Energy Sales Diversification

The Role of New Large Load (Schedule-4) Customers

To Inform
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Agenda

• Introduction
• Why are we doing this?
• What are we planning on doing...and what are we not doing...?
• What has been accomplished to date?
• Next Steps
• Questions
Introduction

• 80% of Chelan PUD’s revenues are from cost- and market-based power purchase agreements
• Revenues from these agreements subsidize local retail rates
• Energy prices have decreased over the last several years
• Many of the drivers responsible for the decrease could continue
• We are supplying low-cost renewable hydropower to much of the West Coast. We would like to use some of this energy locally
• The proposed program helps protect against low prices while also benefiting the Chelan County economy
• The proposed program builds on our Public Power Benefit project—the Economic Development Tool
Why diversify?

• Current sales portfolio is a mix of market-based, cost-of-production (plus adders) and retail
• There is a potential benefit of attracting large local loads that use the Schedule 4 Rate (similar to HDL contracts) to diversify this mix
• Helps protect the District from future low energy prices, but could also impact the District’s ability to capture value from upward market movements
• Diversifying a portion of the District’s contract portfolio is a good practice (similar to how we currently diversify types/terms of contracts)
• Increasing load may increase our streamflow, outage, and potentially credit risks
• Ancillary benefit of supporting the Chelan County economy
• Promoting and enhancing the local economy within our statutory authority is consistent with customer surveys
What are we planning to do?

**Project Purpose:** Determine the feasibility of diversifying sales through development of large local loads and create a common playbook for entities in Chelan County

- **Final scope of work contracting:** Through end of 2017
- **Phase 1-Infrastructure and Land Assessment:** Through Q2, 2018
- **Phase 2-Develop marketing/recruitment strategy:** Q2-Q4 2018
- **Develop recruitment program and key components:** 2019 and Beyond

**Continued stakeholder engagement**
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Phase 1
- Assess Land and Available Infrastructure
- Work with Local Entities to Identify Locations
- Develop Detailed Scope of Work
- Identify and On-Board Consultant
- Implement Scope

Phase 2
- Develop Strategic Marketing Plan
- Confirm Proposal
- On-Board Consultants

Current Conditions
- Review Current Data/Econ Trends
- Review current Econ Dev. Plans

ID Challenges and Opportunities
- Develop Profile of desired industries

Phase 2
- Go/No Go

Potential BOC Policy Decision
- Go/No Go

Stakeholder Support
- Recruitment Approach and Implementation Plan (including Current Conditions)

Stakeholder Engagement Process
Work has been accomplished to date

- Identified Steering Committee and Project Team
- Two draft scopes of work
  - Infrastructure Assessment (Phase 1)
  - Develop strategic marketing plan (Phase 2)
- Outreach to Chelan County, cities, and Port of Chelan
  - Economic and community development staff
  - Utilized Tri-Commission sponsored planning group
Next Steps

• Near Term: Review Port of Chelan assessment project to determine similarities and gaps
• By end of 2017: Contract with consultants
• 2018:
  – Initiate and complete infrastructure assessment, and
  – Pending go/non go decision; develop marketing/recruitment strategy
• Q4 2018: Develop a recommendation to stop or move forward with continued program development
Questions