

## **Grays Harbor PUD Approves 2013 Budget, Expects 8% Rate Increase**

### **Local News**

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Aberdeen, WA - The Grays Harbor PUD Board of Commissioners approved a 2013 \$110.5 million operations and maintenance spending plan and \$7.5 million capital budget for the coming year. The total budget, approved at the December 3, 2012 commission meeting, assumes a rate increase of 8% in the coming year to fund capital improvements and cover increasing power supply costs due to voter approved mandates and an increase in rates for power purchased from the Bonneville Power Administration to serve customers. While power supply costs are on the rise, the PUD continues to cut internal costs with departments trimming almost a million dollars in the 2013 O&M budget. The operations and maintenance budget reflects increased costs for voter-approved mandates for renewable resources as well as an anticipated increase in the rates charged by the Bonneville Power Administration for the power purchased by the PUD to serve customers. "Rising BPA rates and the requirement to invest in renewable resources adds millions of dollars in additional costs," said Rick Lovely, General Manager of Grays Harbor PUD. Under I-937 (now known as the Energy Independence Act) Grays Harbor PUD is required to provide a certain percentage of the energy needed to serve customers from "eligible" renewable resources. The estimated cost of these resources for compliance with the Act in 2013 is \$4.04 million, an increase of \$280,000 over last year. "The challenge we face is we are required to invest in these resources despite the fact that we don't need the power," said Rick Lovely. "These resources are more expensive than the relatively low-cost hydropower we purchase at cost from the Bonneville Power Administration that is renewable but not eligible for compliance under the Act. The cost for these resources is significant and continues to put pressure on rates, not just for Grays Harbor PUD but for many utilities across the state" he said.

The \$7.5 million dollar capital budget funds needed investments in the electrical system and facilities. "This is a bare-bones capital plan that addresses needs for equipment and infrastructure repair and replacements as well as investments in preventative measures and upgrades to update aging and outdated equipment," said Rick Lovely. "Our plan is to fund these investments from revenue rather than assume additional debt at this time." The budget is based on a revenue forecast that projects continued declines in revenues from the sale of surplus power into power markets and little change in retail revenues. The revenue forecast for the budget year continues to show the impact of declining power markets with a projected decrease of \$2 million in revenue for the coming year from the sale of surplus power. This continues the trend of declining revenue due to stagnant power markets which has occurred over the past four years. Grays Harbor PUD has a good track record for selling surplus power in electricity markets and using the revenue to reduce or prevent rate increases, but with power prices down, the PUD is seeing less revenue from surplus power sales. The budget anticipates an 8% increase in rates. For a typical residential customer using 1,100 kilowatt-hours a month, that would mean an increase in their monthly bill of \$7.51, not including taxes. To enact a rate increase, the Board of Commissioners will need to take formal action in the coming weeks.