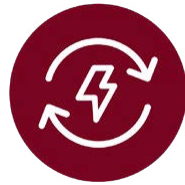


Revisiting-Growth Pays for Growth

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www.ourpublicpower.org

Overview

- The Question
- Current Chelan PUD practice
- Discussion on the right balance
- Trade-offs of different examples of options
- How we will solicit community input



Question

- Should Chelan PUD lean towards “growth pays for growth” (supportive of lower rates for existing customers) or towards economic development (supportive of jobs growth and increased economic activity in the County).



What we are focusing on

Energy Charge

- 1) This component is already subsidized for organic growth



Infrastructure

- 1) Line Extension-Paid 100% by the customer/developer
- 2) Curb to transformer
- 3) Transformer and beyond

For No. 2 and 3 a system impact study is completed

Customer cost is based proportionally on the impact from the new load

How should the PUD build infrastructure for organic load growth and how should it recover costs to support economic development?



Current Practice/Background For Infrastructure

- Since around 1995, Chelan PUD has been operating under a general philosophy of “growth pays for growth”
- This means, the capital costs of extending utility services to new customers are borne by the developers looking to extend service
- For transmission and distribution costs, a system impact study is conducted to determine appropriate charges (upfront and on-going)
- The objective is to reasonably recover the actual costs for extending new services while minimizing the impact to retail rates in order to recover costs
- Planning of new facilities is initiated at 80% capacity, a new substation generally takes 3 to 5 years for completion
- When larger loads come online, capacity moves from 80%-100% much more quickly than historic organic growth



Finding the Right Balance for Organic Load Growth

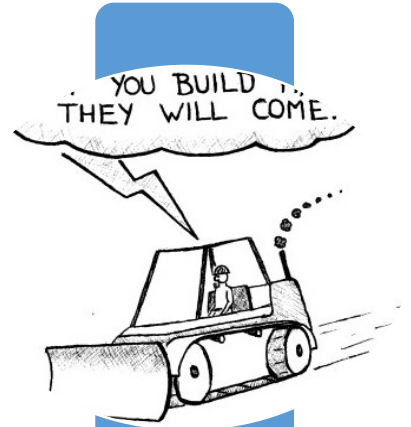


Just in Time Construction

Today

Trending

Where's the right balance?



Build and They will Come

- Better planning w/municipals
- Property acquisition and permitting
- Material contract for transformers
- Accelerated build-out by developer



Examples of Options and Trade-Offs

1. Build as needed and require up-front payment

- Protects current customers from paying for stranded assets, shifts cost burden to new customers.
- Can take 3-5 years for new facilities, can be a barrier to new companies

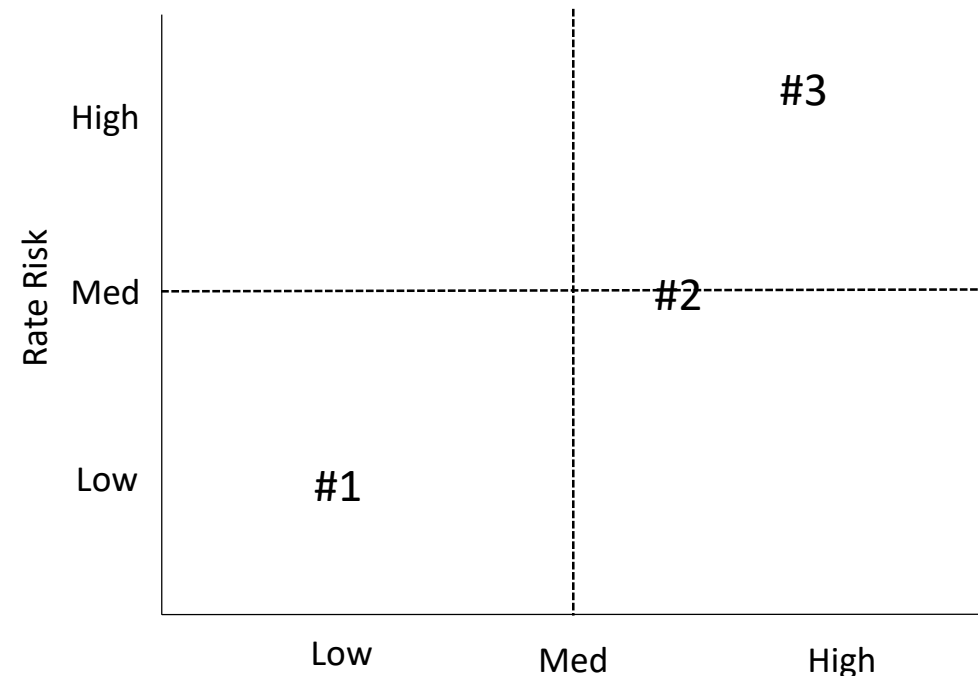
2. Identify one or two locations in the County to pre-build all or a portion of the infrastructure/capture costs over time.

- Seen as a positive for new companies that may want to locate here.
- Less risk of stranded assets compared to #3, but still more risk than #1.
- More efficient planning and maintenance than #3.

3. “Build it they will come”- Build infrastructure throughout the County prior to need/socialize costs.

- This could be costly and increase the risk of current customer paying for stranded assets for some time prior to facilities being utilized.
- Having excess facilities throughout the County would be inefficient from a planning and maintenance perspective.
- Construction of facilities would provide economic activity in the County and have pre-installed infrastructure would eliminate some of the barriers needed for new companies to come here.

Risk vs. Opportunity for Different Organic Growth and Payment Options



Opportunity to Support Economic Development



Methods to Gain Community Insight

1. Use an Economic Development Working Group
 - Includes economic and community development professionals from cities and Chelan County
 - Includes a representative from the Latino Community
 - Includes a representative who works with low/limited income customers
 - Open to adding additional members based on requests from the Feb. 7 Kick-Off meeting
2. Developing questions for a County-wide survey to hear from our customers
3. Summarize results and share with the Board of Commissioners for deliberation

