



Potlatch State Park

THE CONNECTOR SPRING 2019

COMMISSIONER CORNER

The rising cost of business

Mason PUD 1 is a "preference" customer of the Bonneville Power Administration, meaning Pacific Northwest ratepayers like PUD 1 get preference to the cost-based, clean hydropower from the federal Columbia river hydro system. BPA is funded and sustained by ratepayers, not tax dollars.

BPA faces many challenges in their efforts to keep our wholesale rates low while still meeting their many obligations. One of these obligations is the cost for fish and wildlife habitat restoration, which accounts for about 30 cents of every dollar of your power bill. This habitat restoration and mitigation is our cost for the impact of the dams, which provide us the low-cost, clean energy. It is how we act as stewards of the land. An additional 11 cents of each dollar go toward the Residential Exchange Program, which causes me a lot of concern, to be honest. This was passed years ago to create a more even playing field for private electric utility companies. It's a really convoluted program and was controversial when it was developed but as a full-subscriber to BPA, our hands were tied.

The reason I bring this up is that BPA has to raise their rates to cover these programs and also replace their aging infrastructure to ensure reliability for its customers. They have a lot of the same challenges PUD 1 has, but on a much larger scale. PUD 1's mission is to provide safe and reliable utility services, and it's not as affordable to do this as it used to be. We also face the challenge of maintaining and replacing aging

infrastructure, especially when all other costs like labor and materials are also rising.

It's not easy to tell our neighbors that rates are increasing. At the end of last year, we did our budget process and passed a 5% increase in electric rates effective April 1st, 2019, after the cold season is mostly over. We have to raise rates to cover the increase in our wholesale power rates, that keep going up. I'm not happy about it but we can't risk losing our reliability.

Over the last 10 years, we have done many improvements to our system. We did a tidal crossing project at the end of Hood Canal that was about \$2 million; we built a new \$4 million substation and decommissioned the substation in the Skokomish Valley that flooded every year during storm and outage season, which put our crews in harm's way (electricity and water do not mix); we just rebuilt the majority of the Duckabush substation to extend the life of the equipment in that sub; and the list goes on and on. All of these projects have been necessary to keep the lights on.

The reason why I think it's important to provide some history here, is that

1% of that 5% increase is specifically going toward paying off debt that we acquired to do these major projects. We asked staff to come up with a long-term debt strategy and they did, proposing a schedule to pay down existing debt before we take on any new, which allows us to do one major project at a time. We want to pay off the loan or bond before we take out a new one, so we aren't over leveraging the PUD.

As a board member, this is very hard because I know how hard life is for our customers, especially those on fixed incomes. But if we don't address our infrastructure it could hurt us in the long run by not having reliable power to keep the lights on. We take our responsibility very seriously and try to keep the rates as low as possible but still meet our obligation to keep the lights on and keep the organization afloat.



Ron Gold, Commissioner District 2

MANAGER'S REPORT

We've welcomed in 2019 with a ferocity so far! We had about 19 inches of snow fall in Potlatch during the peak of our outages in February. Our water and power crews did a great job of navigating the treacherous highways to get customers back in service as quickly as possible; even going to help out our neighbors at Mason PUD 3 for a couple days after our work was done. That's one of the benefits of living in a public power community. We stay on the job 24/7 until you're back in service and we have friends to call that help out when we need them. Some private utility customers in the Puget Sound were out of power for a week! Our mutual aid agreement with PUDs across Washington State has come in handy for us in the past, and we are happy that we get to pay it back from time to time.

After the snow thawed, we got busy on Phase 2 of our site plan for the property that is located just above the PUD's current office and warehouse. Several years ago, we purchased and cleared the property above, knowing that we eventually need relocate off of the highway and that we need room for our equipment and our poles, which we stored at Tacoma Power for decades. The pole yard project (which was Phase 1) was completed in 2017 and now we are getting ready to move the rest of the dirt and build our new covered storage area for our vehicles and equipment.



They're building line trucks a lot bigger now than they did in the 1950s and in the 1980s, which is when both sections of our current warehouse were built. Our most recent line truck barely clears the opening in the parking stalls. We also have vehicles and equipment that sit out in the rain all year because we don't have a place to house them. We try to make equipment and vehicles last as long as they possibly can. With the amount of money invested in our fleet and equipment, we need to make sure we are storing it properly and protecting our investment.

