

Strategic Planning Survey & Plan Update

August 5, 2019



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Update Outline

- Strategic Planning Results
- Draft Plan Review
 - Strategic Priorities
 - Strategic Objectives
 - Planned Actions
- Schedule Overview / Questions
- Appendix
 - Additional Survey Information
 - Key Topic Summaries



Strategic Planning Survey Results

Survey Consisted of Four Parts:

- **Part 1:** PPB/Early-Action Project Criteria Prioritization
- **Part 2:** Customer Preferences on Key Actions
- **Part 3:** Open-Ended Questions
- **Part 4:** Demographic Questions



Survey – Part 1 (PPB and Early-Action Criteria)

- List of 7 criteria that were developed by Topic Teams
- Customer-owners asked to rank criteria in order of preference (mean score):
 - **Economic Development (2.79)**
 - **Environmental Stewardship (3.11)**
 - **Recreation Opportunities (3.50)**
 - Furthers Education and Job Readiness (4.20)
 - Serves an Area or Population that is Underserved (4.23)
 - Complements Other Efforts / Collaboration with another Entity (4.57)
 - Supports Diversity and Inclusiveness (5.03)



Survey – Part 2 (customer preferences on key actions)

- Q1. Preferred approach to local load growth/economic development vs. wholesale sales
- Q2. Rock Island Relicensing/Early Action
- Q3. Water/Wastewater/Fiber business line sustainability vs. subsidization
- Q4. Customer preference for long-term rate planning



How strongly do you support local economic development (jobs, services, property taxes)? Please indicate how much of an increase in your monthly bill you are willing to accept to support local economic development efforts.

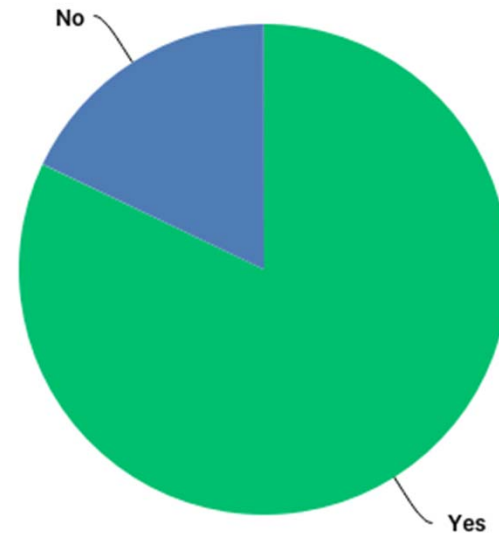
Selection	Percent Selected
0% - Keep my bill as low as possible	38.7%
5% (\$2.75)	35.8%
10% (\$5.50)	18.7%
20% (\$11.00)	4.9%
40% (\$22.00)	2.0%

A majority - 61.3% of respondents support local economic development, even if it impacts rates, but their appetite is moderate (only 6.8% favor 20% increases or greater)



Should Chelan PUD make environmental and recreational investments (access to river, parks, trails) along the Rock Island Project prior to formal relicensing in 2028 in order to support a longer (up to 50-year) license term for Rock Island?

- Yes = 82%
- No = 18%



How financially self sustaining should the water, wastewater, and fiber systems be?

	STRONGLY LEAN TOWARDS SELF-SUSTAINABILITY	LEAN TOWARDS SELF-SUSTAINABILITY	BALANCED WITH SOME SUBSIDIZATION	LEAN TOWARDS SUBSIDIZATION	STRONGLY LEAN TOWARDS SUBSIDIZATION	TOTAL
FIBER	24.46% 615	25.14% 632	34.49% 867	9.15% 230	6.76% 170	2,514
WATER / WASTEWATER	25.51% 638	27.87% 697	33.91% 848	8.12% 203	4.60% 115	2,501



Chelan PUD has some of the lowest electric rates in the U.S. thanks to excess power and a favorable wholesale power market. Markets are unpredictable though and low market prices could lead to substantial rate increases. Should the PUD lean toward:

Stable Rates = 76.3%

(supported by annual rates increases ~3%)

Variable Rates = 23.7%

(no rate increases short term, but higher risk of double-digit increases in the future)



Survey – Part 3 (open-ended questions)

