

Preliminary Municipalization Analysis

Preliminary Valuation of Puget Sound Energy Transmission and Distribution Assets within Kitsap County

In Connection with a Possible Kitsap Public Utility District Municipalization

Prepared for Puget Sound Energy (PSE)



OVERVIEW

About Concentric

Concentric Energy Advisors is a management consulting and financial advisory firm focused on the North American energy industry, combining financial, regulatory, market, and operational expertise. Our experts have represented a diverse range of industry participants, including electric, gas, and water utilities, power generators, transmission owners, pipelines, and municipalities.

FINANCIAL ADVISORY
Valuation, modeling, transactions

REGULATION
Rates, policy, expert witness testimony

MARKETS & PLANNING
Forecasting, procurement, planning

STRATEGY
Business and board-level advising

Selected Concentric Municipalization Valuation Experience

Community / utility	Year	Concentric work
Decorah, Iowa	2018, 2025	Electric feasibility studies
Pittsburg, Kansas	2019	Electric valuation and feasibility study
San Diego, California	2023–2024	Electric valuation and municipalization analysis
Clearwater, Florida	2024–2025	Electric valuation and total-cost analysis
Superior, Wisconsin	2025–2026	Water feasibility study; electric, gas, and water valuation
St. Petersburg, Florida	2025–2026	Electric valuation and municipalization cost analysis
Central Hudson, New York	2025–2026	Electric and gas valuation and initial municipalization cost analysis

OVERVIEW

Executive Takeaway | 2030 Valuation

The valuation date is December 31, 2030; asset value is not total municipalization cost.



SYSTEM

~129,000 customer accounts in 2025; winter-peaking peninsula network with transmission dependencies.



ASSET VALUATION

\$1.2B-\$1.5B across three approaches, as of December 31, 2030. Land, natural gas, electric generation, and construction work in progress are excluded.



BEYOND ASSET VALUE & OTHER ISSUES

Land, separation, startup, financing, operations, and capital needs are additional.



MUNICIPALIZATION TRENDS

Ownership transfer also transfers planning, reliability, technology, staffing, and interconnection responsibilities.

OVERVIEW

Kitsap System Map

An integrated transmission and distribution network that receives power from the regional grid and delivers it across the Kitsap Peninsula and Bainbridge Island.



TRANSMISSION

High-voltage lines, substations, transformers, protection, switching, communications, and control facilities.



DISTRIBUTION

Overhead and underground lines, substations, poles, transformers, meters, service equipment, and field devices.



SUPPORTING UTILITY ASSETS

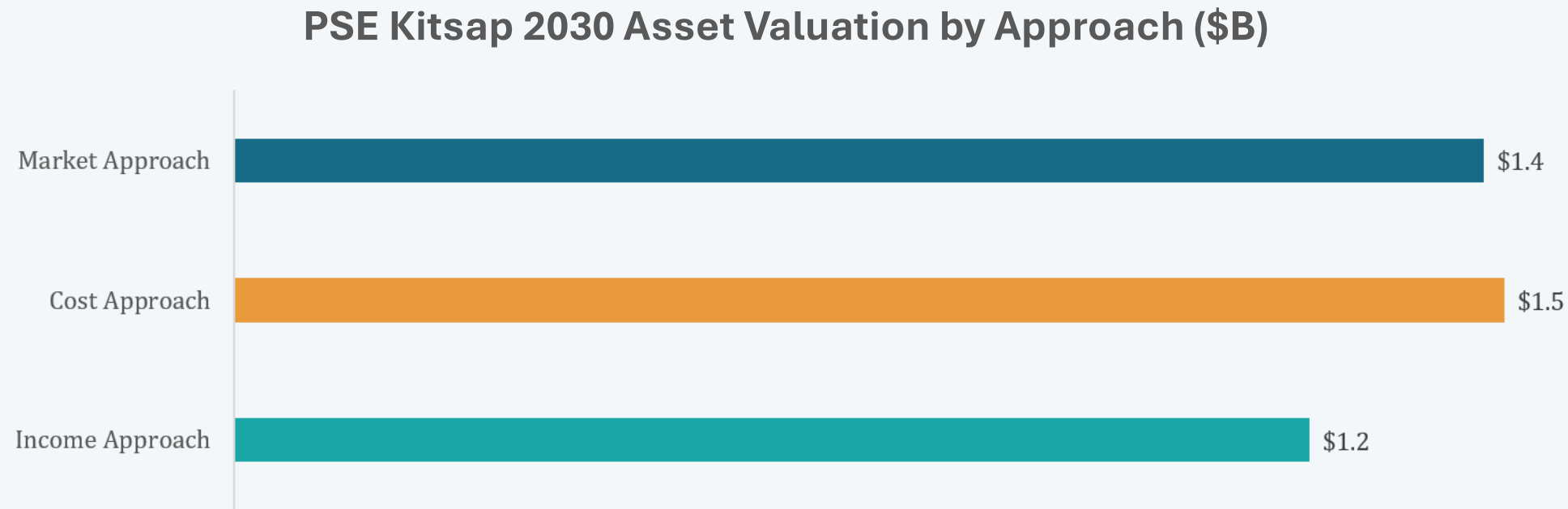
Applicable general, common, information technology, communications, control, and operational support assets.

