

Utility 'Staying the Course' to Build Financial Reserves



As a result of lower than suggested cash reserves, Fitch Credit Ratings has announced it will lower the Grays Harbor PUD credit rating from A-stable to A-negative. The decrease is isolated to future outlook and does not reflect upon the PUD's day-to-day financial management or operations.

It is suggested that utilities carry a cash/credit reserve equal to one quarter of operating expenses. Currently, the PUD cash reserves would cover one month of operations. In order to reach the recommended reserve total, the utility would need to implement a one-time customer surcharge of between 16-18%. That is something the utility is not willing to do.

"We cannot in good conscience pass an increase on to our customers to increase the size of our bank account," said PUD Commission President Arie Callaghan. "While we acknowledge the circumstances related to the rating downgrade, we will continue to responsibly manage our finances, build up our reserves and strengthen our financial position in a reasonable time frame that will have a minimal impact on our customers."

The main result of the credit rating change will be higher interest rates for future borrowing. However, Finance Director Kathryn Skolrood and General Manager Dave Ward do not anticipate the need for increased credit usage and larger bond issuance in the near future.

"The utility has a plan in place to align reserves to the recommended levels in a time frame that fits our needs. This effort will be greatly aided by the expiration of costly and unnecessary energy contracts in 2023," said Skolrood. "This is the responsible path forward."

"The best choice is to stay the course and keep to the plan we have been following for the past two years," said Callaghan.

Commission Meeting Dates

Meetings are held in the Nichols Building, 220 Myrtle Street, Hoquiam.

August 2018

Monday - August 6
Monday - August 20

September 2018

Tuesday - September 4
(rescheduled from Sept. 3)
Monday - September 17

Regular business meetings are scheduled to begin at 4:30 pm. A one hour workshop (3:30 to 4:30 pm) will precede each business meeting, unless otherwise noted. The public is welcome to attend all commission meetings, special meetings, workshops and public hearings. **Public comment periods are included at the open and close of every meeting.**

Commission meetings may be cancelled and special meetings may be scheduled. Please visit our website (www.ghpud.org) for updated information.

ON-LINE BILL PAYMENT

Want to pay your bill on-line? Now you can pay your bill instantly without ever leaving home. Just go to ghpud.org, click the "Pay Bill/Smart Hub" button on the bottom left hand side of the screen and follow the instructions. If you have any difficulties using the online service, please call Customer Service at 1-800-562-7726 or you may email customerservice@ghpud.org.



Fuel Mix Report Shows PUD 98% Carbon Free

The Grays Harbor PUD prides itself on the affordability, safety and reliability of its power. However, a fourth element worth noting is the environmental stewardship the PUD achieves through the clean energy provided to our customers. At a time when carbon footprint and emissions are being closely examined, the Grays Harbor PUD can proudly boast a fuel mix which is over 98% carbon free (2016 Fuel Mix Disclosure, Washington State Department of Commerce).

Grays Harbor County PUD #1				
Utility Fuel Mix				
Fuel	Percent	MWh from Claims on Resources	Total MWh from Market Purchases	Total MWh
Biogas	0.00 %	0	0	0
Biomass	9.13 %	81,440	447	81,887
Coal	1.12 %	0	10,073	10,073
Geothermal	0.00 %	0	0	0
Hydro	78.92 %	694,795	13,055	707,850
Natural Gas	0.64 %	61	5,692	5,753
Nuclear	10.14 %	90,287	705	90,992
Other Biogenic	0.00 %	0	0	0
Other Non-Biogenic	0.03 %	0	237	237
Petroleum	0.02 %	0	149	149
Solar	0.00 %	0	0	0
Waste	0.00 %	0	0	0
Wind	0.00 %	0	0	0
Total	100.00 %	866,583	30,358	896,941

2016 Fuel Mix Disclosure, Washington State Department of Commerce

The Importance of Broadband for All

A Note From Rep. Derek Kilmer

In cities like Seattle, the economy is undoubtedly cooking. But, beyond the shadow of the Space Needle, the story in rural communities across the country is a little different. One major barrier to growth in our neck of the woods is the fact that while 98 percent of Americans who live in cities have access to high-speed internet, more than a quarter of rural America does not. That's why on July 19, I introduced the bipartisan *Broadband for All Act*.

The *Broadband for All Act* creates a tax refund of up to 75 cents on the dollar for people and businesses to close the gap in securing rural broadband service. It's in the same spirit as the legislation championed by President Franklin Roosevelt nearly a century ago, when he empowered community groups like Washington's granges to create public utility districts like this one, in order to connect rural communities with electricity. In today's economy, having internet is just as vital to doing business as having power.

