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Additional Requested Scenarios and  
Putting It All Together  
Planning Discussions Leading to Board  
Strategy Session #4

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May 14, 2007

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# Strategies presented to date

## 1. Wholesale Reliant Strategy

- ❑ No rate increases for Electric, Water or Wastewater
- ❑ Networks: current build-out
- ❑ 50% probability of surcharge up to 22% in 2010(43% or less 90% of the time)

## 2. Rate Reliant Strategy

- ❑ Five-year rate increases: 12% Electric, 9% Water, 20% Wastewater
- ❑ Networks: minimal build-out
- ❑ 50% probability that surcharge would not be needed (5% or less 90% of the time)

## 3. Balanced Strategy

- ❑ Five-year rate increases: 9% Electric, 9% Water, 9% Wastewater
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability that surcharge would not be needed (7% or less 90% of the time)

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# Strategies presented to date

## 4. Balanced Strategy 3.1

- ❑ Five-year rate increases: **5% Electric**, 9% Water, 9% Wastewater
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability that surcharge would not be needed (14% or less 90% of the time)

## 5. Balanced Strategy 3.2

- ❑ Five-year rate increases: **5% Electric**, 9% Water, 9% Wastewater
- ❑ **Future electric load growth estimated at approx. 5.6% per year**
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability of surcharge up to 26% in 2010 (28% or less 90% of the time)

## 6. Balanced Strategy 3.2a

- ❑ Five-year rate increases: **9% Electric**, 9% Water, 9% Wastewater
- ❑ **Future electric load growth estimated at approx. 5.6% per year**
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability of surcharge up to 12% in 2010 (19% or less 90% of the time)

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# Additional requested scenarios

## 7. Balanced Strategy 3.3

- ❑ Five-year rate increases: 5% Electric, 9% Water, 9% Wastewater
- ❑ **Networks: Current Build-out**
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability that surcharge would not be needed (14% or less 90% of the time)

## 8. Balanced Strategy 3.4

- ❑ Five-year rate increases: 9% Electric, 9% Water, 9% Wastewater
- ❑ **Rate increase implemented 1/1/08 instead of partial year 2007**
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability that surcharge would not be needed (9% or less 90% of the time)

## 9. Balanced Strategy 3.5

- ❑ Five-year rate increases: 5% Electric, 9% Water, 9% Wastewater
- ❑ **Rate increase implemented 1/1/08 instead of partial year 2007**
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability that surcharge would not be needed (16% or less 90% of the time)

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# Additional requested scenarios

## 10. Balanced Strategy 3.6

- ❑ Five-year rate increases: 13.5% year 1, 9% years 2-4 for Electric, 13.5% year 1 and 9% years 2-5 for Water and Wastewater
- ❑ **Rate increase implemented 1/1/08 instead of partial year 2007, compounded for Year 1**
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability that surcharge would not be needed (7% or less 90% of the time)

## 11. Balanced Strategy 3.7

- ❑ Five-year rate increases: 7.5% year 1, 5% years 2-4 for Electric, 13.5% year 1 and 9% years 2-5 for Water and Wastewater
- ❑ **Rate increase implemented 1/1/08 instead of partial year 2007, compounded for Year 1**
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability that surcharge would not be needed (14% or less 90% of the time)

## 12. Strategy #4

- ❑ Five-year rate increases: 0% Electric, 9% Water, 9% Wastewater
- ❑ Networks: extended build-out
- ❑ Cash infusion for Water, Wastewater and Networks
- ❑ 50% probability of surcharge up to 8% in 2010 (25% or less 90% of the time)

# Example #3.3 – Balanced (5% Electric) with the Current Networks Build-out

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>Retail Electric</b>	<b>155%</b>	<b>156%</b>	<b>155%</b>	<b>153%</b>	<b>144%</b>
	<b>Water</b>	<b>127%</b>	<b>119%</b>	<b>114%</b>	<b>107%</b>	<b>100%</b>
	<b>Wastewater</b>	<b>224%</b>	<b>208%</b>	<b>193%</b>	<b>180%</b>	<b>167%</b>
	<b>Networks</b>	<b>129%</b>	<b>111%</b>	<b>97%</b>	<b>88%</b>	<b>82%</b>
	<b>COMBINED</b>	<b>103%</b>	<b>109%</b>	<b>113%</b>	<b>98%</b>	<b>77%</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.3 – Balanced (5% Electric) with the Current Networks Build-out

