

# Public Power Benefit Project Review

Economic Impact Model

11/21/2016

No Action Required

# Background

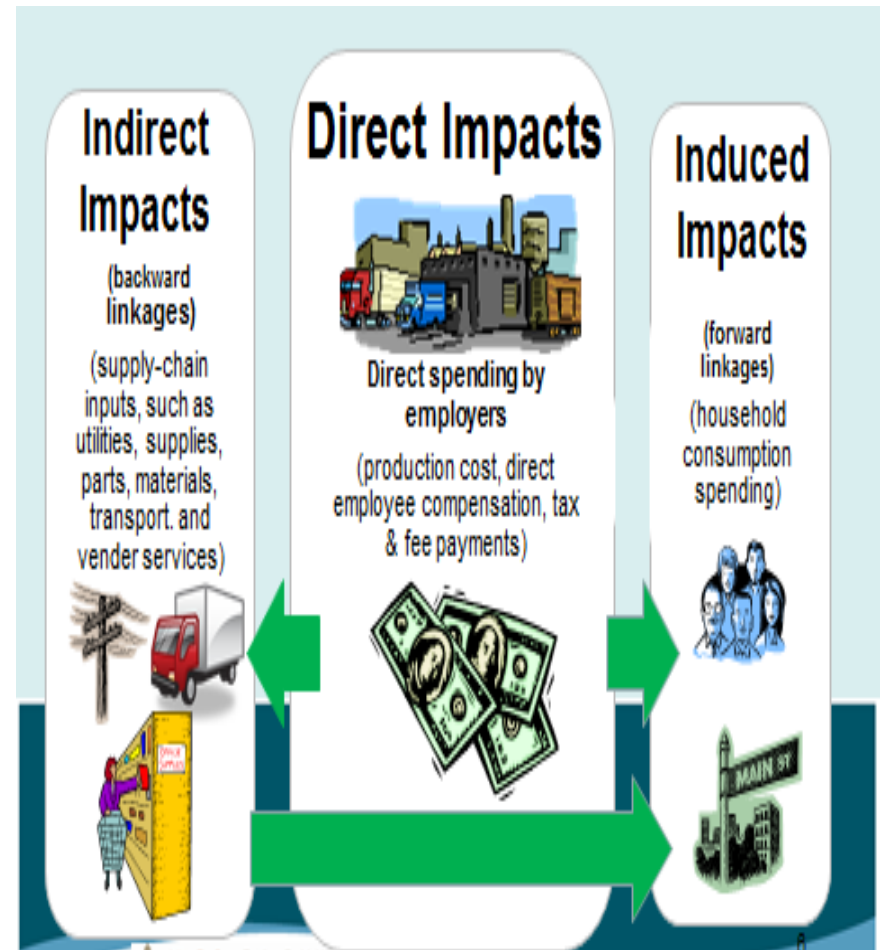
- Tool developed out of recommendations in 2015 – 2019 Strategic Plan effort
- Advisory Group formed
- Identify opportunities & risks associated with new loads
- Tool looks at impacts from a PUD & County perspective

# Project Status

- Contract with FCS Group
- Developed customizable & interactive tool
- Use specific data for each new opportunity
- Assess outcome
- Total contract: \$40,000

# Methodology

- Uses an industry standard economic analysis tool-IMPLAN.
- Uses Chelan PUD's rates, lost market opportunity, etc.
- Determines construction and permanent impacts
- Uses local tax, rates, and fees.



# Example of Results of Model

Total Impact Summary		
	Simple Sum of Nominal Values	20-Year NPV (net present value)
<b>Project Benefits (excludes impact fees)</b>		
<b>1. Economic Impact</b>		
<b>Business Related</b>		
Direct	\$ 78,706,424	\$ 39,476,155
Indirect	\$ 76,508,574	\$ 38,373,796
Induced	\$ 39,296,159	\$ 19,709,461
<b>2. Construction Impact</b>		
Direct	\$ 100,035,511	\$ 93,491,131
Indirect	\$ 21,327,949	\$ 19,932,663
Induced	\$ 32,061,026	\$ 29,963,576
<b>3. Fiscal Impact</b>		
Sales and Use Tax	\$ 2,485,371	\$ 2,322,777
Chelan County Levies	\$ 11,419,469	\$ 6,363,064
City of Wenatchee Levies	\$ -	\$ -
State Shared Tax	\$ 6,177	\$ 3,098
<b>4. Total Benefits</b>		
Direct Impact	\$ 192,652,951	\$ 141,656,224
Secondary Impact (Indirect & Induced)	\$ 169,193,708	\$ 107,979,496
<b>Subtotal Benefits</b>	<b>\$ 361,846,659</b>	<b>\$ 249,635,721</b>
<b>Local Public Costs &amp; Impact Fees</b>		
<b>1. Public Investment (upfront)</b>		
	\$ -	\$ -
<b>2. Local Public O&amp;M Costs</b>		
	\$ (538,502)	\$ (270,092)
<b>3. Rate and Fee Impact</b>		
Electric Charges	\$ (189,266,858)	\$ (88,960,242)
Water and Sewer Investment Fee	\$ -	\$ -
<b>4. Total Local Public Cost</b>	<b>\$ (189,805,359)</b>	<b>\$ (89,230,334)</b>
<b>Return on Local Public Investment</b>		
	Simple Sum of Nominal Values	20-Year NPV (net present value)
Direct Benefits	\$ 192,652,951	\$ 141,656,224
Secondary Benefits	\$ 169,193,708	\$ 107,979,496
Total of Benefits	\$ 361,846,659	\$ 249,635,721
Total Local Public Costs	\$ (189,805,359)	\$ (89,230,334)
<b>Net Impact</b>	<b>\$ 172,041,300</b>	<b>\$ 160,405,387</b>
Direct Return Per \$1 of Public Investment	<b>\$1.02</b>	<b>\$1.59</b>
Secondary Return Per \$1 of Public Investment	<b>\$0.89</b>	<b>\$1.21</b>
Direct Impact W/O Wages Per \$1 of Public Investment	<b>\$ 0.07</b>	<b>\$ 0.10</b>
<b>Total Net Return Per \$1 of Local Public Investment</b>	<b>\$1.91</b>	<b>\$2.80</b>

- Calculates a Net Present Value of economic benefits over 20-years.
- Runs a benefit/cost analysis on direct impacts, and all impacts.

# How might we use it?

## Ideas

- Inform the Board and Senior Team on benefits of new opportunities
- Provide to the public entities in Chelan County that have Economic Development authority
- Allow Chelan PUD to conduct its own analysis and not rely on project sponsors
- Inform Chelan PUD decision making, help identify cooperative actions
- Help design “hurdle rates” so customers/County residents receive benefits
- Envisioned for loads greater than 5 aMW

# Next Steps

- Test ideas with Economic Development experts
- Develop a recommendation on how to use the analysis of outputs to make a decision.
  - What should the balance between the social good (rates) and the individual benefits (income and construction sales, etc.) look like.
- Develop the business process for proposal intake, analysis, and review

# Questions

