

PSE Leasing Design Phase Executive Update

June 10, 2014



Key questions requiring financial team decisions

Question

Preliminary recommendation

Will the capex for the leasing program come from the existing capital budget or be additional?

Capex should be additional to current capital plan

- Capex tied to new revenue stream, not basic rates
- Capital profile uncertain based on demand
- Expected capex can be funded with existing credit facilities

Does the capex and expected cashflow have an acceptable impact on the dividend / valuation plan?

Yes, investments are value additive

- Not expected to have impact on PIP model
- Question about short term dividend impact

Is PSE comfortable taking on risk of under-return if regulators force this?

Yes, PSE can manage risk to limit exposure

- Unlikely to have material impact on credit ratings / cost at estimated size
- Program has limited exit costs and ability to adjust pricing on new leases to limit over/under pricing

Is the longterm nature of the return profile for the program understood and acceptable?

Leased units make regulated return over life of investment and are therefore desirable

- Return periods of 13-18 years, depending on equipment

Does PSE have the ability to fund build phase in 2014?

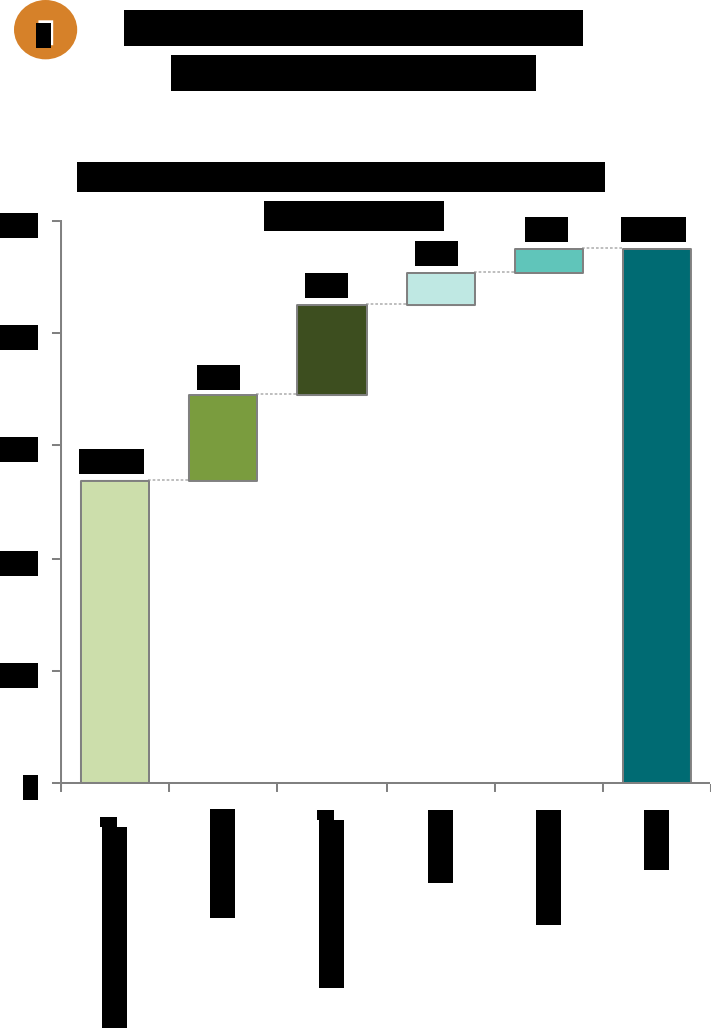
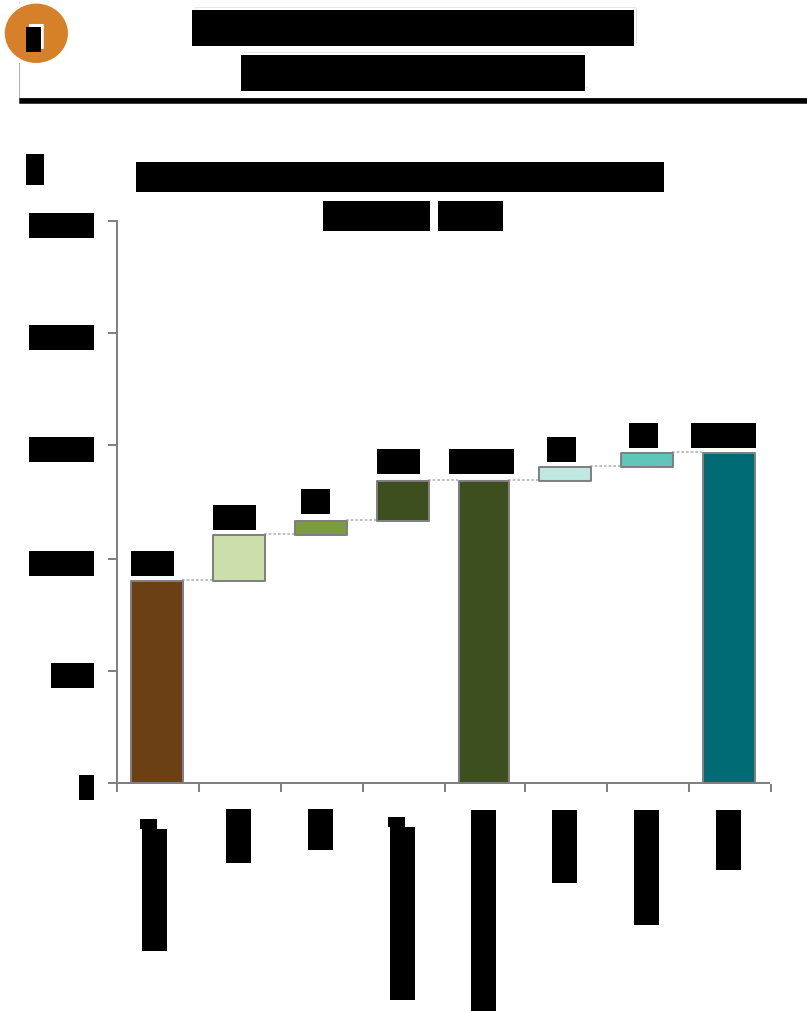
Leasing budget should be separate expense



