



PUBLIC UTILITY DISTRICT NO. 1 OF MASON COUNTY

Frequently Asked Questions (FAQ) 3.0% Electric Rate Increase Effective April 1, 2025

Why is the PUD revisiting 2025's scheduled power rate increase? The PUD was awarded grant funding that has allowed staff to reduce portions of the 2025 budget and replace it with grant funds. This reduces the year's revenue requirement and subsequently, the scheduled rate increase. Rather than a 4.75% increase, as originally approved by board resolution, PUD proposes reducing it to 3.0%.

Why have a rate increase? Ongoing factors contributing to rate increases include: **1)** significant power and transmission rate increases from BPA, **2)** ongoing capital projects, **3)** increased costs from outside services, **4)** long-term debt payoff, **5)** continued building of cash reserves.

- 1. POWER RATES:** BPA announced in November 2024 that they are proposing a 9.8% increase to their Tier 1 power rates and a 21% increase to their transmission rates. While PUD 1 and our industry associations will work to negotiate down BPA's rate proposals, it is likely that we will see a significantly larger increase in power and transmission for the next two-year rate case than we have over the last several rate cases. This is coupled with the loss of the 5.5% Low Density Discount due to residential growth on our system, and the absence of a refund from BPA this year that we received the previous two years and applied as monthly bill credits to our customers, which offset the impact of rate increases in 2023 & 2024.
- 2. CAPITAL PROJECTS:** The District continues to replace aging infrastructure and ensure continued reliability. The current large capital project is the replacement of the Union Substation with the new Manzanita Substation, with large construction expenses coming due in 2025.

While the District has been successful in obtaining grants for line upgrades and rebuilds, many grants require a percentage of local matching funds against the overall project. The infrastructure fund will help cover the PUD's local match requirement for the \$3.6 million FEMA grant that the PUD received, along with matching funds for other grants that have come in.

- 3. INFLATION:** Inflationary costs associated with materials, electrical equipment, fuel prices, fleet, and labor in our daily operations continue to drive up our normal operational costs (5%), despite us holding nearly all discretionary line items flat since 2022. We are now seeing these increases creep up in areas like liability insurance (21%), computer and engineering software (8%), landscaping (28%), locating services (17%), and dues to our industry associations that provide the PUD with legal and regulatory advocacy and training for our crews (13%).
- 4. PAYING DOWN DEBT:** The District continues to allocate 1% of gross revenue to paying off long term debt. The PUD also will apply any net operating margins and system capacity fees

to the Line of Credit (LOC) that the PUD uses to cash flow the expenses for the Manzanita Substation and the unfunded portion of the Duckabush relocation project. Any unrestricted proceeds from the sale of the District's Climate Commitment Act allowances will also be applied to paying off the LOC to avoid additional long-term debt.

- 5. INCREASING CASH RESERVES:** Cash reserves are less than policy limits. The District's policy goal is to reach 90 days of unrestricted 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. (COVID was a prime example of this. The PUD had to continue to pay BPA's power bill and the PUD's operating costs even though a large percentage of customers were not able to pay their bills for a very long time. This reduced cash flow to severely low levels. The PUD must ensure we can continue to pay our bills in an emergency.)

The PUD continues to fund 5 days of cash-on-hand each year to work towards the 90-day goal. Bond Rating Agencies have changed their outlook when evaluating the financial stability of a utility, and now recommend 200 days of unrestricted 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 of cash-on-hand in preparation for bonding to ensure a successful bond sale and favorable interest rate. As of the end of 3rd Quarter 2024, the District had 86 days of unrestricted cash-on-hand (208 total days of restricted and unrestricted cash). This cash level fluctuates each month depending on the timing of expenditures throughout the year and grant projects that the PUD cash flows while awaiting reimbursements. At year end though, the PUD has met the goal of adding 5 days of cash to the ending reserve balance each year.

How is the rate increase structured?

The Board of Commissioners set three years of power rates for 2024-26 by resolution at the end of 2023. The PUD's overall revenue requirement has increased by an average of 4.75% per year since 2023. PUD staff reduced several areas of the 2025 budget for one year to help offset a substantial rate increase from BPA and still lower the PUD's scheduled rate increase. This was made possible by a \$3.6 million FEMA grant that will supplement the capital budget and a small portion of the labor budget next year. The District was able to reduce the scheduled 4.75% rate increase to 3.0% for 2025. If this new rate recommendation is approved by the Board of Commissioners in December, each class of customers will see an increase of 3.0% for the kWh usage as well as the monthly basic charge starting in April 2025.

What is the new rate for residential customers?

On April 1st, 2025, the basic charge will increase from \$44.52 to \$45.86 for full-time, regular residential customers, and the kWh rate will increase from \$.09388 to \$.09669. A regular residential customer using 800 kWh per month will see an increase of about \$3.58 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 10th at the PUD 1 board room 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 proposed electric and sewer rate increase until 4:30 p.m. on December 9th, to Katie Arnold, District Treasurer 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>2024</i>	<i>2025</i>	<i>Difference</i>
Electric Usage	74.56	76.80	2.24
Electric Base Charge	44.52	45.86	1.34
Total Taxable Electric Charges	119.08	122.66	3.58
Privilege Tax	2.55	2.63	0.08
State Utility Tax	4.61	4.75	0.14
Total Electric Charges	126.24	130.04	3.80
Residential 1200 kWh			
	<i>2024</i>	<i>2025</i>	<i>Difference</i>
Electric Usage	111.84	115.20	3.36
Electric Base Charge	44.52	45.86	1.34
Total Taxable Electric Charges	156.36	161.06	4.70
Privilege Tax	3.35	3.45	0.10
State Utility Tax	6.06	6.24	0.18
Total Electric Charges	165.76	170.75	4.99
Residential 1600 kWh			
	<i>2024</i>	<i>2025</i>	<i>Difference</i>
Electric Usage	149.12	153.59	4.47
Electric Base Charge	44.52	45.86	1.34
Total Taxable Electric Charges	193.64	199.45	5.81
Privilege Tax	4.14	4.26	0.12
State Utility Tax	7.50	7.73	0.23
Total Electric Charges	205.28	211.44	6.16