Infrastructure Cost Recovery Approach

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Why we're here today

- Discuss infrastructure cost recovery
  - Strategic Plan implementation item:

    We will maintain our policy for line extensions (paid for by the requestor). We will consider developing a policy for assessing a standardized proportional share of infrastructure needs (substations/ transmission) as part of line extension costs.

- Next steps
  - No action today, feedback appreciated

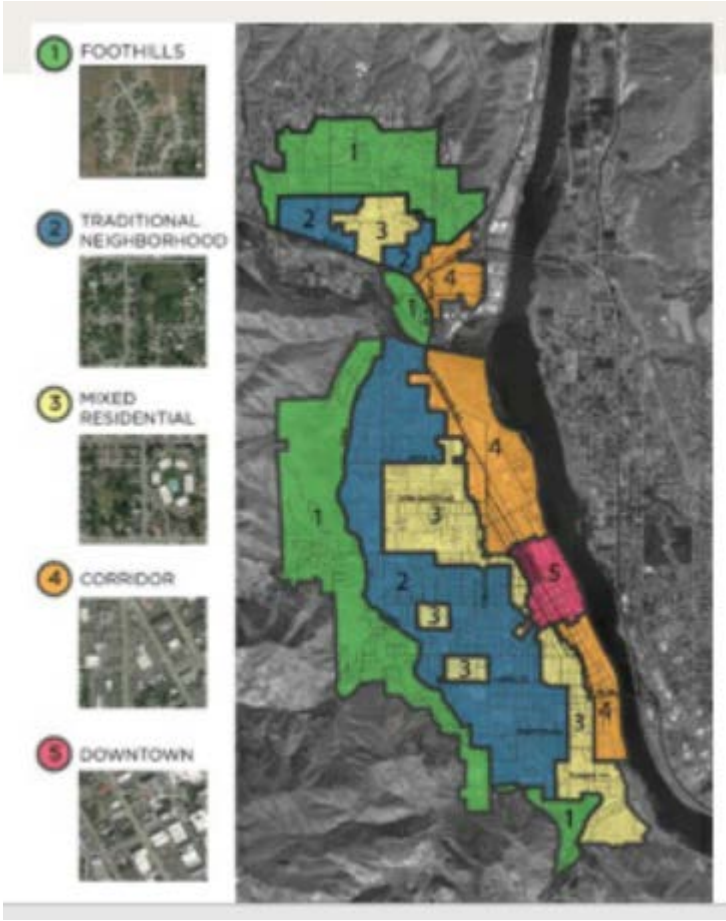
What is driving the effort

- In addition to preparing for economic growth per the strategic plan, existing “growth pays for growth” methodology for growth…
  - Can be vastly different in cost depending on location
  - May result in significant cost for the customer who pushes system beyond capacity
  - May not consider impact of substation capacity limitations
  - Can be difficult to determine, apply and explain cost beyond direct improvements

What is driving the effort

- Current municipality growth plans
- Organic community growth
- Commercial/Industrial expansion

- Active Project Examples:
  - Organic Residential/Commercial (North Shore Chelan, Leavenworth)
  - Focused Residential Development (West Wenatchee Foothills)
  - HDL development (Hawley Street/Stemilt substation)
  - Mixed Development - Recreational/ Commercial/ Residential (Mission Ridge)



