



# Pend Oreille County Public Utility District

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## **Pend Oreille PUD Rate Adjustment**

**Commission approves 10% increase to revenue**

The Pend Oreille County Public Utility District Board of Commissioners approved by a two-to-one vote an electric rate adjustment to raise 2021 revenues by 10% during its December 29, 2020 board meeting, with Commissioner Onley voting no. The total revenue generated by this adjustment is approximately \$1.5 million for 2021. For the average residential customer using 2,000 kilowatt hours per month, this will result in approximately a 10% (or \$14.07) increase on their monthly bill. The new rates will take effect January 1, 2021.

The rate adjustment is a direct result of the closure of Ponderay Newsprint Company (“PNC”) earlier this year which accounted for 69% of the utility’s revenue – a loss to the PUD of approximately \$30 million in revenue per year. In order to help mitigate this revenue deficit, ensure sufficient cash-on-hand, and meet the PUD’s bond covenants the commission approved a 6.5% revenue adjustment back in August knowing that another adjustment would need to be revisited at the end of the year. PUD staff presented three different revenue adjustment options to the Board—5%, 10%, & 15%. Each scenario had varying degrees of impact to rates, in order to strategically manage the forecasted revenue deficit. The decision to raise revenues by 10%, reduces the 2021 revenue deficit of \$7.5 million by \$1.5 million. The PUD will still need to draw down cash reserves by \$5 million or more to cover its operating costs.

The PUD is sensitive to the financial hardship many of its customers are currently facing due to the economic impacts of the pandemic and understands that a rate increase is never easy to absorb. Looking to future years, the PUD and the commission will need to continue to strategically balance rate increases with cost adjustments and other financial measures in order to mitigate the loss the utility’s largest customer, PNC.

There is no change to the \$35.50 service availability charge and the PUD does not plan to reevaluate electric rates again until January 2022.

“It is never an easy decision to raise rates, and today’s decision was no different, especially given the current economic state of our county. That being said, it is imperative that we make the necessary adjustments in order to ensure the long-term financial stability of our public utility” said PUD Board President Curt Knapp. “The increase is difficult, but it does provide some degree of certainty to customers so that they know what to expect over the coming year.”

“It is important to look to the future—if we don’t act now, it will only weaken our utility and worsen our financial status. Considering all aspects of the situation, it is imperative that we

move forward with this increase in order to preserve the quality of our utility and the services we provide,” said PUD Board Vice President Ric Larson.

Below is a summary of the rate adjustment by customer class:

Customer Class	Current Energy Charge (\$ / kWh)	Energy Charge Effective 1/1/2021 (\$ / kWh)
Residential – Single Phase	\$0.0542	\$0.0612
Residential – Single Phase Secondary Meter		
Commercial – Single Phase		
Irrigation		
Residential – Three Phase	\$0.0478	\$0.0540
Commercial – Three Phase		
Industrial	\$0.0349	\$0.0394

As a non-profit utility, the PUD must recover its costs in order to maintain reliable service and meet its financial obligations. The purpose of rates is to cover costs – below outlines what rates cover:

- Energy rates (per kWh charge based on usage) covers both the cost of the energy generated or purchased and the cost to deliver the energy to a home or business.
- Service availability charge (fixed or basic charge) covers the cost of the infrastructure needed to deliver energy. This infrastructure is needed regardless of how much energy a customer uses each month. The fixed or basic charge is generally designed to recover the costs to serve a customer that is largely independent of usage, such as metering, billing, poles, wires, transformers, substations, etc.

Even with this rate adjustment the PUD still enjoys the 6th lowest electric rates among Washington public utilities.

**About Pend Oreille County Public Utility District**

Pend Oreille County Public Utility District was established in 1936 and began operations in 1948. The PUD is governed by three locally elected Commissioners. A General Manager and staff operate the utility within policies set by the Board of Commissioners. The PUD has four operating systems: The electric system distributes electricity to the county, the production system produces power from the Box Canyon Hydroelectric Project, the water system consists of nine individual

water distribution subdivisions, and the community network system provides wholesale broadband communication services.

For more information visit: <http://popud.org>.