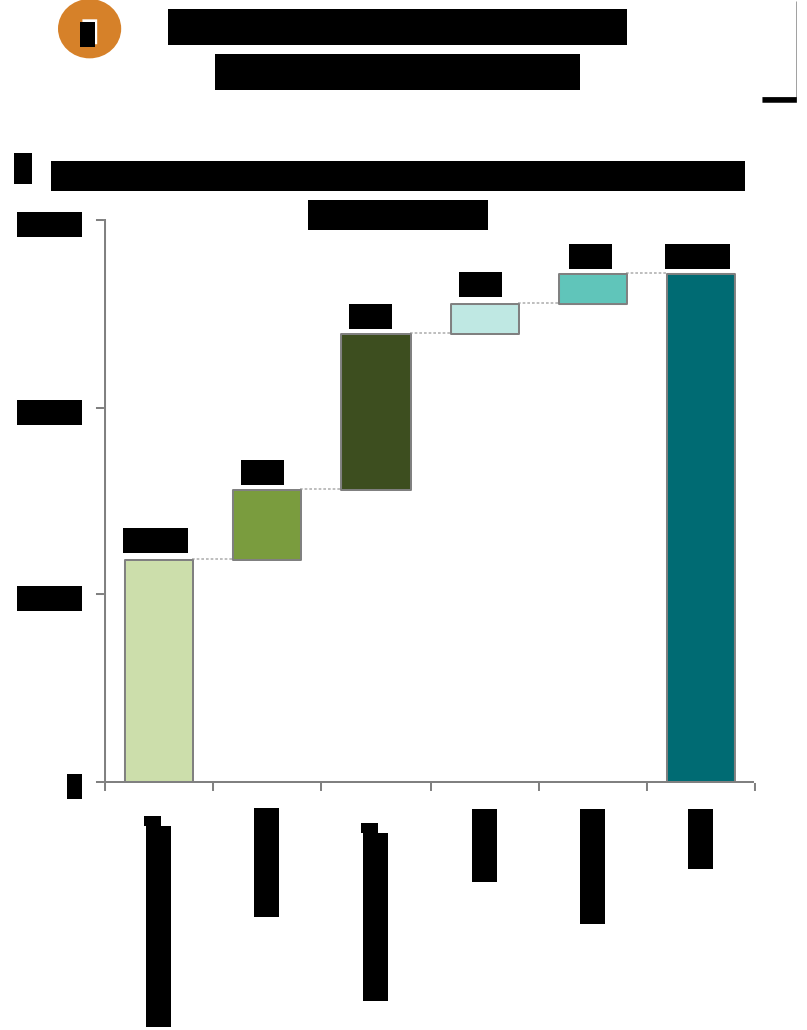
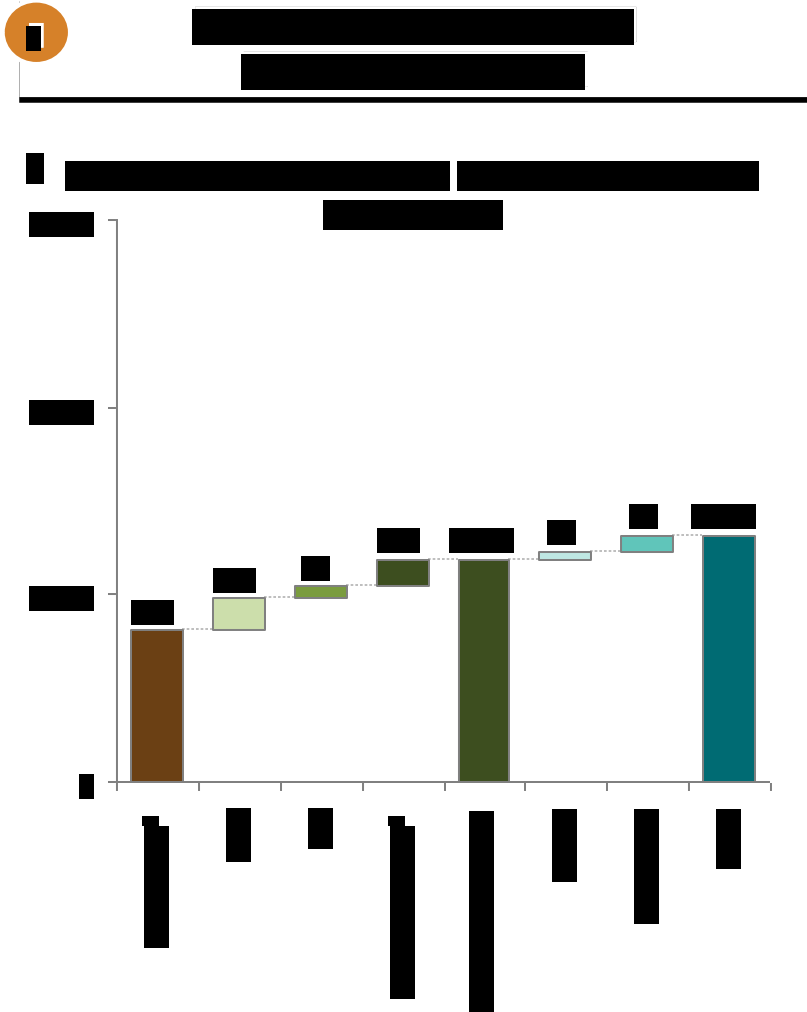
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