The bid was just awarded for the excavation and construction. There should be a new covered vehicle storage building on that site by the end of 2019. The next phase of the facilities plan is not scheduled until 2030. It includes the construction of an office/operations building to house our employees, a more convenient customer service area, and a real meeting space where more than five members of the public can be comfortably seated to attend a board meeting. Currently, our board



NEW WAREHOUSE

early 80's

meetings are held in the former living room of the old manager's house, which serves as our operations building. These buildings have been here since the late 1950's and in 2030, after 70+ years, it will be time to move, with the idea that the next building should also last 70 years! 2030 is the target date based on the PUD's new long-term debt and finance strategy. It could happen sooner or later depending on a variety of factors, but until it happens, we are being responsible with our resources and our finances. We will share project updates on Phase 2 as they occur.

Sincerely,



Kristin Masteller
General Manager

TJ Goos named *Water System Operator of the Year for 2018!*



Goos, center, accepting his certificate.

At their annual conference in February in Yakima, Evergreen Rural Water Association named PUD 1's TJ Goos their "Water Operator of the Year" for 2018. Goos, who is the District's lead water system operator, has worked for the PUD since 2007. TJ is not only the PUD's resident expert in water system management, he has grown into a recognized leader in water in Mason County, fielding calls from different municipal and private water purveyors, customers, and community water systems for consultation and advice.

PUD 1's general manager Kristin Masteller said of Goos, "He takes pride in his job, his utility, and his crew. He has an extensive knowledge of water distribution and he is happy to take the time to explain processes to customers and community members."

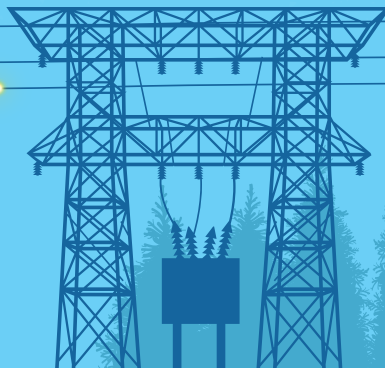
Congratulations on your recognition, T.J. You deserve it. Thank you for the great work you do on behalf of our ratepayers and our community!

How to help alleviate

cold loading during an outage



Customers should switch off all appliances and electronics and turn down the heat by 10° to 15° during an outage.



WHAT IS 'COLD LOAD'?

When we are restoring power to large sections of line in cold weather, one of the issues our system faces during the re-energizing process is known as 'cold loading'. Cold load is the amount of electricity customers demand as we try to re-energize areas that have been off for extended periods of time.

WHY SHOULD I CARE?

In some cases, the instantaneous demand is more than our system is designed to take all at one time, and shortly after the electricity is restored, circuit breakers automatically trip to protect the system from overloading and the power goes off again. This is what happened during the last snow storm when we tried repeatedly to energize the area from Hoodspport to Mike's Beach Resort on Hwy 101. It also can happen to substations and entire sections of our territory can go down if the power draw is too large all at once. While it's tempting to turn the heat on, especially after several hours (or days) of cold, the damage to our system can set us back hours and it takes longer to restore power to everyone.

HOW CAN I HELP NEXT TIME?

The main cause of this problem is the large number of electric heaters and furnaces coming on at the same time, which place an unusually heavy load on our system. We ask our customers to help by turning off the

breakers to their furnaces when their power goes out and limit electricity usage in their homes when the electricity is restored for at least 20 minutes so our system can 'settle out' after restoration.

Then customers can turn on the furnace and gently bring the temperature of the building up to a comfortable level. Electricity also rushes to all appliances and electronics that are in the "on" position. Switching off appliances and electronics and turning the heat down can help considerably.

WHAT IS THE PUD DOING TO HELP?

We have been installing switches, which help us feed power from other substations and help regulate the voltage and power demands. The PUD is also planning for a future substation site in the Jorstad area. This sub will shorten the distance of line fed between Hoodspport and Duckabush. Currently, when one section on 101 goes out, it takes most of customers with it right on down the highway. This substation construction is still quite a bit out though, planned for 2030. We also upgrade our existing substations and equipment to help with voltage regulation and demand, and we are working to better balance our load amongst the three phases of wires on that stretch of line along 101.