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>COMBINED</b>	<b>103%</b>	<b>109%</b>	<b>113%</b>	<b>98%</b>	<b>77%</b>
<b>Cash Balance</b>	<b>COMBINED</b>	<b>\$176M</b>	<b>\$156M</b>	<b>\$141M</b>	<b>\$146M</b>	<b>\$194</b>
<b>Coverage Ratio</b>	<b>COMBINED</b>	<b>3.43</b>	<b>2.45</b>	<b>1.89</b>	<b>4.37</b>	<b>10.90</b>
<b>Debt Level</b>	<b>COMBINED</b>	<b>\$91M</b>	<b>\$90M</b>	<b>\$89M</b>	<b>\$89M</b>	<b>\$88M</b>
<b>Change in Net Assets</b>	<b>COMBINED</b>	<b>\$1M</b>	<b>-\$15M</b>	<b>-\$18M</b>	<b>-\$8M</b>	<b>\$38M</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.3 – Balanced (5% Electric) with the Current Networks Build-out

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Wholesale Revenues</b>	<b>@ 50% Confidence</b>	\$28M	\$21M	\$17M	\$34M	\$71M
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 50% confidence</b>	0%	0%	0%	0%	0%
<b>Wholesale Volatility</b>	<b>@ 90% Confidence</b>	<b>-\$21M</b>	<b>-\$18M</b>	<b>-\$18M</b>	<b>-\$21M</b>	<b>-\$33M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 90% confidence</b>	10%	12%	14%	3%	0%

# Example #3.3 – Balanced (5% Electric) with the Current Networks Build-out

## Projected Results

		<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Rates</b>	<b>Average Retail Electric (\$/kWh)</b>	<b>\$.030</b>	<b>\$.032</b>	<b>\$.034</b>	<b>\$.035</b>	<b>\$.037</b>	<b>\$.037</b>
	With Surcharge 50%	<b>\$.030</b>	<b>\$.032</b>	<b>\$.034</b>	<b>\$.035</b>	<b>\$.037</b>	<b>\$.037</b>
	With Surcharge 90%	<b>\$.030</b>	<b>\$.035</b>	<b>\$.038</b>	<b>\$.040</b>	<b>\$.038</b>	<b>\$.037</b>
	<b>Water</b> <b>\$ avg monthly cost</b>	<b>\$53</b>	<b>\$60</b>	<b>\$65</b>	<b>\$71</b>	<b>\$78</b>	<b>\$85</b>
	<b>Wastewater</b> <b>\$ avg monthly cost</b>	<b>\$64</b>	<b>\$72</b>	<b>\$79</b>	<b>\$86</b>	<b>\$94</b>	<b>\$102</b>

# Example #3.4 – Balanced (9% Electric) with rate increase implementation of 1/1/08

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>Retail Electric</b>	<b>153%</b>	<b>149%</b>	<b>143%</b>	<b>136%</b>	<b>128%</b>
	<b>Water</b>	<b>132%</b>	<b>124%</b>	<b>118%</b>	<b>111%</b>	<b>104%</b>
	<b>Wastewater</b>	<b>233%</b>	<b>216%</b>	<b>201%</b>	<b>187%</b>	<b>174%</b>
	<b>Networks</b>	<b>129%</b>	<b>113%</b>	<b>100%</b>	<b>91%</b>	<b>83%</b>
	<b>COMBINED</b>	<b>102%</b>	<b>107%</b>	<b>109%</b>	<b>93%</b>	<b>74%</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.4 – Balanced (9% Electric) with rate increase implementation of 1/1/08

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>COMBINED</b>	<b>102%</b>	<b>107%</b>	<b>109%</b>	<b>93%</b>	<b>74%</b>
<b>Cash Balance</b>	<b>COMBINED</b>	<b>\$181M</b>	<b>\$165M</b>	<b>\$157M</b>	<b>\$171M</b>	<b>\$228M</b>
<b>Coverage Ratio</b>	<b>COMBINED</b>	<b>3.51</b>	<b>2.81</b>	<b>2.61</b>	<b>5.57</b>	<b>12.10</b>
<b>Debt Level</b>	<b>COMBINED</b>	<b>\$91M</b>	<b>\$90M</b>	<b>\$89M</b>	<b>\$89M</b>	<b>\$88M</b>
<b>Change in Net Assets</b>	<b>COMBINED</b>	<b>\$1M</b>	<b>-\$12M</b>	<b>-\$12M</b>	<b>\$0M</b>	<b>\$46M</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.4 – Balanced (9% Electric) with rate increase implementation of 1/1/08

