

# 2008 Rates Proposal

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August 2007



# Welcome! Our Purpose Tonight...

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- Provide information
- Collect feedback
- Review timeline and next steps

June 11	Guiding principles adopted by Board
July-August	Staff analysis and preparation
Aug 13-15	3 public information meetings
Sept 10	Public hearing on rate proposals
Jan 1, 2008	New rates would take effect



# Guiding Principles

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- Adopted by board June 11:
  - The utility can best serve its customers by providing multiple services (electric, water, wastewater and fiber optics)
  - The PUD will control its own costs and be as efficient as possible
  - Debt will be carefully managed
  - The PUD will create financial plans designed to achieve a positive bottom line each year



# Guiding Principles

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- **As a whole, rates for all services will move toward levels that cover the cost of providing the services**
- Temporary rate surcharges may be needed in years when adverse conditions develop, but the vast majority of the time any surcharge (if needed) will be less than approximately 14 percent
- Reserve funds will be available for use by all four utility services (electric, water, sewer, fiber)



# Controlling Costs / Efficiency Gains

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- All replacement positions are critically reviewed
- Ensuring cost recovery is sufficient and timely
- Continuous improvement and labor efficiencies part of annual plans
  - Water automated meter reading
  - Web service
  - Regulations and policies



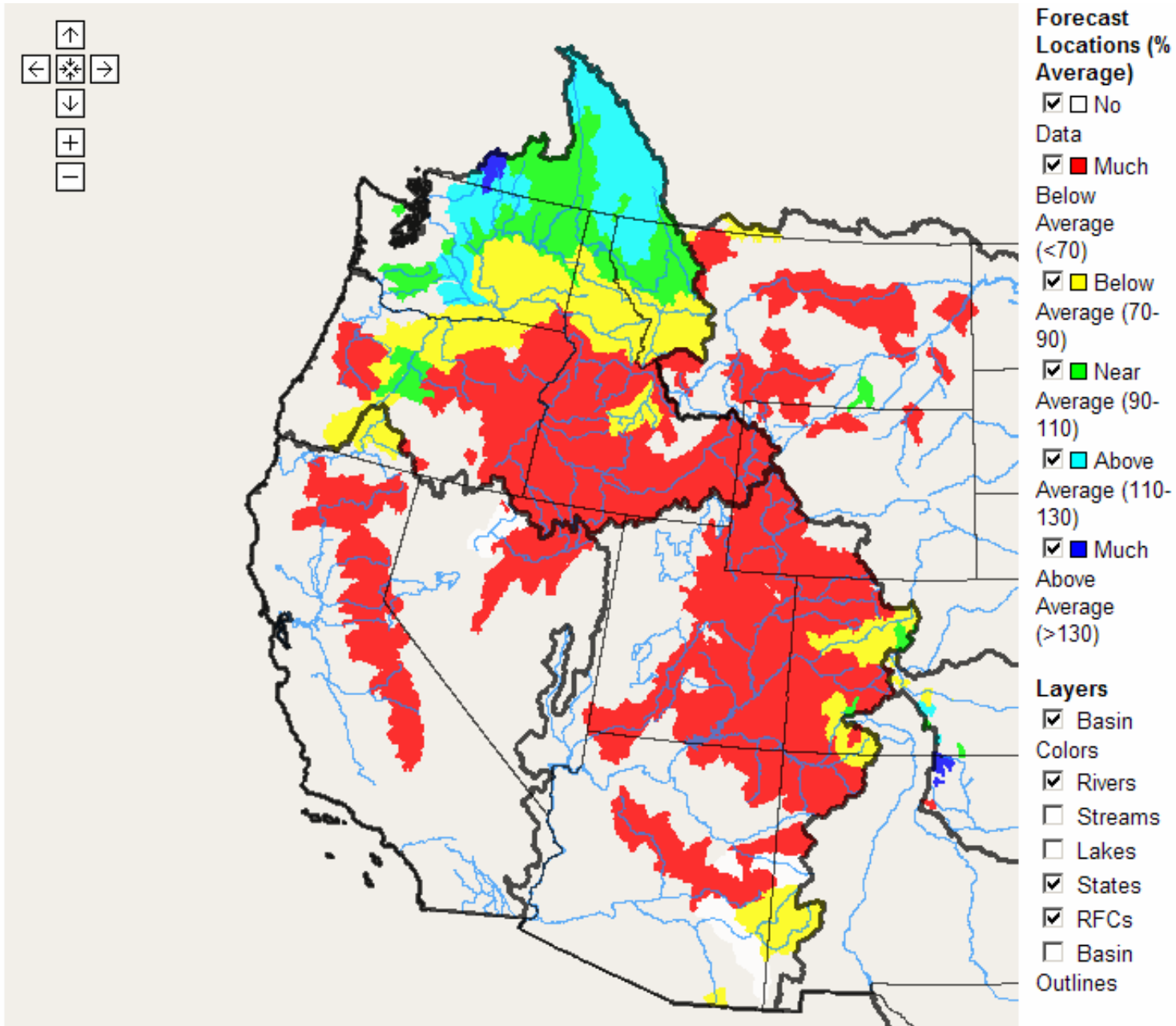
## 2007 Increase in Projected Revenues

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Q: How does the increase in projected 2007 revenues impact the rate proposal?

