

Fact Sheet

Pend Oreille PUD is currently operating under a new federal license for Box Canyon Dam. After 8 years of consultation and negotiations, which included Ponderay Newsprint Company (PNC), that new license was issued in 2005 for another 50 years.

That license included upgrading all 4 turbines at Box Canyon. Those turbines are 55 years old. The District has done an excellent job of maintaining those turbines but believes a refurbishment is appropriate.

New turbines will be more efficient, generate more electricity, help reduce dissolved gasses, and solve some expensive fish passage issues.

The upgrade would have been done with or without Ponderay Newsprint Company being in business here.

The cost has increased significantly from the initial estimates in 1999, along with many other material and equipment costs. (for more details on this see the "Turbine Cost History" document on our website or request a copy from our office.)

Whoever purchases the power from Box Canyon Dam will pay the increased costs into the future.

Ponderay Newsprint pays the cheapest rate for electricity in Pend Oreille County, lower than any other PUD customer.

General service customers (everyone but PNC) of the PUD get most of their electricity from Seattle City Light's Boundary Dam project. Boundary power is available to the PUD now and into the future license period of SCL. It is provision of their federal license.

Rate increases are currently projected for all PUD customers into the future. The current forecast predicts increases of 8-12% in 2009, none in 2010, and possibly another 10% in 2011. The average PUD customer now has a bill of about \$70 per month. So an 8% increase would be less than \$6 per month. Those changes are based on all increased costs to the PUD, not just work associated with Box Canyon.

Ponderay Newsprint's costs are based on all costs, including the cost to produce power at Box Canyon, the costs from the Bonneville Power Administration for power purchased, and a small portion of the Boundary power from Seattle City Light. It is a blended rate.

If PNC quits taking Box Canyon power, the PUD will be able to sell the Box Canyon power to other utilities. The District will also maintain access to Boundary power from Seattle City Light.

PNC has requested that some of their costs be reduced and those costs be shifted to the general service customers.

There are 19 years remaining on the current contract between the PUD and PNC.

New generating resources are being developed in the region that cost in the range of 50 to 90 mils. These are primarily wind and solar. Contracts are being signed for that power in today's market.

The cost of Box Canyon power is projected to be in the upper 30 mil range and possibly reaching the 40 mil range in about ten years.

When Box Canyon was built in 1952, it was several times more expensive than the alternative sources of the Bonneville Power Administration.

Inland Paper in Spokane pays Avista about double the rate that PNC pays to the PUD.

The PUD is looking to the long term for the best benefit for all ratepayers.

While it is a possibility that the power rates our customers pay here in Pend Oreille would go up if PNC closed its doors, the probability is that rates would be unaffected, or even go down, as the PUD would likely be able to sell Box Canyon power to another utility for a higher price than PNC pays.

According to documents filed with the court by PNC, PNC produced approximately 250,000 metric tons of newsprint a year at a cost of approximately \$125 million or about \$500 per metric ton. The current newsprint market price is about \$700 per metric ton. A \$200 cash margin represents \$50 million cash flow per year for PNC.

While the turbine upgrade and plant modernization projects represent approximately \$7.5 million additional cost to PNC per year, this increase will be phased in over several years and represents 6% of their total current costs of \$125 million.

The PUD will sell bonds to pay for these new costs, and in doing so, will spread the cost out over a 30-year period. So when the bonds are paid off, the county will hopefully enjoy another 20 years of low-cost power from the project. This would be a repeat of the scenario that played out in the first license period. PNC has enjoyed the benefit of that 20-year period in the first license.