

Wholesale Sales vs. Retail Sales

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Overview

- The question
- Background on current wholesale and retail sales volumes
- Discussion of the strategic plan for good outcomes under various scenarios
- Revenue outcomes for various scenarios
- How we will seek input from customer-owners?



Strategic Plan

2020-2024

Question:

Currently, Chelan PUD retail rates are subsidized by wholesale power revenues. A fundamental question for this Strategic Plan is should Chelan PUD reduce emphasis on wholesale marketing to focus more on growing retail loads and local economic development?



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Background and Question

- Chelan PUD has more generation than retail load
- Chelan PUD must plan for a balance of retail and wholesale sales - what should the balance be?

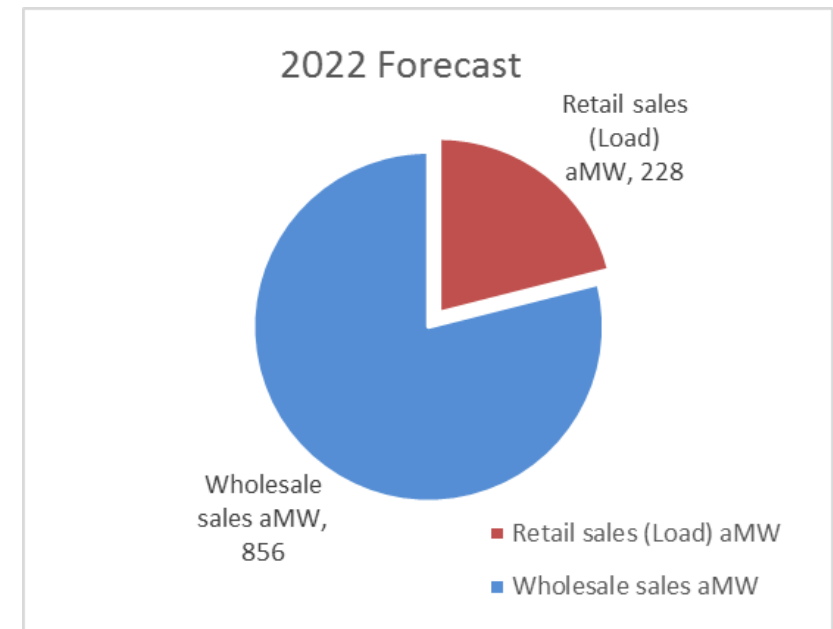
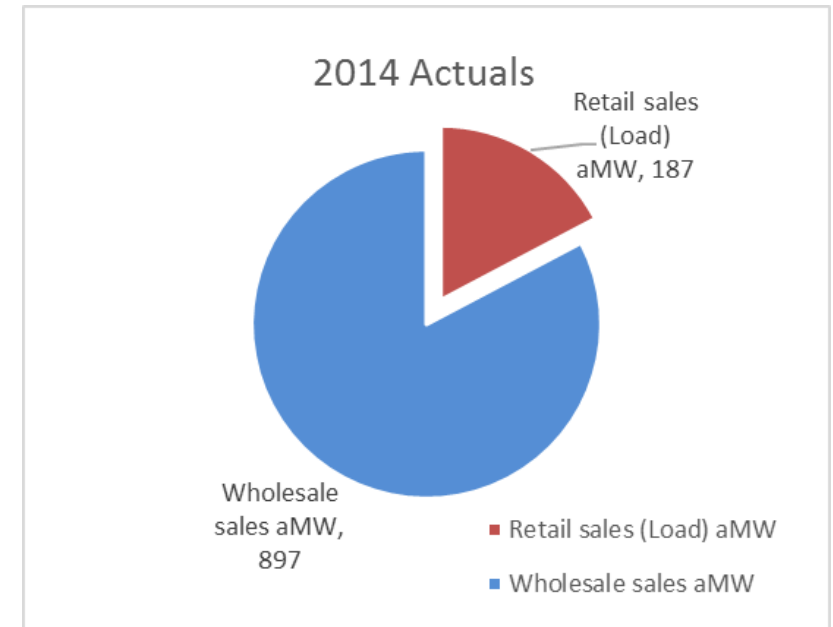
Forecast for 2022 (middle of 5 yrs)

Total sales = 1084 aMW

Retail sales = 228 aMW (21%)

- Organic = 199 aMW (18.3%)
- Crypto = 11 aMW (1.0%)
- HDL = 18 aMW (1.7%)

Wholesale sales = 856 aMW (79%)



Chelan PUD wants the strategic plan to have good outcomes under many likely and even unlikely scenarios

Key variables to test the balance of retail sales vs. wholesale sales

- **Retail growth - low, expected, and high scenarios**
- **Wholesale prices - low, current, and high scenarios**
- Streamflow - low, average, and high scenarios
- Unit outages - low, expected and high scenarios
- Combinations of the 4 key variables above

The emphasis of this discussion is the comparison of retail vs. wholesale sales under retail growth scenarios and wholesale price scenarios



Retail Sales – Pros and Cons

Pros:

