



Pend Oreille County Public Utility District

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Your PUD: Overcoming Challenges, Planning for a Resilient Future

Since arriving here almost nine months ago, I've fallen in love with our community. It's been a real pleasure and honor getting to know many of you, and I look forward to meeting more of you as time goes on. As we discuss the future of Pend Oreille County PUD, I'd like to reflect on where we've come from, where we are today, and the future of our PUD.

One of the big questions I was originally asked was: where do you want to take the PUD? As we all know, it is the role of our PUD Commissioners to set policy that outlines the direction of our PUD. As a consumer-owned utility, to answer this question we all should first understand at a deeper level the priorities and preferences of our customers. Of course, before setting a course for the future, it's also prudent to assess where we are, which is why I'm writing to you today.

Our PUD has been through some tough times. The Ponderay Newsprint Corporation (PNC) bankruptcy hit us hard, leading to significant financial challenges and steep rate increases. To minimize those increases, our PUD took drastic measures, including cost-cutting and layoffs. Staffing has decreased from levels before the bankruptcy, and while our team continues to do more with less, this can only last so long.

These financial pressures have delayed critical infrastructure projects and if we don't address them soon, we could see impacts on service reliability. Our electric system is aging and as time passes, we expect to encounter more breakdowns. Falling too far behind on upgrades and maintenance would make it incredibly difficult and more costly to catch up.

Our staff remains hardworking and dedicated, doing their best to keep up with increasing regulations, changing technology, and a rapidly evolving energy industry. However, we face a wave of retirements over the next few years. It's crucial we attract and retain skilled employees to protect and optimize our assets, ensuring the reliable service that our customers expect and deserve.

We're in a period of significant transition, not just locally but across the region. Together, we can work through these challenges, as we have before. I'm confident that with proper planning, we'll come out stronger.

Prudent management requires that we take the long view. What we do today, tomorrow, and next year must align with our long-term vision and goals. By thinking ahead, we can avoid costly mistakes and keep expenses down over time. A forward-thinking approach will help us navigate the years ahead more successfully.

Next week, on September 23rd, we'll present a 10-year financial forecast and rate study during a special PUD Board meeting at our Newport office. For those not able to attend in person, a virtual option is available. You can find more details about this meeting on our website, and we encourage your participation. This presentation is simply a draft and starting point for discussion

as we look to the future, ensuring the decisions we make today position us for success as we approach our 100th year of existence.

We'll consider several key factors, including the impacts of recent inflation and supply chain issues, the beginning of our Box Canyon sale to Clark PUD in 2026, and the expiration of our current Boundary Settlement Agreement with Seattle City Light in 2029. We'll also address new regulations, such as our State's Clean Energy Transformation Act, Electric Vehicle (EV) mandates, wildfire risks, and increasing liability concerns.

I know this sounds like a lot, and it is. In my nearly 30 years in this industry, I've never seen things change so rapidly. Our staff, along with outside experts, has spent the last eight months assessing our current state and laying the groundwork for conversations with you—our customers—about the future.

In the months ahead, we want to hear from you. What do you envision for your utility? What are your priorities? What kind of utility do you want to pass down to your children and grandchildren? Your input is vital as we develop a new Strategic Plan, which we aim to present to our PUD Commissioners for consideration by mid-2025.

Despite the challenges ahead, there is a lot to be grateful for. Our predecessors wisely invested in assets like Box Canyon and fought for and won a share of output from Boundary Dam. These assets provide a level of self-sufficiency and buffer us from the volatility of the energy market. We are fortunate to be in a better position than many of our peers, who rely solely on external energy sources. I believe we also have great local partners with whom creative ideas for economic vitality here in our community can also be a component of our new strategic plan.

As a small but complex utility, our staff has always been resourceful. I'm confident that with your help, we'll create a vision for the future that addresses these challenges while continuing to provide safe, reliable service at a cost below most of our peers. My door is always open, and we welcome hearing your thoughts and the discussion ahead.

Thank you,
John Janney, General Manager, Pend Oreille PUD

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