

MASON COUNTY POWER HISTORY

From a public power viewpoint, Mason County is unique in having the oldest operating Public Utility District in the state and also in being the only County containing two operating PUDs in its borders.

Immediately after the passage of the Grange Power Bill in 1930 which authorized the establishment of Public Utility Districts in the State of Washington, Grangers and other interested people began to lay strategy to organize PUDs in their home counties. The people of Mason County were the first to act.

In Mason County's Hood Canal area, the old Hood Canal Mutual system was a going concern but its consumer-owners decided their interest would be better served by a public utility district which would incorporate the Mutual's service area and supplant its operation.

The cost of obtaining service from the Mutual averaged about \$150 per customer and was prohibitive to many people who lived immediately adjacent to the existing power lines, consequently the Mutual company had had very little growth during the years it was in business. Accordingly, the proper legal papers were drawn and a slate of candidates nominated in time to appear on the ballot in the 1932 general election. The Board of County Commissioners okayed the PUD petition for the fall elections.

On November 5, 1932, Superior Court Judge, D. F. Wright issued a temporary injunction to restrain the election board and the county commissioners from submitting the proposition to the voters. The plaintiff, The Phoenix Logging Company, held that the petition for formation had never been published, that notice of time and place for hearing of said petition was never given and no order had been made defining boundaries; and that the plaintiff - owner of large bodies of land and timber - would be subject to heavy taxation and, therefore, would suffer great injury and be irreparably damaged by holding said election.

Because of this action, the proposition was withdrawn and resubmitted to the Board of County Commissioners, then composed of T. W. McDonald, Wm. E. Daniels and T. W. Webb (Mr. Webb was later to be a PUD Commissioner) for the approval of the electorate at the next general election following. The records show that Mason County PUD #1's petition was adopted by the Mason County Commissioners on the 23rd day of December, 1932. Because of the above court action, Mason County PUD No. 1 was not organized in 1932 as is commonly supposed but in 1934.

On November 6, 1934, the proposition did appear on the ballot and was approved by the voters by the overwhelming majority of 346 for and 69 against. The first PUD Board of Commissioners was elected at this time also.

The Hood Canal Mutual system which Mason County PUD #1 replaced was first organized in 1925 but wasn't incorporated as such until September 13, 1929. The Mutual's Board at the time of incorporation consisted of W. O. Watson, President, George M. Dixon, E. S. Hart, H. W. Follett, H. L. Millo and John Hawk. (Prior to incorporation, Charles Freighberg had also served as a Board member.)

The President of the Mutual, W. O. "Willy" Watson was a man of unusual foresight. A former schoolteacher and a self-made civil engineer, he took a leading role in many projects, the formation of the Mutual being but one. Certainly, if any one individual could be singled out as being the "father" of the Hood Canal Mutual it would be Watson. Other members of the Mutual's board included Helen (Nell) Anderson, Treasurer, and Marion Hoffman, Secretary. Later the office of

secretary and treasurer was combined and Helen (Nell) Anderson served as such plus being system accountant, billing clerk, meter reader, and general bookkeeper. C. M. "Morrison" Pixley was manager of the Mutual (as well as manager of a local telephone utility).

The Mutual system was capitalized at \$100 per share and one had to be a shareholder to receive service. Beyond that, a customer had to contribute whatever it cost to bring service to him either in cash or line and poles, the cost varying with the distance to the service. Rates were fixed to yield sufficient operating capital to keep the system going. Neither the rates nor the service would measure up to present day standards but it was a healthy beginning and a progressive step forward from the kerosene lamps which did duty before the advent of electricity to the community.

The Mutual's source of energy was the Cushman Dam complex owned by the City of Tacoma. Tacoma first came into the Skokomish Valley in 1921 to begin work on their hydro-electric installations there. In 1926, Cushman Dam No. 1 was completed with a capacity of 36,000 kilowatts. Cushman No. 2 was placed in operation in 1930 with a capacity of 54,000 kilowatts.

Tacoma wasn't too popular in Mason County at the time. Many local people felt that the city had acted very arbitrarily in moving into the Skokomish, condemning large blocks of property and taking it off the tax roles and even denying access to an area which always before had been open to the public. Tacoma City Light had a public relations problem. One of the steps taken to alleviate the opposition to their presence was to encourage and assist the local people in establishing a Mutual system so they too could share in the benefits of their development. Ira Davidson, the head of Tacoma City Light, took the lead in this activity. Accordingly, the Hood Canal Mutual began receiving electricity from Cushman Dam when President Watson ordered the "juice" turned on May 4, 1928 and its lines were energized. Nevertheless, for many years Tacoma's activities were resented and friction existed between the city and the local people. Even the Mutual's employees tended to think any service received from the City System was an afterthought and their requirements were considered after everybody else's. The Tacoma people no doubt thought the opposite; that they were going out of their way to be cooperative.

