

WE WANT TO HEAR FROM YOU!

Complete our survey to help shape our **2020-2024 strategic plan**

Easy-to-access, online survey at www.ourpublicpower.org
La guía en español en pagina 10

DRAFT



CHELAN COUNTY

Welcome

Public power benefits from local control and ownership. We are stronger as an organization with your active participation. We're asking for your help to shape the future of the PUD by reviewing the background information in this guide and offering your feedback.

Many of you have already contributed to our strategic planning process. We thank you and hope you will continue to be part of this important effort.

We welcome your voice in this process.

Best wishes,

*Your Chelan Public Utility District
Commissioners*



D. S. Bj *Randy Smith* *Steve McKenna*
Ann Longdon

Board Commitment:

We remain committed to the strategic objective of investing in assets and people to produce long-term value for the people of Chelan County.

We remain committed to an overall philosophy described as building long-term value while protecting against long-term financial downturns.

We have adopted the goal of achieving broadband access for 85 to 90 percent of the county's residents and continue to look for ways to cost effectively reach a higher percentage. The PUD has expanded its broadband services by about 3,000 homes since 2015. Now nearly three-quarters of the county's residents have broadband access – one of the highest rates for a rural county in America.



Our Mission: Enhancing the quality of life in Chelan County by providing sustainable, reliable utility services

The Best Value for the Most People for the Longest Time

How YOU can participate:

- **LEARN** about key PUD issues in this guide.
- **CONSIDER** our questions to help shape our 2020-2024 planning.
- Make **YOUR VOICE** heard by mail or online.

BACKGROUND

As you review the key issues we've outlined, keep in mind several things that have remained as expected for the PUD and its customers.

- » The PUD has had a series of very good years and is financially healthy today.
- » The PUD continues to offer some of the lowest electric rates in the country.
- » The PUD provides high levels of reliability and through its hydropower projects has 100 percent carbon- and emissions-free generation.
- » The PUD continues to meet or exceed its environmental obligations.
- » The PUD has extremely high levels of customer satisfaction, with 97% of our customers either satisfied or very satisfied.

Questions?

Call us at (509) 661-4244

Save time by submitting your ideas online:

www.ourpublicpower.org



Mission, Vision, and Values

MISSION

Enhancing the quality of life in Chelan County by providing sustainable, reliable utility services

VISION/CHALLENGE

In a rapidly changing utility environment, we will:

- Commit to highest levels of customer satisfaction (e.g. low rates, improved outage management)
- Invest to create long-term value (e.g. asset management)
- Ensure financial stability (e.g. financial metrics)
- Advance human and organizational performance (e.g. safety and operational excellence through human performance improvement, training to anticipate change)
- Protect natural resources impacted by operations (e.g. full implementation of Habitat Conservation Plans)
- Continuously improve efficient, effective, compliant, risk-assessed and resilient operations
- Encourage innovation (continuous improvement and cutting edge technology where valuable to our business model (e.g. Hydropower Research Institute)

VALUES

Safety: protect public and employee health and safety

Trustworthiness: competence, integrity, respect, collaboration

Stewardship: acting on behalf of customer-owners, protecting public resources entrusted to us

Operational Excellence: high quality, innovative work execution through supporting personal ownership

Our Key Topics

PUBLIC POWER BENEFIT PROGRAM: Through this program, the PUD has established a formal, consistent approach and criteria for distributing public power benefits that further enhance the quality of life in Chelan County. We're asking for your input on criteria we should consider when evaluating projects.

ROCK ISLAND RELICENSING: The PUD has a license from the Federal Energy Regulatory Commission (FERC) to operate the Rock Island hydropower facility and other projects. As we look to relicense this project in 2028 we're asking when we should start recreational or environmental projects and what criteria we should use in selecting them.

WHOLESALE/RETAIL SALES: Chelan PUD retail rates are about 40% lower than they would be without wholesale power revenues. A fundamental question is, should Chelan PUD reduce wholesale sales and revenue to focus more on growing retail loads and local economic development?

LONG-TERM RATE PLANNING: After seven years without residential electric rate increases, Chelan PUD plans to adopt a long-term rate plan. Updates to our rate designs also are needed to be responsive to changing customer characteristics.

AESTHETICS: The PUD conducted an in-depth phone and online survey this spring. We welcome any additional comments from you through our written or online survey.

