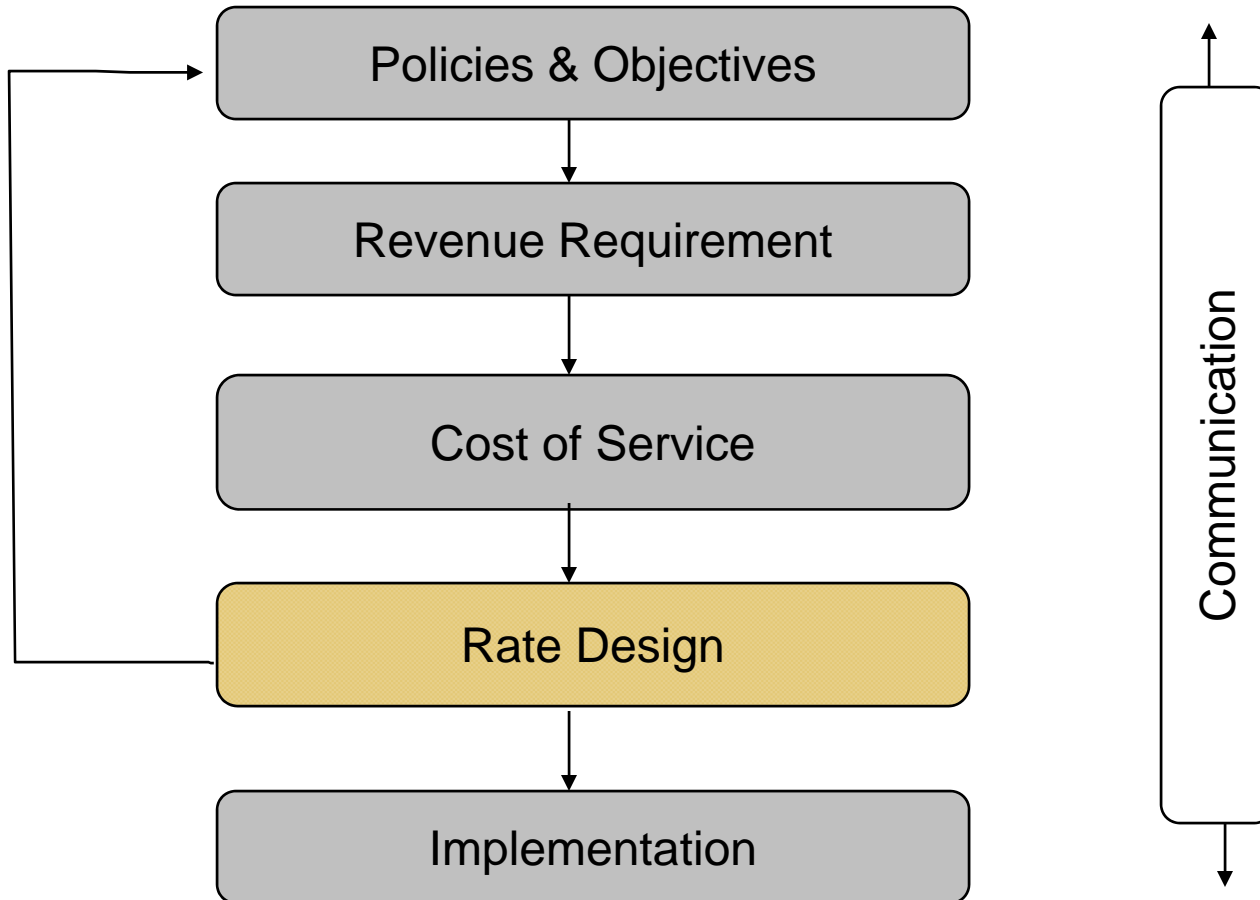

Chelan County PUD

Continuation of the Rate-Setting Process
2009 Draft Water and Wastewater Rate Design

July 21, 2008

Overview of rate-setting process



Agenda

1. Water rate design – draft
2. Wastewater rate design - draft
3. Customer impacts
4. Board direction

Water and Wastewater rate design drafts

Based on:

- Board guidance
- Cost of service analysis
- Collective views of rate committee
 - ❑ Customer Service/Conservation
 - ❑ Utility Services Engineering
 - ❑ Utility Services Business Office
 - ❑ Finance
 - ❑ Energy Resource Planning
 - ❑ Information Technology (IT)

Key objectives for rate design

1. Utility services provided as an integrated utility (Water and Wastewater receive some benefit from net wholesale electric sales)
2. Close operating gaps over time
3. Small, incremental increases over time (single digits)
4. Phase in rate alignment towards cost of service between customer classes and rate components
5. Move toward a postage stamp concept in small increments

