

Financial Report

After receiving the final copy of the 2002 audit from the State Auditor's office on March 15 with no findings, CFO Michael Macy has released the 2003 financial report for Klickitat PUD.

The report is an overview and analysis of the financial statements for 2002 and 2003.

KPUD manages the electric system for Klickitat County, as well as seven water systems and five wastewater systems throughout the county. During 2003, KPUD recognized a net income before contributions of \$2,908,599, compared to a loss of \$953,015 in 2002.

The net profit resulted from an increase in rates, a reduction in power costs, and a reduction in operating and maintenance expenses, along with a reduction in interest expense.

In February 2003, electrical rates to industrial and large general service customers increased 16 percent.

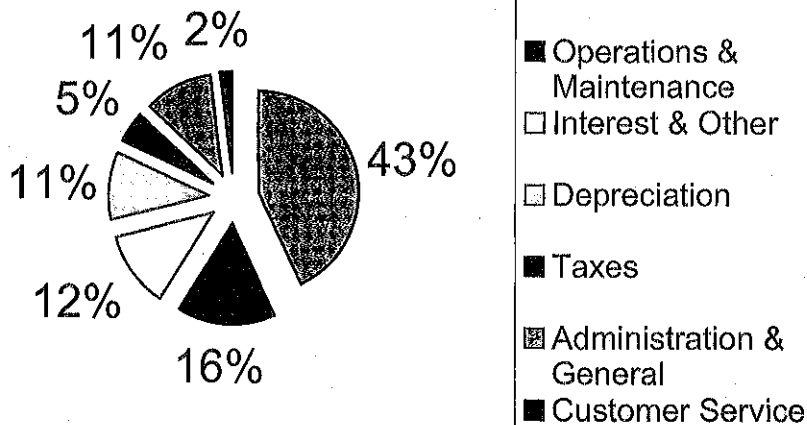
In April 2003, electrical rates to residential, small general services, medium general services and street lighting customers increased 17.3 percent.

In May 2003, electrical rates to irrigation service customers increased 8 percent.

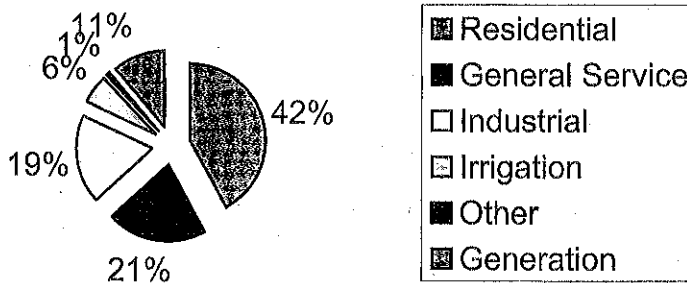
In June 2003, most of the water and wastewater rates and system development charges increased.

With the closure of Goldendale Aluminum (GAC) in May 2003, energy sales fell 11.72 percent (\$2,826,082). GAC was billed \$7,568,541 in gross revenues during the year 2002, which was 29.02 percent of total revenues billed.

2003 Expenses



2003 Electrical Sales



Net profit from those revenues was \$251,590.

Operating expenses decreased by \$775,000 (17 percent), partly as a result of an effort by management to reduce the impact of increases in power expense on ratepayers.

These reductions were realized in several areas, including tree trimming and reductions in staffing, construction and training.

In addition, a large insurance settlement offset some cost during 2003.

Taxes assessed by state and

municipal governments decreased \$428,000 (26 percent), largely due to the decrease in power sales.

Depreciation and amortization increased \$153,000 (6 percent) because of the EE Clause Substation and related transmission lines being placed in-service.

The 2003 contributed capital decreased \$942,000 (57 percent). The large amount in 2002 was due to the EE Clause Substation and related transmission lines, and the

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