When the PUD law went on the books in 1931, the Mutual's members began to talk of converting their system to a PUD. They felt that such a move would give them a source of capital to expand and operate the system more efficiently. Some of the larger property owners in the service area were opposed to the move. The public utility district concept was a new approach and they feared that the 2 mill assessment feature of the PUD law would cost them more than the services received would justify.

Edward Hillier of the Phoenix Logging Company (later to be affiliated with the Simpson Logging Company) spearheaded the opposition against the PUD. Hillier had been in favor of and had assisted in forming the Mutual system, but was strongly opposed to the PUD concept. However, with the limitation in PUD No. 1's service area that excluded most of the larger property owners including the timber holdings, opposition to PUD No. 1's formation was much milder than it would be in later efforts to form county-wide utility districts.

At the 1934 general election, the following PUD Commissioners were elected to direct the district's affairs: E. S. Hart from commissioner district #1 (Union

and Skokomish precincts) for a three year term; John Hawk, from commissioner district #2 (Ells and Potlatch precincts) for a two year term; and S. R. Moffett from commissioner district #3 (Hoodsport and Lilliwaup precincts) for a one year term.

Mr. Hart continued as PUD commissioner until November, 1937 at which time Jess Michael replaced him on the board. Mr. Michael served until November, 1945 when Dick Buechel replaced him. Mr. Buechel is the present Commissioner from District #1.

John Hawk served as commissioner from District #2 from November 15, 1934 to November, 1937. He was then replaced by Alvin Hulbert who served from November, 1937 to July 7, 1947. Harold Hunter, the present commissioner, replaced him.

In District #3 Sam Moffett, the original commissioner, served until February 26, 1937 when he was replaced by Bert Davis. Mr. Davis was in office only to November, 1937, when he was replaced by L. F. Stetson who served until November, 1941. Howard Lockwood then served until the present commissioner, Stephen Hale, assumed his seat.

C. M. Pixley, the Hood Canal Mutual manager, continued on as PUD #1's manager from November, 1934 to May 10, 1937. On that date a simple entry on the minutes shows Mr. Pixley as being discharged for cause. S. R. Moffett, a former PUD commissioner himself, replaced Pixley. Moffett served as manager only to January 17, 1938. The minutes show him relieved as of the date as "incompatible with new commissioners." F. G. Biggs was named manager and served until January 1, 1942, followed by R. E. Johnson from January 1, 1942 to April 11, 1949; Curtis Cornwall from April 11, 1949 to January 15, 1952; Roy L. Simmons, January 15, 1952 to July 1, 1952; and M. D. Parrett, July 2, 1952 to July 19, 1963. The present manager, Lester W. Hein, has served from that date.

Helen Anderson, accountant for the old Mutual, was named auditor when the PUD was organized and served in that capacity until July 6, 1936. Mildred F. Robinchaw, Jean Main, Ardyce Ford, W. E. Berry, Irene Tanzer and Ora E. Havens then served as Auditor in that order. Isabelle J. Hicks, the present auditor, has served since July 1, 1955.

After the 1934 election steps were taken to transfer the properties of the Hood Canal Mutual company to the newly formed Public Utility District No. 1 of Mason County. A contract was drawn up and arrangements made to wind up the affairs of the Mutual company.

On February 1, 1935 Public Utility District No. 1 of Mason County assumed the management and operation of the power distribution system. At that time there were 212 active customers on the lines with gross revenues of about \$600.00 per month.

The contract entered into between the Mutual company and the PUD provided that utility bonds be issued in sufficient amount to cover the value of the Mutual company, the value to be determined by adding to the face value of the 205 membership certificates, the depreciated value of all secondary equipment, said depreciated value to be determined by an appraisal board, said board to be retained jointly by the Mutual company and the district.

On February 15, 1935 an issue of \$4500 worth of general obligation bonds was made for the purpose of defraying the cost of extensions and betterments of the physical properties. This issue, sold to Seattle First National Bank, has

long since been retired and there are no outstanding general obligation bonds at this time.

On March 1, 1935, \$33,000 worth of revenue bonds were issued and delivered to the Hood Canal Mutual Co., whereupon a bill of sale was delivered to the Public Utility District.