Draft vs. Water revenue requirement

Water	2009 Draft	2009 COSA
Residential	6.89%	7.90%
Commercial	7.03%	11.70%
TOTAL	6.94%	9.10%

- Moves toward cost of service (supported by wholesale sales)
- Doesn't close the entire gap for 2009

Summary of key water rate changes

WATER	2009 Draft	2009 COSA
Residential	6.89%	7.90%

- Overall rate adjustment target of 7%
- Discount program increased from \$6.70 to \$7.15
- Rate components aligned between locations (except Dryden)
- Dryden usage rate \$1 less per gallon (moderate step toward rate alignment)
- Base charge factors aligned with AWWA service factors
- General rate component adjustment toward cost of service
- Top tier usage rate set at approx. 75% greater than first tier

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits

Summary of key water rate changes

Wenatchee - Residential	Current	2009 Draft	2009 COSA
Monthly rates:			
Base (5/8" meter)	\$22.70	\$25.00	\$25.06
Additional dwelling	\$14.75	\$15.50	\$15.54
Usage (per 1,000 gallons):			
0 - 3,000	\$1.94	\$2.10	
3,001 – 10,000	\$2.70	\$2.90	Avg. \$2.91
Over 10,001	\$3.46	\$3.70	

Summary of key water rate changes

Squilchuck - Residential	Current	2009 Draft	2009 COSA
Monthly rates:			
Base (5/8" meter)	\$25.20	\$25.00	\$25.06
Additional dwelling	\$21.90	\$15.50	\$15.54
Usage (per 1,000 gallons):			
0 - 3,000	\$2.11	\$2.10	
3,001 – 10,000	\$3.07	\$2.90	Avg. \$2.91
Over 10,001	\$4.07	\$3.70	

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits 9

Summary of key water rate changes

Olalla – Residential	Current	2009 Draft	2009 COSA
Monthly rates:			
Base (5/8" meter)	\$32.60	\$25.00	\$25.06
Usage (per 1,000 gallons):			
0 - 3,000	\$1.52	\$2.10	
3,001 – 10,000	\$2.20	\$2.90	Avg. \$2.91
Over 10,001	\$2.68	\$3.70	

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits₁₀

Summary of key water rate changes

Chelan Ridge - Residential	Current	2009 Draft	2009 COSA
Monthly rates:			
Base (1" meter)	\$29.20	\$30.00	\$30.07
"Lot Only" charge	\$26.70	\$26.70	\$25-\$30
Usage (per 1,000 gallons):			
0 - 3,000	\$1.45	\$2.10	
3,001 – 10,000	\$2.30	\$2.90	Avg. \$2.91
Over 10,001	\$3.97	\$3.70	

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits₁₁

Summary of key water rate changes

Dryden-Residential	Current	2009 Draft	2009 Other Locations	2009 COSA
Monthly rates:				
Base (5/8" meter)	\$22.05	\$25.00	\$25.00	\$25.06
Additional dwelling	\$14.75	\$15.50	\$15.50	\$15.54
Usage (per 1,000 gallons):				
0 - 3,000	\$0.81	\$1.10	\$2.10	
3,001 – 10,000	\$1.12	\$1.90	\$2.90	Avg. \$2.91
over 10,001	\$1.52	\$2.70	\$3.70	

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits₁₂

Water residential tiered rates

Rate Component (per 1,000 gallons)	Current	Draft (W, S, O, Ch R)	Draft (Dryden)
Tier 1 First 3,000 gallons	\$0.81-\$2.11	\$2.10	\$1.10
Tier 2 3,001 to 10,000 gallons	\$1.12-\$3.07	\$2.90	\$1.90
Tier 3 > 10,001 gallons	\$1.52-\$4.07	\$3.70	\$2.70

- Aligns rates between locations (except Dryden)
- Sends price signals to promote conservation
- High use customers will pay more

Average water residential cost per month

Based on average usage of 10,000 gallons per month	Current	2009 Draft	Change (\$/Mo.)
5/8" meters:			
Wenatchee	\$47	\$51	\$4
Squilchuck	\$53	\$51	(\$2)
Olalla Canyon	\$52	\$51	(\$1)
Dryden	\$32	\$41	\$9
1" meter:			
Chelan Ridge	\$50	\$57	\$7
Dept. of Health Economic Test (2007)		\$60	

