The residents and businesses of Mason County, Washington, enjoy electrical power from two of the state's earliest public power districts. The largest, Mason PUD 3, has achieved eight decades of expansion and reliable service, thanks to dedicated public commissioners, hundreds of hard-working employees, engaged customers, and a community spirit that encouraged civic participation and mutual growth.

From its earliest days stringing wire to illuminate farmhouses and granges to the technological and safety innovations of today, PUD 3 has successfully adapted to change. It weathered political, economic, and environmental challenges; dealt with issues of power supply, including controversies and outages; and embraced political and social changes with ramifications for its teams, its customers, and hydropower in the Pacific Northwest.

Through the years, the district has remained dedicated to continuously improving the service that provides its neighbors with ready warmth, light, conveniences, and opportunities. This book tells the story of the people and events that have shaped PUD 3, made it successful, and prepared it to power Mason County for decades to come.
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The Power Behind
Our Community

Mason County PUD 3’s First 80 Years

By Joni Sensel
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**Foreword: by Annette Creekpaum**

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As Mason PUD 3 celebrates 80 years in operation, I find it appropriate to document the history of the utility to this point. In the pages to come, you will gain an understanding of how the PUD was formed, grew, struggled, and triumphed over the years.

While the utility industry is complex, it remained relatively unchanged for many decades. That is no longer the case. Disruptive technology, increasing regulation and environmental concerns, distributed generation, and customer demands have catapulted us into a rapidly changing industry that would have been inconceivable to our predecessors. I’m sure our first commission and manager would have never imagined in 1939 that we would be reading meters wirelessly in 2019.

My vision is to create a utility that embraces change, and is adaptable, innovative, and willing to experiment. As a future-focused manager, I enjoy the challenge of planning and preparing the utility to sustain these changes. However, I recognize the significance of learning from previous decisions when looking ahead. It is important to be pragmatic and responsible.
Our core values are driven by historical events. In this book you’ll see how safety became our number one core value and why being proactive with safety ensures that our employees, customers, contractors, and partners will all go home to their families every day. You will learn how we had to become increasingly solutions-oriented over the years as challenges arose, and how we empower employees to be innovative, creative, and forward thinking to future-proof our utility. You’ll see how the value of respect has woven a thread throughout our history—from being an employer of choice, to treating customers with respect, to operating the PUD with integrity, transparency, and compassion. This book will show you how community engagement has helped us inform our customers and build partnerships with other stakeholders in our community. You will see evidence of the value we place on reliability, such as building redundancy into our system and equipment, our rapid response to outages, and our preventive tree-trimming efforts. Finally, you’ll see that we are socially responsible as we consider the short- and long-term impacts of our activities on the environment, economy, and individuals. Our utility is community-owned, and we recognize that responsibility at all levels of the organization. That’s why our core values drive every decision we make.

It is my intention that employees of Mason PUD 3 use this book to learn about the PUD and the burden they carry in their jobs every day to protect public power and its precious resources, which the granges and people of our community fought to create. I expect that future leaders of Mason PUD 3 will use the book to make strategic decisions, knowing the context of earlier actions. And I hope that our customers gain a greater appreciation for the value of living in a public power community as this book raises awareness about issues the utility and industry have overcome and continue to face today.

We hope you enjoy this book, and we will continue to live out our mission of “always providing safe, reliable, economical service, 24/7.”

Warm regards,
Annette Creekpaum
Manager
On the 80th anniversary of Mason County Public Utility District No. 3 (PUD 3), this book is dedicated to the people of our county—families, citizens, commercial and industrial customers, and leaders—with the hope that it will help all of us better understand our public utility district, appreciate the challenges it has overcome to provide service, and enjoy the warmth, light, entertainment, business opportunities, and career paths it provides, now and into the future.

What is a public utility district?
A public utility district (PUD) is a publicly owned, not-for-profit corporation, known officially as a second-class municipal corporation, formed by a vote of the citizens in the district. PUDs are created to serve their communities with low-cost services that help enhance the quality of life and keep homes and businesses safe and comfortable. The first PUD in the United States—although it didn’t look much like PUDs today—was created in Massachusetts in 1641 as a centralized facility for milling corn. People in the community of Dedham helped fund, build, and maintain the water-powered mill in exchange for the right to grind corn there.¹

The Bonneville Power Administration was the answer to President Roosevelt’s 1932 promise to make the Northwest a center for public hydroelectric power.
As the use of electricity spread beginning in the late 1880s, private companies (also known as investor-owned utilities) made a profit by providing it, but relatively few homes and businesses could afford the new luxury—and usually only in metropolitan areas such as New York City and Chicago, where electric streetlights and streetcars helped the technology to develop. The groundwork for public utilities was laid in the early 20th century when states, starting with Wisconsin and New York in 1907, were given the right to regulate the electricity rates charged by private companies. But it wasn’t until the Great Depression and the failure of major private power companies to provide affordable service that communities began to create public utilities in the form we know today to provide power without profit.