Following this many applications for service were received by the newly formed district and by September of 1936 the number of customers slightly more than doubled and the gross revenue increased in about the same proportion.

PUD No. 1's growth soon required additional financing so a \$22,000 issue of revenue bonds was authorized September 1, 1936. Only \$17,500 of these were sold, the remaining \$4,500 never issued and later cancelled.

Ten years later system growth again required new capital and on April 1, 1946, \$45,000 of revenue bonds were issued. Also, on March 1, 1946 there was an issue of \$8,000 of general obligation bonds.

In 1947, PUD No. 1 began to convert to REA Revenue Bond financing. The low interest rates on REA loans gave quite an advantage to the PUD, making the operation of this small system, as it has for so many other scattered rural systems, possible on a reasonably low rate structure.

On January 2, 1947 PUD No. 1 received an REA "A" loan for \$63,000 and again general obligation bonds of \$3,000 were issued on November 30, 1947. In 1948 (February 2, 1948) the District received an REA "B" loan for \$42,000 and on May 15, 1948 a "C" loan for \$65,000; on January 15, 1955 a "D" loan for \$60,000, in 1958 and "E" loan of \$427,000; and in 1964 a \$230,000 "F" loan. The system is now entirely REA financed, the early revenue bonds having long since been paid off. The District now serves some 1,621 customers and has an investment of \$1,109,936.

For a small system, Mason County PUD No. 1's rates are comparatively low. Of course, they are not competitive with our larger publicly owned systems with their built-in "economy-of-scale". Residential rates have changed very little. For example, rates were set by the PUD on February 27, 1938 charging .045 for the first 100 KWH/MO; .02 for the next 50 kilowatts; and .01 for all over 150 KW with a \$1.00 per month minimum charge. After several minor changes the current schedule now charges .05 for the first 50 KWH/mo; .03 for the next 50; .02 for the next 50 and .01 for everything over 150 KWH/mo. This schedule was fixed March 1, 1947, and hasn't been altered since.

The City of Tacoma was supplying the Hood Canal Mutual with power at the time PUD No. 1 acquired their properties and the arrangement continued. A new power supply contract was executed between the District and Tacoma September 7, 1936, which continued in force until May 6, 1949 when deliveries for Tacoma were discontinued and power was purchased for Mason County PUD #3 over a line which had previously been constructed from Shelton to the Cushman Hydro Plants. On November 28, 1949 a new contract with Tacoma was executed and on April 3, 1951k deliveries from Tacoma's Cushman No. 2 plant was again initiated.

On October 29, 1959, PUD #1 entered into a wholesale power contract with the Bonneville Power Administration providing two points of delivery, one at Potlatch and one on the Duckabush River. On October 25, 1960 a portion of PUD #1's load

was picked up from BPA at the Duckabush Substation and on November 3, 1960 all deliveries from Tacoma were terminated and the remaining PUD #1 load was picked up by Bonneville. The District now purchases its entire power needs from the Bonneville Power Administration.

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While the people of the Hood Canal area were busy converting their Mutual into a PUD, leaders in other parts of Mason County were also considering the possibilities of the new PUD law as a means of bringing electricity to their respective communities.

Out in the Agate area, local citizens got together to petition the county commissioners for the formation of a second public utility district. The initial steps were taken and the proposal was designated as PUD #2.

At the same time, other public power advocates were seeking to form a county-wide utility district. The leadership for this group was founded in the Mason County Pomona Grange though many others besides Grangers favored the idea and worked to bring it about. As plans for a county-wide district began to jell, the supporters of PUD #2 withdrew their petition and threw in with the county-wide movement.

In 1934 the Mason County Pomona Grange set up a Public Relations (or PUD) Committee to spearhead the fight for a county-wide PUD. Pomona Master C. N. Nelson appointed Charles Savage of Shelton as Chairman with Charles Collins of Shelton and Herb Nelson of Kimilche to serve with him. Savage, later to serve in the State Legislature for many years and as Congressman from the 3rd District, was to serve for 20 years in his capacity as chairman of the PUD committee. (For years after the PUD was a going concern, one member or another of this committee attended every commissioner meeting. Irritating as their presence must have been at times, they served very effectively as public watchdogs.)

The Pomona Grange's public relations committee spearheaded the formation of a larger committee of 21 which was composed of representatives from every area of the county. Leading Grangers were appointed and in those areas in which there were not appropriate Grangers available, non-grangers were appointed. The objective of this committee was to organize a county-wide PUD in Mason County and to elect (and keep elected) a board of commissioners determined to get the public utility district into business. Over the years, they succeeded on every count.