INTEGRATED SYSTEM Physical infrastructure and supporting systems work together to operate, monitor, and maintain the electric network.

OVERVIEW

2030 Valuation Comparison

Enterprise value as of December 31, 2030, not current value.



The three approaches span \$1.2B to \$1.5B. Land, land rights, and easements are excluded from all three approaches and no value is added for them. Analysis also excludes natural gas, electric generation, and construction work in progress.

OVERVIEW

Valuation Scope

INCLUDED IN THE ASSET VALUATION

- **Distribution** Distribution assets in Kitsap County (e.g., poles, conductors, underground plant, substations, and related distribution assets)
- **Transmission** Transmission assets in Kitsap County
- **Other utility plant** Applicable general and common plant supporting the electric transmission and distribution (T&D) system

EXCLUDED

Electric generation
Natural gas operations
Land, land rights, and easements
Construction work in progress

IMPORTANT LIMITATION

Concentric relies on PSE’s inventory and forecasts, as well as additional information compiled by Concentric. No independent physical inventory or field inspection was performed.

Three valuation approaches | Complementary lenses on value

COST APPROACH

What would it cost to replace the existing utility assets today, less depreciation?

PRIMARY INPUTS

Federal Energy Regulatory Commission (FERC) plant accounts and vintages • Handy-Whitman indices

TANGIBLE ASSET LENS

Measures the depreciated reproduction cost of the physical system.

INCOME APPROACH

What are the future cash flows attributable to the utility assets worth today?

PRIMARY INPUTS

Rate base • forecast cash flow • authorized after-tax WACC • and terminal EBITDA multiple

ECONOMIC EARNINGS LENS

Measures value based on the earnings and cash flow the assets can support.

MARKET APPROACH

How does the system compare with utility transactions and publicly traded companies?

PRIMARY INPUTS

Rate base • net plant • EBITDA • and selected transaction and trading multiples

EXTERNAL MARKET LENS

Measures value using observed pricing evidence from the utility sector.

Note: The approaches are not expected to produce identical results. Each provides a different perspective on value, and the final model reconciles the individual indications.