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Wholesale Revenues</b>	<b>@ 50% Confidence</b>	\$28M	\$21M	\$17M	\$34M	\$71M
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 50% confidence</b>	0%	0%	0%	0%	0%
<b>Wholesale Volatility</b>	<b>@ 90% Confidence</b>	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 90% confidence</b>	9%	9%	9%	0%	0%

# Example #3.4 – Balanced (9% Electric) with rate increase implementation of 1/1/08

## Projected Results

		<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Rates</b>	<b>Average Retail Electric (\$/kWh)</b>	<b>\$.030</b>	<b>\$.032</b>	<b>\$.035</b>	<b>\$.039</b>	<b>\$.042</b>	<b>\$.042</b>
	With Surcharge 50%	<b>\$.030</b>	<b>\$.032</b>	<b>\$.035</b>	<b>\$.039</b>	<b>\$.042</b>	<b>\$.042</b>
	With Surcharge 90%	<b>\$.030</b>	<b>\$.035</b>	<b>\$.039</b>	<b>\$.042</b>	<b>\$.042</b>	<b>\$.042</b>
	<b>Water</b> <b>\$ avg monthly cost</b>	<b>\$53</b>	<b>\$58</b>	<b>\$63</b>	<b>\$68</b>	<b>\$74</b>	<b>\$81</b>
	<b>Wastewater</b> <b>\$ avg monthly cost</b>	<b>\$64</b>	<b>\$69</b>	<b>\$76</b>	<b>\$83</b>	<b>\$90</b>	<b>\$98</b>

# Example #3.5 – Balanced (5% Electric) with rate increase implementation of 1/1/08

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>Retail Electric</b>	<b>159%</b>	<b>159%</b>	<b>159%</b>	<b>156%</b>	<b>147%</b>
	<b>Water</b>	<b>132%</b>	<b>124%</b>	<b>118%</b>	<b>111%</b>	<b>104%</b>
	<b>Wastewater</b>	<b>233%</b>	<b>216%</b>	<b>201%</b>	<b>187%</b>	<b>174%</b>
	<b>Networks</b>	<b>129%</b>	<b>113%</b>	<b>100%</b>	<b>91%</b>	<b>83%</b>
	<b>COMBINED</b>	<b>104%</b>	<b>111%</b>	<b>115%</b>	<b>100%</b>	<b>78%</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.5 – Balanced (5% Electric) with rate increase implementation of 1/1/08

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>COMBINED</b>	<b>104%</b>	<b>111%</b>	<b>115%</b>	<b>100%</b>	<b>78%</b>
<b>Cash Balance</b>	<b>COMBINED</b>	<b>\$180M</b>	<b>\$159M</b>	<b>\$144M</b>	<b>\$148M</b>	<b>\$194M</b>
<b>Coverage Ratio</b>	<b>COMBINED</b>	<b>3.26</b>	<b>2.24</b>	<b>1.63</b>	<b>4.05</b>	<b>10.58</b>
<b>Debt Level</b>	<b>COMBINED</b>	<b>\$91M</b>	<b>\$90M</b>	<b>\$89M</b>	<b>\$89M</b>	<b>\$88M</b>
<b>Change in Net Assets</b>	<b>COMBINED</b>	<b>-\$1M</b>	<b>-\$16M</b>	<b>-\$19M</b>	<b>-\$10M</b>	<b>\$36M</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.5 – Balanced (5% Electric) with rate increase implementation of 1/1/08

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Wholesale Revenues</b>	<b>@ 50% Confidence</b>	\$28M	\$21M	\$17M	\$34M	\$71M
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 50% confidence</b>	0%	0%	0%	0%	0%
<b>Wholesale Volatility</b>	<b>@ 90% Confidence</b>	<b>-\$21M</b>	<b>-\$18M</b>	<b>-\$18M</b>	<b>-\$21M</b>	<b>-\$33M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 90% confidence</b>	11%	14%	16%	5%	0%

