

# Chelan County PUD Strategic Planning 2009

A continuation of the ongoing strategic planning process

**July 20, 2009**



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# Goals of today's discussion

- Past
- Present
- Future
- Timeline



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# Past: 2006-2007 strategic sessions

Eleven-month process of gathering information, analysis, community meetings, deliberations and decision-making.

## Conclusions:

- Depend on wholesale revenue to fill operating gaps
- Reliance on wholesale revenue is risky
- Operating electric, water, sewer and fiber service as one utility provides best value for customer-owners.
- Wholesale revenue to benefit all services
- Current financial trends are not sustainable
- Take steps to close gaps and reduce risk
- Take steps to cost controls, improve efficiency and implement rate increases



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# Past: Board Governing Financial Policies

- Provide integrated utility services
- Target a positive Change in Net Assets (bottom line) by 2011
- Target an overall operating ratio of 80%-100% by 2011
- Limit the potential surcharge to 14% under unusual circumstances (10% probability of this outcome or worse in any year)
- Maintain a minimum utility services cash and investment reserve level of \$130 million (added in 2008)



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# Past: 2006-2007 strategic sessions

## Board-directed actions:

- ☑ Allocate capacity reservation funds (done 2007)
- ☑ Implement financing plan including rate stabilization fund (done 2007)
- ☑ Implement Electric, Water, Wastewater and Networks rate increases (done effective Jan. 2008)
  - 5% for Electric, 9% for Water and Wastewater
  - 2% on average for Networks service providers
- ☑ Proceed with the Networks business line using the current build-out with an emphasis on deployment in rural areas
- ☑ Proceed with the Electric, Water and Wastewater business lines using the balanced strategy



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# Past: 2006-2007 strategic sessions

## Board-directed actions:

- ☑ Conduct a cost of service study for 2009 (done in 2008)
- ☑ Use cost of service information to recommend 2009 rate design (done 2008)
- ☑ Review low-income, senior and disabled discounts in conjunction with rate design (done 2008)
- ☑ Use one-utility principle to increase efficiency (done 2008)



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# Past: 2008 Board guidance for rate design

- Rates should be designed to promote conservation
- Assist a broader range of low-income customers through modifications to the tiered rate structure
- Phase in rate alignment between customer classes in small increments only, over time
- Small, incremental increases over time are preferable to large spikes in rates
- Streamline Water and Wastewater rates by moving toward a postage stamp concept



# Present: 2009 Board actions during contingency planning

- Surcharge alone is not an adequate mitigation tool
- Appetite for risk must balance with willingness to utilize mitigation tools



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# Future: Expand strategic plan

1. Strategy and program development
2. Develop rate stability and reliability policy
3. Develop reinvestment policies (strategies, priorities, criteria)
4. Gather customer input to inform decisions
5. Board review and approval of strategic options
6. Management updates strategic plan
7. Board approves strategic plan



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# Strategic vs. long-term planning

## Strategic planning

- Focuses on the future
- Identifies emerging issues
- Describes what we want to become & how we get there
- Provides framework to assess & improve services

## Long-term planning

- Describes current operations & maintenance practices
- Identifies tactical plans and projects over multiple years



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# Board Role

- Determine District Mission and Vision
- Board designed training on subject matter
- Receive public input
- Review and approve policy
- Approve strategic plan



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# Management Role

- Develop and model scenarios
- Receive Board and public input
- Develop objectives, strategies and programs to execute Board-approved policies



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# Timeline

Jul. 2009	Kickoff 2009 strategic planning efforts
Aug. 2009	Staff develops and models scenarios
Sept. 2009	Review results with Board
Oct. 2009	Finalize Board guidance Modify 2010 budget as needed



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