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Chelan County PUD

2009 Contingency Planning Update

March 16, 2009



CHELAN COUNTY



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External Influences

Weak economy

- Falling electricity prices
- Falling interest rates on investments

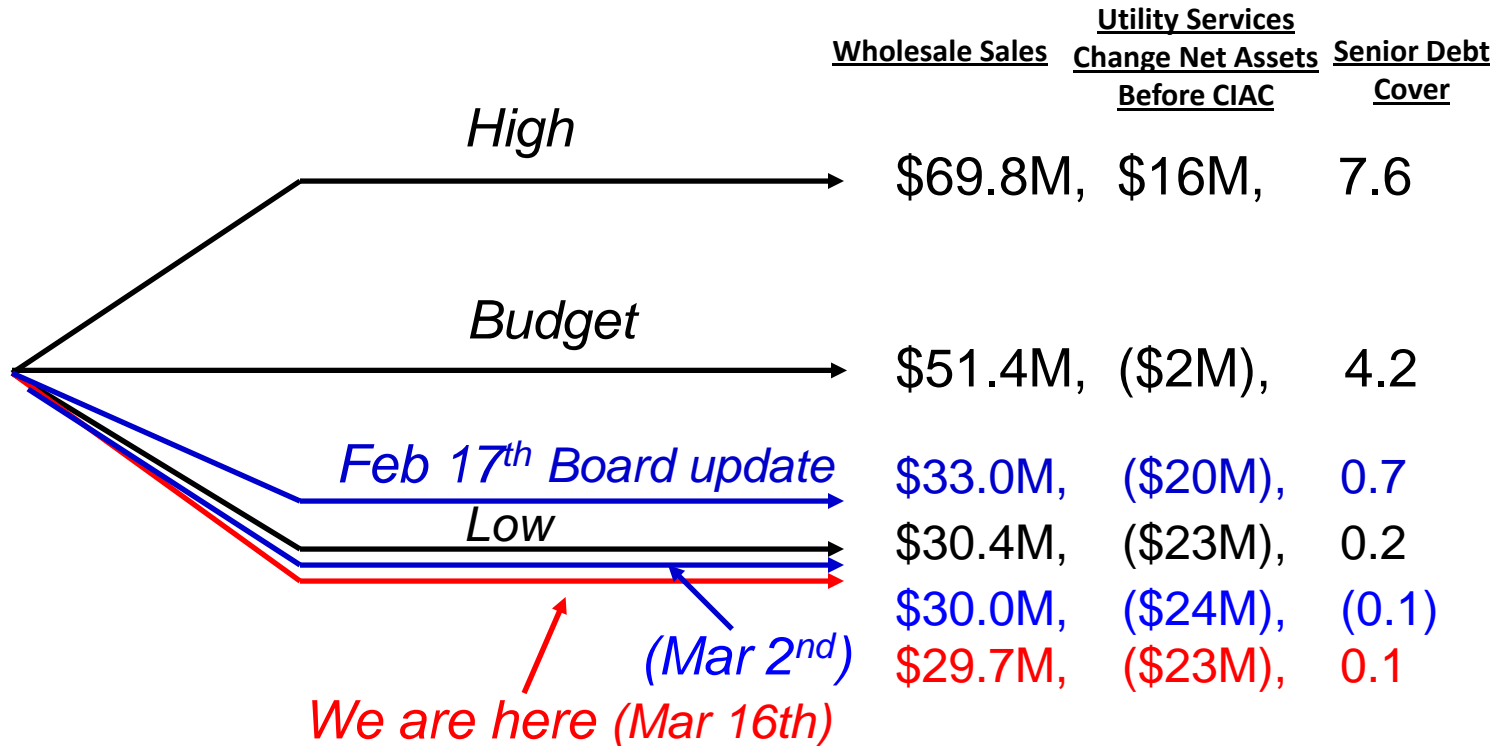
Financial market uncertainty

- Credit market turmoil

Weather

- Below average snowpack
- Below average flows (resource deficit)
- Cold January

2009 Forecast Compared to Budget



“High” revenue has a 10% probability of occurring

“Budget” revenue has a 50% probability of occurring

“Low” revenue has a 10% probability of occurring



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Contingency Plans

Immediate actions:

- Escrow annual senior debt service payment
 - Relieve stress on senior debt coverage requirement
- Some capital plans on “hold”
 - Adjust pace of Networks build-out (\$4 million)
 - Delay Electric Automated Metering System (\$9.2 million)
 - Additional capital plans delayed and scaled back (\$5.6 million)
- O&M reductions (\$7.3 million)