# Example #3.5 – Balanced (5% Electric) with rate increase implementation of 1/1/08 Projected Results

		<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Rates</b>	<b>Average Retail Electric (\$/kWh)</b>	<b>\$.030</b>	<b>\$.031</b>	<b>\$.033</b>	<b>\$.034</b>	<b>\$.036</b>	<b>\$.036</b>
	With Surcharge 50%	<b>\$.030</b>	<b>\$.031</b>	<b>\$.033</b>	<b>\$.034</b>	<b>\$.036</b>	<b>\$.036</b>
	With Surcharge 90%	<b>\$.030</b>	<b>\$.035</b>	<b>\$.037</b>	<b>\$.040</b>	<b>\$.038</b>	<b>\$.036</b>
	<b>Water \$ avg monthly cost</b>	<b>\$53</b>	<b>\$58</b>	<b>\$63</b>	<b>\$68</b>	<b>\$74</b>	<b>\$81</b>
	<b>Wastewater \$ avg monthly cost</b>	<b>\$64</b>	<b>\$69</b>	<b>\$76</b>	<b>\$83</b>	<b>\$90</b>	<b>\$98</b>

# Example #3.6 – Balanced (9% Electric) with rate increase implementation of 1/1/08 (compounded in year 1)

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>Retail Electric</b>	<b>147%</b>	<b>143%</b>	<b>138%</b>	<b>131%</b>	<b>124%</b>
	<b>Water</b>	<b>127%</b>	<b>119%</b>	<b>114%</b>	<b>107%</b>	<b>100%</b>
	<b>Wastewater</b>	<b>224%</b>	<b>208%</b>	<b>193%</b>	<b>180%</b>	<b>167%</b>
	<b>Networks</b>	<b>129%</b>	<b>113%</b>	<b>100%</b>	<b>91%</b>	<b>83%</b>
	<b>COMBINED</b>	<b>100%</b>	<b>105%</b>	<b>106%</b>	<b>91%</b>	<b>73%</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.6 – Balanced (9% Electric) with rate increase implementation of 1/1/08 (compounded in year 1)

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>COMBINED</b>	<b>100%</b>	<b>105%</b>	<b>106%</b>	<b>91%</b>	<b>73%</b>
<b>Cash Balance</b>	<b>COMBINED</b>	<b>\$184M</b>	<b>\$170M</b>	<b>\$165M</b>	<b>\$183M</b>	<b>\$243M</b>
<b>Coverage Ratio</b>	<b>COMBINED</b>	<b>3.82</b>	<b>3.18</b>	<b>3.05</b>	<b>6.11</b>	<b>12.63</b>
<b>Debt Level</b>	<b>COMBINED</b>	<b>\$91M</b>	<b>\$90M</b>	<b>\$89M</b>	<b>\$89M</b>	<b>\$88M</b>
<b>Change in Net Assets</b>	<b>COMBINED</b>	<b>\$3M</b>	<b>-\$9M</b>	<b>-\$9M</b>	<b>\$4M</b>	<b>\$50M</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.6 – Balanced (9% Electric) with rate increase implementation of 1/1/08 (compounded in year 1)

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Wholesale Revenues</b>	<b>@ 50% Confidence</b>	<b>\$28M</b>	<b>\$21M</b>	<b>\$17M</b>	<b>\$34M</b>	<b>\$71M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 50% confidence</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Wholesale Volatility</b>	<b>@ 90% Confidence</b>	<b>-\$21M</b>	<b>-\$18M</b>	<b>-\$18M</b>	<b>-\$21M</b>	<b>-\$33M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 90% confidence</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>0%</b>	<b>0%</b>

# Example #3.6 – Balanced (9% Electric) with rate increase implementation of 1/1/08 (compounded in year 1) Projected Results