A: 2007 revenues are helpful for funding existing deficiencies in rates and we avoided the surcharge for 2007, but future volatility suggests smaller incremental rate increases are still prudent.

# Seasonal Runoff Volume Forecasts 2007





# Rate Increase Proposal - Overview

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- Electric - 5%
- Water and wastewater - 9%
- Applied across-the-board
- Discounts also increase
- Fiber optics (service providers) - 2%



# Rate Increase Proposal - Overview

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- Projected revenue from the increases
  - Electric - \$2.3 million
  - Water - \$330,000
  - Wastewater - \$35,000
  - Fiber Optics - \$80,000



# Rate Proposal - Electric

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*Based on average monthly residential bill May 06 - June07*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Increase</b>
Residential	\$56.00	\$59.00	\$3.00
Discounts	(\$7.85)	(\$8.25)	\$0.40

# Electric Residential – 5% Increase

<b>Rate Component</b>	<b>Current</b>	<b>Proposed</b>	<b>Increase</b>
Basic Charge	\$6.85	\$7.20	\$0.35
Energy - First 1,000 KWH	2.18¢	2.29¢	0.11¢
Energy - 1,001 to 2,000 KWH	2.70¢	2.84¢	0.14¢
Energy - 2,000 KWH +	2.85¢	2.99¢	0.14¢
Discount L.I. – Senior/Disabled	(\$7.85)	(\$8.25)	\$0.40

# Rate Proposal – Water 9% Increase

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*Based on average monthly residential bill May 06 – June 07*

<b>System</b>	<b>Current</b>	<b>Proposed</b>	<b>Increase</b>
General	\$43.85	\$47.80	\$3.95
Squilchuck	\$51.80	\$56.50	\$4.70
Dryden	\$29.80	\$32.50	\$2.70
Ollala	\$48.10	\$52.40	\$4.30
Chelan Ridge	\$57.70	\$62.90	\$5.20
Discounts	(\$6.15)	(\$6.70)	\$0.55

# Water Residential – 9% Increase

## Parent system rates

<b>Rate Component</b>	<b>Current</b>	<b>Proposed</b>	<b>Increase</b>
Basic Charge 5/8”	\$20.83	\$22.70	\$1.87
Water quantity - First 3,000 gal	\$1.78	\$1.94	\$0.16
Water quantity - 3,000 to 10,000 gal	\$2.48	\$2.70	\$0.22
Water quantity - Over 10,000 gal	\$3.17	\$3.46	\$0.29
Discount L.I. – Senior/Disabled	(\$6.15)	(\$6.70)	\$0.55

# Rate Proposal – Wastewater 9% Increase

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*Based on average monthly residential bill May 06 - June 07*

<b>System</b>	<b>Current</b>	<b>Proposed</b>	<b>Increase</b>
Dryden	\$46.68	\$50.88	\$4.20
Lake Wenatchee	\$48.09	\$52.42	\$4.33
Peshastin	\$47.78	\$52.08	\$4.30
Discounts	(\$6.15)	(\$6.70)	\$0.55

# Rate Proposal - SDCs

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*System development charges (SDCs) are one-time charges for customers to buy their share of capacity or infrastructure*

<b>Type</b>	<b>Current</b>	<b>Proposed</b>	<b>Increase</b>
W - 5/8" meter	\$2,176	\$2,372	\$196
W - 5/8" meter (Squilchuck)	\$2,748	\$2,995	\$247
W - 1" meter	\$5,440	\$5,930	\$490
WW - Lake Wen	\$4,400	\$4,796	\$396
WW - Peshastin	\$4,400	\$4,796	\$396



# Rate Proposal – Fiber Optics

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*Wholesale telecommunications, separate  
from retail rates*

- Overall 2% increase



# Surcharge Procedure

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- Guiding principle: **A temporary surcharge is an appropriate way to manage risk and volatility, if necessary**
- A surcharge may be necessary each year from 2008 - 2011
- Public notice process for surcharges, when necessary, will be developed

# Next steps

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July-August	Staff analysis and preparation
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Questions?

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