



# Long-term Rate Planning

Electric, Water, Wastewater & Fiber  
Outreach Plan

Jan. 6, 2020



# Why we're here

## Objectives:

- Initiate five-year rate plans as prescribed in the 2020-2024 Strategic Plan
- Seek board approval of outreach timeline and actions



# Retail Rate Public Outreach – Timeline

Jan. 6, 2020	Seek board approval of outreach plan and request a rate hearing be set
Jan. 20, 2020	Rate detail presentation
Feb. 3, 2020	Public rate hearing (if approved); consider feedback received
Feb. 18, 2020	If Board direction remains unchanged, seek approval of rate
May 31, 2020	Implement Water*, Wastewater* and Fiber rate plans
No later than Dec. 15, 2020	Implement Electric* rate plans

\* Dates depend on successful implementation of customer information system



2020-2024 Strategic Plan

# Long-Term Rate Planning – Electric

*Background – Oct. 7, 2019, Board Meeting*

## Draft Strategic Plan

### Planned Actions:

#### Long-Term Rate Planning – Electric Rates

- A roughly 3% annual electric rate increase will be implemented as part of updated rate designs
- The rate changes will support stable and predictable electric rates over the long term and protect against the risk of poor market conditions
- Low-income rate assistance and energy-efficiency programs will be concurrently reviewed in 2020 to help limit impacts to low-income customer-owners





2020-2024 Strategic Plan

# Long-Term Rate Planning – Electric

*Background – Strategic Planning*

## Other strategic planning information/guidance:

- Chelan PUD has not increased electric rates for eight years and has only had a 9% rate increase since 2000, while cumulative inflation has been around 40%
- Increasing electric rates at approximately the rate of inflation decreases risk of large rate increases in later years
- Incremental revenue will be held to stabilize rates over the long term consistent with customer-owner input

## Recommendation:

- As part of the rate action, establish a new Board-Designated Fund for the purpose of holding incremental electric revenues from rate action