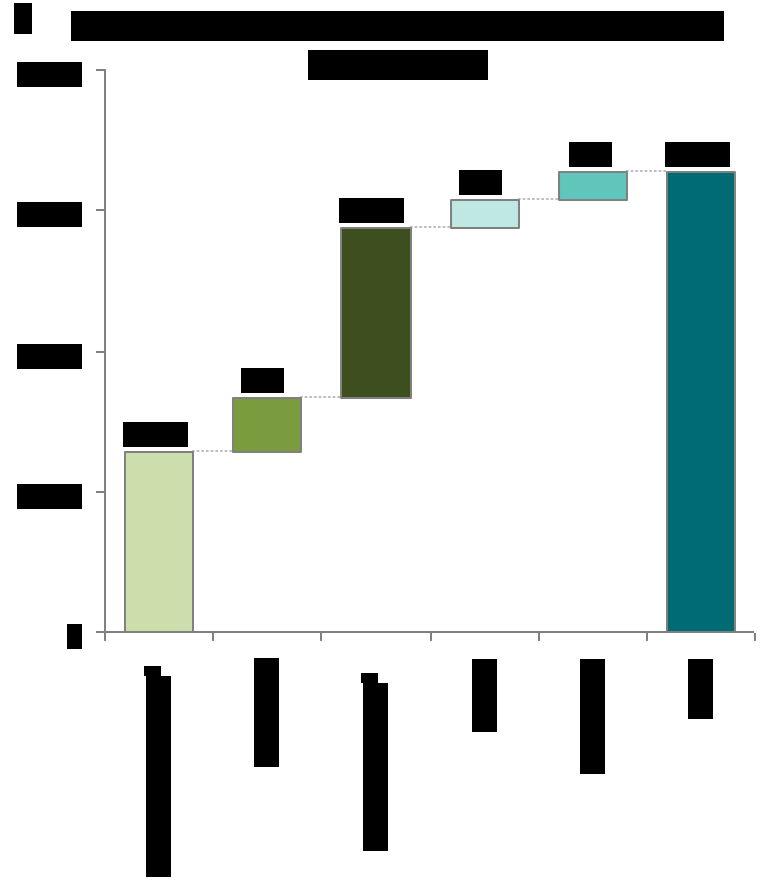
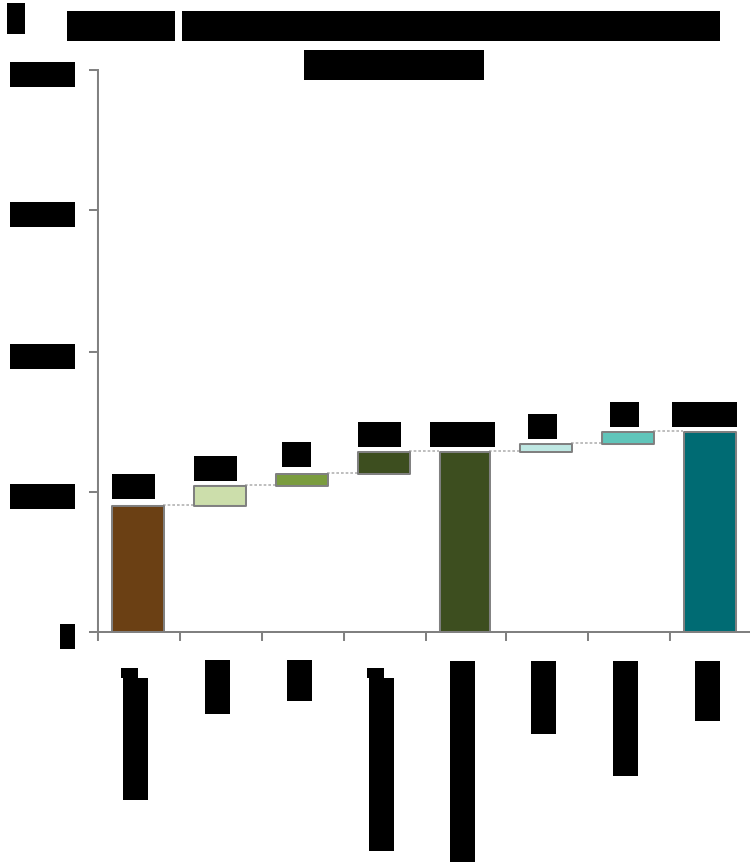
Home Depot cost breakdown RES WH