- Rates are fixed by the Board of Commissioners - revenue not dependent on changing wholesale market prices
- Board of Commissioners can change rates as needed
- Revenue is stable and predictable
- Potential local economic benefit (depends on specifics of load)

Cons:

- Some existing retail rates collect less than the total costs to serve customers
- No control when customers begin/end service
- Do not address streamflow risk and operational risk
- Under most wholesale scenarios, adding retail load results in revenue losses



Wholesale Sales – Pros and Cons

Pros:

- Wholesale price risk, streamflow risk and operational risk are mitigated under the existing hedging program
- Revenue outcomes are good under current and high wholesale price scenarios
- Control of term and volume of sales

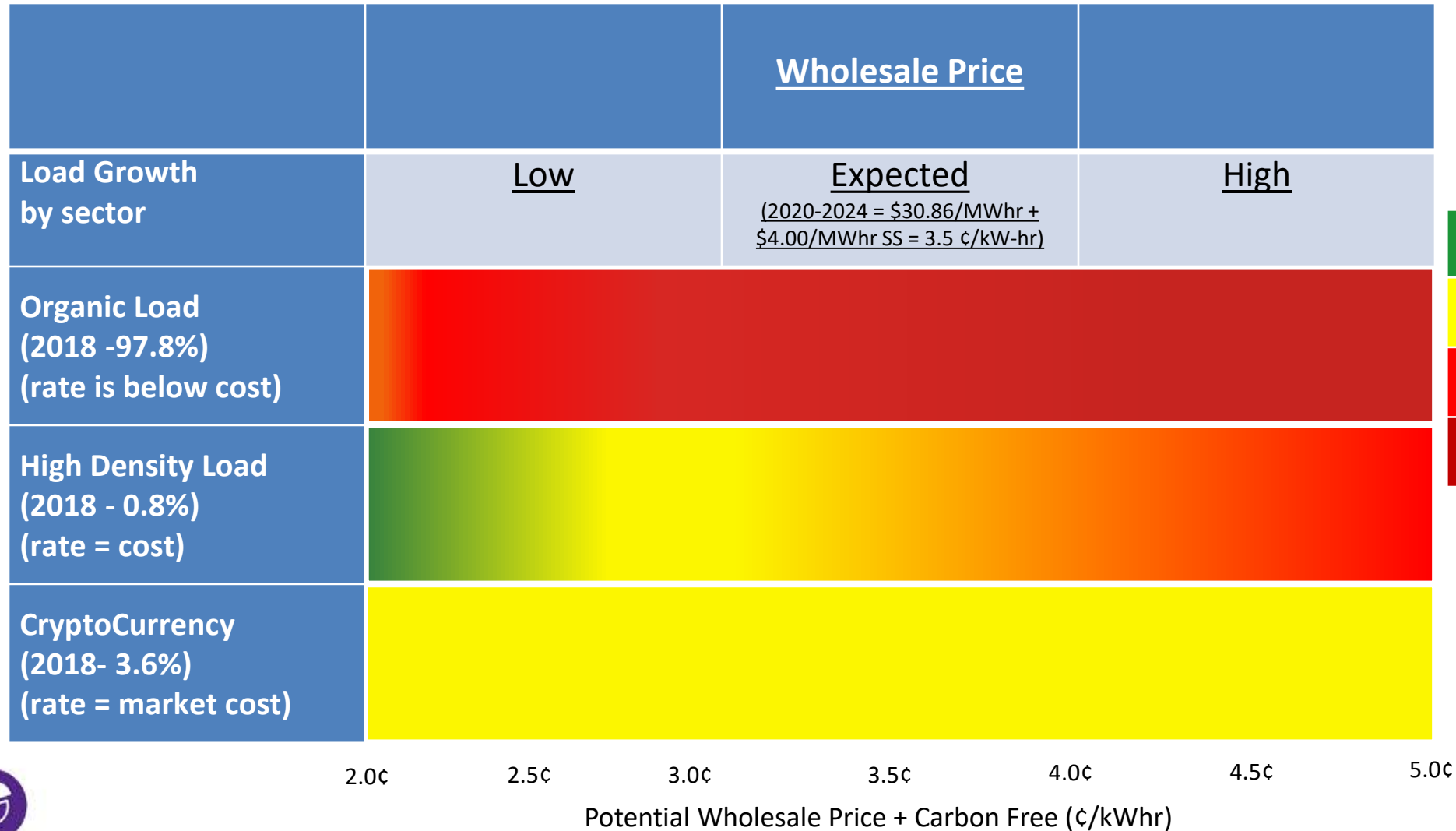
Cons:

- Costs may not be covered under low wholesale price scenarios
- Retail rates would have to make up for wholesale sale losses



Wholesale Sales vs Retail Sales

Impact on Chelan PUD revenues compared to various wholesale pricing



Key

- Tens of millions \$ positive effect on PUD revenues
- Neutral effect on revenue
- Tens of millions \$ negative effect on PUD revenues
- Tens++ of millions \$ negative effect on PUD revenues



Seeking Input from customer-owners

1. Utilize 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 customersOpen 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

