



PUBLIC UTILITY DISTRICT NO. 1 OF MASON COUNTY

Frequently Asked Questions (FAQ) Electric Rate Increase Effective April 1, 2024

Why a rate increase? Ongoing factors contributing to rate increases include: **1)** loss of Low Density Discount from BPA, **2)** increased capital investments, **3)** increased costs associated with operations, **4)** long-term debt payoff, **5)** continued building of cash reserves.

- 1.** The District lost its BPA Low Density Discount in 2023 due to customer growth over the last two years, which resulted in a 5.5% increase to its power costs. It's possible that BPA will issue another Reserves Distribution Clause (RDC) refund in 2024, for a total of approximately \$289,592. If this is approved, the District would pass the refund onto our customers, just as we did in 2023. This would be an estimated credit ranging between \$4.33 and \$5.98 per month for each active electric account, for 10 months.

Because this RDC refund is never guaranteed, the PUD does not account for it in the overall process for setting the budget and rates. Instead, we set the rates for the actual revenue required to cover the annual expenses and instead pass any RDCs through directly to our customers as a refund. 2024's projected RDC credit could offset about half of 2024's rate increase for higher energy users and almost the entire increase for lower energy users, depending on the month. (See residential bill comparison for more information on Page 3.)

- 2.** The District is increasing investments in capital projects to replace old infrastructure and ensure continued reliability. The current large capital project is the replacement of the Union Substation with the new Manzanita Substation. Substation construction is scheduled to occur in 2024, with the sub being energized in early 2025. The District started preliminary sitework and distribution upgrades a few years ago, doing a little bit each year to prepare for the substation construction. The District plans to construct the Manzanita sub without having to take on additional debt through loans or bonds.

While the District has been successful in obtaining grants for line upgrades and rebuilds (over \$4 million so far), many grants require a percentage of matching funds against the overall project. The additional funding in the infrastructure fund will help cover the PUD's local match requirement, in addition to completing other capital projects on the work plan like pole replacements and overhead-to-underground line conversions.

- 3.** Inflationary costs associated with materials, electrical equipment, fuel prices, fleet, and labor in our daily operation of the power and water systems have driven up our normal operational costs. (As an example, items like power transformers are close to 3x the cost they were pre-pandemic.)
- 4.** The District continues to allocate 1% of gross revenue to paying off long term debt.

5. Cash reserves are less than policy limits. The District's policy goal is to reach 90 days cash-on-hand to ensure that the District can cover its operating costs should there be a disaster event or an economic recession that impaired our ability to collect necessary revenue. The PUD continues to fund 5 days of cash on hand each year to work towards that goal. In recent years, the Bond Rating Agencies have changed their outlook when evaluating the financial stability of a utility, and now recommend 200 days cash on hand to go out to the bond market. While the District doesn't have any plans to go out to bond until sometime around 2030, the District must work slowly towards the goal of 200 days cash on hand in preparation for bonding to ensure a successful bond sale and favorable interest rate.

How is the rate increase structured?

The District's overall revenue requirement has increased by 4.75%. Each class of customers will see an increase of 4.75% for the kWh usage as well as the monthly basic charge.

What is the new rate for residential customers?

On April 1st, 2024, the basic charge will increase from \$42.50 to \$44.52 for full-time, regular residential customers, and the kWh rate will increase from \$.08962 to \$.09388. A regular residential customer, using 800 kWh per month will see an increase of \$4.88 per month, not including taxes. See Page 3 for more bill scenario examples.

How do I learn more about the proposed increases and provide comment?

A public rate hearing will be held during the Board of Commission meetings beginning at 1:00 p.m., Tuesday, December 12th at the PUD 1 district office in Potlatch. We welcome and encourage the public to attend all meetings to learn more about your PUD and provide public comment. You may also submit written comments concerning the electric rate increase until 5:00 pm on December 11th, to Katie Arnold, Director of Business Services at karnold@mason-pud1.org or by mail to 21971 N. Hwy 101, Shelton WA 98584.

What types of programs and services are available to help customers?

Mason PUD 1 offers:

- Rebates on Qualifying Energy Efficient Upgrades on your home and business
- Residential Budget Payment Plans
- Canal Comfort Fund energy and water assistance program
- Low Income Energy Assistance through Community Action Councils of Mason & Jefferson County.

MASON PUD 1 RESIDENTIAL BILL COMPARISON

Residential 800 kWh			
	<i>2023</i>	<i>2024</i>	<i>Difference</i>
Electric Usage	71.70	74.56	2.86
Electric Base Charge	42.50	44.52	2.02
Total Taxable Electric Charges	114.20	119.08	4.88
Privilege Tax	2.44	2.55	0.10
State Utility Tax	3.68	4.61	0.93
Total Electric Charges	120.32	126.24	5.92
Residential 1200 kWh			
	<i>2023</i>	<i>2024</i>	<i>Difference</i>
Electric Usage	107.54	111.84	4.30
Electric Base Charge	42.50	44.52	2.02
Total Taxable Electric Charges	150.04	156.36	6.32
Privilege Tax	3.21	3.35	0.14
State Utility Tax	4.87	6.06	1.19
Total Electric Charges	158.12	165.76	7.64
Residential 1600 kWh			
	<i>2023</i>	<i>2024</i>	<i>Difference</i>
Electric Usage	143.39	149.12	5.73
Electric Base Charge	42.50	44.52	2.02
Total Taxable Electric Charges	185.89	193.64	7.75
Privilege Tax	3.98	4.14	0.17
State Utility Tax	4.87	7.50	2.63
Total Electric Charges	194.74	205.28	10.54

*If approved on December 15, 2023, Bonneville Power Administration proposes to refund approximately \$289,592 to Mason PUD 1 through its Reserves Distribution Clause (RDC) refund, similar to the one they did in 2023. If this occurs, the PUD Board of Commissioners has instructed staff to apply this refund as monthly bill credits to active electric accounts for each of the 10 months of January-October 2024. This amount can range from \$4.33 to \$5.98 per account, per month, according to BPA's estimates, however the final amount will not be settled until December 15th. Once we receive the final amount, the PUD will apply these bill credits accordingly, which will offset a portion of the Total Electric Charge increases planned for 2024.