Washington State voters first approved the creation of PUDs in 1930 (even before the state of New York, in many ways the nation’s electrical pioneer). The first PUD in Washington was formed in Mason County in 1934 as PUD No. 1, and Mason County PUD No. 3 was organized the same year as the second PUD in the state. (See Chapter One to learn what became of PUD 2.)

PUD 3 today serves approximately 34,000 customers in 600 square miles of service territory.

PUDs have been organized around towns, cities, counties, and other geographical areas. There are 28 operating PUDs in Washington State, and more in the Pacific Northwest than anywhere else. Most were created to provide electrical service, water, or both to homes, farms, and businesses, especially in rural areas where it wasn’t profitable for private companies to provide service. The majority of PUDs serve fewer than 3,000 customers each; PUD 3 today serves approximately 34,000 customers in 600 square miles of service territory. Today many PUDs offer services in addition to power and water. For instance, wholesale broadband Internet services are authorized by the PUD law, which is known as Revised Code of Washington (RCW) 54. Customers of a PUD may also vote to provide sewer services or natural gas distribution.
Most PUDs are run by professional managers under the supervision of commissioners elected from the community. The commissioners, like a board of directors, set policy and provide oversight, but unlike most corporate boards, they have accountability to voters for the results. Another distinguishing feature of public utility districts like Mason County PUD 3, compared to an investor-owned utility, is public funding for the creation, operation, and maintenance of the infrastructure needed to obtain and deliver services to the community. Theoretically, this public funding may be accomplished by taxes, but it’s usually obtained by selling bonds backed by future revenues. (PUD 3 has never used its taxation authority.) PUDs also pay a state tax based on gross revenues rather than property tax. But perhaps the most important distinction is that rates are based on costs. There’s no profit involved. As a result, PUDs provide outstanding service at costs typically below those of private utilities, with residential rates an average of 13 percent less than the national average.3

Much of the power system and supply of the western United States, particularly federal hydropower projects, is also publicly owned. Conflict between investor-owned and public power interests has existed since before the formation of PUDs, however, and publicly held energy resources have been threatened more than once over the last 80 years. The ability to understand and combat such threats is one reason it’s important to be aware of the long and sometimes turbulent history of Mason County PUD 3.

The successful future of our low-cost and plentiful power will continue to be in your hands.
What is now Mason County began to take shape in 1854, just a year after the separation of Washington Territory from the Oregon Territory in 1853. The county was carved out of what began as a much larger Thurston County and was soon diced into more. Settler David Shelton proposed the creation of this new county partly to make it more convenient for him and his neighbors to file land claims without having to travel all the way to Olympia. The resulting new county, which initially stretched from parts of Puget Sound to the Pacific Ocean, started out as Sawamish County, after the Sawamish people who lived there. However, the county was renamed to honor Washington Territory’s first secretary of state, Charles H. Mason, in 1864, five years after his death. By then, it had been separated from Grays Harbor County and whittled down to its present boundaries, encompassing 1,051 square miles on both sides of Hood Canal. The county includes several islands and Native American land reserved for the Squaxin and Skokomish people.

The county’s population was small to start, and grew slowly. The 1857 census for the entire county lists 56 white males, mostly adults, and 19 white females, half of those children. (Native people, who weren’t included in the government census, substantially outnumbered the whites.) Only five men were anything but farmers or lumbermen: a fisherman, a sailor, a blacksmith, a carpenter, and an “Indian agent.” Three years later, this non-native population had more than doubled, but was still under 160.

As new people arrived or were born, the focus continued to be on farming and timber. The Skookum mill had been built near Shelton the same year the county got a name. The town’s position on Puget Sound made it possible to ship wood products from around the county to larger population centers and to receive farming and household goods in return. The town was the heart of the county’s transportation system, its economy, and soon,
The Shelton substation at First and Kneeland Streets, the town’s first substation, was built on the site of the city’s first power plant.

its government. Before 1888, the county seat was Oakland, in Oakland Bay near the end of Hammersley Inlet. That year, the county seat moved to Shelton, where more people lived. It didn’t hurt that, unlike Oakland, Shelton offered a floating saloon. Shelton was incorporated two years later, a year after Washington had become a state. It’s still the county’s only incorporated city.