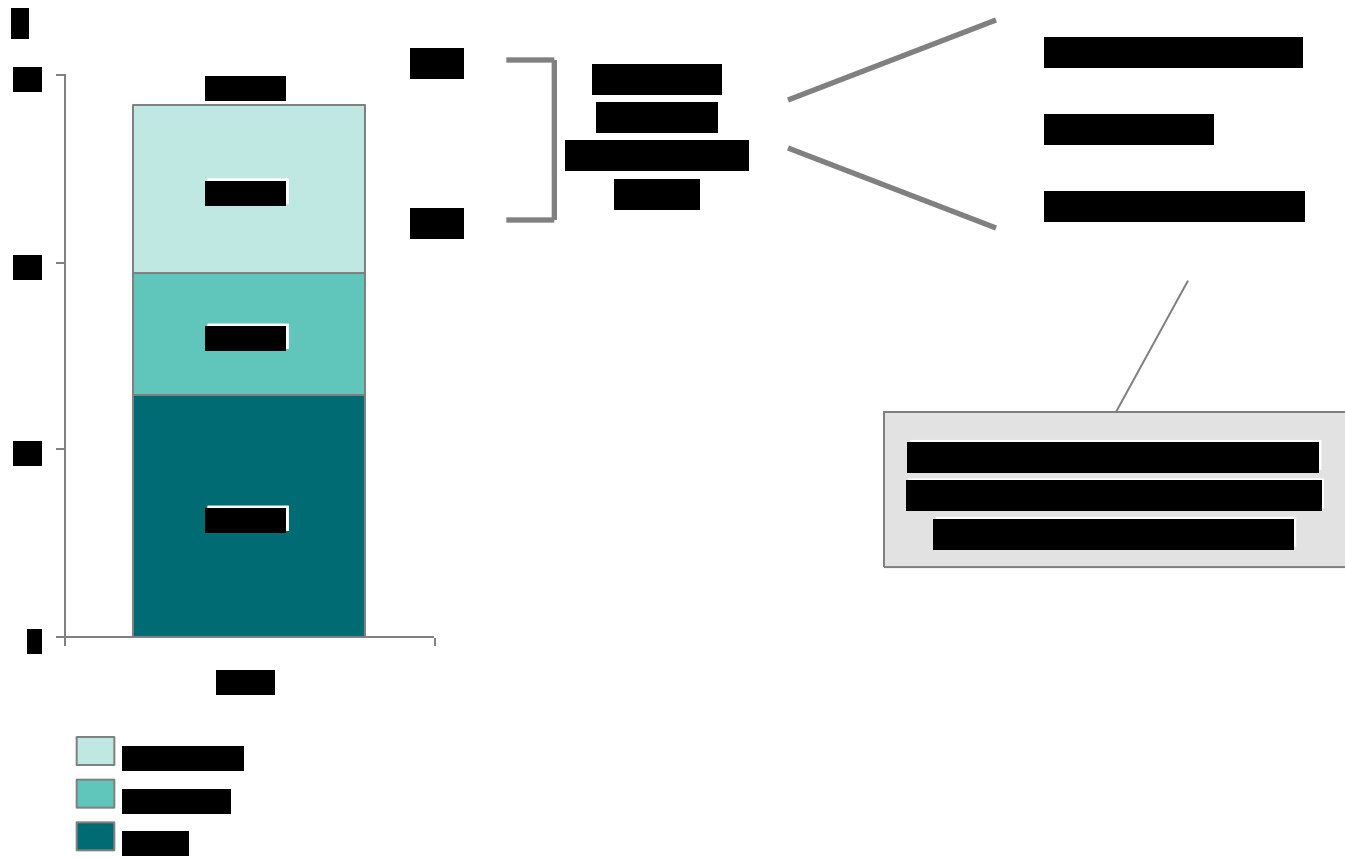
AWHR leasing cost breakdown RES WH



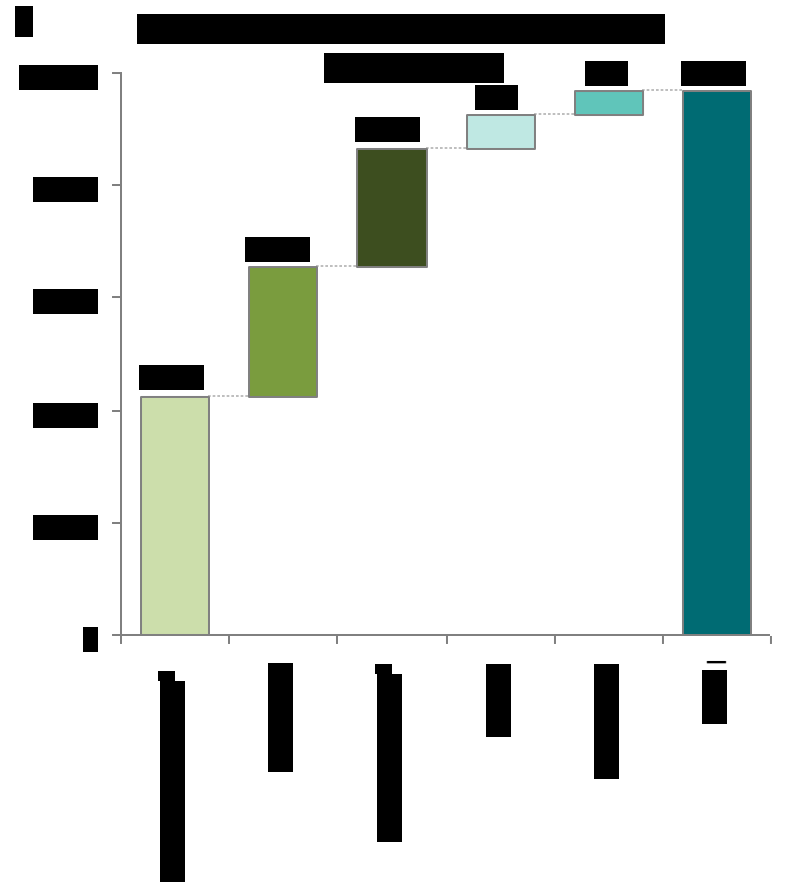