Summary of key water rate changes

WATER	2009 Draft	2010 COSA
Commercial (General Service)	7.03%	11.7%

- Overall rate adjustment target of 7%
- Rate components aligned between locations (except Dryden)
- Dryden base rate is \$15-\$18 less per month and usage rate is \$1 less per gallon (moderate steps toward rate alignment)
- Base charge factors aligned with AWWA service factors
- General rate component adjustment toward cost of service (usage component currently approximates cost of service)

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits

Summary of key water rate changes

Wenatchee - Commercial	Current	2009 Draft	2009 COSA
Monthly rates:			Avg. \$102.77
Base (5/8" meter)	\$29.95	\$40.00	
Base (1" meter)	\$39.80	\$48.00	
Base (1-1/2" meter)	\$64.20	\$60.00	
Base (2" meter)	\$92.60	\$88.00	
Usage (per 1,000 gallons)	\$2.52	\$2.63	\$2.14

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits₁₆

Summary of key water rate changes

Squilchuck - Commercial	Current	2009 Draft	2009 COSA
Monthly rates:			Avg. \$102.77
Base (5/8" meter)	\$31.75	\$40.00	
Base (1" meter)	\$55.50	\$48.00	
State Park	\$96.60	\$96.60	
Usage (per 1,000 gallons)	\$2.52	\$2.63	\$2.14

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits₁₇

Summary of key water rate changes

Chelan Ridge - Commercial	Current	2009 Draft	2009 COSA
Monthly rate:			Avg. \$102.77
Base (2" meter)	\$92.60	\$88.00	
Usage (per 1,000 gallons)	\$2.52	\$2.63	\$2.14

Summary of key water rate changes

Dryden – Commercial	Current	2009 Draft	2009 Draft Other Locations	2009 COSA
Monthly rates:				Avg. \$102.77
Base (5/8" meter)	\$22.05	\$25.00	\$40.00	
Base (1" meter)	\$28.85	\$30.00	\$48.00	
Usage (per 1,000 gallons)	\$0.89	\$1.63	\$2.63	\$2.14

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits₁₉

Average water commercial cost per month

Based on average usage of 10,000 gallons per month	Current	2009 Draft	Change (\$/Mo.)
1" meters:			
Wenatchee	\$65	\$74	\$9
Squilchuck	\$80	\$74	(\$6)
Dryden	\$38	\$46	\$9
2" meter:			
Chelan Ridge	\$118	\$114	(\$4)

Summary of other water rate changes

Water – Misc.	Current	2009 Draft
Hydrant (\$/day)	\$13.65	\$15.00
Hydrant Valve (\$/day)	\$13.65	\$15.00
Hydrant Use (\$/1,000 gal.)	\$2.52	\$2.63
Private Hydrant (\$/month)	\$8.80	\$9.50
Fire Sprinkler (2"-10" - \$/month)	\$21.80-\$149.55	\$23.50-\$163.00
Fire Sprinkler Use (\$/1,000 gal.)	\$2.52	\$2.63

- Rates aligned between locations

COSA: Cost of service analysis – includes \$249,000 of wholesale sales benefits

Draft vs. Wastewater revenue requirement

Wastewater	2009 Draft	2009 COSA
Residential	6.59%	32.2%
Commercial	6.15%	8.6%
Industrial	6.62%	27.6%
TOTAL	6.47%	25.4%

- Moves toward cost of service (supported by wholesale sales)
- Narrows gap over a long term

Summary of key wastewater rate changes

WASTEWATER	2009 Draft	2009 COSA
Residential	6.59%	32.20%

- Overall rate adjustment target of 7%
- Discount program increased from \$6.70 to \$7.15
- Rate components aligned between locations
- Additional dwelling unit charges adjusted toward cost of service

Summary of key wastewater rate changes

Lake Wenatchee – Residential	Current	2009 Draft	2009 COSA
Monthly rates:			
User Charge	\$52.42	\$55.50	\$68.09
Additional Equivalent Residential Unit (ERU)	\$52.42	\$55.50	\$68.09
Additional Dwelling Unit	\$26.27	\$35.00	\$49.93

COSA: Cost of service analysis – includes \$269,000 of wholesale sales benefits₂₄

Summary of key wastewater rate changes

Peshastin – Residential	Current	2009 Draft	2009 COSA
Monthly rates:			
User Charge	\$52.08	\$55.50	\$68.09
Additional Equivalent Residential Unit (ERU)	\$52.08	\$55.50	\$68.09

Summary of key wastewater rate changes

Dryden – Residential	Current	2009 Draft	2009 COSA
Monthly rates:			
User Charge	\$50.88	\$55.50	\$68.09
Additional Equivalent Residential Unit (ERU)	\$50.88	\$55.50	\$68.09
Additional Dwelling Unit	\$25.50	\$35.00	\$49.93

