

Grays Harbor PUD Announces Sale of Renewable Generation Assets to Harbor Paper

Local News

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ABERDEEN, Wash. - Grays Harbor PUD announced today the completion of the sale of renewable generation assets and a substation to Harbor Paper LLC. The sale paves the way for the buyer to restart the paper mill in Hoquiam that has been in receivership since its closure in March of 2011. The sale closed simultaneously with another sale agreement between the buyer and the receiver for the mill facility. "The generation assets and substation serving the facility were a critical part of the deal to sell the mill and get it up and running again," said Tom Casey, President of the Grays Harbor PUD Board of Commissioners. "This is the best case scenario for our community. It means the renewable generation assets at the facility will continue to benefit our community by supporting about 175 jobs as part of an operating mill." The PUD will receive \$540,000 from the sale that includes three biomass turbines and a substation that exclusively serves the facility. "This price is reflective of the market and economic conditions," said Rick Lovely, General Manager of Grays Harbor PUD. "We've looked into other options and this is the highest dollar value back to the PUD with the greatest benefit to our community. The other options were to remove the generation assets and try to sell them or scrap them. Either option would have required additional costs for removal and would likely have resulted in a lower purchase price than what we are receiving from this sale. We are pleased with this outcome and want to convey to John Begley and Harbor Paper LLC our best wishes for their success."

The purchase and installation of the generation assets in 2006 was the result of a state initiative to grow and retain jobs in Grays Harbor. At the time, Weyerhaeuser had just shut down the Cosmopolis pulp mill, after having closed the South Aberdeen Sawmill less than a year earlier. With 350 jobs gone, the community was facing tough economic conditions, and there were serious concerns that without some financial support, Grays Harbor Paper could also close. The state put together a financial package that included a capital appropriation and two loans, a \$1 million Community and Economic Revitalization Board (CERB) loan and a \$500,000 forest products loan, to purchase and install renewable generation assets at Grays Harbor Paper. Grays Harbor PUD agreed to serve as the vehicle for the state to move forward with the jobs initiative, fulfilling the need for a local agency to lead the project. The PUD retained ownership of the generation assets and leased them back to Grays Harbor Paper, with the lease payment stream designed to offset the PUD's cost of repaying the loan portion of the financing. The PUD intended to sell the generation assets to Grays Harbor Paper when the loans were paid. At the time of the closure of the mill, there was a remaining balance of \$1 million on the CERB loan. After briefing by the PUD, CERB Board members agreed to modify the terms of the remaining \$1 million loan to address the remaining balance. Under the proposed modifications, the PUD would apply \$500,000 from the sale of the assets to the balance on the loan. CERB has agreed to reduce the remaining balance on the loan, apply an interest only payment made earlier to the principal to further reduce the balance, and allow the PUD to provide a payment of \$174,000 to fulfill the loan obligation. The modifications will now go before the Grays Harbor PUD Board of Commissioners for action.