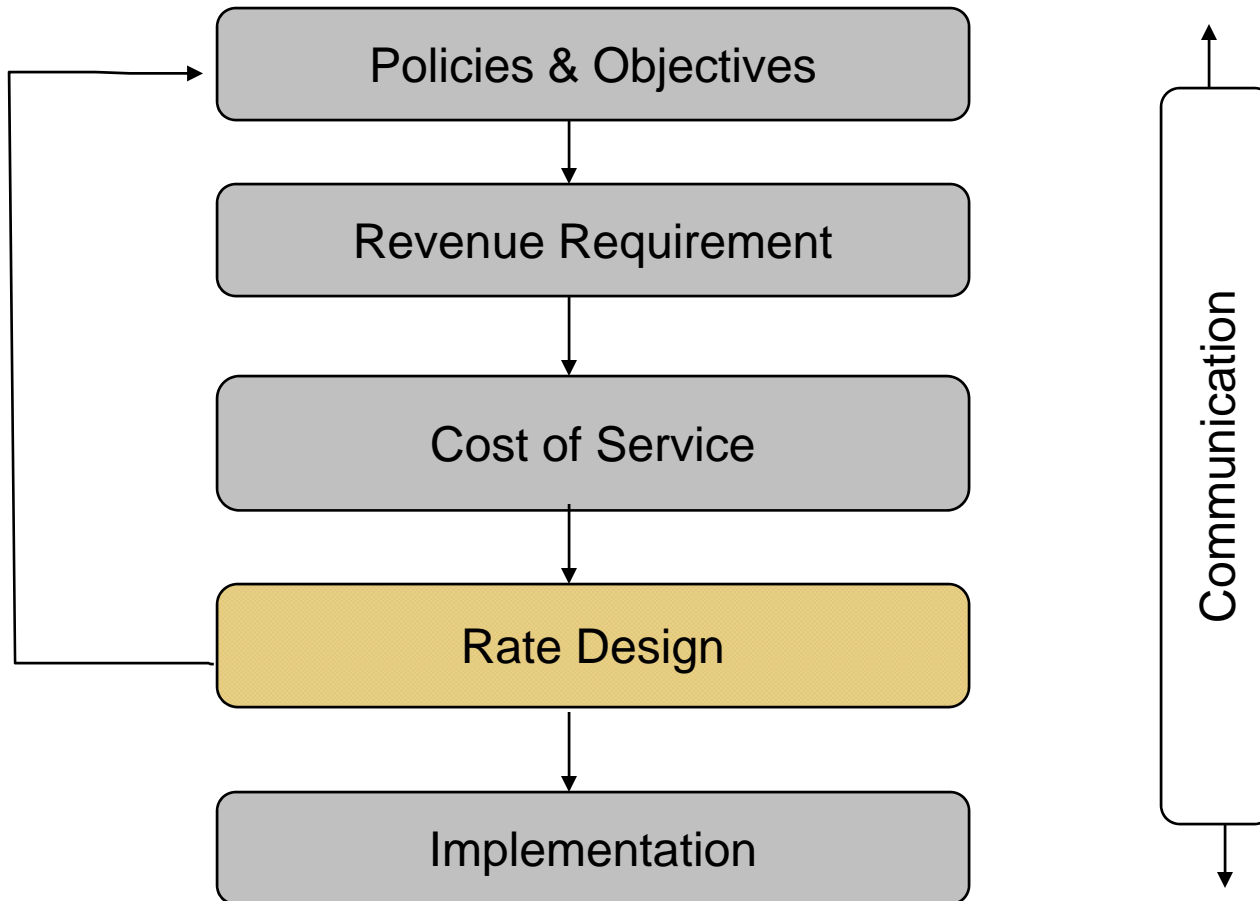

Chelan County PUD

Continuation of the Rate-Setting Process
2009 Draft Electric Rate Design

June 23, 2008

Overview of rate-setting process



Agenda

1. Electric rate design - draft
2. Customer impacts
3. Board changes

Electric rate design draft

Based on:

- Board guidance

- Cost of service analysis

- Collective perspectives of rate committee
 - Customer Service
 - Utility Services Engineering
 - Utility Services Business Office
 - Finance
 - Energy Resource Planning
 - Information Technology (IT)

Draft vs. revenue requirement

ELECTRIC	2009 Draft	2010 COSA
Residential	4.6%	11.1%
Commercial	1.0%	2.1%
Industrial	4.6%	11.7%
Irrigation	4.8%	9.6%
Frost Protection	2.4%	5.5%
St Lights	0.0%	(26.1)%
Interdepartmental	0.0%	3.4%
Alcoa – 95/00	4.6%	11.1%
TOTAL	3.4%	8.2%

