

Public Utility District No. 1 of Jefferson County, WA
Adjusted Electric System
Acquisition Analysis

January 14, 2009

DHITTLE
& ASSOCIATES, INC.
Engineers and Consultants

Overview

- Analytical assumptions revised as appropriate
- Additional scenarios for comparison
- Analysis updated

Estimated Acquisition Cost

- Department of Revenue estimated taxing value of PSE properties in Jefferson County is \$30 million
- Preliminary estimate of OCLD
 - Original cost: \$58.2 million
 - OCLD: \$34.9 million
- Reproduction cost new less depreciation
 - \$70 million
- Estimated purchase price: \$47.1 million

Financing Requirements

- Initial purchase price to be financed with revenue bonds
 - Taxable
 - Tax-exempt
- Financing requirement

Initial System Acquisition	\$	47,200,000
Separation Costs		1,200,000
Startup Costs		<u>7,800,000</u>
Total Initial Costs	\$	56,200,000

Initial Financing Requirement

	Bond Issue A (Taxable Rate)	Bond Issue B (Tax-exempt Rate)
Initial Acquisition Costs	\$ 47,200,000	\$ -
Separation, Startup, Legal Costs ¹	-	\$ 8,600,000
Working Capital ²	-	5,000,000
Contingency Reserve	-	-
Subtotal	\$ 47,200,000	\$ 13,600,000
Financing Expense ³	521,000	150,000
Debt Service Reserve ⁴	4,414,000	1,091,000
Total Financing Requirement	\$ 52,135,000	\$ 14,841,000

- Higher interest rates – 7.5% taxable, 6.0% tax-exempt
- Approximately \$67 million total, previous \$66 million

Customer Accounts

- Approximately 18,200 customers in 2009
 - 84% are residential customers
 - Assumed growth of about 2% per year
 - About 18,900 customers by 2011

Energy Requirements

- Total energy requirement of about 336,500 MWh (38 average MW)
 - Represents total power supply requirement
- Peak demand of 66 MW
- Assumed load growth of 2% per year

Power Supply

- BPA PF (Tier 1) power to be available to PUD as early as 2012
- Much larger supply of PF power available
- Slightly higher base case PF rates
 - 7.5% increase October 2009; 5.9% every other year thereafter
- Alternative scenarios
 - High case: 12.1% every other year
 - Low case: 1.8% every other year
- Tier 2 costs about the same as before
- Residential exchange credit of 0.9 cents/kWh prior to PF purchase

