

Grays Harbor PUD Approves 2011 Budget

Local News

Posted by: David Haviland

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ABERDEEN, Wash. - The Grays Harbor PUD Board of Commissioners have approved a budget for 2011 which anticipates a possible 7% rate increase in the coming year. The PUD says 4% of the rate increase would cover the rising cost of renewable resources, and conservation mandated under Initiative 937, as well as anticipated cost of power purchased from Bonneville Power Administration. The remaining 3% will be set aside to fund future capital improvement projects to reduce long term debt. Relations Director Liz Anderson tells KBKW the Commissioners passed the budget at Monday's meeting, but will address the rate increase proposal at a later date.

While power supply costs are on the rise, the budget reduces the PUD's internal spending through cost-savings measures by about 10%. The cost savings include continuation of staffing reductions through attrition, reductions in travel and training and reductions in tree trimming and pole treatment and testing. "Grays Harbor PUD, along with other utilities in Washington State, is seeing the impact of rising power costs mostly due to increased costs associated with investments in renewable resources and conservation," said Rick Lovely, General Manager of Grays Harbor PUD. "Increasing power costs are significant because power supply makes up between 60 and 70% of the PUD's budget." The increased cost for renewable resources in the 2011 budget is about \$3.7 million and includes purchasing power generated by the Coastal Community Action Program's wind project in Grayland and purchasing renewable biomass energy (energy generated by the burning of wood waste) from Sierra Pacific Industry's Aberdeen facility. "These resources are very cost competitive with other renewable resources and have the added benefit of supporting our local community," said Lovely. "However, renewable resources are more costly than the relatively inexpensive power we purchase from the Bonneville Power Administration and have a real impact on our budget." BPA power is mostly hydro power, which is "renewable" but not eligible to meet the state mandates under the Energy Independence Act. The Energy Independence Act requires utilities with 25,000 or more customers to provide 15% of the energy needed to serve their customers from eligible renewable resources by 2020. The mandates stair-step into place with 3% required in 2012 and 9% required in 2016. The Energy Independence Act also includes mandates for conservation, which is estimated to cost an additional \$1 million in the 2011 budget. The budget also anticipates a proposed increase in power rates of 8.5% by the Bonneville Power Administration for fiscal years 2011-2012. The proposal would result in an estimated increase in power costs to Grays Harbor PUD of approximately \$800,000 in 2011 (October 1 - December) and about \$3 million in 2012. BPA power makes up most of the PUD's power resources. The PUD's spending plan includes a capital budget of \$8.4 million, which funds improvements to the system to ensure safety and reliability. Funds for the 2011 capital budget come from the sale of bonds in 2010 at historically low rates. Now that the Board has approved a budget, the Commissioners will consider the proposed 7% rate increase to address the revenue requirement and generate funding for future capital projects.