		<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Rates</b>	<b>Average Retail Electric (\$/kWh)</b>	<b>\$.030</b>	<b>\$.034</b>	<b>\$.037</b>	<b>\$.040</b>	<b>\$.044</b>	<b>\$.044</b>
	With Surcharge 50%	<b>\$.030</b>	<b>\$.034</b>	<b>\$.037</b>	<b>\$.040</b>	<b>\$.044</b>	<b>\$.044</b>
	With Surcharge 90%	<b>\$.030</b>	<b>\$.036</b>	<b>\$.039</b>	<b>\$.043</b>	<b>\$.044</b>	<b>\$.044</b>
	<b>Water \$ avg monthly cost</b>	<b>\$53</b>	<b>\$60</b>	<b>\$65</b>	<b>\$71</b>	<b>\$78</b>	<b>\$85</b>
	<b>Wastewater \$ avg monthly cost</b>	<b>\$64</b>	<b>\$72</b>	<b>\$79</b>	<b>\$86</b>	<b>\$94</b>	<b>\$102</b>

# Example #3.7 – Balanced (5% Electric) with rate increase implementation of 1/1/08 (compounded in year 1)

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>Retail Electric</b>	<b>155%</b>	<b>156%</b>	<b>155%</b>	<b>153%</b>	<b>144%</b>
	<b>Water</b>	<b>127%</b>	<b>119%</b>	<b>114%</b>	<b>107%</b>	<b>100%</b>
	<b>Wastewater</b>	<b>224%</b>	<b>208%</b>	<b>193%</b>	<b>180%</b>	<b>167%</b>
	<b>Networks</b>	<b>129%</b>	<b>113%</b>	<b>100%</b>	<b>91%</b>	<b>83%</b>
	<b>COMBINED</b>	<b>103%</b>	<b>110%</b>	<b>114%</b>	<b>98%</b>	<b>77%</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.7 – Balanced (5% Electric) with rate increase implementation of 1/1/08 (compounded in year 1)

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>COMBINED</b>	<b>103%</b>	<b>110%</b>	<b>114%</b>	<b>98%</b>	<b>77%</b>
<b>Cash Balance</b>	<b>COMBINED</b>	<b>\$181M</b>	<b>\$162M</b>	<b>\$148M</b>	<b>\$154M</b>	<b>\$203M</b>
<b>Coverage Ratio</b>	<b>COMBINED</b>	<b>3.44</b>	<b>2.45</b>	<b>1.87</b>	<b>4.33</b>	<b>10.87</b>
<b>Debt Level</b>	<b>COMBINED</b>	<b>\$91M</b>	<b>\$90M</b>	<b>\$89M</b>	<b>\$89M</b>	<b>\$88M</b>
<b>Change in Net Assets</b>	<b>COMBINED</b>	<b>\$1M</b>	<b>-\$15M</b>	<b>-\$17M</b>	<b>-\$8M</b>	<b>\$38M</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #3.7 – Balanced (5% Electric) with rate increase implementation of 1/1/08 (compounded in year 1)

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Wholesale Revenues</b>	<b>@ 50% Confidence</b>	<b>\$28M</b>	<b>\$21M</b>	<b>\$17M</b>	<b>\$34M</b>	<b>\$71M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 50% confidence</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Wholesale Volatility</b>	<b>@ 90% Confidence</b>	<b>-\$21M</b>	<b>-\$18M</b>	<b>-\$18M</b>	<b>-\$21M</b>	<b>-\$33M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 90% confidence</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>	<b>3%</b>	<b>0%</b>

# Example #3.7 – Balanced (5% Electric) with rate increase implementation of 1/1/08 (compounded in year 1) Projected Results

		<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Rates</b>	<b>Average Retail Electric (\$/kWh)</b>	<b>\$ .030</b>	<b>\$ .032</b>	<b>\$ .034</b>	<b>\$ .035</b>	<b>\$ .037</b>	<b>\$ .037</b>
	With Surcharge 50%	<b>\$ .030</b>	<b>\$ .032</b>	<b>\$ .034</b>	<b>\$ .035</b>	<b>\$ .037</b>	<b>\$ .037</b>
	With Surcharge 90%	<b>\$ .030</b>	<b>\$ .035</b>	<b>\$ .038</b>	<b>\$ .040</b>	<b>\$ .038</b>	<b>\$ .037</b>
	<b>Water \$ avg monthly cost</b>	<b>\$53</b>	<b>\$60</b>	<b>\$65</b>	<b>\$71</b>	<b>\$78</b>	<b>\$85</b>
	<b>Wastewater \$ avg monthly cost</b>	<b>\$64</b>	<b>\$72</b>	<b>\$79</b>	<b>\$86</b>	<b>\$94</b>	<b>\$102</b>