Having prepared the necessary petitions and recruited their slate of candidates, the Committee of 21 went to the people with the issue in the general election of 1934 and won. But not without a struggle. Many of the local businessmen and particularly the timber interests opposed the formation vehemently.

A group of businessmen in Shelton organized and set up an office with Morris Needham retained as their executive secretary for the express purpose of preventing the formation of the PUD. Ed Hillier was again prominent in the anti-PUD crowd. Tempers flared and wild charges floated back and forth between the two groups with terms like "socialist" and "communist" flashing around like swear-words. But when election time came, the PUD proponents won handily.

Many businessmen and land owners felt that they had legitimate reasons to be wary of the PUD proposal. The law was new and its impact uncertain. Times were hard and the tax burden was already more than many could cope with without a PUD assessment added to it. But the opponents never had a chance once the campaign got organized. The big timber interests and the local power company had too often acted in a high-handed manner with the home folks. Public relations was a relatively primitive art in those days. A depression was on and the political climate was one of change. Anything the companies were for was sure to find many working men against on general principle. Too many men were out of work. They wanted change. Any change would have to be for the better.

What really tipped the scales in favor of the public power advocates was the short-sightedness of the private power interests. They were interested in profits to the exclusion of their customers or potential customers. Their line extension policies were tough with the power companies showing little interest in taking service outside the heavily populated areas. (Precisely what that policy was in Mason County seems to have varied from time to time. Some old-time Grangers in the area maintain that a flat fee of \$500 was charged but Claude Danielson, West Coast's manager during the last years of the Company's operation, says the policy during his administration was to invest in a new line to the amount of three times the annual revenue with the customer contributing the remaining cost, either in cash or line and poles. Of course, the customers contribution became company property and the customer had to sign up for a minimum service charge for a period of years. Many people who were very anxious for electrical service just couldn't afford it on those terms.)

Farmers were fed up with milking herds of cows by hand when electric milkers were available for those who had "juice". Farm wives had long since had their fill of carrying water from the pump for household needs now that it was no longer necessary if you could get electricity. Old fashioned outhouses were rapidly going out of favor as the installation of one small electric motor would pump all the water needed for indoor plumbing. But you had to have electricity. The people voted and they voted for the "juice".

Of course, the results of the election were not at all pleasing to the West Coast Power Company which was serving in and around the City of Shelton. West Coast, basically a utility holding company, owned several systems in the Southwest Coastal area of Washington and on the Oregon coast, their main office being in Portland. The Company was not a particularly old one in Shelton, having acquired the property from the General Light and Power Company in 1925.

Like many sawmill towns, Shelton's light system had started rather casually as an adjunct to the local mills. Then around 1903, W. H. Kneeland and a Mr. Clinefellow built the first steam generation plant in Shelton. The plant was located at First and Kneeland Streets. In 1914, the Donaldson Brothers (T. E. and Barney) purchased the plant and began developing an integrated city system. In 1924, they sold their holdings to a Mrs. E. H. Holly who in turn sold the property to the General Light and Power Company.

When Mason County PUD #3 was successfully organized in the November, 1934 general election, three commissioners were elected: Jack F. Bichsel of Shelton for District No. 1; Enoch Nelson of Union for District No. 2; and R. R. McDonald of the Kamilche area for District No. 3.

Former County Commissioner T. W. Webb succeeded Enoch Nelson on the Board in 1942 when Enoch Nelson chose not to run again. "Tom" Webb then served as Commissioner until 1966 when the present incumbent from District No. 2, Harold W.

Parker, was elected as his successor.

In 1944 Commissioner Bichsel chose not to run for re-election and Vincent Paul was elected to succeed him. Paul served until December 1950 at which time Ralph N. Howard replaced him. Howard served until May 1951 when a technicality in the law set aside his election and Vincent Paul resumed his seat on the Board until December of 1952 when Jack Cole, the present incumbent in District No. 1, succeeded him.

R. R. McDonald, originally elected in 1934, continued as Commissioner until his death on May 9, 1948. Roy Carr was appointed to fill the vacancy and served until the following fall when he chose to stand for election as a County Commissioner. (He subsequently lost his life the next spring in a flood.) Earl A. Carr was elected to the board in November of 1948 and served until his death in 1958. Edwin W. Taylor, the present incumbent from District No. 3, was then appointed to fill the vacancy.

