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

May 14, 2007

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)

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)

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)

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>
Operating Ratio	Retail Electric	155%	156%	155%	153%	144%
	Water	127%	119%	114%	107%	100%
	Wastewater	224%	208%	193%	180%	167%
	Networks	129%	111%	97%	88%	82%
	COMBINED	103%	109%	113%	98%	77%

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

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>
Wholesale Revenues	@ 50% Confidence	\$28M	\$21M	\$17M	\$34M	\$71M
Surcharge Potential - To achieve 1.25 cover	@ 50% confidence	0%	0%	0%	0%	0%
Wholesale Volatility	@ 90% Confidence	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
Surcharge Potential - To achieve 1.25 cover	@ 90% confidence	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>
Rates	Average Retail Electric (\$/kWh)	\$.030	\$.032	\$.034	\$.035	\$.037	\$.037
	With Surcharge 50%	\$.030	\$.032	\$.034	\$.035	\$.037	\$.037
	With Surcharge 90%	\$.030	\$.035	\$.038	\$.040	\$.038	\$.037
	Water \$ avg monthly cost	\$53	\$60	\$65	\$71	\$78	\$85
	Wastewater \$ avg monthly cost	\$64	\$72	\$79	\$86	\$94	\$102

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>
Operating Ratio	Retail Electric	153%	149%	143%	136%	128%
	Water	132%	124%	118%	111%	104%
	Wastewater	233%	216%	201%	187%	174%
	Networks	129%	113%	100%	91%	83%
	COMBINED	102%	107%	109%	93%	74%

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

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>
Wholesale Revenues	@ 50% Confidence	\$28M	\$21M	\$17M	\$34M	\$71M
Surcharge Potential - To achieve 1.25 cover	@ 50% confidence	0%	0%	0%	0%	0%
Wholesale Volatility	@ 90% Confidence	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
Surcharge Potential - To achieve 1.25 cover	@ 90% confidence	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>
Rates	Average Retail Electric (\$/kWh)	\$.030	\$.032	\$.035	\$.039	\$.042	\$.042
	With Surcharge 50%	\$.030	\$.032	\$.035	\$.039	\$.042	\$.042
	With Surcharge 90%	\$.030	\$.035	\$.039	\$.042	\$.042	\$.042
	Water \$ avg monthly cost	\$53	\$58	\$63	\$68	\$74	\$81
	Wastewater \$ avg monthly cost	\$64	\$69	\$76	\$83	\$90	\$98

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>
Operating Ratio	Retail Electric	159%	159%	159%	156%	147%
	Water	132%	124%	118%	111%	104%
	Wastewater	233%	216%	201%	187%	174%
	Networks	129%	113%	100%	91%	83%
	COMBINED	104%	111%	115%	100%	78%

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

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>
Wholesale Revenues	@ 50% Confidence	\$28M	\$21M	\$17M	\$34M	\$71M
Surcharge Potential - To achieve 1.25 cover	@ 50% confidence	0%	0%	0%	0%	0%
Wholesale Volatility	@ 90% Confidence	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
Surcharge Potential - To achieve 1.25 cover	@ 90% confidence	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>
Rates	Average Retail Electric (\$/kWh)	\$.030	\$.031	\$.033	\$.034	\$.036	\$.036
	With Surcharge 50%	\$.030	\$.031	\$.033	\$.034	\$.036	\$.036
	With Surcharge 90%	\$.030	\$.035	\$.037	\$.040	\$.038	\$.036
	Water \$ avg monthly cost	\$53	\$58	\$63	\$68	\$74	\$81
	Wastewater \$ avg monthly cost	\$64	\$69	\$76	\$83	\$90	\$98

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>
Operating Ratio	Retail Electric	147%	143%	138%	131%	124%
	Water	127%	119%	114%	107%	100%
	Wastewater	224%	208%	193%	180%	167%
	Networks	129%	113%	100%	91%	83%
	COMBINED	100%	105%	106%	91%	73%

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

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>
Wholesale Revenues	@ 50% Confidence	\$28M	\$21M	\$17M	\$34M	\$71M
Surcharge Potential - To achieve 1.25 cover	@ 50% confidence	0%	0%	0%	0%	0%
Wholesale Volatility	@ 90% Confidence	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
Surcharge Potential - To achieve 1.25 cover	@ 90% confidence	7%	7%	7%	0%	0%

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

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>
Operating Ratio	Retail Electric	155%	156%	155%	153%	144%
	Water	127%	119%	114%	107%	100%
	Wastewater	224%	208%	193%	180%	167%
	Networks	129%	113%	100%	91%	83%
	COMBINED	103%	110%	114%	98%	77%

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

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>
Wholesale Revenues	@ 50% Confidence	\$28M	\$21M	\$17M	\$34M	\$71M
Surcharge Potential - To achieve 1.25 cover	@ 50% confidence	0%	0%	0%	0%	0%
Wholesale Volatility	@ 90% Confidence	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
Surcharge Potential - To achieve 1.25 cover	@ 90% confidence	10%	12%	14%	3%	0%

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

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>
Operating Ratio	Retail Electric	166%	174%	181%	187%	176%
	Water	127%	119%	114%	107%	100%
	Wastewater	224%	208%	193%	180%	167%
	Networks	129%	111%	97%	88%	82%
	COMBINED	106%	116%	123%	108%	82%

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

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>
Wholesale Revenues	@ 50% Confidence	\$28M	\$21M	\$17M	\$34M	\$71M
Surcharge Potential - To achieve 1.25 cover	@ 50% confidence	0%	0%	8%	0%	0%
Wholesale Volatility	@ 90% Confidence	-\$21M	-\$18M	-\$18M	-\$21M	-\$33M
Surcharge Potential - To achieve 1.25 cover	@ 90% confidence	14%	19%	25%	15%	0%

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

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	Coverage Ratio (no surcharge)	3.43	2.45	1.89	4.37	10.90
3.4	Coverage Ratio (no surcharge)	3.51	2.81	2.61	5.57	12.10
3.5	Coverage Ratio (no surcharge)	3.26	2.24	1.63	4.05	10.58
3.6	Coverage Ratio (no surcharge)	3.82	3.18	3.05	6.11	12.63
3.7	Coverage Ratio (no surcharge)	3.44	2.45	1.87	4.33	10.87
4	Coverage Ratio (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>
3.3	Surcharge @ 90% confidence - to achieve 1.25 cover	10%	12%	14%	3%	0%
3.4	Surcharge @ 90% confidence - to achieve 1.25 cover	9%	9%	9%	0%	0%
3.5	Surcharge @ 90% confidence - to achieve 1.25 cover	11%	14%	16%	5%	0%
3.6	Surcharge @ 90% confidence - to achieve 1.25 cover	7%	7%	7%	0%	0%
3.7	Surcharge @ 90% confidence - to achieve 1.25 cover	10%	12%	14%	3%	0%
4	Surcharge @ 90% confidence - to achieve 1.25 cover	14%	19%	25%	15%	0%

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

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

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?

Initial Policy Decisions – Continued

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

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

Questions or comments?