



# Pend Oreille County Public Utility District

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## **Pend Oreille PUD Approves Five-Year Deal with Shell Energy Commission Unanimously Supports Transaction**

Newport, Washington – Public Utility District No. 1 of Pend Oreille County (“PUD”)’s Board of Commissioners voted unanimously to enter into a five-year energy transaction with Shell Energy during its December 29, 2020, board meeting.

The transaction, which begins January 1, 2021, sells all of the hydropower generated at the PUD’s Box Canyon Dam, as well as all of the power assigned to the PUD under its Boundary Dam agreement with Seattle City Light. In return, Shell Energy will provide the PUD with power to serve the PUD’s seasonal load shape, and monthly payments representing the net value of the PUD’s resources. Over the five-year deal, the net value of those resources is expected to exceed \$77 million. Importantly, the deal provides substantial certainty to the PUD, as it transfers Pend Oreille River water risk and Pacific Northwest market risk to Shell Energy, with the monthly payments being fixed and subject only to true-ups for forced outages at Box Canyon Dam and adjustments to the volume of power received from Seattle City Light.

The PUD has had a substantial surplus of power since June 2020, with the closure of its largest industrial customer, Ponderay Newsprint Company (“PNC”), which previously represented approximately 70% of the PUD’s load. The PUD had been selling its power from Box Canyon Dam to Portland General Electric (“PGE”) since July 2019 in order to optimize the value of Box Canyon’s zero-carbon production attributes, as well as, provide access to market liquidation in the event PNC closed. The PUD worked with Seattle-based company, Energy West, LLC, to execute a successor transaction to its deal with PGE.

Energy West and the PUD conducted a robust solicitation process beginning in late 2019 to find the right strategic counterparty, both to continue to optimize the value of the PUD’s hydro resources, and to provide the PUD with greater market access and power-supply expertise. The PUD ultimately selected Shell Energy as its finalist, and successfully negotiated the deal that was executed December 29, 2020. Shell Energy is one of North America’s largest wholesale electricity providers and has an office in Spokane, WA, providing excellent local support and communications.

“This is a momentous occasion for the PUD,” said Colin Willenbrock, the PUD’s General Manager. “We are grateful to have reached an agreement with Shell that will provide a degree of rate stability to our customers and allow the PUD to optimize the value of its zero-carbon hydropower.”

While the market-based deal does not fully recover all the operating costs of Box Canyon Dam due to currently higher-than-market expenses per megawatt of production, it is anticipated that the agreement will help alleviate some of the immediate rate pressures caused by the PNC closure. The load service component of the agreement does allow for a reasonable amount of growth over the five-year term. Any new industrial customers will be served with competitively priced power secured independently by the PUD based on the needs of the customer.

**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>.

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