

Why is a temporary surcharge being considered?

- Chelan County PUD faces financial pressure from
 - higher cost of materials (steel, transformers, fuel)
 - rising costs for health insurance (and retiree benefits)
 - costs of new licenses for the Lake Chelan and Rocky Reach hydro projects
 - the need to upgrade aging generation and distribution systems
 - general inflation (no rate increases since 2000)
- In recent years, the PUD has seen surplus power sales generate significant revenue for its annual budget, but that source cannot be relied upon because
 - market prices fluctuate greatly
 - power supplies are uncertain (depending on snowpack)
 - the quantity of power available to sell is being reduced by accelerated load growth here in the county
 - the PUD is exceeding the capacity of surplus revenues to cover its needs
- The PUD has roughly \$200 million in reserves, and part of that will be used for utility system upgrades, rather than adding new debt.
- PUD managers have already cut spending for 2007 as much as they believe is prudent (excluding \$27 million in costs from 2007 budget and reducing staff hours by the equivalent of 19 full-time positions).
- There has been good local snowfall in November/December, but El Nino ocean conditions could still mean that far less moisture accumulates through the rest of the winter, especially in the Canadian Rockies where the Columbia is fed. Snowfall is not enough; the market price of power also affects the bottom line.
- If revenues drop too low, rating agencies can downgrade the PUD's bond rating, and the PUD could be in violation of existing bond covenants.
- This surcharge is one way to handle unexpected conditions such as low water or low prices. The overall financial picture of the PUD in the long run will be determined at community strategic planning meetings expected to conclude this spring, with guidelines adopted by the board.
- A surcharge, if enacted by the board, will be a flat percentage across all parts of every customer's electric bill. For every 3 percent of the surcharge, the PUD would collect approximately \$1 million in revenue.
- For every 3 percent of a surcharge, a homeowner would pay approximately \$1.30 per month (based on average 2006 bill). For bills of \$100/mo., each 3 percent would cost approximately \$3, and for \$200/mo. approximately \$6.

To find out exactly how the potential surcharge will affect you, call Customer Service, either John Stoll, (509) 661-4539 or Scot Erickson (509) 661-4343.