COSA: Cost of service analysis – includes wholesale sales benefits

Average cost per kWh

ELECTRIC	Current	2009 Draft	2010 COSA
Residential	3.07¢	3.21¢	3.37¢
Commercial	3.32¢	3.34¢	3.34¢
Industrial	1.97¢	2.06¢	2.16¢
Irrigation	2.81¢	2.95¢	3.09¢
Frost Protection	20.05¢	20.54¢	21.18¢
St Lights	9.24¢	9.24¢	6.84¢
Interdepartmental	2.96¢	TBD	2.97¢
Alcoa – 95/00	1.96¢	2.05¢	2.18¢
TOTAL	2.84¢	2.94¢	3.04¢

COSA: Cost of service analysis – includes wholesale sales benefits

Summary of key rate changes

	2009 Draft	2010 COSA
ELECTRIC		
Residential	4.6%	11.1%

- Initial tier expanded from 1,000 to 2,000 kWh (-4.5% impact)
- Middle tier rate increased (1.6% impact)
- New 3,000 + usage tier added (7.2% impact)
- Base charge adjusted to cost of service results (1.0% impact)
- Minimum charge eliminated (-0.7% impact)
- Discount programs increased from \$8.25 to \$8.65

Summary of key rate changes

	2009 Draft	2010 COSA
ELECTRIC		
Commercial (General Service)	1.0%	2.1%

- Energy charge adjusted toward cost of service
 - Small (0-39 kw) increased (1.5%)
 - Large (40+ kw) decreased (-2.1%)
- Base charges aligned (0.8%)
- Demand adjusted toward cost of service (0.7%)
- Minimum charge eliminated (0.0%)
- Other similar rate components aligned (0.1%)

Summary of key rate changes

ELECTRIC	2009 Draft	2010 COSA
Industrial	4.6%	11.7%
Alcoa – 95/00	4.6%	11.1%

- Energy charge adjusted toward cost of service (7.4%)
- Demand charge aligned and ratchet eliminated (-3.0%)
- Base charge adjusted to cost of service results (0.3%)
- Minimum charge eliminated (-0.1%)

Summary of key rate changes

	2009 Draft	2010 COSA
ELECTRIC		
Irrigation	4.8%	9.6%

- Energy charge adjusted toward cost of service (5.7%)
- Demand charge unchanged (0.0%)
- Base charge adjusted to cost of service results (1.7%)
- Minimum charge eliminated (-2.6%)
- Special off-season rates eliminated

Summary of key rate changes

ELECTRIC	2009 Draft	2010 COSA
Frost Protection	2.4%	5.5%

- Energy charge adjusted toward cost of service (-0.2%)
- Demand charge adjusted toward cost of service (2.6%)
- Base charge adjusted to offset min chg impact (5.2%)
- Minimum charge eliminated (-5.2%)

Summary of key rate changes

ELECTRIC	2009 Draft	2010 COSA
Street Lights	0.0%	(26.1)%
Interdepartmental	0.0%	3.4%

- No increase to street lights to move toward cost of service
- Interdepartmental rate work still to come

Modified electric residential tiered rates

Rate Component	Current	Rate Component	Draft
Energy (Tier 1) First 1,000 KWH	2.29¢	Energy (Tier 1) First 2,000 KWH	2.3¢
Energy (Tier 2) 1,001 to 2,000 KWH	2.84¢		
Energy (Tier 3) > 2,001 KWH	2.99¢	Energy (Tier 2) 2,001 to 3,000 KWH	3.4¢
		Energy (Tier 3) > 3,001 KWH	4.5¢

* - Includes tier adjustments and rate adjustments

Modified electric residential tiered rates

Rate Component	Current		Rate Component	Draft
Energy (Tier 1) First 1,000 KWH	2.29¢		Energy (Tier 1) First 2,000 KWH	2.30¢
Energy (Tier 2) 1,001 to 2,000 KWH	2.84¢		Energy (Tier 2) 2,001 to 3,000 KWH	3.40¢
Energy (Tier 3) > 2,001 KWH	2.99¢		Energy (Tier 3) > 3,001 KWH	4.50¢

- Sends price signals to promote conservation
- Assists broader range of low-income customers
- High usage customers will pay more

* - Includes tier adjustments and rate adjustments

Modified electric residential tiered rates

Customers Affected	Percent of Customers	Monthly Impact
3,409	9.5%	> \$5 ↓
19,672	54.6%	\$1-\$5 ↓
6,233	17.3%	+/- \$1
2,869	8.0%	\$1-\$5 ↑
3,824	10.6%	> \$5 ↑

Electric draft - residential impacts

Estimated impact to customers' monthly electric bills:

Category	Current	Draft	Change
Monthly Residential – Low Usage	\$37	\$35	\$(2)
Monthly Residential – Average Usage	\$55	\$58	\$3
Monthly Residential – High Usage	\$91	\$97	\$6

Electric draft - commercial impacts

Estimated impact to customers' monthly electric bills:

Category	Current	Draft	Change
Monthly – Small Commercial	\$78	\$82	\$4
Monthly – Large Commercial	\$1,300	\$1,301	\$1