COSA: Cost of service analysis – includes \$269,000 of wholesale sales benefits₂₆

Summary of key wastewater rate changes

WASTEWATER	2009 Draft	2009 COSA
Commercial (General Service)	6.15%	8.60%

- Overall rate adjustment target of 7%
- Small commercial retains alignment with residential
- Rate components aligned between locations
- Overall smaller increase due to smaller gap between cost of service

Summary of key wastewater rate changes

Wastewater – Commercial	Current	2009 Draft
User Charge (\$/month)		
Lake Wenatchee	\$52.42-\$457.21	\$55.50-\$490.00
Peshastin	\$52.08-\$501.27	\$55.50-\$535.00
Dryden	\$50.88	\$55.50
Gallon Charge (\$/1,000 gallons)		
Lake Wenatchee (>20,000 gal.)	\$14.74	\$15.50
Peshastin	\$1.94	\$2.10

COSA: Cost of service analysis – includes \$269,000 of wholesale sales benefits

Summary of key wastewater rate changes

WASTEWATER	2009 Draft	2009 COSA
Industrial (Peshastin only)	6.62%	27.60%

- Overall rate adjustment target of 7%
- Potential to convert tank fees to ERU units for alignment between locations

Summary of key wastewater rate changes

Wastewater – Industrial	Current	2009 Draft
Peshastin:		
User Charge (\$/month)	\$700.37	\$740.00
Gallon charge (\$/1,000 gallons)	\$1.94	\$2.10

COSA: Cost of service analysis – includes \$269,000 of wholesale sales benefits

Water and wastewater draft summary

	2009 Draft	2009 COSA
Water		
Residential	6.89%	7.90%
Commercial	7.03%	11.70%
Overall	6.94%	9.10%
Wastewater		
Residential	6.59%	32.2%
Commercial	6.15%	8.6%
Industrial	6.62%	27.6%
Overall	6.47%	25.4%

Design supports:

- Small, incremental increases
- Align with COSA over time
- Align locations (except Dryden Water)
- Promote water conservation through tiered rate structure

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 (PURPA process potential for September and October)	Aug. 2008
<input type="checkbox"/> Step 6 - Testing & Implementation (potential to be effective April 1, 2009)	Sep. – Dec. 2008
<input type="checkbox"/> Communication	Ongoing

Thank you

Appendix – Water and Wastewater cost of service summaries

Cost of Service Analysis – Water

Water 2009 (000's)	Current Revenues	Gross Cost of Service	Gross Rev. Req. %	Non Operating Activity	Risk Adjusted Wholesale	Net Revenue Req.	%
Residential	\$2,754	\$2,917	5.9%	\$(199)	\$145	\$217	7.9%
Commercial	\$1,344	\$1,510	12.4%	\$(95)	\$104	\$157	11.7%
	\$4,098	\$4,427	8.0%	\$(294)	\$249	\$374	9.1%

Water 2010 (000's)	Current Revenues	Gross Cost of Service	Gross Rev. Req. %	Non Operating Activity	Risk Adjusted Wholesale	Net Revenue Req.	%
Residential	\$2,850	\$3,191	12.0%	\$(375)	\$240	\$476	16.7%
Commercial	\$1,380	\$1,643	19.1%	\$(177)	\$148	\$292	21.2%
	\$4,230	\$4,834	14.3%	\$(552)	\$388	\$768	18.1%

- 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 – Wastewater

Wastewater 2009 (000's)	Current Revenues	Gross Cost of Service	Gross Rev. Req. %	Non Operating Activity	Risk Adjusted Wholesale	Net Revenue Req.	%
Residential	\$291	\$593	103.9%	\$(16)	\$225	\$93	32.2%
Commercial	\$122	\$151	23.7%	\$(7)	\$25	\$11	8.6%
Industrial	\$28	\$53	88.4%	\$(2)	\$19	\$8	27.6%
	\$441	\$797	80.7%	\$(25)	\$269	\$112	25.4%

Wastewater 2010 (000's)	Current Revenues	Gross Cost of Service	Gross Rev. Req. %	Non Operating Activity	Risk Adjusted Wholesale	Net Revenue Req.	%
Residential	\$294	\$611	107.8%	\$(25)	\$199	\$143	48.6%
Commercial	\$124	\$153	23.8%	\$(11)	\$23	\$17	13.6%
Industrial	\$28	\$54	91.6%	\$(3)	\$17	\$12	41.9%
	\$446	\$818	83.4%	\$(39)	\$239	\$172	38.5%

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