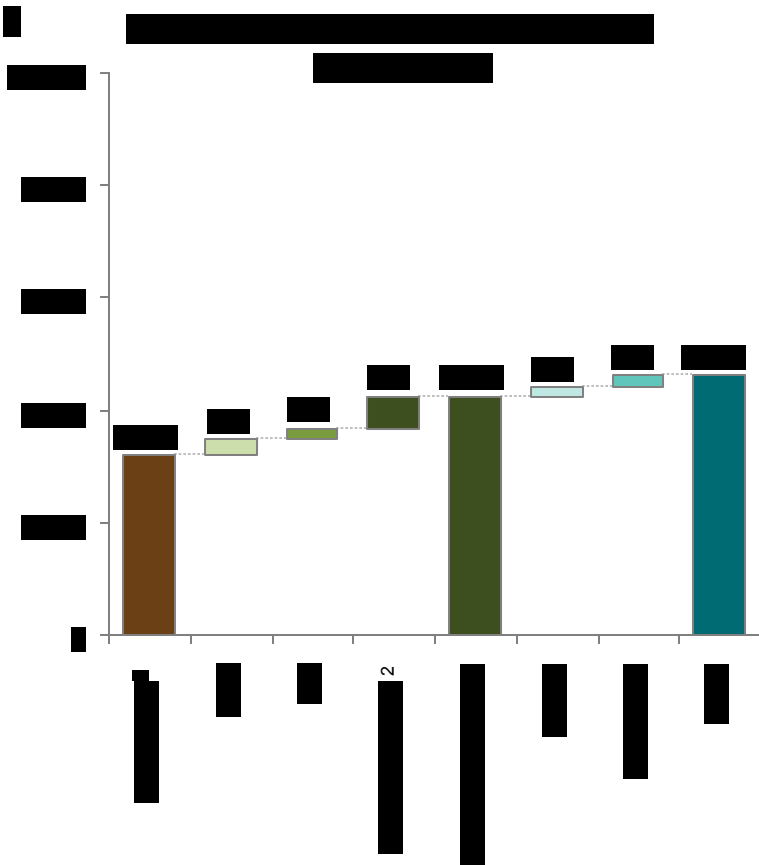
Local player leasing cost breakdown RES WH