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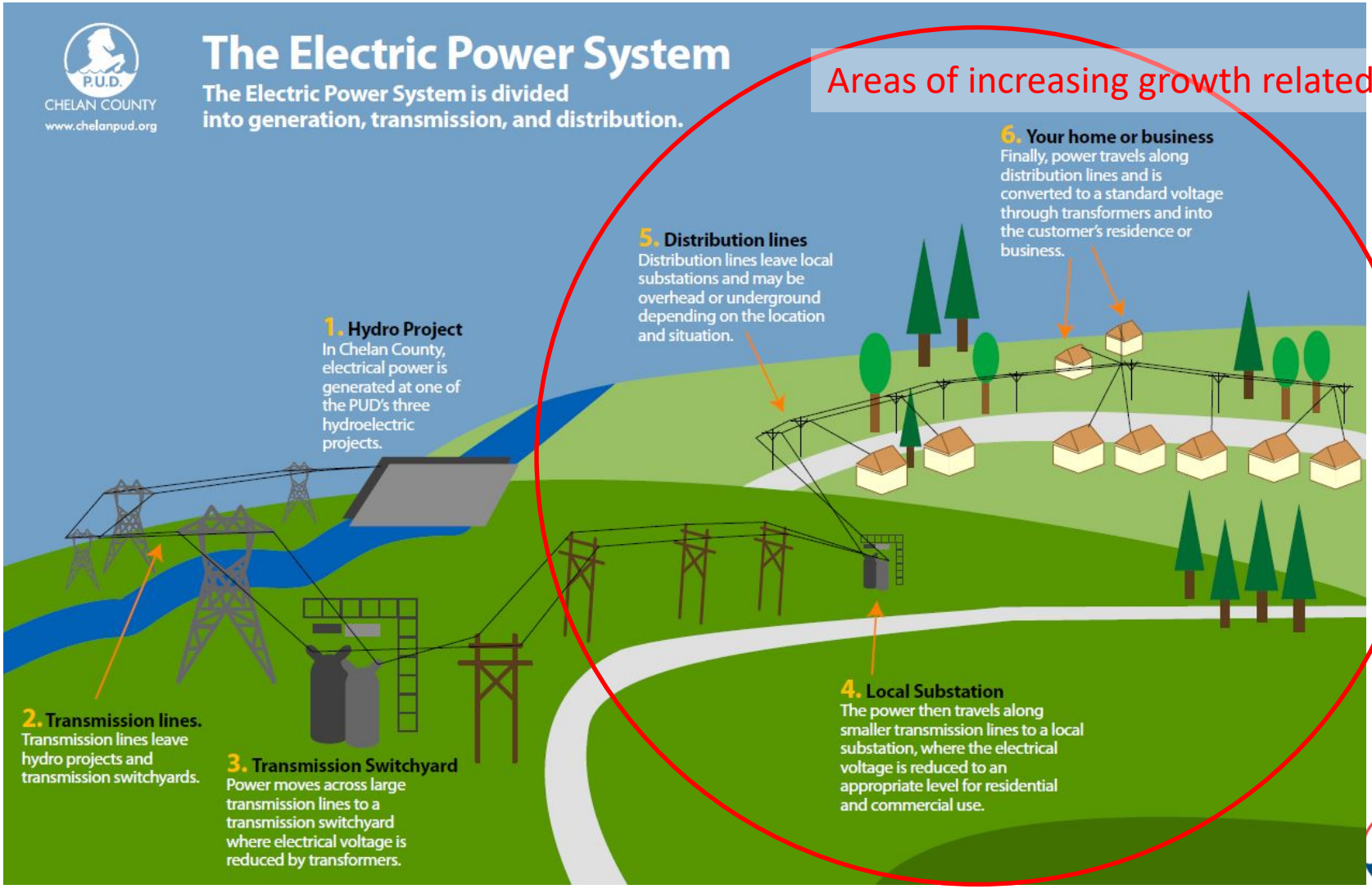


Current cost recovery approach*

- Customers assessed costs (line extension) for infrastructure necessary to connect the customer to the distribution system with a goal of 100% cost recovery
- Occasionally larger connection requests require more power than some system components can provide and are assessed cost to upgrade those components
- In most cases substation cost impacts are not assessed, but some customers over 5 MW contribute to the infrastructure development (e.g. land for substation)

**Applies to non-HDL/crypto customers. HDL and crypto pay above plus 100% of substation cost through direct charges for improvement and/or upfront capital charges*