BEYOND ASSET VALUE & OTHER ISSUES

Additional Acquisition Costs

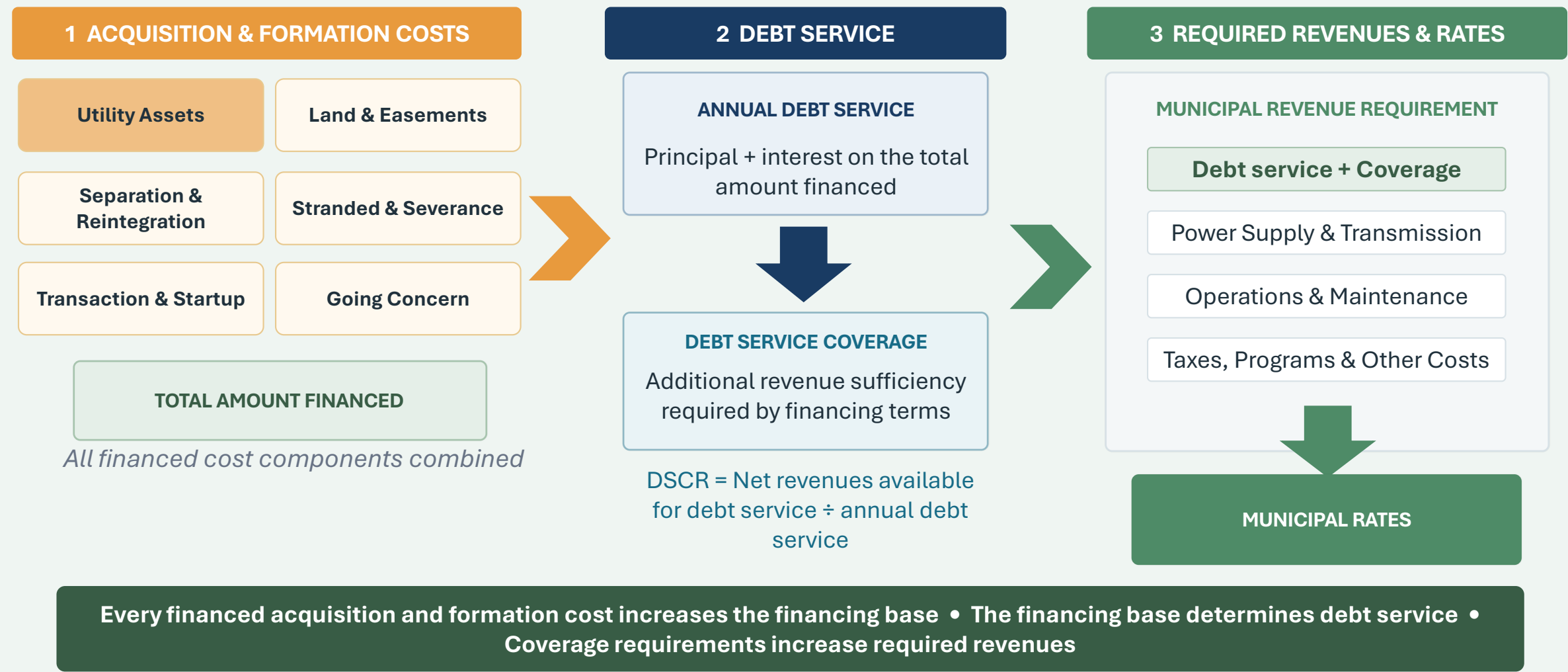
LAND & EASEMENTS	Land, rights-of-way, easements and franchise rights needed to own and operate the system; many are not automatically transferable and must be renegotiated, relocated or separately condemned.
SEPARATION & REINTEGRATION	Physical separation and reintegration; severance to the retained PSE system; potential business-severance effects. In Concentric's San Diego assessment, separation and reintegration costs were 43%-45% of total direct municipalization cost.
STRANDED & SEVERANCE	Stranded costs and business-severance damages arise where PSE retains assets or contracts adversely affected by the acquisition; scope depends on the governing legal standard.
TRANSACTION COSTS	Professional, regulatory, legal, engineering, consulting and financing costs to pursue and complete the transaction; some are incurred even if it is not completed.
STARTUP COSTS	Startup staffing and facilities; legal, engineering and debt issuance; power supply and transmission; billing, transmission and distribution operations systems equipment; working capital, reserves, insurance, and continuing capital investment.
GOING CONCERN	The incremental value of acquiring a complete and functioning utility business rather than a collection of individual physical assets.

The \$1.2-\$1.5B asset-value indications do not represent total municipalization cost.

BEYOND ASSET VALUE & OTHER ISSUES

How Acquisition Costs Flow Into Municipal Rates

All financed acquisition and formation costs determine annual debt service; coverage then affects required revenues and rates.