GROWTH & ECONOMIC DEVELOPMENT: The PUD conducted an in-depth phone and online survey this spring. We welcome any additional comments from you through our written or online survey.

Ideas from



PUBLIC MEETINGS and SERVICE CLUBS

Winter 2018-19



TOPIC TEAMS

Feb-May 2019

OPTIONS | QUESTIONS

Aesthetics & Economic Development Survey*



CUSTOMER-OWNER SURVEY

June 2019



DRAFT PLAN

August 2019



CHELAN PUD COMMISSION CONSIDERATION

September 2019

*In-depth phone/online survey of community

PUBLIC POWER BENEFIT PROGRAM



Through this program, the PUD has established a formal, consistent approach and criteria for distributing Public Power Benefits that further enhance the quality of life in Chelan County. The program reflects our customer-owners' interests in investing any excess revenues back into the community. It has created value for our customers, similar to "stock dividends" – in addition to low rates.

HIGHLIGHTS OF PROJECTS COMPLETED UNDER THE 2015-2019 STRATEGIC PLAN: PARKS

- More than 6,700 Day Use Passes issued since July 2015

FIBER

- More than 3,000 new premises served since 2015
- County coverage now at 75% with a target of 85% to 90%

ELECTRIC VEHICLE CHARGING STATIONS

- Five stations at four locations
- 2,100+ charging sessions courtesy of Cascade Autocenter

PLAIN SUBSTATION SITE IMPROVEMENTS

- Constructed safe access to the Wenatchee River next to the Plain Substation

HYDRO RESEARCH INSTITUTE

- Started a research hub in Chelan County to advance hydropower operations nationwide

Public Power Benefit projects must be consistent with the PUD's existing authority under state law, cannot violate state anti-gifting provisions and must be consistent with PUD policies. They also must demonstrate a tangible benefit and not adversely impact the utility's long-term financial sustainability.

In light of changing finances and the potential need to borrow for capital needs in the future, the Public Power Benefit program is only offered if the PUD's financial performance warrants it – as long as the utility is financially healthy and has available funds.

POTENTIAL CRITERIA – PUBLIC POWER BENEFITS PROGRAM AND ROCK ISLAND RELICENSING

We want your input on which criteria are important to you:

- Supports economic development and job creation
- Preserves, promotes and/or supports recreational opportunities
- Supports environmental stewardship, habitat for native plants and animals, etc.
- Is complementary to other efforts and supports collaboration with another entity
- Relieves pressure from an existing area or site (overuse of a recreation site, etc.)
- Supports diversity, multiculturalism and inclusiveness
- Furthers public education
- Builds value by serving an area or population that is currently underserved

QUESTIONS FOR OUR CUSTOMERS:

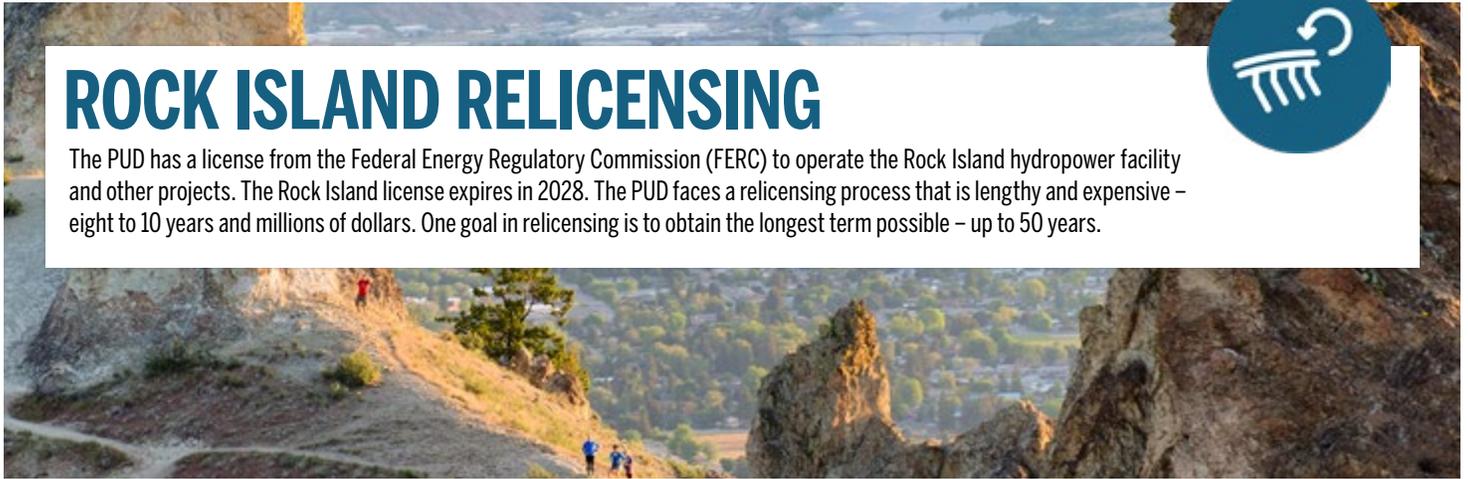
If the PUD's financial performance warrants it, and it is within its legal authority, how should criteria be prioritized when evaluating projects such as access to recreation, environmental value and other benefits?