- What do you see as Chelan PUD strengths?
- What do you see as Chelan PUD weaknesses?
- What one action could the District take to improve the quality of life in the region?
- Would you like to leave any additional comments? (also on printed survey)



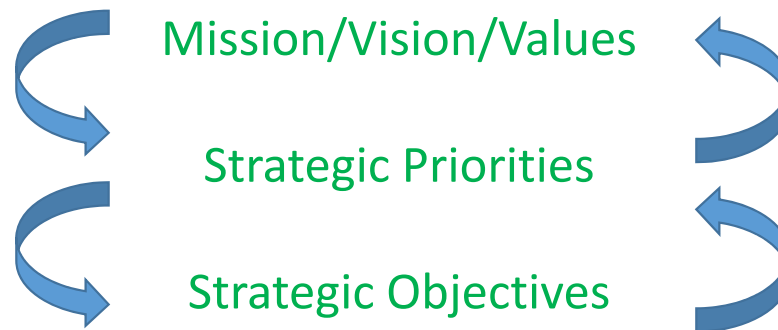
Question Responses – Overall Themes

- Low rates (appreciation for, desire to keep, limit impacts of cryptocurrency, etc.)
- Appreciation for PUD, customer service, recreation, survey, outreach, collaboration, communication, etc.
- Fiber (service offered, desired expansion and service , etc.)
- Environmental stewardship (address impacts of operations, lead on sustainability, climate issues, etc.)
- Renewable (hydro, promote conservation, opportunities for wind and solar)
- Economic development, job creation, educational opportunities
- Continue focus/investment oriented towards infrastructure (and/or focus more)
- Stability and low debt (maintain low levels/pay down), too dependent on wholesale energy market
- Possibly doing too-much, trying to be everything to everybody



Draft Strategic Plan

- Plan based on a compelling vision: **Best / Most / Longest**
- Strong financial position and encouraging forecast – opportunity/inflection point
- Plan should promote resiliency because the future may be filled with continued prosperity or more challenging conditions (financial or otherwise)
- Overall format is consistent with the 2015-2019 Plan:



Draft Strategic Plan

Strategic Priorities:

1. Invest in assets and people and seek industry top quartile performance for hydro generation, retail reliability, and safety while improving our customer service technology
2. Sustain excellent financial resiliency while mitigating the risk of large rate increases
3. Enhance the quality of life in Chelan County through programs that distribute the benefits of public power
4. Engage in countywide growth planning and job creation efforts while ensuring the District's rates and policies remain stable and predictable



Draft Strategic Plan

Strategic Objectives:

1. Commit to the highest level of customer-owner satisfaction
2. Invest in creating long term value
3. Protect natural resources impacted by operations
4. Ensure financial stability
5. Seek operational excellence through continuous improvement mindset
(with an emphasis on efficiency, effectiveness, compliance, risk-assessment, and resiliency)
6. Advance human and organizational performance
7. Encourage innovation



Draft Strategic Plan

Planned Actions:

Public Power Benefit Program

- Program will be retained so long as financial resources are in place to support the effort
- Financial criteria will be modified to provide for continuation of the Program should the PUD reenter the capital borrowing market
- Program criteria will be updated in 2020 and projects will be solicited from the public

Early Action

- Solicit recreation and environmental early actions in 2020 and proceed with preliminary assessments. In doing so, we will seek to partner with project sponsors and obtain commitment to support a 50-year license



Draft Strategic Plan

Planned Actions:

Growth and Economic Development

- District will engage on countywide economic development and growth matters and will consider specific actions, provided rate impacts are minimal ($\leq 5\%$ incremental)
- Explore the development of “hubs” that can be used to concentrate industrial load growth and minimize risk of stranded assets
- Review industrial retail rate structure and analyze costs and impacts of growing retail loads versus wholesale loads and explore new rate structure options
- Pursue establishment of an ombudsperson position to facilitate discussions with potential large load customers
- Actively explore a hybrid-renewable resource based rate (with full cost recovery)

Aesthetics

- Retain current policy for customer requested aesthetic improvements of existing infrastructure such as undergrounding of power lines where those who benefit will pay the added costs



Draft Strategic Plan

Planned Actions:

Long-Term Rate Planning

- Fiber business line will be financially self-sufficient by the end of the 5-year rate implementation period
- Water and wastewater rate structure will lean more heavily towards self-sustainability
- A rate stabilization fund will be established through 3% annual rate increases beginning in 2021 and low-income and energy efficiency programs will be reviewed in 2020 to limit impacts to customer-owners



Schedule Overview

August 19

Commission Presentation: Draft Strategic Plan

August 20 – September 16

Draft Plan Published, Public Review

September 16

Commission Consideration of Adopting Resolution



Strategic Planning Update

Questions?