Illustrative only. A Kitsap-specific coverage ratio would depend on the financing structure and applicable bond covenants.

BEYOND ASSET VALUE & OTHER ISSUES

Selected Issues Beyond Valuation

Acquiring transmission and distribution assets raises regulatory, workforce, governance, and scale considerations.

1

JURISDICTIONAL ISSUES

Potential proceedings before both the Washington Utilities and Transportation Commission (WUTC) and FERC because the proposal includes distribution and transmission assets. Dual jurisdiction can add cost, complexity, execution risk, and schedule uncertainty.

2

LABOR FORCE ISSUES

A municipal utility would need to recruit, retain, and train specialized personnel and address workforce transition matters, including labor agreements, benefits, pensions, and the mix of internal and contracted functions.

3

OVERSIGHT & GOVERNANCE

PSE is subject to WUTC oversight of rates, service quality, and capital investment. A municipal utility would generally make these decisions through its local governing structure rather than WUTC economic regulation.

4

ECONOMIES OF SCALE & CAPITAL

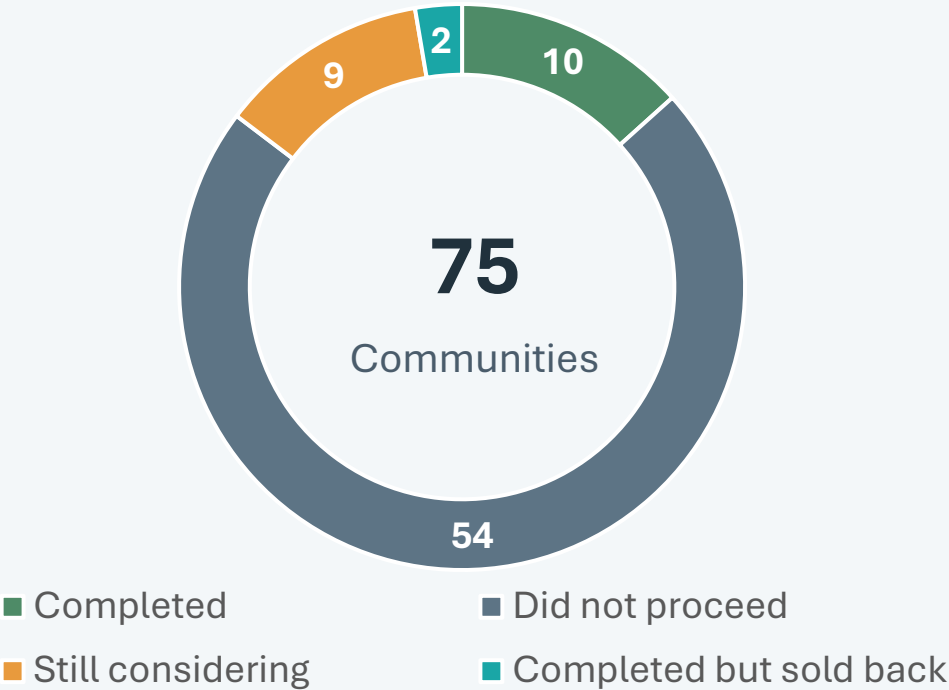
A newly formed utility would spread operating, technology, cybersecurity, wildfire, storm-response, and modernization costs across a smaller customer base and manage capital access and financial risks within the local service territory.

These considerations affect feasibility and implementation, but are not included in the asset valuation.

MUNICIPALIZATION TRENDS

Completed acquisitions remain rare

U.S. Electric Municipalization Trends (2000-2026)