Darin Hall
Director of Operations

Smart Hub Messenger is the New Way to Communicate

Starting in July of this year, the PUD will begin communicating outage notices, newsletters, and other important information via Smart Hub Messenger. The traditional method of collecting email addresses has worked okay for the last few years but it is cumbersome to manage and we are not able to extract groups of email addresses by area or water/electric.

We ask that all customers who want to continue to receive electronic communications from the PUD regarding scheduled outages, emergency outages, and other important PUD information, to either:

- 1 Log into your Smart Hub account online and update your information under "MY PROFILE"; or**
- 2 Call customer service and ask them to update your information for you over the phone.**

The PUD is now able to message customers on certain streets or in certain neighborhoods or water systems by sending you an email or text so you know immediately if there is an emergency water or power outage. No more getting information about areas or systems that don't pertain to you! You can enter your phone number and check the box to opt into text messages.

Like before, we will be respectful about the way we communicate with you and not spam you with information that isn't relevant to your utility account or utility service. This technology affords us the opportunity to communicate with you more directly but doesn't necessitate us communicating more frequently. You can also choose to opt-out whenever you please. You control how we communicate with you.

This new Messenger function helps us meet two of our strategic plan goals: to improve our communications to our customers and ensure that we're fully utilizing the technology that we've invested in!

Public Hearing for Water Cost of Service Analysis Slated for April 23rd

In 2018, the District hired FCS Group to conduct a cost of service analysis (COSA) for the water and electric businesses. The electric COSA was presented at the end of 2018 and the water COSA is expected to be completed in April, with the findings presented at the April 23rd board of commissioners meeting.

COSAs are important for a few reasons. One, the District operates at-cost so its important to ensure that the rates are covering the cost to do business. If they're not, you'll often find agencies eating away at their reserves or borrowing too much money to cover capital and operating expenses. Secondly, a COSA helps the PUD establish fair and equitable rates to prevent one or more classes of customers from subsidizing other classes of customers. It helps us develop our rate classes and where the rates should be set. Also, realizing that timelines and priorities change, the COSA template will allow us to flex and adjust as needed throughout our 10-year capital improvement plan but still have a mathematic process and strategy for financing operations.



Replacing water mains in Alderbrook

After nearly 85 years in operation we have some of the oldest water and electric infrastructure in the state. We know that we've been behind the curve in some of the infrastructure replacements. This is because we realize that an aggressive replacement schedule would result in rates that are unaffordable for our community. While the COSA might present us with target figures, the PUD's board of commissioners has tasked staff with prioritizing projects and replacements that keep us reliable and safe, but also keep family budgets in mind.

We want public input and feedback. At PUD 1 its amazing sometimes how far we are able to stretch a dollar, but at some point, pipes need replaced, well pumps go bad, and reservoirs start to crumble. It's time for us to look at what it will take to really keep up on the maintenance of all of our water systems, now that there are 70 systems instead of just 32. We also will be discussing the new proposal for creating one uniformed water rate across all 3,000 water customers, regardless of system.

During the PUD's public hearings last summer for the new water systems that were acquired from Thurston PUD, we discussed rates. We recognized that Mason PUD 1's rates were higher than what those customers had been paying to H&R Water Works and also higher than what Thurston PUD was proposing to charge. At those meetings, we also cautioned that the District was in the process of doing a COSA and that new rates would be proposed in the spring of 2019. We don't want any of this to be a surprise.

The meeting on April 23rd will start at 1:00 p.m. at the PUD's office at 21971 N. Hwy 101 in Potlatch. If you're unable to attend in person, we will post the presentation materials on our website. If anyone has comments or questions, please feel free to call and speak to us. You're also welcome to submit comments to the board in writing or email. This is the first time we have done such a large undertaking with our water rates and budget and we want to ensure that it is transparent and easy to understand.

Katie Arnold
District Treasurer



Emergency water pump replacement at Lake Arrowhead

THE BOARD OF COMMISSIONERS regularly meet the 2nd and 4th Tuesday of each month at 1:00 p.m. at the PUD 1 office in Potlatch. For more information on meetings, agendas and minutes, please visit mason-pud1.org/about/meetings/.

MASON COUNTY PUD 1 COMMISSIONERS:

- District 1**
Mike Sheetz(360) 898-7934
- District 2**
Ron Gold(360) 490-1560
- District 3**
Jack Janda(360) 490-1800
- General Manager**
Kristin Masteller.....(360) 877-5249



www.mason-pud1.org

Find us on 

Follow us on 