, the region was flush with power and market prices were less than those charged by BPA. Many utilities looked to diversify away from BPA. By the time it was finished, we were well into the West Coast energy crisis of 2001.

BPA offered IOUs power rather than the called-for payments to equalize rates between public and private residential and small farm customers. This was not in line with the laws governing how BPA can sell power. It should not have happened. Therefore, KPUD and other utilities sued BPA to stop these contracts.

It was a perfect storm. By the time all the contracts were signed, BPA had oversold the system by 3,000 megawatts. The region then experienced the worst water years on record and manipulation of the West Coast electricity market by Enron and others.

This had BPA trying to buy power when none was available. In fact, a lot of the power BPA bought was actually repurchased from the IOUs.

It turned out they really didn't need the power and were more than happy to sell it back to BPA for exorbitant prices. Of course these expenses have found their way into the rates paid by BPA's other customers—like KPUD!

Our suit against BPA seeks to overturn the contracts and recoup the money. Our Board refers to BPA's practice as "reverse Robin Hood," because it has taken money from economically distressed rural communities such as Klickitat County and sent it to Bellevue to subsidize Microsoft millionaires.

BPA worked out a settlement for the lawsuit that would have given us a certain amount of rate relief. It was fairly significant, but required 100 percent of the utilities suing BPA to agree.

KPUD reluctantly agreed to the settlement.

Randy Knowles, president of KPUD's Board of Commissioners, sent a letter to BPA outlining how we felt. His letter was reprinted on the back page of the March edition of Ruralite.

However, several utilities declined to agree to the settlement, saying it did not adequately address the economic damage. Although we agreed, we felt it probably was the best settlement we were likely to get. There have been several attempts to find alternate ways to address the economic unfairness, but each subsequent proposal is less than the last. We still hope a fair settlement can be found.

Tom D. Svendsen, General Manager

WA-18