

2008 Rate Setting Process

– Update

Chelan County PUD

July 2, 2007



Our Purpose Today...

- Confirm proposed dates and schedule
- Review 2008 rate proposal
- Proposed future surcharge methodology
- General Manager delegated authority for specific fee and policy changes
- Proposed regulation changes
- Questions

Potential Timeline Moving Forward

June 18	Initial discussion
July 2	Board presentation on finalizing the approach
July ~ Aug	Staff analysis and preparation
Aug 13 -16	3 public information meetings – Rates, Surcharges and Regulations
Sept 10	Rate Hearing
Sept - Oct	Implementation and testing
Oct - Dec	Connection / meter fees reviewed through budget process
Jan 1, 2008	New rates take effect
April 2008	Surcharge Hearing
2008	Updated cost of service study to be performed

Rate Increase Proposal

- Percents discussed
 - 9% Water and Wastewater
 - 5% Electric
- Applied to each customer class
- Across each bill element equally
- Networks 2% increase to be approved by Board resolution



Rate Increase Proposal

- Projected revenue increase estimate
 - Electric – \$2,300,000
 - Water - \$330,000
 - Wastewater – \$35,000
- Based on historical data

Rate Increase Proposal

- Projected revenue increase from system development charges (SDC's)
 - Water/Wastewater ~ \$50,000

System development charges are one time charges for customers to buy their share of capacity or infrastructure



Surcharge Procedure

- Board guiding principle: A surcharge is an appropriate way to manage risk and volatility, if necessary
- Potential exists that a surcharge may be necessary each year from 2008 - 2011
- Need to develop public notice process for surcharges, when necessary



Surcharge Procedure – Staff Proposal

- ❑ Communicate surcharge potential as part of the budget process
- ❑ Establish a general timeline of mid-April for a final determination
- ❑ If needed, surcharges would go into effect May 1st or June 1st
- ❑ Maximum of 12 months and reviewed quarterly

Surcharge Procedure – Staff Proposal

Public notice process

- Would begin during budget and continue through the 1st quarter of the new year
- If recommended, one preset meeting would be scheduled in April and advertised for a reasonable amount of time (1 or 2 weeks)
- If approved a formal resolution would be presented at the next Board meeting



Develop Policy Section

Current electric, water and wastewater line extensions are rate schedules

Staff recommends creating a policy section where changes are delegated to the General Manager

Why?:

- Timelier and more efficient changes
- Fees are defined as “one-time” cost based
- Integrate into budget process and communicate accordingly



Develop Policy Section

Significant effort reviewing all line extension polices, service regulations and rate schedules

Next steps:

- Continue to develop the approach
- Legal review
- Present to the Board before public rate meetings



Regulation Changes

Reviewing service regulations for changes such as:

- Meter access policy – technology provides us with more customer options
- Reviewing other cost based fees and adding them to the General manager delegated authority section



July Action Items

- ❑ Model customer impacts
- ❑ Create policy section
- ❑ Further develop service regulation changes
- ❑ Officially schedule and notice the dates and places for public meeting
- ❑ Late July Board of Commissioners update prior to public meetings

Questions?