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Appendix

Survey Details



What do you see as Chelan PUD strengths?

THEME	RESPONSES
Appreciation for low rates	404
Communication and transparency	154
Fiber and services offered	139
Renewable energy/Environmental Stewards	127
Local control	123
Recreational opportunities for all	111
Positive community impact	87
Great employees	77
Stability and debt reduction	63



What do you see as Chelan PUD weaknesses?

THEME	RESPONSES
No Weaknesses/ I Don't Know/ Not Applicable	163
Not enough focus on infrastructure	78
Not doing enough on climate change/environmental issues	69
Doing too much/trying to be everything to everybody	66
Too dependent on wholesale market revenue to support operations	50
Not enough focus on economic development OR too much focus on economic development	13
Too Wenatchee-centric	10



What one action could the District take to improve the quality of life in the region?

THEME	RESPONSES
Support continued recreational opportunities, river access, docks, trails, Frisbee golf	167
Expand fiber network throughout the county	126
Maintain low and stable rates	113
Protect local environment, fish, wildlife and lands surrounding river	56
Promote economic development, local businesses, job creation, healthy tax base	55
Partner with other agencies for low-income assistance, grants, employment programs and educational opportunities	48
Maintain status quo and core competencies; keep up the great work!	47
Support solar energy and other emerging renewable energy sources	32
Offer conservation programs and resources to help customers save and help environment	28
Continue to invest in infrastructure to protect assets and maintain strong reliability	27



Would you like to leave any additional comments?

THEME	RESPONSES
Appreciation for PUD, survey, recreation, service, communication, collaboration, etc.	223
Maintain low rates, no rate increases (electric), consider rate impacts to low-income, fixed-income, implement assistance programs	68
Desirable of fiber expansion, etc.	55
Limit cryptocurrency impacts, prevent mining, limit rate impacts, etc.	34
Implement high environmental stewardship, address impacts to fish, make habitat improvements, be a leader in conservation and sustainability	22
Promote energy efficiency and conservation, rebates, develop/facilitate more solar and wind	18
Promote economic development, tie economic development to job creation	16
Be a leader in clean energy, carbon free economy, addressing climate impacts	13
Pay down debt, limit debt	10



Geographic Distribution of Respondents

Selection	Responses	Actual Representation*
Wenatchee	33%	44.2%
Chelan	7%	5.4%
Cashmere	4%	3.4%
Leavenworth	8%	2.6%
Entiat	2%	1.6%
Manson	3%	Unincorporated
Malaga	2%	Unincorporated

**Zip code boundaries do not correspond with city limit boundaries – results should be interpreted generally*



Educational Attainment of Respondents*

Highest Level of Education	Survey	Chelan County
12 th Grade or less, no diploma	1.4%	17.1%
High school diploma or equivalent	8%	27.5%
Some college, no degree	18.2%	21%
Associate's degree	12.9%	8.1%
Bachelor's degree	35.3%	15.6%
Post-graduate degree	24.2%	10.6%

*Age 25 and over



Age of Respondents

Age Group	Survey	Chelan County
18-24	0.8%	8.4%
25-34	7.5%	12.3%
35-44	16%	11.2%
45-54	16.8%	12.2%
55-64	26.1%	14.1%
65+	32.7%	17.6%



Other Survey Details

- Approximately 2,700 total survey responses and 3,700 written comments (~35,000 total printed surveys mailed)
- Overall response rate of 7.7% with 54% of those responding, doing so online
- Over 54,000 customer and employee emails sent with an open rate of 32%
- 147 PUD employee responses
- Respondents that self-identified as Hispanic/Latino: 5.4% (Chelan County Hispanic/Latino Census data: 27.5%)
- Female respondents: 45%; Male: 50%; Prefer not to answer: 5%