Yet, here on the Olympic Peninsula, entire communities don't have access to high-speed internet. I recently met with a member of the Hoh Tribe, for example, who said that his community's library doesn't have an internet connection. Not having high-speed internet access is far worse than not being able to stream the latest season of *Stranger Things*. If you're starting a business, applying for a job, doing your homework, using an app to run your farm more efficiently, or making a little extra money by renting your house out to vacationers, not being able to get online is a big problem. That's why, in the midst of all the partisan bickering in DC, I'll keep pushing for Congress to get focused on the stuff that matters - creating more economic opportunities for more people in more places.



Clip Coupon and Save Energy

Step up your energy conservation efforts and reduce water usage at the same time! Grays Harbor PUD is pleased to offer no-cost energy efficiency kits to our customers to help save on their energy usage and utility bills. This program helps the PUD meet state mandated energy conservation targets. The cost of the kits will be covered by our Energy Efficiency Incentive reimbursements from BPA.

PLEASE NOTE that kits are available to PUD residential customers for the remainder of August, ONE PER CUSTOMER and must be picked up at the PUD Energy Services office at 2704 Cherry St. in Aberdeen, which is open each weekday from 8-5 but is CLOSED from 1-2 pm.



Grays Harbor PUD
"It's your PUD!"

ENERGY EFFICIENCY KIT

For more info call: 360-538-6383

Limit one per GHPUD active service address.
Offer expires 8/31/18
Kits available for pick-up only.

FREE Energy Efficiency Kit (For GHPUD Residential customers only)



Complete the following information to receive your energy efficiency savings kit.

Customer Name: _____

Account Number: _____

Service Address: _____

Mailing Address: _____

Primary Phone Number: _____

Water Heating Fuel: Check One Electric Gas Other

Stop by the Energy Services Department with this coupon to collect your kit today.

Office hours: M-F 8AM to 5PM, CLOSED between 1PM and 2PM.

Energy Services Dept.
2704 Cherry St.
Aberdeen, WA 98520

This is your light bulb moment!

✂ CUT HERE ✂

PUD Honors Retirees and Employees for Service

Employees of the Grays Harbor PUD are public servants who work to fulfill the utility mission of providing utility services to their community. This summer, the utility honored the five, 10, 15, 20, 25 and 30 year anniversaries of 32 of those employees.

"We thank these dedicated individuals for their years of service to the utility and to their fellow Harborites," said General Manager Dave Ward.

The luncheon was highlighted by the recognition of Kim Beerbower, who celebrated her 30th year of service. The event also gave retirees from the PUD the chance to gather together and share stories and memories of their years at the utility.



General Manager Dave Ward congratulates honorees at the PUD Service Awards and Retiree Luncheon.



A Decade of Change

By Russ Skolrood, District Three

Over a decade of service as one of your PUD Commissioners, I have seen the power industry change dramatically. When I first began in 2008, the price of power on the open market could vary anywhere from \$30 all the way up to over \$100 a megawatt hour. With the emergence of gas fracking and the incentivized renewable resources that have entered the market, power can now cost anywhere from less than zero, to a rare high of \$50 a megawatt hour. Cheap power can't be a bad thing right! For Grays Harbor PUD it is a budget killer. We used to be able to sell our Slice power (excess) from BPA for around \$63 million a year. This year our total surplus sales are on track to total around \$12 million. That is a \$41 million loss in a ten-year time span. Surplus sales used to help our budgets tremendously, and now we look at a good water year as almost a negative because we are selling power at a price that is less than what we purchased it for.

Another costly change in the power industry came from initiative I-937 that was passed by the voters of Washington State in 2006 (not the voters of Grays Harbor County). I-937 requires us to purchase renewable energy (don't forget hydro doesn't count) and has grown to around a \$12 million liability every year. We are also required to spend money on conservation every year (not a bad thing), which in turn lowers our revenue from decreased power usage by those that can afford conservation measures for their homes and businesses. These two parts of I-937 have drastically effected the price of power for Grays Harbor ratepayers.

BPA, who we purchase the bulk of our power from, has had to raise its rates by over 40% in that same 10-year span. Normally it would be easy to blame them for our financial woes but they are in the same power market as we are, and have lost hundreds of millions of dollars on their excess power sales. We hold them to the fire to cut costs just like we have had to, but there is only so much you can cut, and we understand that far too well. Looking ahead to 2028 when all of BPA's power contracts expire, ultimately, they may not be the cheapest power available. I can't imagine that environmentalist would like to see hydro go away and be replaced by gas turbines. Wind and solar are still going to require a reliable power source to back them up when sun and wind aren't available, so are environmentalist really going to want natural gas to be burned to fill the gap?

Just as I know that there have been huge changes in the power industry over the past 10 years, I can only imagine what might happen in the next 10. I know that at GHPUD we will continue to look towards our mission statement to provide safe, reliable power at the lowest practical cost and hope that something positive happens that will give us some much needed financial help to keep our rates low for the people of Grays Harbor.



ENERGY, an informational newsletter, is published monthly for families and businesses energized by Grays Harbor PUD.

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