

Protecting Your Utility's Finances
Guest editorial from Grant PUD Commissioners
June 1, 2010

Sound financial health speaks loudly in today's economy. As your elected representatives, we take the responsibility of protecting Grant PUD's finances very seriously.

This winter's below average snowfall has turned 2010 into one of the worst water years on record for the Columbia Basin. This year follows a similarly bad water year in 2009 and compounds the significant reduction in revenues the utility has experienced. In a bad water year we generate less power to sell in the wholesale market, thereby reducing revenue received and potentially spending significant monies on power purchases to meet load.

The impact of the last two below average water years reduced Grant PUD's anticipated revenues by nearly \$80 million, causing us to rely on cash reserves. Consequently, reserves have fallen below levels needed to meet another low water year. We are working with staff to find solutions and hope to avoid the need to balance the utility's budget with cash reserves and a rate increase larger than originally anticipated. Management has directed spending cuts and capital project deferrals to offset the impacts of low water and reduction in wholesale revenue.

The commission is addressing actions we must take to protect the finances of your public utility. We have scheduled workshops for June 4 and June 8 to address the budget and work with staff to minimize expenditures. We anticipate that those efforts will be helpful but may not be the only steps needed. This summer we will again address the utility's need to adopt a future rate increase. Difficult times call for difficult decisions and although we would prefer to avoid raising rates, that step may be necessary.

Grant PUD is not alone in meeting the challenges of consecutive low water years. Neighboring utilities such as the Bonneville Power Administration, Chelan and Douglas PUDs and others are also impacted significantly by these bad water conditions.

The early leaders of Grant County laid the groundwork in forming this PUD and taking charge of the county's energy future. As owners of this utility, we have all enjoyed some of the lowest cost power in the United States. The actions we take in response to today's challenges help to preserve our low cost power into the future.