

Infrastructure Cost Recovery Approach

Lindsey Mohns
Business Manager Customer Utilities

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

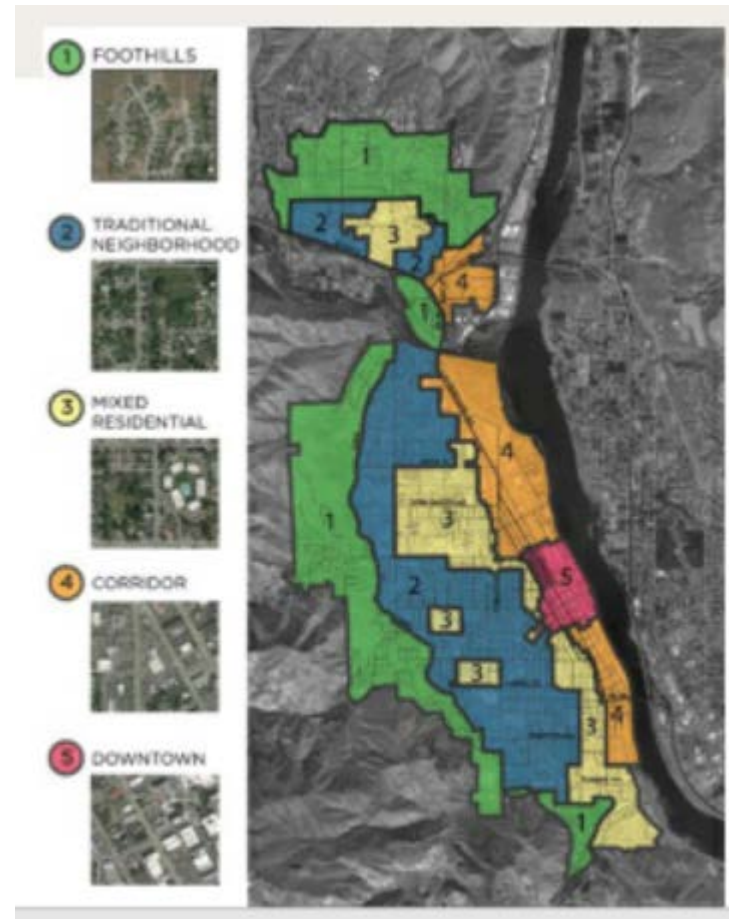
- No action today, feedback appreciated

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)



What is driving the effort



CHELAN COUNTY
www.chelanpud.org

The Electric Power System

The Electric Power System is divided into generation, transmission, and distribution.

1. Hydro Project

In Chelan County, electrical power is generated at one of the PUD's three hydroelectric projects.

2. Transmission lines.

Transmission lines leave hydro projects and transmission switchyards.

3. Transmission Switchyard

Power moves across large transmission lines to a transmission switchyard where electrical voltage is reduced by transformers.

5. Distribution lines

Distribution lines leave local substations and may be overhead or underground depending on the location and situation.

6. Your home or business

Finally, power travels along distribution lines and is converted to a standard voltage through transformers and into the customer's residence or business.

4. Local Substation

The power then travels along smaller transmission lines to a local substation, where the electrical voltage is reduced to an appropriate level for residential and commercial use.

Areas of increasing growth related cost



CHELAN COUNTY

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

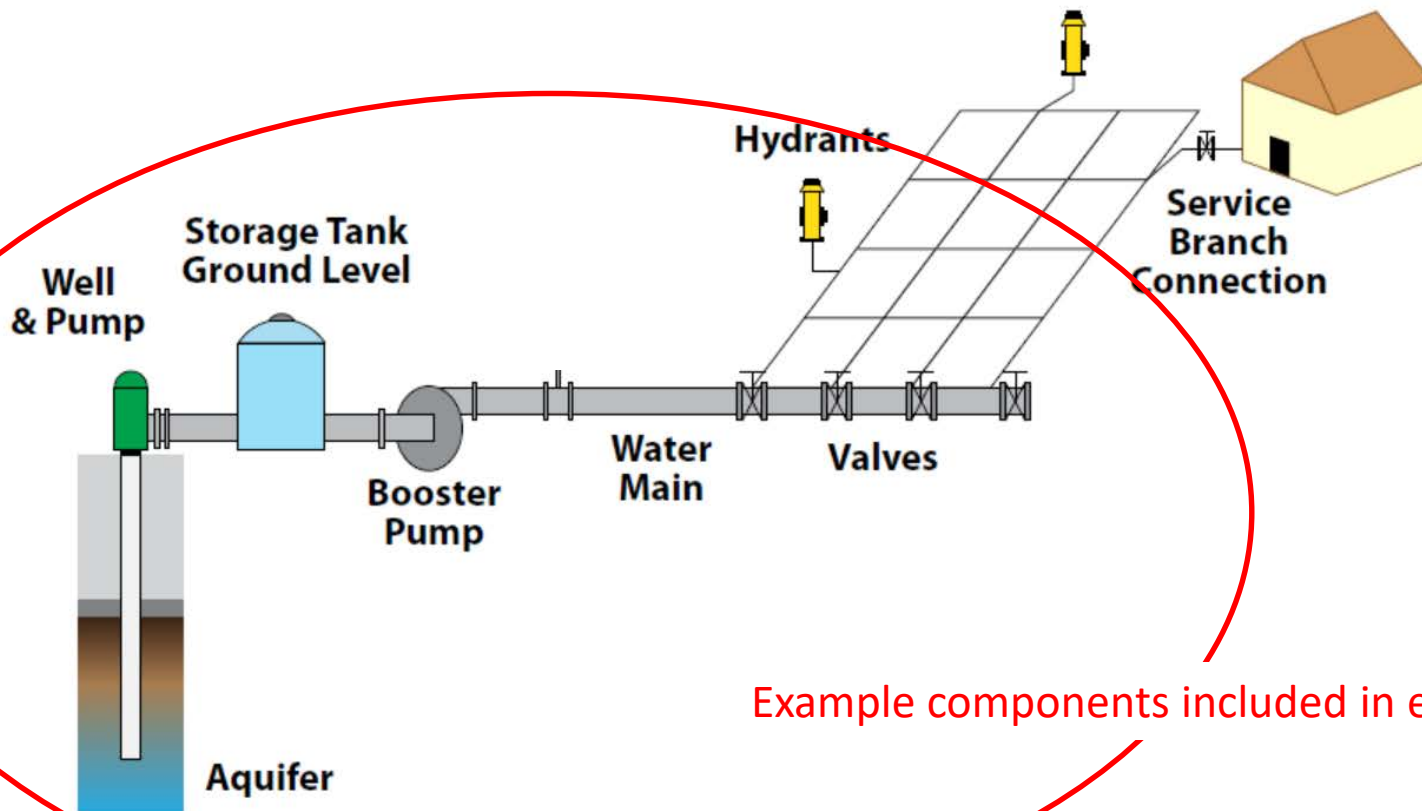


Infrastructure cost recovery

- 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

Timeline

- August: Inform study with today's 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