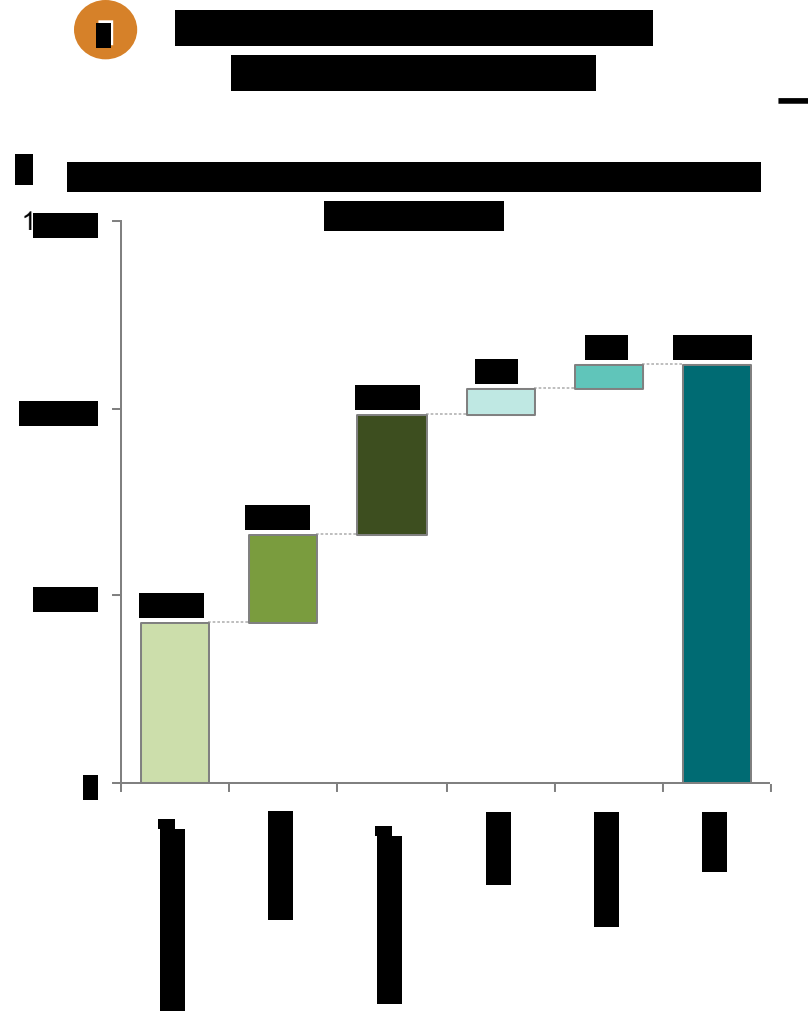
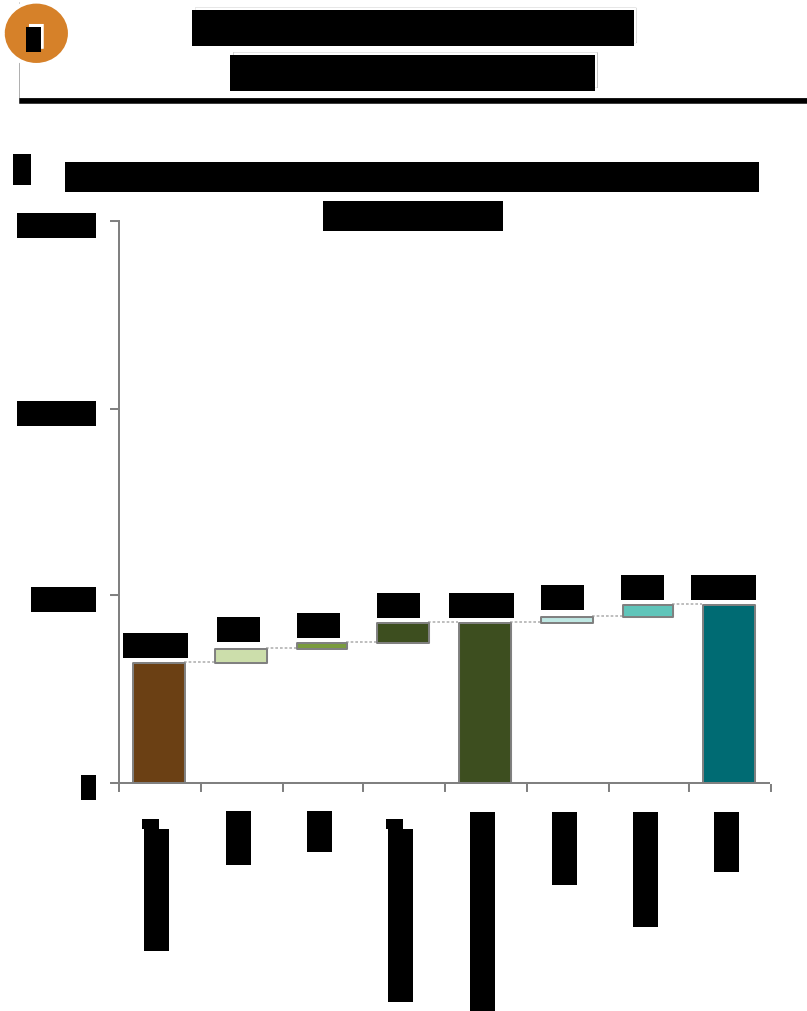
PSE gas furnace lease price is competitive versus leasing alternatives



Home Depot cost breakdown HVAC gas furnace



AWHR leasing cost breakdown HVAC gas furnace



Local player leasing cost breakdown HVAC gas furnace