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Contingency Plan Reductions

(in 000's)

Capital

18,791

O&M

7,300

Reductions to 2009 Budget

26,091



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Contingency Plans

Ongoing efforts:

- Potential further O&M reductions
- Delay additional capital projects
- Employee cost savings suggestion mailbox
- Stimulus package potential
- Impose surcharges (last resort)

Senior Debt Coverage

Surcharge Potential Forecast

(Utility Services - Net Wholesale Margin as of 3/12/09)

| Sensitivity Tests | 2009 | 2010 | 2011 | 2012 |
|---|----------------|----------------|----------------|----------------|
| Base Plan (50% Probability - before Capital and O&M reductions) | 0.1 11.3% | (0.2) 15.3% | 1.0 3.0% | 14.6 - |
| Contingency Plan (50% Probability less capital and O&M reductions) | 0.6 7.0% | (0.1) 14.0% | 1.0 2.2% | 14.8 - |
| Unusual Condition (10% Probability—Individual bad years) | (0.2) 14.5% | (3.0) 42.8% | (3.0) 42.3% | 2.4 - |
| Stress Case (historical low water, low price stress) | | (4.3) 54.6% | (5.3) 64.4% | (6.2) 51.3% |

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

(Escrow solution removes the stress of this individual metric for 2009 & 2010)

- Consolidated Subordinate Debt Coverage
- Surcharge Potential Forecast
- (Utility Services - Net Wholesale Margin as of 3/12/09)

| Sensitivity Tests | 2009 | 2010 | 2011 | 2012 |
|---|----------|------------|------------|-----------|
| Base Plan (50% Probability - before Capital and O&M reductions) | 1.2 - | 1.3 - | 1.4 - | 2.5 - |
| Contingency Plan (50% Probability less capital and O&M reductions) | 1.3 - | 1.3 - | 1.4 - | 2.5 - |
| Unusual Condition (10% Probability—Individual bad years) | 1.2 - | 0.9 7% | 1.0 - | 1.7 - |
| Stress Case (historical low water, low price stress) | | 0.8 18% | 0.7 27% | 0.9 9% |

Covenant: 1.0 Coverage without available funds

(Rate Stabilization funds applicable to calculation)

Operating Ratio Forecast

(Utility Services - Net Wholesale Margin as of 3/12/09)

| Sensitivity Tests | 2009 | 2010 | 2011 | 2012 |
|--|------|------|------|------|
| Base Plan (50% Probability - before Capital and O&M reductions) | 124% | 123% | 115% | 88% |
| Contingency Plan (50% Probability less capital and O&M reductions) | 122% | 122% | 115% | 88% |
| Unusual Condition (10% Probability—Individual bad years) | 127% | 141% | 137% | 112% |
| Stress Case (historical low water, low price stress) | | 150% | 152% | 136% |

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

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Change in Net Assets Forecast

(Utility Services - Net Wholesale Margin as of 3/12/09)

| Sensitivity Tests (\$ millions) | 2009 | 2010 | 2011 | 2012 |
|--|---------|---------|---------|---------|
| Base Plan (50% Probability - before Capital and O&M reductions) | \$ (23) | \$ (26) | \$ (21) | \$ 22 |
| Contingency Plan (50% Probability less capital and O&M reductions) | \$ (20) | \$ (25) | \$ (20) | \$23 |
| Unusual Condition (10% Probability—Individual bad years) | \$ (24) | \$ (40) | \$ (42) | \$(19) |
| Stress Case (historical low water, low price stress) | | \$ (47) | \$ (54) | \$ (48) |

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

Utility Services Reserves

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

| Sensitivity Tests (\$ millions) | 2009 | 2010 | 2011 | 2012 |
|--|-------|-------|-------|-------|
| Base Plan (50% Probability - before Capital and O&M reductions) | \$204 | \$166 | \$137 | \$149 |
| Contingency Plan (50% Probability less capital and O&M reductions) | \$224 | \$186 | \$158 | \$170 |
| Unusual Condition (10% Probability—Individual bad years) | \$220 | \$171 | \$137 | \$129 |
| Stress Case (historical low water, low price stress) | | \$165 | \$103 | \$45 |

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



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Communication Plan

- Evening public meetings in auditorium began in January (then as needed)
 - Held initial evening meeting on January 26th
 - Update at February 9th regular board meeting
 - Update at February 17th and March 2nd study sessions
 - Update at Board meeting today – March 16th
 - Evening meeting tonight – March 16th
- Employee information