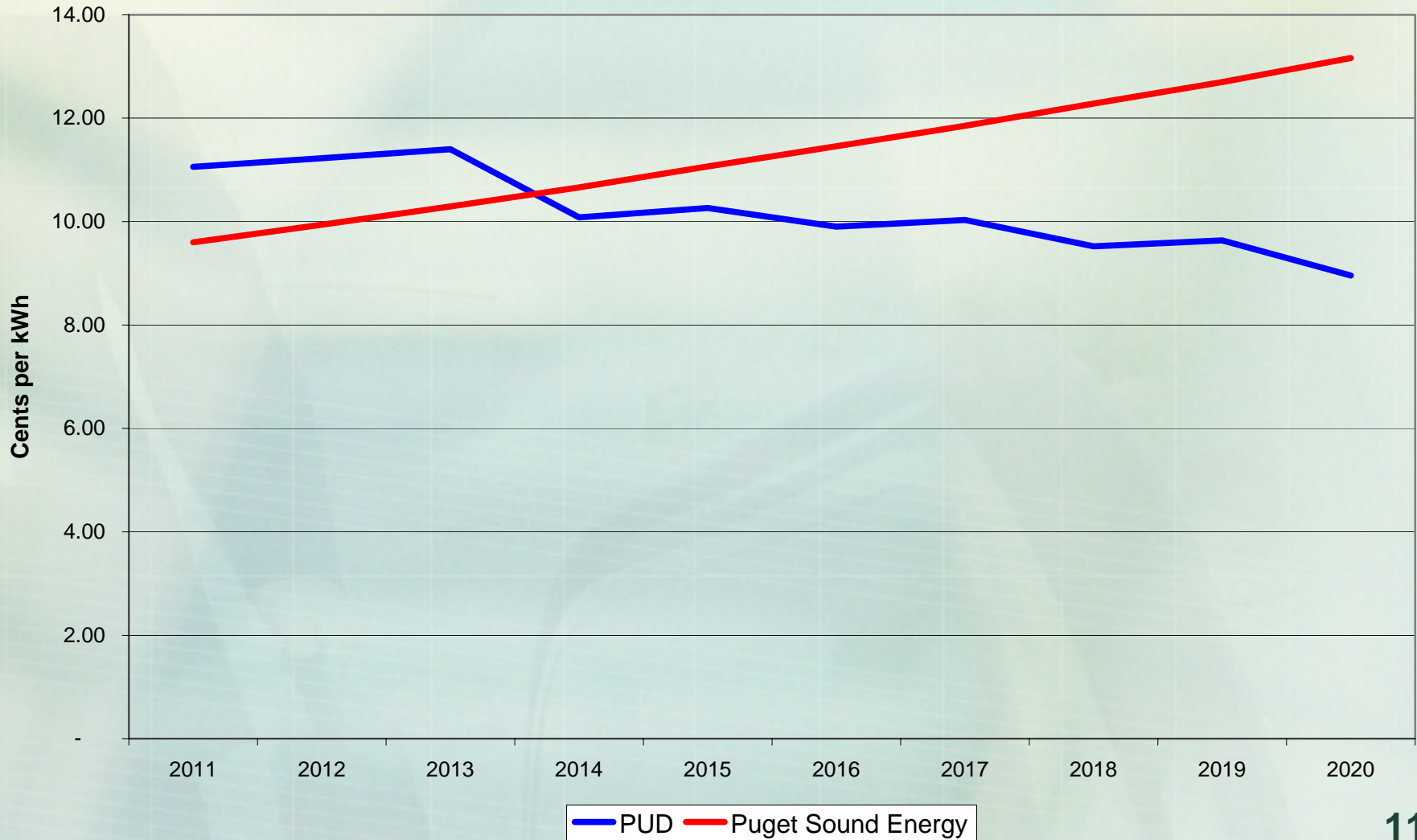
Operating Costs

- Debt service
 - 30 year repayment on initial debt
 - Estimated to be about \$5.5 million per year; previously \$4.7 million
- Renewals, replacements and additions
 - Estimated at about \$1.9 million per year