# Example #4 – Balanced with no electric rate increase

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>Retail Electric</b>	<b>166%</b>	<b>174%</b>	<b>181%</b>	<b>187%</b>	<b>176%</b>
	<b>Water</b>	<b>127%</b>	<b>119%</b>	<b>114%</b>	<b>107%</b>	<b>100%</b>
	<b>Wastewater</b>	<b>224%</b>	<b>208%</b>	<b>193%</b>	<b>180%</b>	<b>167%</b>
	<b>Networks</b>	<b>129%</b>	<b>111%</b>	<b>97%</b>	<b>88%</b>	<b>82%</b>
	<b>COMBINED</b>	<b>106%</b>	<b>116%</b>	<b>123%</b>	<b>108%</b>	<b>82%</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #4 – Balanced with no electric rate increase

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Ratio</b>	<b>COMBINED</b>	<b>106%</b>	<b>116%</b>	<b>123%</b>	<b>108%</b>	<b>82%</b>
<b>Cash Balance</b>	<b>COMBINED</b>	<b>\$173M</b>	<b>\$146M</b>	<b>\$122M</b>	<b>\$114M</b>	<b>\$149M</b>
<b>Coverage Ratio</b>	<b>COMBINED</b>	<b>2.96</b>	<b>1.59</b>	<b>0.57</b>	<b>2.48</b>	<b>8.98</b>
<b>Debt Level</b>	<b>COMBINED</b>	<b>\$91M</b>	<b>\$90M</b>	<b>\$89M</b>	<b>\$89M</b>	<b>\$88M</b>
<b>Change in Net Assets</b>	<b>COMBINED</b>	<b>-\$3M</b>	<b>-\$21M</b>	<b>-\$27M</b>	<b>-\$21M</b>	<b>\$25M</b>

**COMBINED:** Includes Net Wholesale Revenues

# Example #4 – Balanced with no electric rate increase

## Projected Results

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Wholesale Revenues</b>	<b>@ 50% Confidence</b>	<b>\$28M</b>	<b>\$21M</b>	<b>\$17M</b>	<b>\$34M</b>	<b>\$71M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 50% confidence</b>	<b>0%</b>	<b>0%</b>	<b>8%</b>	<b>0%</b>	<b>0%</b>
<b>Wholesale Volatility</b>	<b>@ 90% Confidence</b>	<b>-\$21M</b>	<b>-\$18M</b>	<b>-\$18M</b>	<b>-\$21M</b>	<b>-\$33M</b>
<b>Surcharge Potential - To achieve 1.25 cover</b>	<b>@ 90% confidence</b>	<b>14%</b>	<b>19%</b>	<b>25%</b>	<b>15%</b>	<b>0%</b>

# Example #4 – Balanced with no electric rate increase

## Projected Results

		<u>Current</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Rates</b>	<b>Average Retail Electric (\$/kWh)</b>	<b>\$.030</b>	<b>\$.030</b>	<b>\$.030</b>	<b>\$.030</b>	<b>\$.030</b>	<b>\$.030</b>
	With Surcharge 50%	<b>\$.030</b>	<b>\$.030</b>	<b>\$.030</b>	<b>\$.032</b>	<b>\$.030</b>	<b>\$.030</b>
	With Surcharge 90%	<b>\$.030</b>	<b>\$.034</b>	<b>\$.036</b>	<b>\$.037</b>	<b>\$.034</b>	<b>\$.030</b>
	<b>Water</b> <b>\$ avg monthly cost</b>	<b>\$53</b>	<b>\$60</b>	<b>\$65</b>	<b>\$71</b>	<b>\$78</b>	<b>\$85</b>
	<b>Wastewater</b> <b>\$ avg monthly cost</b>	<b>\$64</b>	<b>\$72</b>	<b>\$79</b>	<b>\$86</b>	<b>\$94</b>	<b>\$102</b>