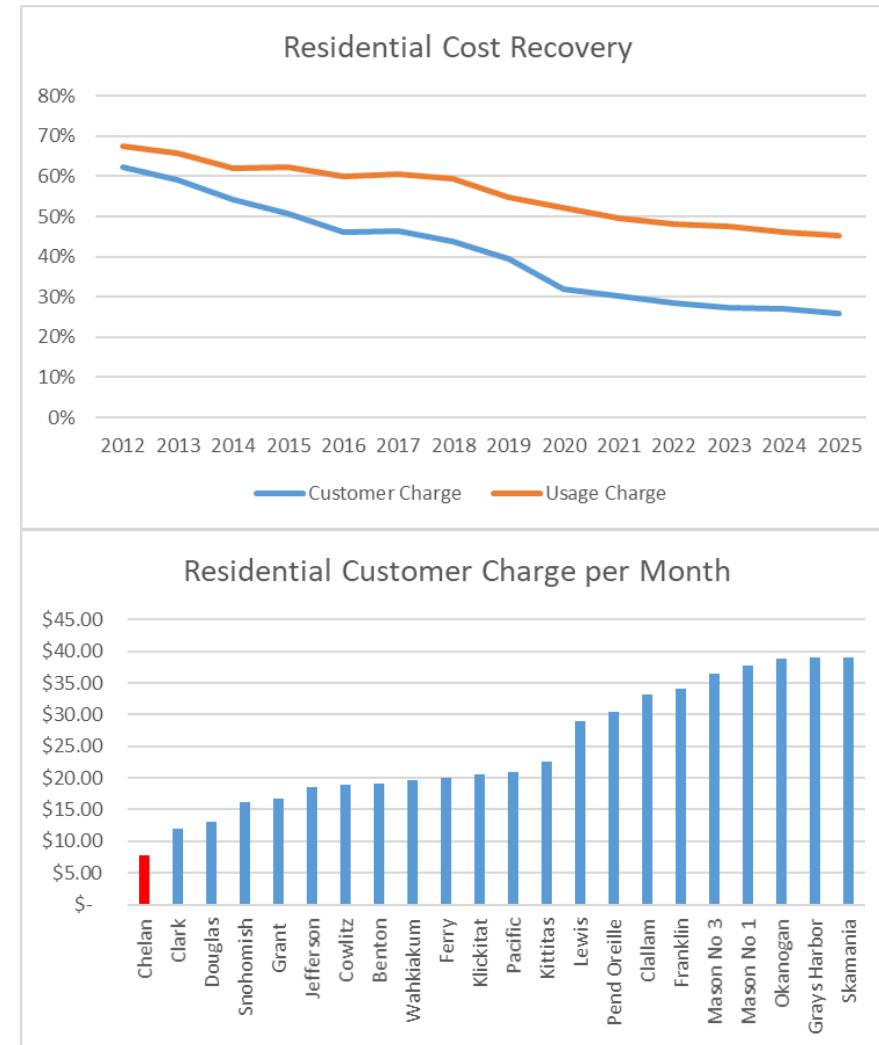


# Long-Term Rate Planning – Electric

## Strategic Plan Goal Part 1:

### Address Rate Design

- Cost recovery compared to cost of service for residential basic charge is declining more rapidly than other charges
- Industry alignment is lagging
- Recommendation: Focus residential revenue increases in the customer (aka basic) charge. In other classes, increase each rate element (customer/ demand/ energy) by 3%





# Long-Term Rate Planning – Electric

## ***Strategic Plan Goal Part 2:*** Stable & Predictable Rates

- Recommendation: Establish a set five-year rate plan vs. annual action

### Example: Schedule 1 (Residential)

- 3% class revenue increase allocated to the basic charge
- Average increase of \$1.75/mo. per year

<i>Single-phase service</i>	<i>Start</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
<i>Basic Charge</i>	\$7.70	\$9.45	\$11.20	\$12.95	\$14.70	\$16.45
<i>Average Total Bill</i>	\$55.00	\$56.75	\$58.50	\$60.25	\$62.00	\$63.75



2020-2024 Strategic Plan

# Long-Term Rate Planning – Electric

***Strategic Plan Goal Part 3:*** Review Energy Assistance and Energy Efficiency Programs

Phase 1: Adjust low-income discounts with rate action

Phase 2: Review low-income energy efficiency and assistance programs

- Conduct study to identify energy assistance needs and gaps
  - Study designed to meet both strategic planning directives and comply with Clean Energy Transformation Act requirements
- Present findings and options in Q1