Infrastructure cost recovery options

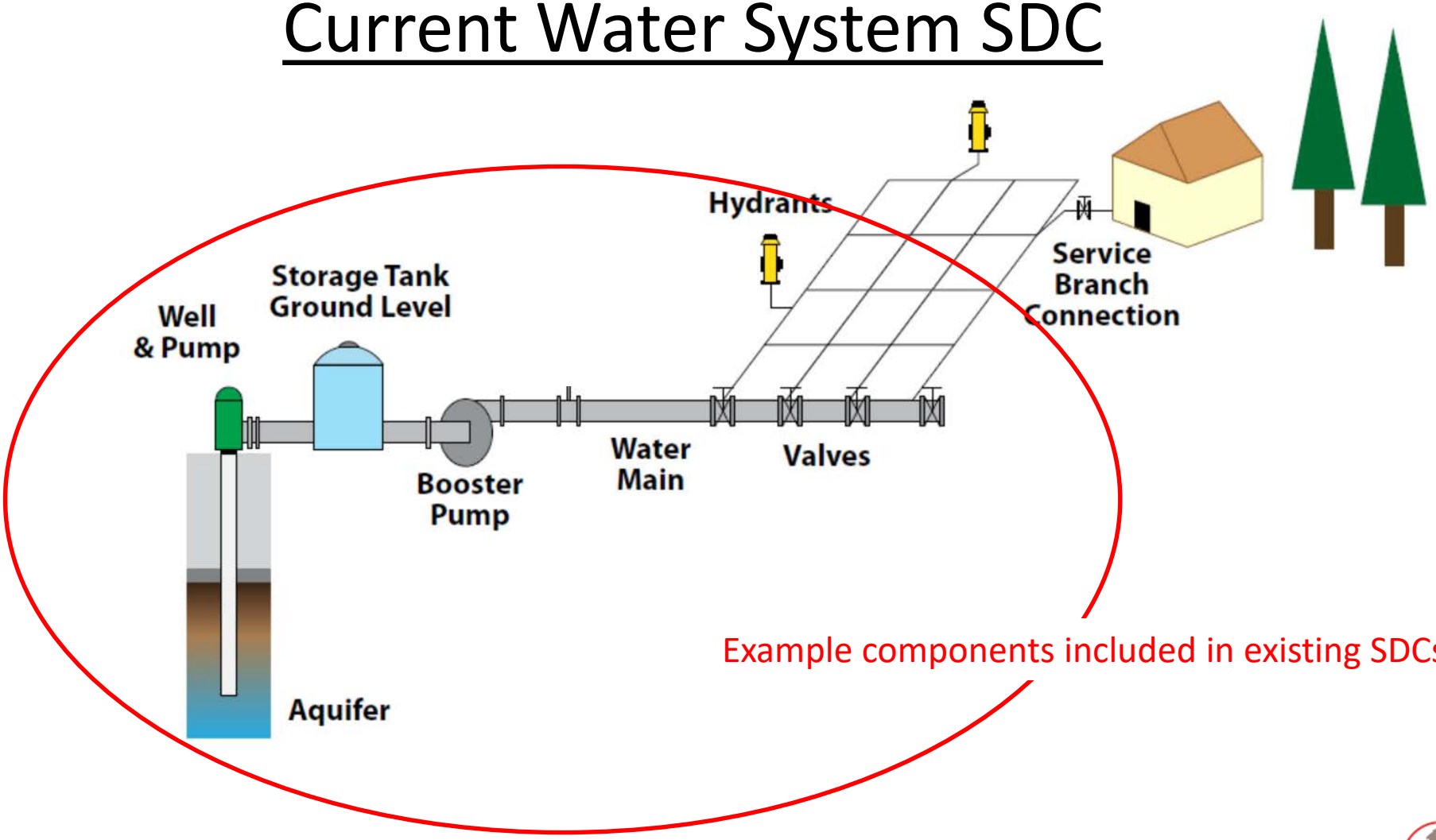
1. Status Quo - Recover costs through retail rate increases
2. Recover costs through a standard fee to all new connections that recovers either:
   a. Equitable share of 100% of backbone substation, distribution and associated transmission (non-network) cost
   b. A fraction of backbone costs with remainder included in retail rate requirements

Infrastructure cost recovery

- Current consultant study is developing electric fee approach and updating maximum allowable System Development Charges for Water and Wastewater for the Board's consideration
- Existing Water and Wastewater System Development Charges (SDCs) are similar to electric efforts
  - Fees or charges that represent a property owner's equitable share (or portion thereof) of the cost of the entire utility system, not just for improvements that serve his/her property

Infrastructure cost recovery

Current Water System SDC



Example components included in existing SDCs

P.U.D. CHELAN COUNTY

Timeline

- August: Inform study with todays feedback
- September:
  - Engage key stakeholders on possible impact
  - Understand parameters and options
  - Study results due (all systems)
- November: Consider fees to be included in 2021 (or later) fee schedule