

FAQs about a possible Chelan County PUD surcharge

(Evening meeting, April 13, 2009)

What is a surcharge?

A surcharge is a temporary increase to electric bills – usually a fixed percentage that gets added each month and lasts up to a year. If an average monthly electric bill is \$50 and the surcharge is 10 percent, the monthly bill would increase to \$55. After the surcharge expires, the monthly bill would revert to the \$50 average, assuming no other rate increases are added. The Board of Commissioners must approve any rate changes, including a surcharge.

How would a surcharge help the PUD?

Financial rating agencies carefully watch to see how the PUD handles its money. At a time when revenues for 2009 are not expected to cover PUD expenses, the PUD could benefit by showing rating agencies that it is willing to take necessary steps to increase revenues while the PUD is also cutting costs. Maintaining a solid bond rating is important whenever the PUD has to borrow money for major capital projects – as it does almost every year. Customers benefit directly from the PUD's high rating through lower borrowing costs.

While the PUD has substantial cash reserves, the PUD must avoid drawing down reserves in case a major emergency develops. The Board of Commissioners has established a minimum level for cash reserves, and the surcharge could help the PUD stay well above the minimum.

Has the PUD cut its own spending?

Yes. More than \$27 million has been trimmed so far from capital projects and maintenance and operations spending for 2009. This includes requiring that all PUD employees take five days off without pay during the year. Other voluntary programs are also in place to try to reduce PUD spending by shrinking the work force where appropriate.

Can't the PUD simply charge more for the power it sells on the open market?

No. The wholesale market price for surplus power is set by the market – not by the PUD. Falling wholesale market prices (along with the overall economic downturn) are partly why revenues are so low this year. The PUD cannot independently set the price of the power it sells into the market. When this year's budget was set, the PUD projected about \$51 million in revenue based on surplus power selling for about \$51 per megawatt hour. With the price now in the low \$30 range per megawatt hour, the PUD is forecasting revenues of only about \$30 million, partly due to lower prices and partly due to lower-than-average water supply.

Didn't the PUD just impose a rate increase April 1?

Not for electricity. Water and sewer rates were changed following a cost-of-service study that was done last year. The electricity rates that were supposed to be revised were put on hold for up to 60 days until the question of a surcharge is answered.

How can someone comment on the surcharge proposal?

You can speak at this meeting tonight. You can also send an e-mail to PUD commissioners by going to the PUD Web site (www.chelanpud.org). You can telephone commissioners and leave a message (dial the clerk of the board at 661-4212). You can write a letter to the board (P.O. Box 1231, Wenatchee, WA, 98807).