

---

---

- 
- 
- 

# Chelan County PUD

## 2009 Contingency Planning Update

### February 9, 2009



CHELAN COUNTY



- 
- 
- 

# External Influences

## Weak economy

- Falling electricity prices

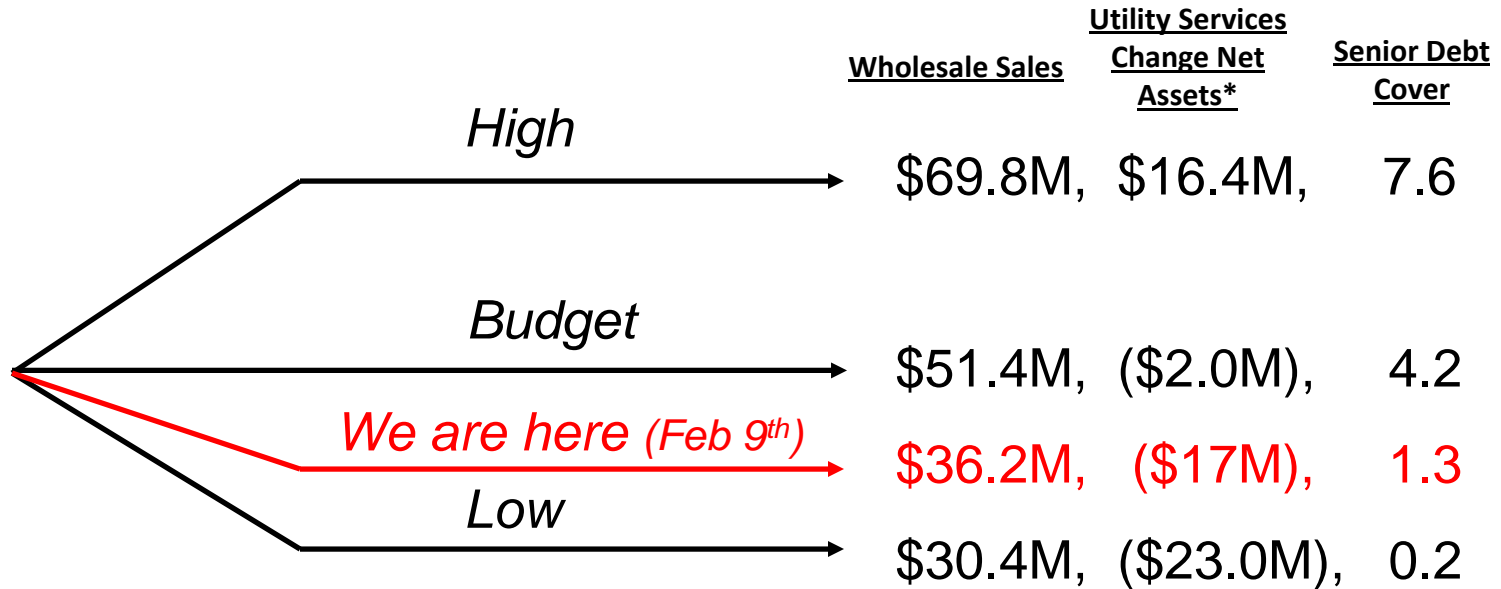
## Financial market uncertainty

- Falling interest rates on investments

## Weather

- Below average snowpack
- Cold January

# 2009 Budget with Current Wholesale Projections



“High” revenue has a 10% probability of occurring

“Budget” revenue has a 50% probability of occurring

“Low” revenue has a 10% probability of occurring

\* Change in Net Assets does NOT include Contributions in Aid of Construction



- 
- 
- 

# Contingency Plans

## Immediate actions:

- Some capital plans on “hold”
  - Adjust pace of Networks build-out
  - Delay Electric Automated Metering System
- Escrow annual senior debt service payment
  - Relieve stress on senior debt coverage requirement

## Ongoing efforts:

- Further O&M reductions
- Delay additional capital projects
- Impose surcharges (last resort)

# Operating Ratio Forecast

- (Utility Services - Net Wholesale Margin as of 2/4/09)

<b>Sensitivity Tests</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Contingency Plan</b> (50% Probability <b>less AMS &amp; Fiber,</b> <b>lower interest rates</b> )	<b>118%</b>	<b>111%</b>	<b>103%</b>	<b>79%</b>
<b>1 Unusual Condition</b> (10% Probability—Individual bad years)	<b>124%</b>	<b>130%</b>	<b>121%</b>	<b>93%</b>
<b>2 Unusual Conditions</b> (10% Probability – 2 bad years)	<b>124%</b>	<b>130%</b>	<b>103%</b>	<b>79%</b>
<b>3 Unusual Conditions</b> (10% Probability – 3 bad years)	<b>124%</b>	<b>130%</b>	<b>121%</b>	<b>79%</b>

Target: Overall operating ratio of 80%-100% by 2011

# Change In Net Asset Forecast

- (Utility Services before CIAC - Net Wholesale Margin as of 2/4/09)

<b>Sensitivity Tests</b> (in millions)	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Contingency Plan</b> (50% Probability less AMS & Fiber, lower interest rates)	(\$18)	(\$13)	(\$5)	\$46
<b>1 Unusual Condition</b> (10% Probability—Individual bad years)	(\$24)	(\$32)	(\$26)	\$13
<b>2 Unusual Conditions</b> (10% Probability – 2 bad years)	(\$24)	(\$32)	(\$5)	\$46
<b>3 Unusual Conditions</b> (10% Probability – 3 bad years)	(\$24)	(\$32)	(\$27)	\$45

Target: Positive Change in Net Assets (bottom line) by 2011

# Surcharge Potential Forecast

(Utility Services - Surplus Wholesale as of 2/4/09)

Sensitivity Tests	2009	2010	2011	2012
Contingency Plan (50% Probability less AMS & Fiber, lower interest rates)	1%	0%	0%	0%
1 Unusual Condition (10% Probability–Individual bad years)	12%	25%	12%	0%
2 Unusual Conditions (10% Probability – 2 bad years)	12%	26%	0%	0%
3 Unusual Conditions (10% Probability – 3 bad years)	12%	26%	14%	0%

Target: Limit the potential surcharge to 14% at a 90% confidence level

# Utility Services Reserves

- (Utility Services Cash and Investments, End of Year Balances)

<b>Sensitivity Tests</b> (in millions)	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Contingency Plan</b> (50% Probability less AMS & Fiber, lower interest rates)	\$228	\$198	\$185	\$221
<b>1 Unusual Condition</b> (10% Probability–Individual bad years)	\$222	\$178	\$163	\$188
<b>2 Unusual Conditions</b> (10% Probability – 2 bad years)	\$222	\$172	\$158	\$194
<b>3 Unusual Conditions</b> (10% Probability – 3 bad years)	\$222	\$172	\$137	\$172

Policy: Maintain minimum Utility Services reserves of \$130 million



- 
- 
- 

# Communication Plan

- Evening public meetings in auditorium began in January (then as needed)
  - Held initial meeting on January 26<sup>th</sup>
  - Further discussion at February 17<sup>th</sup> study session
  - Next evening meeting date – mid-March
- Employee information