Other considerations

1. January 1 implementation date
2. Time of use rates
3. Peak usage at market rates for commercial and industrial
4. Water and Wastewater initial designs still to come

Electric draft summary

ELECTRIC	2009 Draft	2010 COSA
Residential	4.6%	11.1%
Commercial	1.0%	2.1%
Industrial	4.6%	11.7%
Irrigation	4.8%	9.6%
Frost Protection	2.4%	5.5%
St Lights	0.0%	(26.1)%
Interdepartmental	0.0%	3.4%
Alcoa – 95/00	4.6%	11.1%
TOTAL	3.4%	8.2%

Design supports:

- Small, incremental increases
- Align with COSA over time
- Assist a broader range of low-income customers through tiered rate structure
- Promote conservation through tiered rate structure
- Eliminate minimum charge and demand ratchet
- Modify irrigation season
- Streamline interdepartmental rates

Electric rate design draft

Changes?

- Modify incremental increase for 2009 from approx. 4%?
- Adjust tiered rates (conservation or low-income impacts)?
- Reduce movement toward cost of service alignment?
- Adjust alignment between customer classes?
- Change method of eliminating minimum charge?
- Change method for eliminating demand ratchet?
- Change modifications to irrigation season?
- Quantify impacts of April 1 implementation date?
- Other?

Next steps

Process Step	Targeted Timeline
<input checked="" type="checkbox"/> Step 1 - Policies & Objectives Identified	Feb. 19, 2008
<input checked="" type="checkbox"/> Step 2 - Revenue Requirements (Electric, Water & WW)	Mar. 24, 2008
<input checked="" type="checkbox"/> Step 3 - Cost of Services Performed (Electric, Water, WW)	Jun. 2, 2008
<input type="checkbox"/> Step 4a - Rate Design Options (Electric, Water, WW) <input checked="" type="checkbox"/> Initial Board Guidance	May – June 2008 June 9, 2008
<input type="checkbox"/> Step 4b - Public Comment	June – Aug. 2008
<input type="checkbox"/> Step 4c - Final Adjustments	July – Aug. 2008
<input type="checkbox"/> Step 5 – Board Decision	Aug. 2008
<input type="checkbox"/> Step 6 - Testing & Implementation	Sep. – Dec. 2008
<input type="checkbox"/> Communication	Ongoing

Thank you

Appendix – electric cost of service summaries

Cost of service analysis – Electric 2009

Electric 2009 (000's)	Current Revenue	Gross Cost of Service	Gross Rev. Req. %	Non Operating Activity	Risk Adjusted Wholesale	Net Revenue Req.	%
Residential	\$23,865	\$41,287	73.0%	\$3,657	\$13,706	\$(59)	0.2%
Commercial	\$14,955	\$17,981	20.2%	\$2,311	\$712	\$(3)	0.0%
Industrial	\$6,536	\$11,432	74.9%	\$990	\$3,889	\$(17)	0.3%
Irrigation	\$1,182	\$1,961	65.9%	\$178	\$599	\$(2)	0.2%
Frost Protection	\$193	\$274	41.8%	\$29	\$52	\$(0)	0.1%
St Lights	\$286	\$240	(15.8)%	\$44	\$0	\$89	(31.3)%
Inter-Dept	\$533	\$704	32.0%	\$111	\$59	\$(0)	0.0%
Alcoa – 95/00	\$3,170	\$5,682	79.2%	\$662	\$1,842	\$(8)	0.2%
	\$50,720	\$79,561	56.9%	\$7,982	\$20,859	\$0	0.0%

- Not a recommendation for specific rate increases
- Cost of service analysis provides information for rate design, not only factor to consider

Cost of service analysis – Electric 2010

Electric 2010 (000's)	Current Revenue	Gross Cost of Service	Gross Rev. Req. %	Non Operating Activity	Risk Adjusted Wholesale	Net Revenue Req.	%
Residential	\$24,152	\$44,629	84.8%	\$3,745	\$14,040	\$2,692	11.1%
Commercial	\$15,115	\$19,442	28.6%	\$2,364	\$1,647	\$316	2.1%
Industrial	\$6,562	\$12,357	88.3%	\$1,005	\$4,020	\$770	11.7%
Irrigation	\$1,209	\$2,116	75.0%	\$183	\$607	\$117	9.6%
Frost Protection	\$198	\$295	49.5%	\$30	\$57	\$10	5.5%
St Lights	\$292	\$262	(10.4) %	\$46	\$0	\$(76)	(26.1)%
Inter-Dept	\$546	\$776	42.2%	\$115	\$97	\$18	3.4%
Alcoa – 95/00	\$3,170	\$6,029	90.2%	\$668	\$1,838	\$353	11.1%
	\$51,244	\$85,906	67.6%	\$8,156	\$22,306	\$4,200	8.2%

- Not a recommendation for specific rate increases
- Cost of service analysis provides information for rate design, not only factor to consider