

Grant PUD Load Growth

Financial Outcomes of Growth

Financial Outcomes of Growth

Scenario Discussion

1. No Load Growth
2. Customer Queue/Expanded Load Growth

No Load Growth

- No load growth comparison completed - Results highlighted a number of questions:
 - Example of items being investigated:
 - Are there instances under an elevated forward price curve scenario where the wholesale benefit exceeds the retail rate benefit?
 - Additional scenarios run with differing forward price curve assumptions (+/-20%) highlight financial sensitivity
- Additional model/portfolio review needed to ensure that full impacts of the future scenarios are adequately understood

No Load Growth

Future Assessment to include:

- Effects of large capital additions on overall District financial strength over time and the ability to ensure stable/predictable rate impacts into the future.
- Are core customers going to be better or worse off under differing?
 - Price/volume scenarios
 - Capital investment scenarios
 - Rate recovery/customer contribution cost recovery alternatives
 - Other business uncertainties

Grant PUD Load Growth

Customer Queue Load Growth

Core Customer Impact

Growth Scenario – Assumptions

- Assumes base load forecast (Nov 2018) plus incremental growth from customer queue, organic growth assumed beyond customer queue.
 - Annual average load growth
 - 5 yr - 9.7%,
 - 10 yr - 6.6%,
 - 20 yr - 3.9%
- Grow out of Priest Rapids Project in 2021, wholesales purchases assumed to fill shortfall by Rate Schedule 15 customers who are assumed to pay 15% above the cost to serve which is used to offset core customer costs.
- Transmission expansion circuit close is late 2026 at a cost of \$139M, includes Quincy capacitor banks in-service in 2021 at \$6.3M.
- Infrastructure is capitalized at 60/40 debt/equity, no customer contributions and paid off over 30 years.

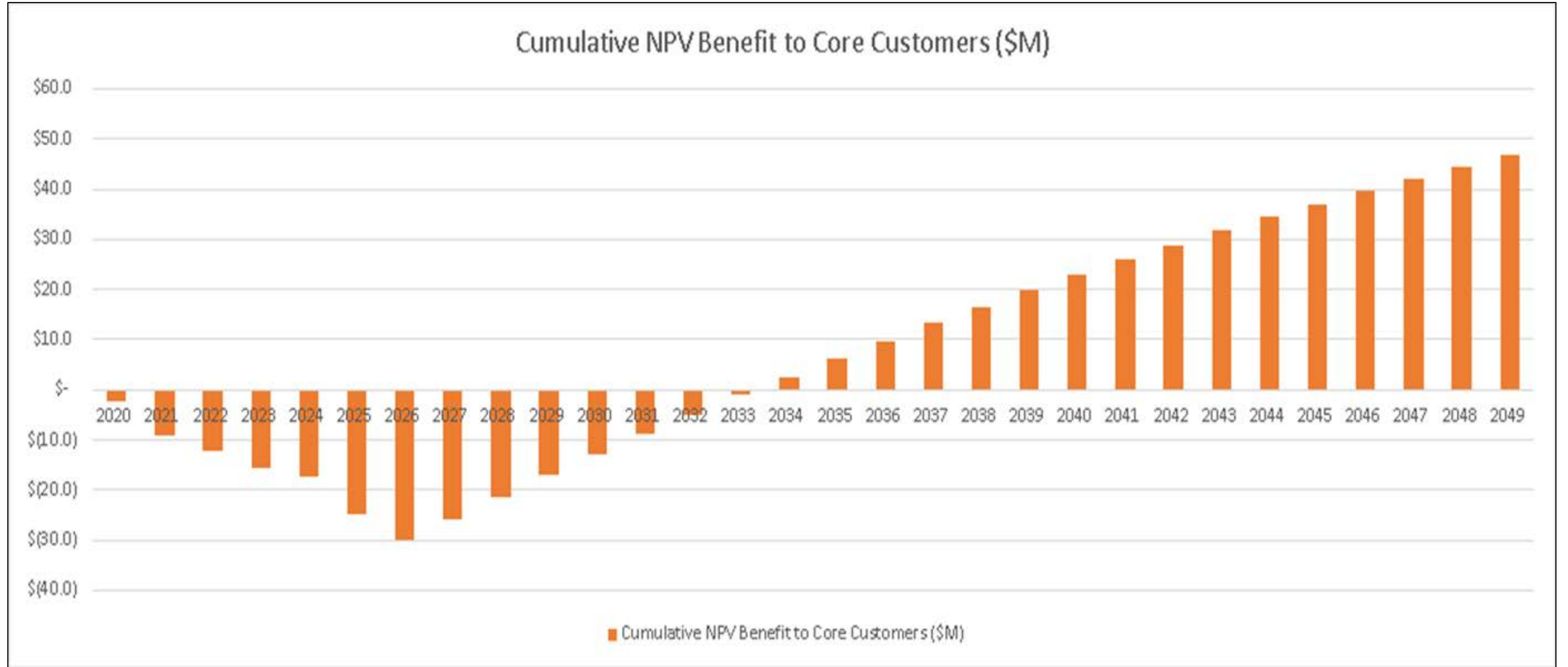
Core Customer Impact

Results:

		<u>NPV</u>	<u>2019 Dollars</u>
10	Year	\$ (17,052,469)	\$ (15,527,128)
20	Year	\$ 19,777,104	\$ 83,051,060
30	Year	\$ 46,678,845	\$ 224,103,801

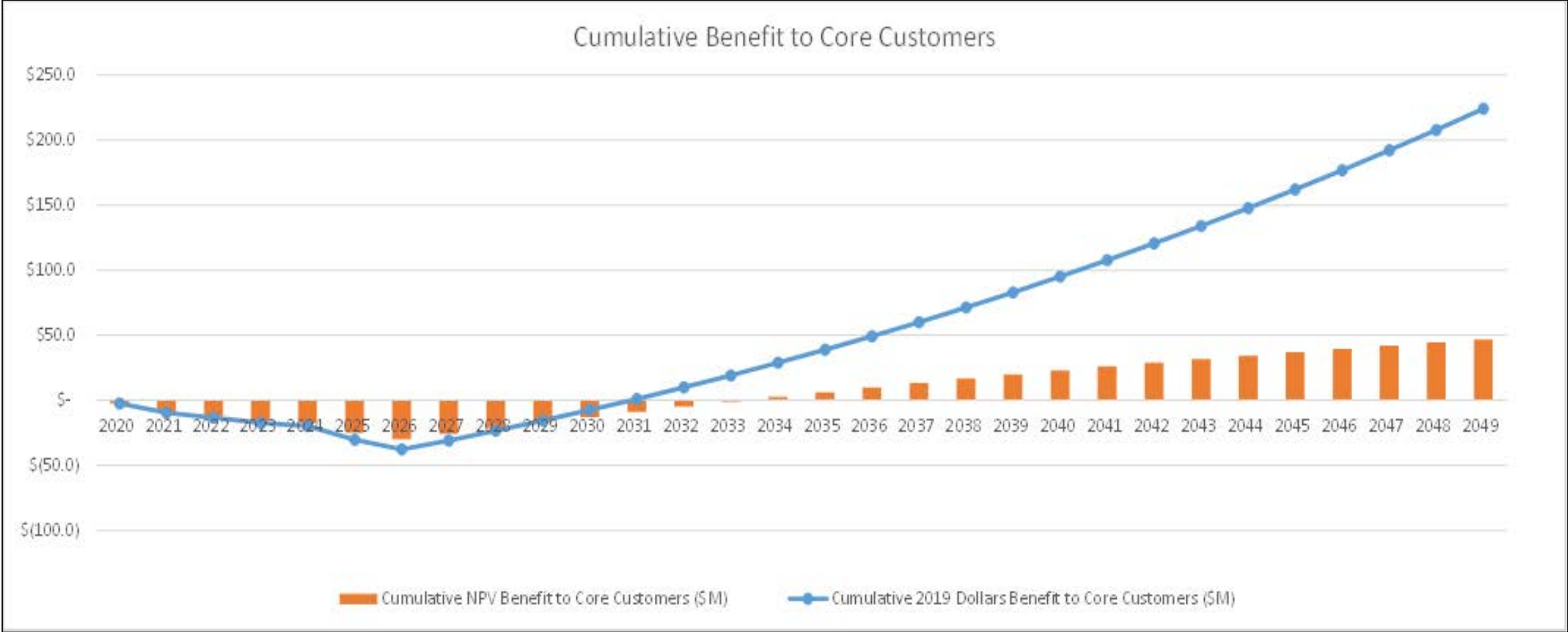
- Core customers benefit from industrial growth in the form of long-term lower rates despite the required investment in transmission
- Project breakeven load growth is approx. 2/3 of incremental queue
 - Net Present Value (NPV) Break-Even = 2034,
 - 2019 Dollars Beak-Even = 2031

Core Customer Impact



Core Customer Impact

Alternative views – Net Present Value and Undiscounted Cash Flows



Core Customer Impact

- Growing profitable loads is a controllable key business driver to the on-going financial health of the utility and core customers
- Impacts Key Financial Metrics, and
 - Liquidity
 - Debt Service Coverage
 - Return on Net Assets
 - Retail Operating Ratio
- Ability to maintain lower future retail rate increases to all customers

Core Customer Impact

- Foundational to delivering on the key objectives of the Strategic Plan
 - Maintain Strong Financial Position
 - Provide Long-term Low Rates
- Delivering on the Mission and Vision of the District
- Direct ability to invest in various program and policy objectives:
 - Fiber System Expansion
 - Debt Reduction
 - Efficiency and Long-term Investments
 - Examples: Replace and refurbish critical infrastructure, Invest in Operations, Technology Efficiency, Invest in and training of employees

Core Customer Impact

Other Points of Consideration

- Load forecast does not reflect any additional incremental growth beyond existing queue
- Sensitivities to be run on different transmission subscription levels to determine District exposure to stranded asset risk
 - Alternative financing/contribution options are being considered but not reflected in this comparison
 - Options decrease the risk exposure to District:
 - Examples – Subscription, parental guarantees, letter of credit, pre-payment/deposit, financing alternatives

Core Customer Impact

- Policy decision to be made on long-term growth implications of build/no-build alternatives and impact to the long-term financial position of the District and impact to customer rates
- Factors to Consider
 - Portfolio sensitivity to forward price curve
 - Impacts load growth, short-term/long-term
 - Risk of stranded investment
 - Other business uncertainties



Questions?