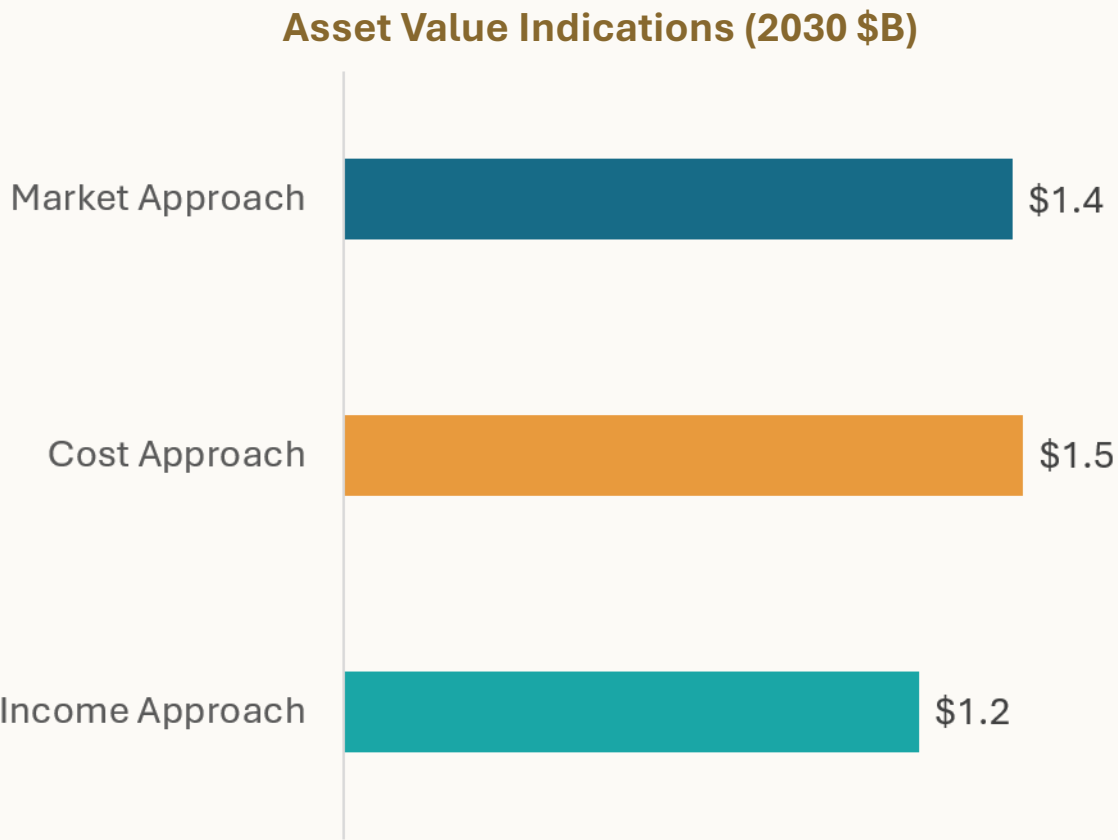


Source: List compiled by Concentric.

COMPLETED	10
Ten were completed and remain in service today.	
COMPLETED, SOLD BACK	2
Hercules, CA sold back to Pacific Gas & Electric in 2014; Elk City, OK sold back to American Electric Power in 2010.	
DID NOT PROCEED	54
Communities that abandoned, rejected or did not complete municipalization.	
STILL CONSIDERING	9
Communities continuing to evaluate municipalization as of 2026.	

SUMMARY

Asset value is only one part of the decision



Asset value is only one component of total municipalization cost.

The asset value indications do not represent a final sale or acquisition price. Other categories may include physical separation and reintegration, severance and business-severance effects, going concern, startup and financing, power supply and transmission, ongoing operations and capital investment, and regulatory, workforce, and governance requirements.

SUMMARY

Additional Compensation and Other Considerations

ADDITIONAL
ACQUISITION COSTS

Land and easements • Separation and reintegration • Stranded and severance costs •
Going concern value • Transaction and startup costs • Other compensation that may apply

STAND-ALONE
UTILITY COSTS

Power supply and transmission • Operations and maintenance • Staffing and facilities •
Billing and operational technology • Taxes and fees • Customer programs • Reserves •
Continuing capital investment

EXECUTION AND
GOVERNANCE

Proceedings before the WUTC and FERC • Separation and operating agreements •
Workforce transition • Local governance and oversight • Access to capital • Capabilities
necessary to operate the system safely and reliably

The \$1.2-\$1.5 billion asset value indications are not estimates of total municipalization cost.