Grays Harbor PUD Financial Analysis Determines Utility to Face Significantly Increased Costs

Local News

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Aberdeen - The Bonneville Power Administration's increase to wholesale power rates will increase Grays Harbor PUD's costs by more than six million dollars over the two-year rate period. Following last Tuesday's announcement of the BPA increase, the PUD conducted a financial analysis on the local impact of the 7% average increase to wholesale power rates. The analysis determined the actual rate increase for Grays Harbor PUD is about 5% based on the type of contracts the District has with BPA. "While we were pleased to see the BPA increase is lower than the originally proposed 9.4 percent, this is still is a significant increase for Grays Harbor PUD," said Rick Lovely, General Manager of Grays Harbor PUD. "Most of our power comes from BPA, which means any increase in BPA rates will always have a direct impact on our costs."

The PUD's financial analysis determined the BPA increase would raise the utility's costs by about $760,000 for the remainder of 2009, more than $3 million in 2010 and about $2.3 million for the remainder of the rate period, which ends in September of 2011 (the PUD does not expect a reduction at this point, and is preparing for more increases by BPA). Despite the BPA increase beginning October 1, the PUD's rates will remain stable through the end of the 2009, thanks to cost-saving measures implemented in early 2009. These included reduced staffing levels through attrition; salary freezes for employees not covered under collective bargaining agreements, elimination of non-essential travel and training, and a reduction in the number of summer students hired. Grays Harbor PUD will determine the best way to manage its response to this BPA rate increase next year as the District develops the 2010 budget in the coming months. "Grays Harbor PUD will continue to be very cost conscious and only consider a rate increase if necessary," Lovely said. "As the PUD budgets for 2010, we will determine the best way to minimize the impact of the BPA rate increase on our customers while continuing to provide quality service and a highly reliable system." In the coming budget year, some cost savings are expected from additional staffing level reductions through attrition. During the next 24 months, the PUD expects a total reduction of up to 10 full time positions (this includes three positions in 2009) with an estimated total savings of up to $1.25 million annually. During the rate case, the PUD urged BPA to undertake several cost-savings measures to avoid any wholesale power rate increases, including: Rejecting all power sale agreements with aluminum companies that require cost increases to consumer owned utilities Eliminating cash payments to customers of investor owned utilities that still owe consumer owned utilities millions of dollars as the result of illegal payments previously made by BPAIdentifying and implementing BPA program cost savingsUsing all financial tools, including an expanded Treasury line of credit and a less restrictive reserve policy, to make the Treasury paymentWhile BPA is making use of some financial tools to help reduce the rate increase, they continue to offer subsidies to aluminum companies and investor owned utility customers.In an earlier statement after the announcement of the BPA rate increase last week, Rick Lovely stated, "While we were pleased to see some effort on the part of BPA to reduce costs, we were disappointed BPA continues to pursue activities that are costly to public power."