

# Fifth straight year - no electric rate increase

The proposed Chelan PUD budget for 2017 has no electric rate increase, increases capital spending focused on our hydro projects – more than double what we would attempt to accomplish for regular annual maintenance, and further reduces debt. Five straight years without a rate increase is very unusual in today's utility world.

We are focusing on our three Strategic Plan priorities: investing in assets and people, reducing debt and providing a Public Power Benefit program that includes our fiber expansion program. The budget is built around the

strategic plan philosophy of creating the best value for the most people in the county for the longest period of time.

A \$97 million investment is proposed for the assets that create value to you, the customer-owner, particularly in maintenance and upgrades at our three revenue-producing hydroelectric dams.

Your PUD is projecting positive net revenues of about \$85 million for this year. Although we don't expect our good fortune to go on forever, the 2017 budget forecasts another \$83

million in net revenues. Inside you get a look at how the proposed budget provides plans for the future.

In 2017 we will pay down more debt - \$52 million - that keeps us on track to be below our target of 35% debt to equity ratio by 2019 – substantially improved, considering our debt ratio was at 65% in 2012. (See graph inside).

Take a look at the proposed 2017 PUD budget and let us know what you think: [www.chelanpud.org/2017budget](http://www.chelanpud.org/2017budget) Comments are welcome between now and Dec. 5.



CHELAN COUNTY

**Let's talk:** We want to hear from you. Talk to us on Facebook.com/ChelanPUD  
Find us on Twitter @ChelanPUD • Email us at [contactus@chelanpud.org](mailto:contactus@chelanpud.org)  
Give us a ring at (509) 663-8121 or toll-free, (888) 663-8121.



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CHELAN COUNTY



## Meet three new PUD employees who have joined our team providing exceptional service and value to you



Robb Davis

**Robb Davis** an attorney and former Navy pilot comes to us from the Bonneville Power Administration. Robb brings his extraordinary regulatory experience in regional energy matters to help the PUD take advantage of emerging market opportunities throughout the western U.S. for



Brandon Sandoval

our clean, renewable energy. Revenue from these efforts keep rates lower for all Chelan County residents.

**Brandon Sandoval** and **Phil Weller**, both journeymen linemen, join the PUD from a Puget Sound-area utility. Brandon is located in the PUD's Chelan office and Phil is located

in Wenatchee. They join top-notch line crews who maintain our electric distribution system to provide you with reliable power year-round. Both mentioned the District's stellar safety record as a reason for joining Chelan PUD.



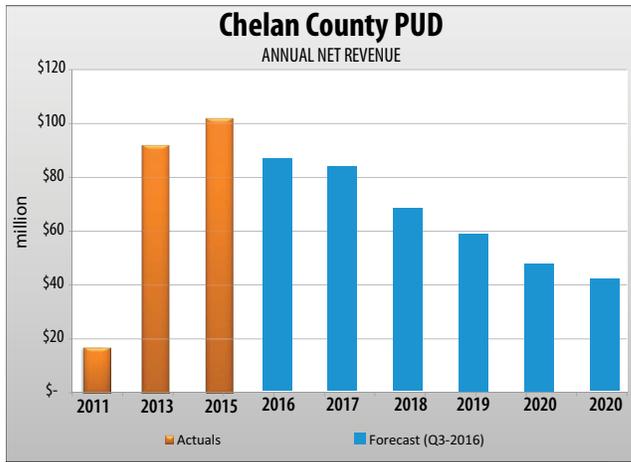
Phil Weller



➔ 2017 budget

# What Drives the PUD Budget Proposal

**Talk to us!**  
 Questions, comments about the proposed 2017 budget? Send them to [contactus@chelanpud.org](mailto:contactus@chelanpud.org) or learn more at board meetings on Nov. 21 and Dec. 5.



**Providing the best for the most for the longest**  
 The reduction in wholesale revenues and the budgeting process has led us to reconsider our strategic plan priorities. The 2017 budget proposes to establish priorities within the three strategic plan focus areas. This budget identifies reinvesting in assets and people as the highest priority, reducing debt next and continuing the Public Power Benefit program that includes our fiber build-out throughout the county, third. We believe these priorities best protect



Refurbishing units at Rocky Reach (pictured) and Rock Island dams is the highest priority to maintain revenue-producing value for customer-owners.

Roughly 80 percent of the PUD's revenues are generated from surplus power sales we make in the wholesale power markets. We can do this because the PUD's hydropower projects generate substantially more electricity than we need here in the county.

Wholesale electricity prices have fallen in the last two years. Why? Competition from electricity produced by natural gas (the shale gas revolution) and renewable energy sources such as solar and wind (more investment in alternative energy sources due to legislative requirements across western states).

**Why Chelan PUD is different**

Current Chelan PUD wholesale revenues have been cushioned by the contracting strategies we use to sell our power. We do expect, though, that wholesale revenues will decline from the current level in the coming years. The graph above gives you a picture of the financial impact.

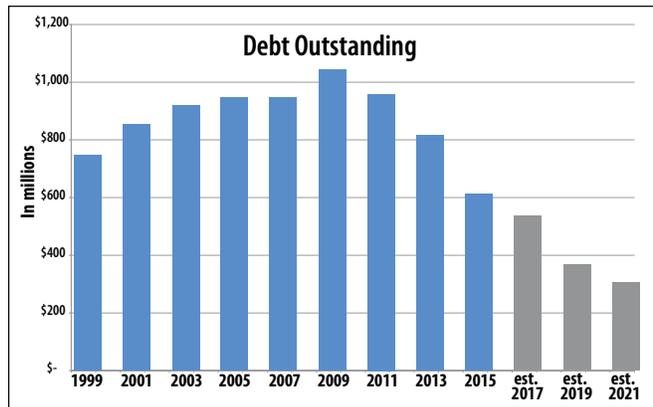
Even with declining wholesale revenues, we believe the most likely scenario is the PUD will generate higher revenues than our operating costs for the next five years. We have plans in place for a range of scenarios, including what might happen under more dire circumstances.

the long term interest of customer-owners, particularly if market prices should fall even more.

**Taking the long view**

In effect, we are taking advantage of what have been some good years in the wholesale markets to prepare for the future. That includes getting our assets in great shape – just like you would do at home - repair the roof now before it becomes an emergency. These investments put the PUD in the best position for increasingly competitive markets. And, our emphasis on reducing

debt is the equivalent to how you would pay down your home mortgage – it gives us financial flexibility and resiliency by having lower fixed costs. The chart to the left shows how we have cut the PUD debt.



These actions reflect the long-term perspective that has been the historical hallmark of Chelan PUD and why we aren't seeing a rate increase again this year while maintaining some of the lowest electric rates in the nation.