Key Topic Summary: Aesthetics

Survey Key Findings:

- A minority of customers are concerned about aesthetics
- Customer-owners with second homes are more likely to be concerned
- Most respondents think that those that directly benefit from power line conversion should pay for it
- A majority (57%) are not willing to pay higher rates to convert overhead lines to improve views
- If the PUD created an “aesthetic improvement fund,” on average, customers would be willing to spend from \$2-\$4 a month on top of their current electric bill
- When asked to recommend priorities for the PUD, affordability and reliability came out on top – not aesthetics



Key Topic Summary: Long-Term Rate Planning

Key Findings of Topic Team:

- Low rates are a major community benefit and need to remain a top priority
- Small incremental rate increases will be necessary and prudent to offset rising costs and shrinking supplemental revenue
- Enhanced communication can be utilized to educate customers on the full cost of service, but displaying it on monthly bills is not the preferred method
- Water and wastewater services should continue towards self-sustainability, with some support for major capital costs
- Recognition that subsidization has land use impacts and that water/wastewater rates can be significantly lower than municipal systems in the region
- Fiber business should continue towards self-sustainability (excluding PPB-funded expansion efforts)
- Concern expressed for rate impacts to low-income customers and a desire to explore assistance programs, discounts, etc.



Key Topic Summary: Economic Development

Key Findings of Topic Team:

Should Chelan PUD continue with this policy of “growth pays for growth,” supportive of lower rates for existing customers, or lean more toward economic development, supportive of more jobs in the community? Team recommendations:

- Establish an internal “lead” or “ombudsman” position for economic development projects, who can serve as a primary point of contact for the Port and other economic development entities.
- Consider establishing a Public Power Benefit program fund using a small portion of wholesale revenues and periodically replenishing this fund, that can be used to help pay for new electrical infrastructure to serve new businesses recruited into the county. Use of the fund would be guided by criteria, developed with input from stakeholders in the County.



Key Topic Summary: Wholesale/Retail Sales

Key Findings of Topic Team:

Should Chelan PUD reduce emphasis on wholesale marketing and focus more on growing retail loads and local economic development? Team recommendations:

Analyze and recommend industrial retail rate structures that consider:

- How other electric utilities have developed or implemented ‘economic development rates’ and see if Chelan PUD could adopt something similar
- Identify costs and impacts of growing retail loads verses wholesale sales
- Identify and quantify risks associated with growing retail loads or low market prices
- Identify and quantify potential impacts to revenues based on market gains and losses

The topic team encourages Chelan PUD to be creative about potential development of additional rate structures to support economic development which could include:

- A hybrid-renewable resource (combining hydro, wind, solar, etc.) based rate
- An initial rate structure that would transition to a full cost of service rate over time
- Investigate a hub concept, looking into location-specific discounted rates
- Creative development-friendly rate – combinations of 2nd and 3rd bullet above



Key Topic Summary: Public Power Benefit

Key Findings of Topic Team:

- Strong support for continuation of the Public Power Benefit Program, provided that it is financially feasible
- Recognition that the Program provides resources that otherwise would not be available – especially to low-income residents
- Identified a need for District staff to evaluate criteria and project solicitation process concurrent with or an immediate follow-up action to the new Strategic Plan
- Project categories and areas of emphasis were discussed and tested on the Countywide survey
- Statutory limitations and restrictions were discussed in detail



Key Topic Summary: Rock Island Relicensing

Key Findings of Topic Team:

- Lots of interest in this Topic, with 18 people participating in at least one meeting
- There was strong support for pursuing “early-action” projects as part of the Rock Island Relicensing strategy and the Team identified “pros” and “cons” of pursuing such investments
- Discussed a wide variety of potential projects including recreational projects in Malaga, Rock Island, enhancements to the Horan Natural Area, and other more general recreational and environmental efforts
- A list of investment criteria was established which notes FERC, Chelan PUD, and customer-owner considerations
- The customer-owner project considerations were tested on the Countywide survey and were analogous to the work done by the PPB Topic Team

