

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

January 14, 2009



#### 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	7,800,000
Total Initial Costs	\$ 56,200,000

## **Initial Financing Requirement**

	Bond Issue A (Taxable Rate)		Bond Issue B (Tax-exempt Rate)	
Initial Acquistion Costs	\$	47,200,000	\$	
Separation, Startup, Legal Costs <sup>1</sup>		-	\$ 8,600,000	
Working Capital <sup>2</sup>		-	5,000,000	
Contingency Reserve		-		
Subtotal	\$	47,200,000	\$ 13,600,000	
Financing Expense <sup>3</sup>		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

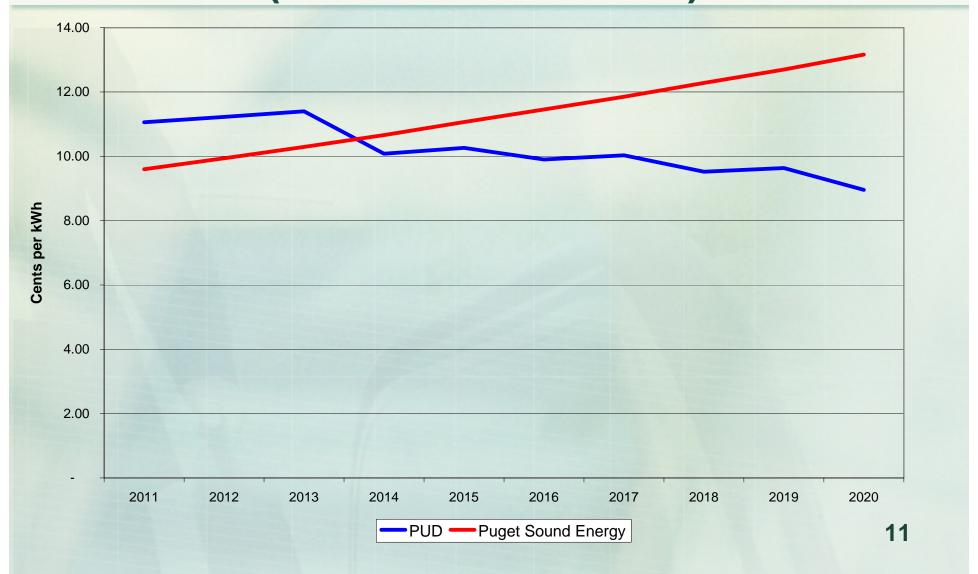
#### **Operating Costs**

- 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

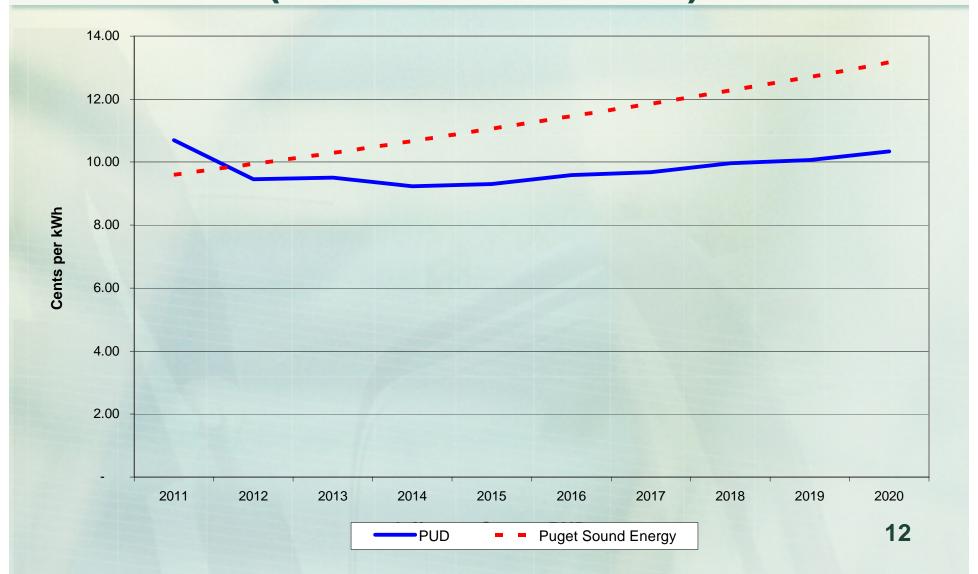
#### **Comparison of Costs**

- 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)



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## **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