ROCK ISLAND RELICENSING

The PUD has a license from the Federal Energy Regulatory Commission (FERC) to operate the Rock Island hydropower facility and other projects. The Rock Island license expires in 2028. The PUD faces a relicensing process that is lengthy and expensive – eight to 10 years and millions of dollars. One goal in relicensing is to obtain the longest term possible – up to 50 years.



Until very recently, FERC decided license terms based on a number of factors, including planned investments during the next license. The issue with this approach was that unanticipated new investments made during an existing license term did not count towards the next license term. However, a new law that the PUD strongly promoted, now known as “Credit for Early Action,” allows licensees to request “credit” towards the next license term for actions taken in advance of relicensing. The PUD seeks customers’ input about whether it should consider early actions at Rock Island.

The Rock Island Relicensing Topic Team developed a list of pros/cons related to early action and a set of criteria that are included in the survey. A complete project list was not developed, although team members did note potential enhancements including recreational improvements in Malaga and the City of Rock Island; trail improvements; environmental, habitat, and shoreline analysis; historical and cultural education; and enhancements to the Horan Natural Area.

PROS AND CONS OF PURSUING EARLY-ACTION

PROS

- Protects and enhances public resources within the Rock Island Project reservoir area sooner than waiting until the new license is issued by the FERC (e.g. after 2028)
- Opportunity to plan and work alongside the community on projects that complement or leverage current programs or efforts
- May influence a longer 50-year license term for the Rock Island Project because the early investment would count as part of the new license?

CONS

- Without the full environmental review and public involvement typically completed during the relicensing process, investments may be made that don’t consider a comprehensive approach to resource planning or may not have been required as part of relicensing
- Early project investments incur operating and maintenance costs that extend over a longer period of time
- Process is untested and there is some regulatory uncertainty

Developed by the Rock Island Relicensing Topic Team

Note that the list of potential criteria for both Rock Island Relicensing and the Public Power Benefit Program are consistent, as shown on page 5.

QUESTIONS FOR OUR CUSTOMERS:

Should the PUD pursue recreational or environmental projects within the Rock Island Project reservoir area as early actions before relicensing, provided support for a 50-year license term for the Rock Island Project is obtained?

What criteria should the PUD consider when looking at projects for early action at Rock Island?





WHOLESALE/RETAIL SALES

Looking forward to the midpoint of this strategic plan (2022), if we maintain the status quo, the PUD forecasts sales of 1,084 average-megawatts. Of that, retail sales equals 21 percent and wholesale sales equals 79 percent.

The PUD wants the strategic plan to have good outcomes under a range of scenarios, including:

- Retail growth at low, expected and high scenarios
- Wholesale prices at low, current and high scenarios
- Different combinations of each of the above

INCREASED RETAIL SALES – PROS AND CONS

PROS:

- Chelan PUD's low rates could attract new businesses and jobs
- New economic activity could increase the tax base

CONS:

- Most existing retail rates collect less than the total costs to serve customers
- Under most scenarios, adding retail load results in risk of rate increases for existing customers

WHOLESALE SALES – PROS AND CONS

PROS:

