

POWER AND WATER NEWS

STRATEGIC PLANNING



On September 17th, your Commissioner's and PUD Management Team will be starting a process of developing a new Strategic Plan for your PUD. The purpose of the Plan is to provide a road-map to meet the challenges we are facing in both the short-run and long term.

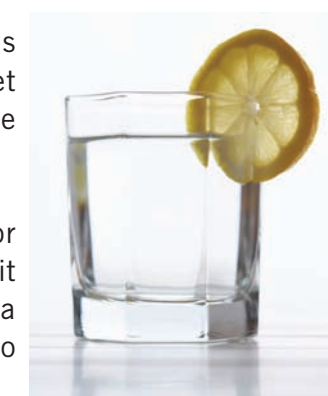
Much of our infrastructure, built for the baby-boomer population after WWII is reaching the end of its useful life and will need replacement. We must consider growth, new electric generation, transmission needs and environmental considerations—such as low dissolved oxygen in the Canal, renewable energy mandates and new technology. These considerations

WHEN WE TURN ON THE LIGHTS, TAKE A SHOWER OR ENJOY AN ICE COLD GLASS OF PURE WATER, WE TAKE IT FOR GRANTED.

must be within the sideboards of the numerous federal, state and local regulations and meet revenue requirements while considering the impacts on your pocketbook.

When we turn on the lights, take a shower or enjoy an ice cold glass of pure water, we take it for granted. If you're like me, before I became a Commissioner, I didn't realize what it took to deliver utility services to my home.

A great philosopher once said—if you don't know where you are going, any road will take you there. The Commissioners and all your PUD employees are working hard to keep your publicly owned utility on the right track. We appreciate and value your suggestions. Come to the board meetings or drop us a line. We are here to serve you and will be sharing OUR plan for action with you as it is developed.



Sincerely,
Karl Denison
President of the Board

CONSERVATION

It's hard to believe, but fall is here and winter is not far down the road. It's time to start thinking about how we can conserve energy. Here are a few tips:

- Switch to compact fluorescent bulbs. They use the power of regular bulbs.
- Choose Energy Efficient appliances. Look for the Energy Star label.
- Install a programmable thermostat, and set it to save heating energy while you sleep.
- Replace any halogen lamp torchieres with compact fluorescent torchieres—more light, less energy!
- Weatherize your home by sealing air leaks around windows, doors and heating ducts.
- Install motion detectors for outdoor lights, rather than leaving them on all night.
- Install windows that meet the present building code. Save energy and escape noise.
- Set your electric water heater at 115 degrees F.
- Set your refrigerator around 40 degrees F.
- Set washing machine to warm or cold water.
- Install low-flow showerheads; then shower, don't take a bath.
- Replace broken windows.
- Turn off lights, computers and appliances when not using them.
- Regularly clean or replace heating filters.
- Manually lower your (non-programmable) thermostat each night and when away from home for 2% savings off electric heating bill.
- Run only full loads in washers.
- Air dry dishes; air dry clothes. When you use a clothes dryer, clean lint filter after each use.
- Monitor and limit the use of home exhaust fans.
- When possible, use microwave instead of oven or stove.
- A well-stocked refrigerator uses less energy. Water jugs can fill up refrigerator or freezer space.
- Close the fireplace damper when there is no fire.



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COMMISSIONER'S CORNER



You have no doubt seen or heard news reports about how the Bonneville Power Administration (BPA) recently suspended the residential exchange payments to the region's investor-owned utilities following a decision by the 9th Circuit Court of Appeals.

What you may not fully realize is that you, as a customer of Mason County PUD No. 1, have been bearing some of the cost of these "residential exchange" payments.

In 1980, as part of the Northwest Power Act, Congress authorized BPA to provide some rate relief for residential and small farm customers of investor-owned utilities with high costs.

The law established some broad guidelines for calculating these residential exchange benefits, and importantly, included a guarantee that the program would not impact the wholesale rates that public power utilities, including PUDs, paid for BPA power.

However, in 2001, BPA abandoned this calculation and signed contracts with the investor-owned utilities that greatly increased these payments from about \$50 million a year to as much as \$350 million. To make matters worse, BPA increased its wholesale rates about 40 percent to consumer owned utilities (that would be us), much of which was to cover the increased costs of the residential exchange program.

This was an intolerable situation for nonprofit public power utilities (like Mason 1), which were forced to pass along this rate increase to you.

Several PUDs and other BPA customers filed suit against the agency, which after years of litigation, resulted in the court's decision this spring. In two plainly worded rulings, the court said that BPA violated the

Northwest Power Act by failing to properly calculate the residential exchange payments and by illegally shifting the cost onto public power ratepayers.

BPA responded by suspending payments to the investor-owned utilities. However, the agency has yet to address the past and present impact on public power ratepayers and is continuing to collect some \$28 million a month from the region's public power utilities for the residential exchange program.

Public power utilities, including Mason PUD No. 1, have offered to work with BPA and investor-owned utilities in an effort to reach an agreement where overpayment and refunds to consumer owned utilities



can start. Negotiations have been difficult and slow.

But, as the court made clear, any agreement must ultimately follow the law. That means that BPA must properly calculate the benefits for the investor-owned utilities, and that public power customers –

Mason PUD No. 1 customers – must be protected against paying higher rates due to the residential exchange program.

We hope that BPA and the northwest utilities it serves will find a solution soon and can begin providing some level of benefits for the residential and small farm customers of high-cost investor-owned utilities (under the law), **but not at your expense.**

By Jack Janda

CANAL COMFORT FUND

We are coming up on the heating season again and would like our customers to know that there is help available to those who qualify. We have a Canal Comfort Fund that customers donate to all year long that helps our electric customers once a year from October 1st to March 31st.

If you are in need of electric assistance contact Community Action Council in Mason County at 360-426-9726 and Jefferson County at 360-385-2571.



If you have questions about making a donation to this fund contact the Mason County PUD #1 office toll free at 1-800-544-4223.

MANAGER'S LETTER

I would like to thank each of you for allowing me and my family to be a part of your great community. My family and I have been able to make the move from Wyoming to Washington with considerable ease. We are moved in, settling in to work, and getting ready to get our three younger boys started in local schools. We love our new home and the quiet atmosphere.

great staff of Mason PUD No. 1, I am impressed with their dedication and professional desire to serve you. Long term power contracts, aging infrastructure and continual growth are facing the PUD and will require that your PUD No. 1 team work diligently to find an environmentally sound and financially responsible solution.



SURGE PROTECTION

Whole House Surge Suppressors may help alleviate spikes in your service due to power outages. Mason County PUD No.1 will install the Whole House Surge Suppressor following a consultation meeting between the customer and the District.

The District has installed approximately 15 Whole House Surge Suppressors on customer's meters to date. Interested customers may call the Director of Operations to discuss details.

TRI PARTY UPDATE

The three areas including, the Potlatch Bubble, Hoodspout and Skokomish are going to the engineers for design and the group is now seeking funding for the projects.

URD FAULT REPLACEMENT

Two major areas within the District service territory including certain areas within Alderbrook and Colony Surf are scheduled for replacement of underground facilities this fall.

There are other areas within the District's territory with sections of older underground wire that will be scheduled for replacement within the next three to five years.

This will be a topic of discussion during the PUD's Strategic Planning Process this fall.