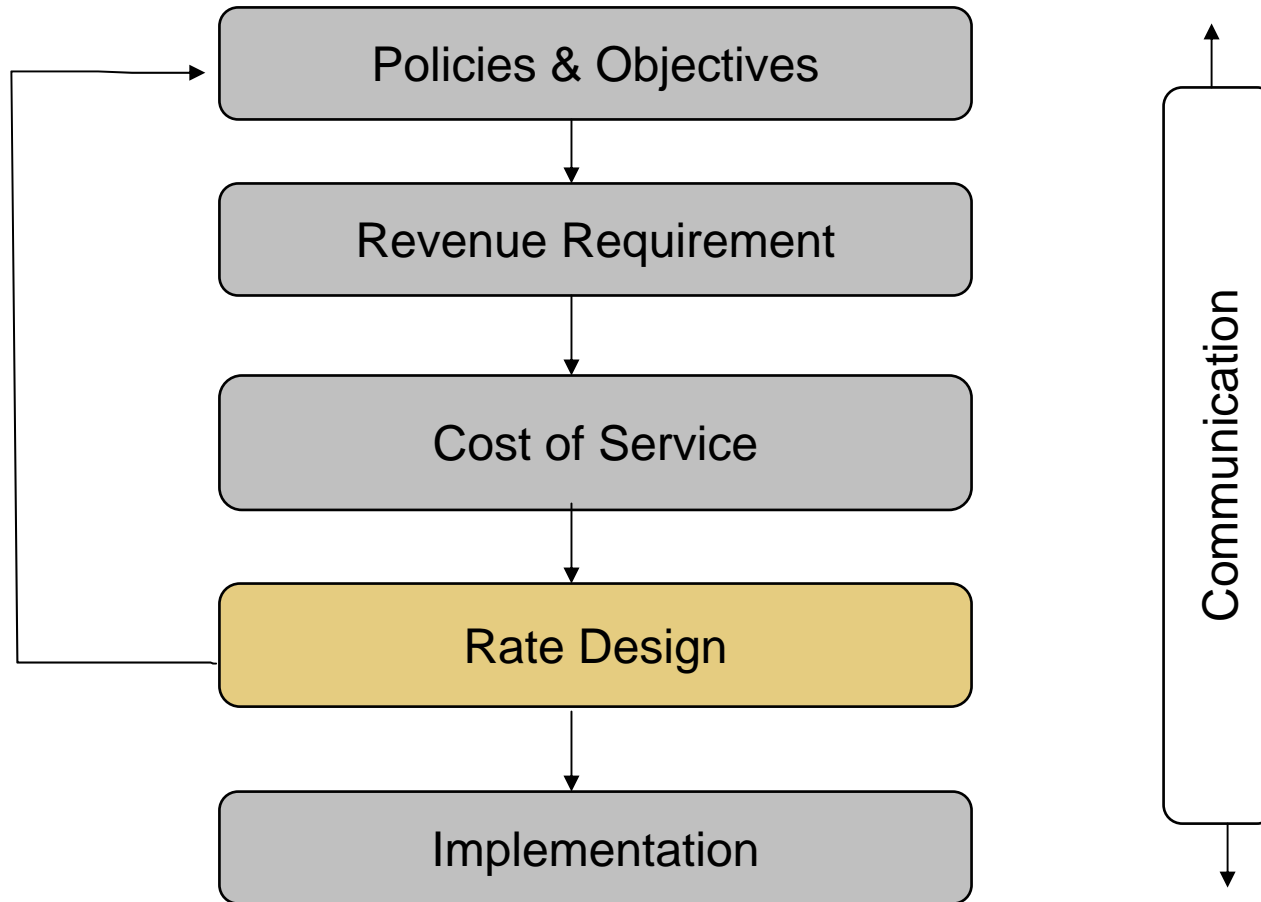

Chelan County PUD

Continuation of the Rate-Setting Process

June 9, 2008

Overview of rate-setting process



Agenda

Board decisions that will guide rate-design options:

1. Cost of service analysis
 - Discussion
 - Decisions to move forward
2. Rate design philosophies
 - Discussion
 - Decisions to move forward
3. Possible rate modifications
 - Discussion
 - Decisions to move forward

Cost of service analysis

1. Staff comments
 - Cost control
 - Risk-adjusted wholesale allocation
2. Board discussion
3. Public comment
4. Guidance decisions

Rate design philosophies

- Staff comments
- Board discussion

Rate design philosophies- Electric

ELECTRIC	2009 Rev. Req.	2010 Rev. Req.
Residential	0.2%	11.1%
Commercial	0.0%	2.1%
Industrial	0.3%	11.7%
Irrigation	0.2%	9.6%
Frost Protection	0.1%	5.5%
St Lights	(31.3)%	(26.1)%
Inter-departmental	0.0%	3.4%
CTCI – 95/00	0.2%	11.1%
TOTAL	0.0%	8.2%

- Small, incremental increases over time?
- Phase in rate alignment between customer classes over time?
- Modify low-income, senior and disabled discount program?
- Promote conservation?
- Implement Jan. 1 or April 1?
- Other design philosophies to consider?

- Not the only factor to consider (also consider policies, goals, and objectives)
- Not a recommendation for specific rate increases

Rate design philosophies- Water

	2009 Rev. Req.	2010 Rev. Req.
WATER		
Residential	7.9%	16.7%
Commercial	11.7%	21.2%
TOTAL	9.1%	18.1%

- Small, incremental increases over time?
- Phase in rate alignment between customer classes over time?
- Move toward postage stamp concept?
- Modify low-income, senior and disabled discount program?
- Promote conservation?
- Implement Jan. 1 or April 1?
- Other design philosophies to consider?

-
- Not the only factor to consider (also consider policies, goals and objectives)
 - Not a recommendation for specific rate increases

Rate design philosophies- Wastewater

WASTEWATER	2009 Rev. Req.	2010 Rev. Req.
Residential	32.2%	48.6%
Commercial	8.6%	13.6%
Industrial	27.6%	41.9%
TOTAL	25.4%	38.5%

- Small, incremental increases over time?
- Phase in rate alignment between customer classes over time?
- Move toward postage stamp concept?
- Modify low-income, senior and disabled discount program?
- Implement Jan. 1 or April 1?
- Other design philosophies to consider?

- Not the only factor to consider (also consider policies, goals and objectives)
- Not a recommendation for specific rate increases

Rate design philosophies

- Public comment
- Guidance decisions

Possible rate modifications

- Staff comments
- Board discussion

Possible rate modifications

- Eliminate minimum charge?
- Eliminate demand ratchet?
- Modify irrigation season?
- Streamline interdepartmental rates?

Possible rate modifications

- Streamline methodology for Water and Wastewater rates?
- Modify residential tiered rates?
- Other rate design modifications to consider?

Possible rate modifications

- Public comment
- Guidance decisions

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

Requested Board guidance

Additional discussion?

Thank you

Appendix – cost of service summaries

Cost of service analysis – Electric

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%
CTCI – 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

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%
CTCI – 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

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