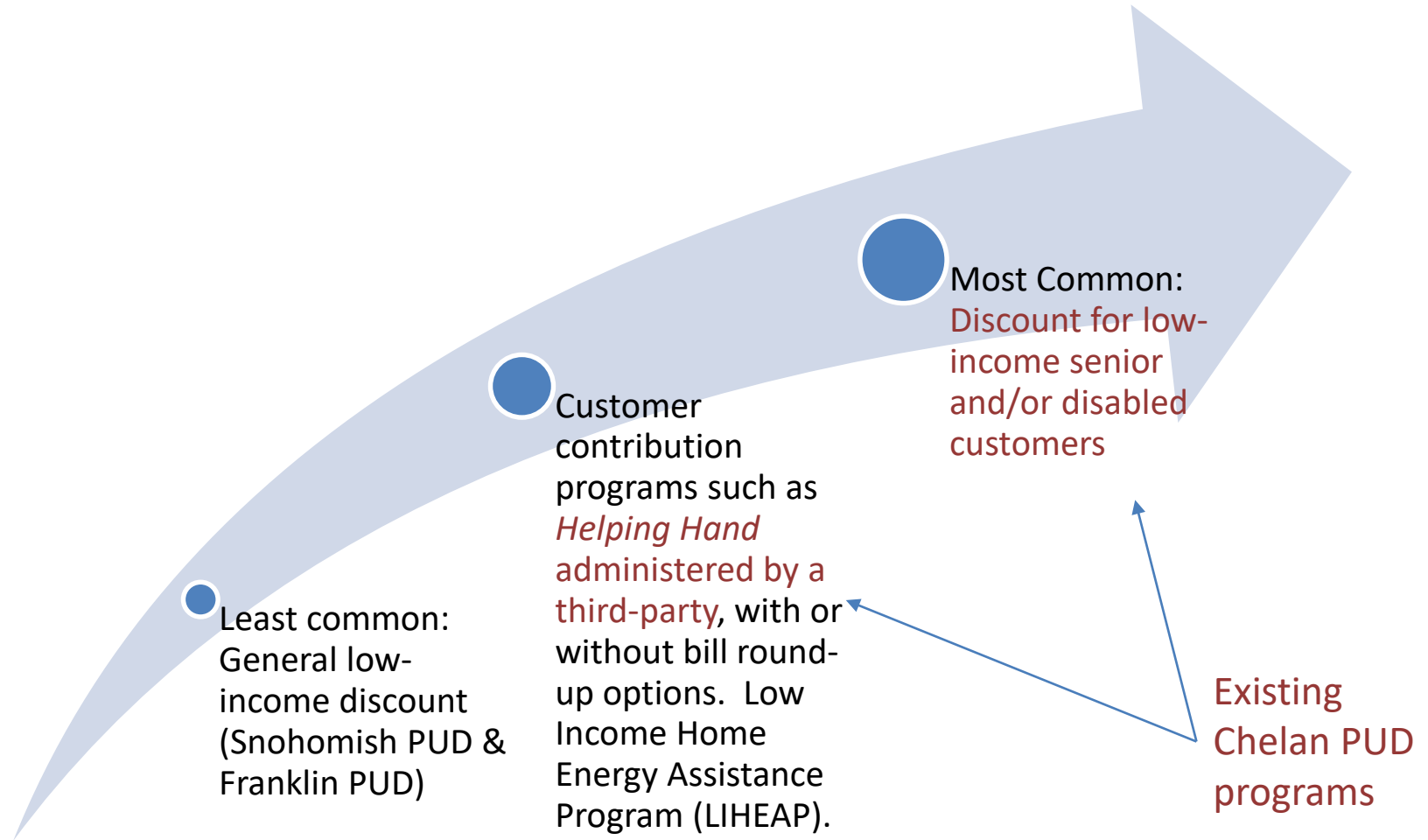




2020-2024 Strategic Plan

# Long-Term Rate Planning – Electric

*PUD Energy Assistance Programs (cont.)*





2020-2024 Strategic Plan

# Long-Term Rate Planning – Electric

*PUD Energy Assistance Programs (cont.)*

## EXISTING DISCOUNT PROGRAM:

Available to qualifying low-income seniors, 62 years and older, and low-income disabled:

Service Type	Monthly Discount
Electric	\$9.25
Water	\$9.50
Wastewater	\$10.10

- SENIORS: Total household income not exceeding \$40,000 or 65% of county median household income (RCW 84.36.381 (5)(b))
  - Approx. 960 qualified customers participating
- DISABLED: Household income does not exceed 125% of Federal Poverty Income Guidelines.
  - Approx. 445 qualified customers participating





2020-2024 Strategic Plan

# Long-Term Rate Planning – Electric

*PUD Energy Assistance Programs (cont.)*

## EXISTING HELPING HAND PROGRAM:

Helps low-income families pay their electric bills. Customers can make a Helping Hand donation every time they pay their bill; Helping Hand funds are managed by the Chelan-Douglas Community Action Council.

**Eligibility Requirements:** 125% or less of the federal poverty level, one assistance provided per year, Energy Assistance (LIHEAP) funds are allocated first

**Program Funds Contributed by Customers:** approx. \$25,000 per year

**Total Disbursed 2018:** \$12,500 to 92 families

**Total Disbursed 2019:** anticipating approx. \$16,500 to 140 families





# Long-Term Rate Planning – Water/Wastewater/Fiber

*Background – Oct. 7, 2019, Board Meeting*

## Draft Strategic Plan

### Planned Actions:

#### Long-Term Rate Planning – Fiber/Water/Wastewater Rates

- Fiber business line should be financially self-sufficient by the end of the 5-year rate implementation period with 3% annual rate increases planned
- Water rate structure will lean towards self-sustainability, with annual rate increases of around 4% planned between 2020-2024
- Wastewater rate structure will lean towards self-sustainability, with annual rate increases of around 4% planned between 2020-2024 and an estimated \$1.5 million contribution from the electric business to pay the balance of the Dryden Wastewater Project
- We will work to better understand the costs of the Dryden Wastewater Project



## Long-Term Rate Planning – Water/Wastewater/Fiber

***Strategic Plan Goal Part 4:*** Implement Small System Rate Plans as Identified and Monitor for Sustainability

As discussed at Aug. 19 and Oct. 7, 2019, Board meetings:

1. Water: 4% annual rate increase and adjustment to low-income discount
2. Wastewater: 4% annual rate increase and adjustment to low-income discount
3. Fiber: 3% annual revenue increase

# Public Outreach – Actions

- Direct coordination with service providers - Fiber
- Key accounts communications
- Digital/web presence with event notices through social media
- Print ads in daily and weekly publications
- Legal notice of rate hearing
- Use feedback from previous strategic planning information meetings on rates

# Summary

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# Next steps

## Today - Proposed motion

In order to establish the appropriate procedure for engagement and notice to customers, move to set the rate outreach plan and date of public hearing as proposed by staff in presentation.

## Jan. 20, 2020

Electric, Water, Wastewater and Fiber rates presentation and discussion