The people of Mason County have been fortunate in having had over the years dedicated people serving on their PUD staff. During the years of promoting an active district, Elmo C. Lord was the first manager, serving from November 21, 1934 to September, 1939 when he was succeeded by D. W. Johnson. During this formative period many people gave unsparingly of their time and energy. One notable hard worker was Norm Westland who worked hard to bring public power to Mason County and in later years worked for the District as line construction superintendent. H. C. Brodie served as the PUD's first attorney.

Mason County PUD #3 was first energized in 1939 when it began serving a few rural customers, 318 to be exact. This was accomplished by building a 12.5 KV line from the City of Tacoma's Cushman power plant at Potlatch to the outskirts of Shelton.

In 1940, the District purchased by negotiation the West Coast Power Company's properties for \$285,000 and borrowed an additional \$100,000 for system improvements through the sale of revenue bonds. West Coast was serving 1,909 customers at the time of the transfer, making a total of 2,227 customers for the PUD system. The total valuation of the combined properties was \$612,909.29.

On January 1, 1943 C. M. Danielson replaced D. W. Johnson as the PUD's manager. While Danielson came directly from the town of Coulee Dam where he was managing the light system there, he was no stranger to Shelton. He had served as West Coast's manager in Shelton during the turbulent days of the PUD organization - from August 1, 1935 to March 11, 1941. Mr. Danielson continued to serve very ably as manager until his retirement in 1963 when he was succeeded by the present manager.

In April, 1948 the District acquired, through negotiation, the Puget Sound Power and Light properties in the northwest part of the county - Belfair and North and South Shores of Hood Canal - for \$205,371.94 with a total of 1,031 accounts.

From that time until the present, the District's growth has been constant and on the upward curve. Every area of the county is now served with low-cost power at ever decreasing costs. (A mutual, Peninsular Light Co., still serves a portion of the eastern side of the county. Steps are currently underway to acquire Peninsula's Mason County system and incorporate it into PUD #3.) The cost per kilowatt hour for electricity in 1941 was some 2.31¢. By May of 1967 that cost

had been driven down to 1.22¢ with every prospect of further rate reductions in the future. In 1941, the District had 207 miles of line in its service area. It now has approximately 700 miles. The plant investment is now \$4,950,046.90 serving 8533 metered accounts.

The prospects for future expansion of the District remain bright. While not a heavily industrialized county, the PUD does have such major customers as the Simpson Timber Company, the Washington Correction Center and the Rainier Research Laboratory. Due to its proximity to the Seattle metropolitan growth center, Mason County is experiencing an influx of people buying summer cabins and recreational properties along the extensive salt water and lake frontage in the county. This particular type of growth is a mixed blessing to an electric utility as the energy requirements are minimal except for the summer season though many who start out to build summer homes have a way of becoming year-round residents.

Mason County also has some special technical problems in the weather. Normally snowless in wintertime, the occasional snowstorm that hits the area plays havoc with power lines, dumping vast amounts of wet, clinging snow on the system and riding miles of its lines down. The 1965-66 snow storms cost the PUD \$60,000 to repair the damages. Also, the odd wind storm such as that on Columbus Day, 1962 can and does turn a perfectly sound system into a series of minor disasters, particularly in heavily wooded counties like Mason where strong winds pick up tree branches and literally club the lines down.

Nevertheless, with its longtime prudent management and responsible Commissioners, the people of Mason County are being served electrically better than ever before at decreasing costs in a day in which practically all costs are spiralling upward. In a 1966 Tax and Rate Study prepared by the Washington State PUD Association, the direct benefit of PUD #3 to Mason County in taxes and reduced service rates was shown to be \$56,398. This compared to similar benefits of \$37,309 if the same service had been supplied to a privately owned system - a gain of \$19,089. Also, the people of Mason County now hold a 63% debt free equity in their PUD system which means, translated into customer benefits, that the people can look forward to expanding service at reduced costs.

In all fairness, it must be pointed out that a measure of PUD #3's success is the result of the Bonneville Power Administration. When the District took over the West Coast properties in Shelton in 1940, it also assumed the Company's contract for energy then being supplied by the Simpson Logging Company. As previously noted, when the PUD began constructing lines in the rural areas it contracted for power from the City of Tacoma at their Cushman project. In May, 1947 the District was able to convert to BPA as their source of energy. As a publicly-owned utility the PUD is a preference customer and thereby able to obtain an assured supply of low cost energy at a price unmatched by any other source. PUD #3 also is participating partner in the Washington Public Power Supply System and has lent its support to that organization in developing new sources of electrical generation but for the foreseeable future Bonneville will remain Mason County's chief source of electrical energy.

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8/1/67