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# Chelan County PUD

## Governing Financial Policies

### Minimum Reserve Level

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October 6, 2008

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# Board Governing Financial Policies

- Provide integrated utility services
  - Target an overall operating ratio of 80-100% by 2011
  - Target a positive Change in Net Assets by 2011
  - Limit the potential surcharge to 14% under unusual circumstances (10% probability of this outcome or worse in any year)
  
  - **Maintain a minimum utility services cash reserve level of \$130 million**
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# Reserve Methodology

Utility Services	In Million \$
Working capital (4 mos. O&M)	29
Capital expenditures (6 mos.)	17
Debt service (1 year)	9
Working capital payment-new contract	13
Self-insurance contingency	2
Two consecutive poor wholesale years (cash outflow)	15
Default by wholesale customer	3
Severe credit downgrade	<u>42</u>
Total	<u>130</u>

# Minimum Cash Reserve Level (Utility Services)

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Expected Conditions</b> (50% Probability)	\$ 201M	\$ 179M	\$ 156M	\$ 150M	\$ 196M
<b>Unusual Conditions</b> (10% Probability)	\$ 199M	\$153M	<b>\$ 128M</b>	<b>\$ 125M</b>	\$ 162M

Policy: Maintain a minimum cash reserve level of \$130 million

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Thank you