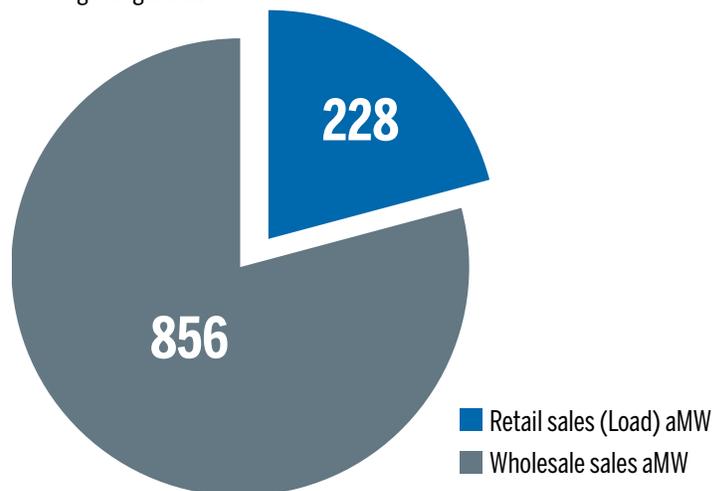
- Historical wholesale prices have been good for PUD customer-owners, resulting in low rates and debt reduction
- Revenue outcomes are good under current and high wholesale price scenarios
- Contract length and volume of sales can be controlled

CONS:

- Market prices are unpredictable and costs may not be covered under low wholesale price scenarios
- Retail rates would have to increase if market prices turn out to be low

2022 FORECAST

Average megawatts



QUESTIONS FOR OUR CUSTOMERS:

Should Chelan PUD increase the focus on retail sales and reduce wholesale sales in support of local economic development even if it means an electric rate increase for existing customers?





LONG-TERM RATE PLANNING

After seven years without rate increases, Chelan PUD plans to adopt a long-term rate plan. The utility has had only a total of 9 percent in rate increases since 2000, while inflation has been around 40 percent. As the utility industry, market conditions and our customers' needs change, we need to be able to respond with appropriate rates and rate designs.

ELECTRIC SYSTEM RATE SUPPORT

2018

\$21 million

Retail Rate Subsidy

\$50 million

Wholesale Sales Benefit

2024

\$40 million

Retail Rate Subsidy

\$38 million

Forecasted Wholesale Sales Benefit

Retail rates are reduced from their full costs due to revenue from the wholesale market subsidy.

THERE ARE SEVERAL FACTORS:

- Now is the right time to develop a long-term rate plan for the electric system before there is an emergent need
- Any needed increases can be planned in small, incremental increases over time
- New rate designs can be put in place to proactively be ready for changing customer characteristics, such as electric vehicle charging and second/recreational homes
- We don't want to over-rely on volatile wholesale revenues
- Needed reinvestments in our core electric distribution assets have increased from \$9 million in 2014 to \$23 million planned for 2019
- New reliability and safety compliance standards are increasing costs
- Forecasts show a need to borrow funds in this planning horizon
- Long-term rate plans also need to be extended for water, wastewater and fiber services to strive to meet individual business line financial metrics and self-sustainability of each individual service. Major asset purchases are paid for in part through modest subsidization from wholesale energy sales. Rates are targeted to cover ongoing operations.
- Growing costs of serving retail loads along with shrinking margins for wholesale sales creates future financial risk

RESIDENTIAL ELECTRIC RATES

3.2¢/kWh
Chelan PUD

Wholesale energy sales help keep Chelan residential rates low.

6¢/kWh
Low-cost Washington utility

QUESTIONS FOR OUR CUSTOMERS:

Do you prefer small "Consumer Price Index-like" annual electric rate increases rather than the risk of waiting until large annual increases are needed to meet financial requirements?

Do you prefer that the water, wastewater and fiber systems move toward more self-sustainability through rate increases or do you support some funding from wholesale electric sales to keep their rates low (recognizing the community benefit they provide)?

(Note that this does not alter the current fiber expansion program that is part of the Public Power Benefit program.)



Help us shape the future of Chelan PUD:

1. Review this guide to learn about key PUD issues.
2. Consider our questions to help with our 2020-2024 planning.
3. Make your voice heard by mail or online.

- Fill out the form in this guide and mail back to us in the pre-paid envelope
- Or go online to **ourpublicpower.org**, using a PC, tablet or mobile device
- You could win one of three Fitbits for sharing your input
- Surveys need be completed online or postmarked by June 21, 2019, to be eligible for the drawing



Eligible to win a Fitbit by submitting your survey by June 21, 2019

For rules, visit www.ourpublicpower.org/rules

See our online version for more features:

- Topic presentations
- PUD background information
- Videos
- Online survey



SPANISH VERSION OF TEXT



CHELAN COUNTY

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