



# Pend Oreille County Public Utility District

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**FOR IMMEDIATE RELEASE**

August 24, 2020

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## **Pend Oreille PUD Receives Affirmation of Investment-Grade Credit Ratings**

Newport, Washington – Public Utility District No. 1 of Pend Oreille County (“PUD”)’s two bond-rating agencies affirmed the PUD’s “investment-grade” ratings this week from Moody’s Investor Service (Baa2) and Fitch Ratings (A-). The two rating agencies provide independent credit ratings and risk evaluations on a periodic basis. These credit ratings help investors determine the financial strength of the PUD, similar to that of a personal credit score - a higher rating results in lower interest rates and thus lower bond payments.

The agencies also provide “outlooks” which are opinions regarding the likely rating direction over the medium term. A stable outlook indicates a low likelihood of a rating change over the medium term, whereas a positive or negative outlook indicates a higher likelihood of a rating change in their respective directions. Although both agencies adjusted the PUD’s outlook, they gave the PUD significant credit for taking advance measures in preparation for PNC’s closure, actively mitigating risk, and building strong financial reserves resulting in a strong liquidity position. The agencies also acknowledged the PUD’s strong management team, its swift action in making the necessary cost reductions, and a Board of Commissioners that is willing to implement rate adjustments as necessary to ensure the financial strength of the PUD.

“Today’s rating action reflects our view that Pend Oreille PUD is positioned to weather the closure of the PNC mill while maintaining an investment grade credit profile due to its strong liquidity position, with 486 days cash on hand in August 2020,” stated Moody’s in its August 21, 2020, press release. “The utility plans to raise rates incrementally and to use its liquidity to offset the revenue shortfalls that are expected to occur for the next several years...Because of the utility’s strong liquidity position that includes \$74 million in cash, of which \$46 million is unrestricted, we have no concerns about its ability to handle debt service or operating expenses over the medium term. Other key factors supporting Pend Oreille PUD’s credit quality include its strong management team with a track record of conservative risk management; ownership of or access to competitively priced hydro generation; low retail rates and a demonstrated willingness to raise rates. Pend Oreille PUD’s access to carbon-free hydro generation is a core strength that is attractive within the wholesale markets and should facilitate its ability to resell power in the region.”

Fitch Ratings’ August 21, 2020 press release stated, “Pend Oreille’s financial profile is strong, reflecting recent deleveraging and strong cash flows through fiscal 2019... However, leverage is expected to rise over the near term. Going forward, Fitch expects unrestricted cash balances to remain stable as a result of reduced capital spending and a decrease in operating expenses.”

“Given the loss of revenue from PNC and the global health emergency, the PUD is pleased with the overall rating results. The strong liquidity position and strategic use of cash puts us in a good

position to make informed decisions for the future,” said Colin Willenbrock, the PUD’s General Manager.

“We are pleased with both Fitch and Moody’s current ratings. We work hard to remain financially sound and will continually look to the future to ensure financial stability in order to maintain or improve our ratings,” said April Owen, the PUD’s Director of Audit, Financial and Power Supply.

**About Pend Oreille County Public Utility District**

Pend Oreille PUD 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>.

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