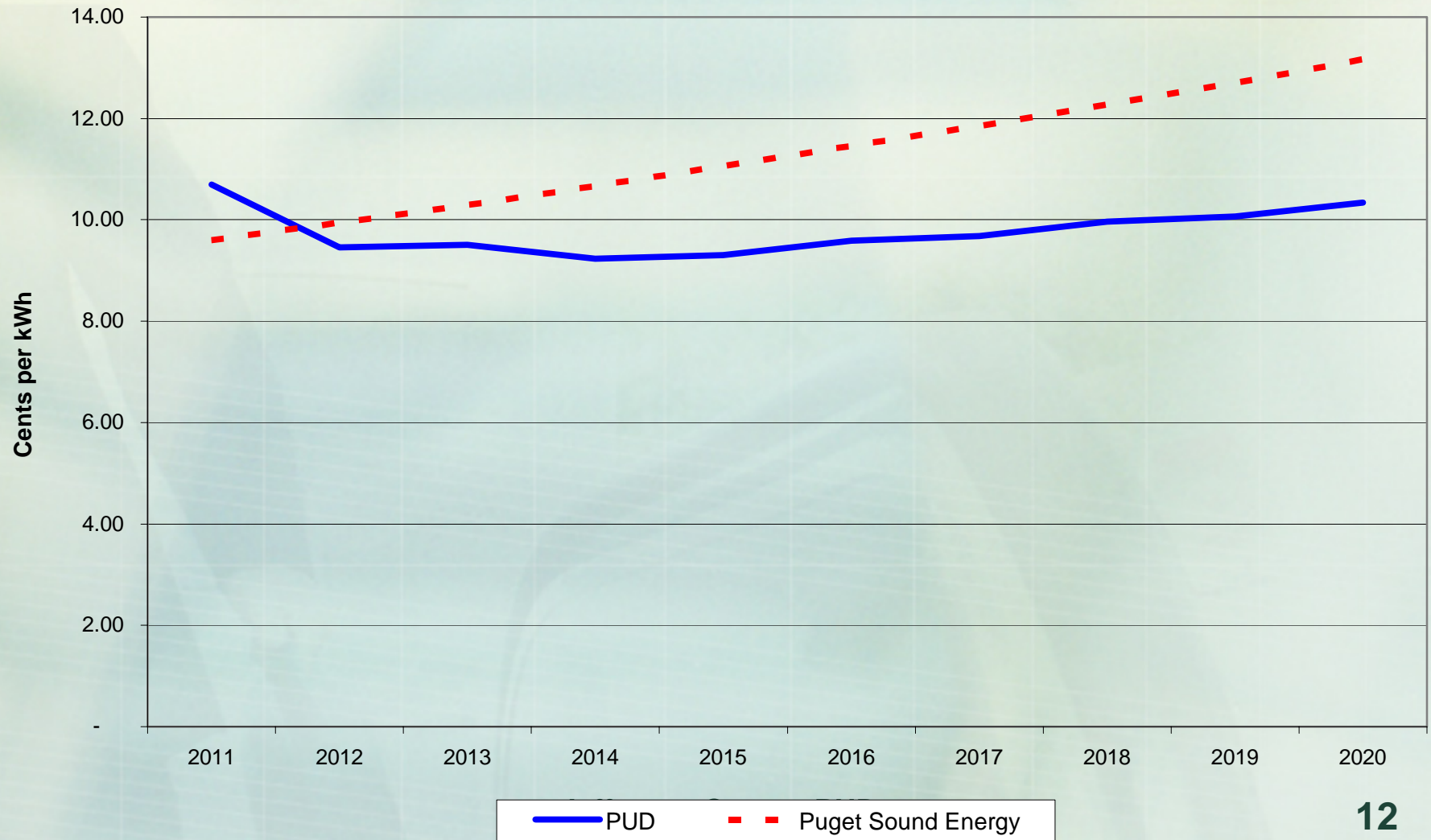
Comparison of Costs

- PSE rates expected to increase over time
 - Assumed to be 3.55% per year (Base case)
 - New rates went into effect Nov. 1
 - Average residential charge at about 9.1 cents per kWh – includes about 0.9 cent BPA credit
- Alternative PSE rate scenarios
 - Low case: 2.89% per year increase
 - High case: 6.66% per year

Comparison of Costs for Feasibility Study (Previous Base Case)



Comparison of Costs for Feasibility Study (Previous Base Case)



Comparison of Scenario Results

Case	Acquisition Price	On-line Year	Power Cost	Interest Rates	PSE Rates	Present Value of Net Savings with PUD over first 10 Years
R1 (Base)	Transmission and distribution at OCLD+35%	2011	Med PF and Base Mid-C	7.5% taxable, 6.0% tax-exempt	Medium	\$34,221,000
R2	Transmission and distribution at OCLD+35%	2011	High PF and Base Mid-C	7.5% taxable, 6.0% tax-exempt	Medium	\$20,165,000
R3	Transmission and distribution at OCLD+35%	2011	Low PF and Base Mid-C	7.5% taxable, 6.0% tax-exempt	Medium	\$41,961,000
R4	Transmission and distribution at OCLD+35%	2011	Med PF and Base Mid-C	7.5% taxable, 6.0% tax-exempt	Low	\$24,891,000
R5	Transmission and distribution at OCLD+35%	2011	Med PF and Base Mid-C	7.5% taxable, 6.0% tax-exempt	High	\$83,309,000
R6	Transmission and distribution at OCLD+35%	2012	Med PF and Base Mid-C	7.5% taxable, 6.0% tax-exempt	Medium	\$37,210,000
R7	Transmission and distribution at OCLD+35%	2013	Med PF and Base Mid-C	7.5% taxable, 6.0% tax-exempt	Medium	\$35,927,000