# Additional Scenario Comparisons

<u>Request</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
3.3	Electric Rates	\$ .032	\$ .034	\$ .035	\$ .037	\$ .037
3.4	Electric Rates	\$ .032	\$ .035	\$ .039	\$ .042	\$ .042
3.5	Electric Rates	\$ .031	\$ .033	\$ .034	\$ .036	\$ .036
3.6	Electric Rates	\$ .034	\$ .037	\$ .040	\$ .044	\$ .044
3.7	Electric Rates	\$ .032	\$ .034	\$ .035	\$ .037	\$ .037
4	Electric Rates	\$ .030	\$ .030	\$ .030	\$ .030	\$ .030

# Additional Scenario Comparisons

<u>Request</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
3.3	<b>Coverage Ratio</b> (no surcharge)	3.43	2.45	1.89	4.37	10.90
3.4	<b>Coverage Ratio</b> (no surcharge)	3.51	2.81	2.61	5.57	12.10
3.5	<b>Coverage Ratio</b> (no surcharge)	3.26	2.24	1.63	4.05	10.58
3.6	<b>Coverage Ratio</b> (no surcharge)	3.82	3.18	3.05	6.11	12.63
3.7	<b>Coverage Ratio</b> (no surcharge)	3.44	2.45	1.87	4.33	10.87
4	<b>Coverage Ratio</b> (no surcharge)	2.96	1.59	0.57	2.48	8.98

# Additional Scenario Comparisons

<u>Request</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
3.3	Surcharge @ 50% confidence - to achieve 1.25 cover	0%	0%	0%	0%	0%
3.4	Surcharge @ 50% confidence - to achieve 1.25 cover	0%	0%	0%	0%	0%
3.5	Surcharge @ 50% confidence - to achieve 1.25 cover	0%	0%	0%	0%	0%
3.6	Surcharge @ 50% confidence - to achieve 1.25 cover	0%	0%	0%	0%	0%
3.7	Surcharge @ 50% confidence - to achieve 1.25 cover	0%	0%	0%	0%	0%
4	Surcharge @ 50% confidence - to achieve 1.25 cover	0%	0%	8%	0%	0%

# Additional Scenario Comparisons

<u>Request</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>3.3</b>	<b>Surcharge @ 90% confidence - to achieve 1.25 cover</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>	<b>3%</b>	<b>0%</b>
<b>3.4</b>	<b>Surcharge @ 90% confidence - to achieve 1.25 cover</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>0%</b>	<b>0%</b>
<b>3.5</b>	<b>Surcharge @ 90% confidence - to achieve 1.25 cover</b>	<b>11%</b>	<b>14%</b>	<b>16%</b>	<b>5%</b>	<b>0%</b>
<b>3.6</b>	<b>Surcharge @ 90% confidence - to achieve 1.25 cover</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>0%</b>	<b>0%</b>
<b>3.7</b>	<b>Surcharge @ 90% confidence - to achieve 1.25 cover</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>	<b>3%</b>	<b>0%</b>
<b>4</b>	<b>Surcharge @ 90% confidence - to achieve 1.25 cover</b>	<b>14%</b>	<b>19%</b>	<b>25%</b>	<b>15%</b>	<b>0%</b>

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# Putting It All Together

- **Recap from Session #3**

- Clear policies and philosophies lead to
  - clear action plans
  - use of appropriate tools
  - proper monitoring
- As policies change, so must
  - action plans
  - tools
  - monitoring
- Alignment of policy, tools and monitoring is key

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# Putting It All Together

- Strategic Planning Sessions Focused On
  - Past, present and projected financial results
  - Identification of services provided
  - Risks and uncertainties
- The future will be shaped by District policy decisions aided by the current strategic planning effort
- District decisions, action plans and tools implemented will be based upon policies adopted

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# Initial Policy Decisions

1. How should we proceed with the Electric, Networks, Water and Wastewater business lines?
2. To what degree should we act as an integrated utility service provider?
3. Which systems get a cash infusion from capacity reservation funds and to what extent?

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# Initial Policy Decisions – Continued

4. What is the targeted operating ratio of each service?
5. How much volatility is acceptable in a potential surcharge?

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## Timeline – the road to Session #4

- **May 29 (Tuesday) study session**
  - Determine operating ratio and rate volatility strategies
  - Determine rate increase timeline, if adopted
  
- **June 4 business meeting**
  - Determine remaining policy calls
  - Any additional items that are needed
  
- **June 11 evening study session - Session #4**
  - Establish governing policies, guiding principles and action plans

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Questions or comments?