Steamboats serviced Shelton from the mid-1800s to the early 1900s.

The first centralized power source for Shelton was completed in 1904. That year, W. H. Kneeland and a Mr. Clinefellow built the town’s first steam generation plant at First and Kneeland Streets (the site of the PUD 3 Mason substation today). The boiler burned wood to create steam and could produce 75 kilowatts—enough to power about three average homes today, but considerably more a century ago. The plant was intended primarily to supply electricity to local sawmills, but it also became the foundation of a city power system, illuminating business and residential light bulbs for some customers. As the city grew rapidly in the next 30 years, the plant changed hands several times. A dam was added on Goldsborough Creek to produce more electricity for the system. Blackouts were common, however, and homes outside Shelton remained without power.
What was it like to live before electricity?

Mason County residents from those times recalled their experiences in records of the Mason County Historical Society. Most people had kerosene- or oil-burning lanterns and lamps, and water could be pumped using windmills or by hand. Esther Goetsch remembered washing and ironing clothes and beating dirt from rugs as among the more difficult household tasks. Food was canned, smoked, or kept cool with ice in coolers or by hanging it in a bucket down the family well. Washtubs full of bathwater, sometimes shared by the whole family, were heated on woodstoves once the cooking was done. Small generators, washing machines, irons, and other devices could be powered by gasoline. Heat for people and chicken brooders alike came from burning wood or coal. People got creative, too: Wilbert Jacobsen recalled cutting wood by jacking up a car to use one of the wheels to drive a saw. It was a life filled with work.

The McCleary and Simpson Timber companies each announced new mills in the area in April 1924. To support those mills, they collaborated on a new 5,000-horsepower generating plant that would burn mill waste, or hog fuel. Because the new plant required the diversion of Goldsborough Creek, the dam there shut down. (It was later bought and used for other purposes.) The new generating station on the Shelton waterfront, known as the McCleary or Joint Power Plant, supplied more electricity for the town but could barely keep up with growth. An extension was added in 1927, along with a 250-foot smokestack that stood over the town until 1986.
In the center of this aerial image of Shelton taken in 1950, the 1924 Mill One can be seen on the left, the 1926 Joint Power Plant and smokestack in the center, and the 1926 McCleary Mill on the right.

Shelton at the turn of the 20th century.
While logging was crucial to Mason County’s development, including Shelton’s first electricity sources, farmers can claim an arguably greater role. By the late 1920s, electrical power use had been growing quickly in Washington’s urban areas. In many, private companies provided service, though it was often expensive, unreliable, or both. In some 18 towns, voters took matters into their own hands. For instance, Seattle City Light, which had begun installing electric streetlights more than three decades previously, had already built its own hydroelectric dam to serve power to a growing population. This was possible because state law permitted towns and cities to create public utility systems, but rural areas had no authority to do so.

Unfortunately, the private companies that delivered power to many urban customers had almost no incentive to reach people in the most rural areas. It wasn’t profitable to spend money on poles and lines to serve smaller towns and villages, let alone a single farmhouse at the end of a three-mile dirt road. Connection fees and policies varied, but for many families, they were prohibitive. For instance, even if a private power company was willing to serve a rural farm, that family often had to clear the right-of-way, provide and erect some or all of the poles and lines, deed that equipment to the private company along with right-of-way access, and commit to a minimum service charge for a certain number of years—and they still might pay higher connection and service rates than a customer in a town.

To bring electricity to more people, grangers—and the citizens they helped coordinate—used a state initiative process that grange leaders had also helped create prior to World War I.

As a result, few farmers had electricity to power water pumps, barn equipment such as milkers, or household lights. Those with a nearby creek and a water-wheel could generate enough of their own power for a few lights and a radio, for instance. Others operated small gasoline-powered generators, but most people did without power much of the time.

To bring electricity to more people, grangers—and the citizens they helped coordinate—used a state initiative process that grange leaders had also helped create prior to World War I. Before then, citizens were completely dependent on their government leaders to make
changes that could benefit them. Once citizens had been granted the ability to submit initiatives either to the legislature or directly to the people, however, they could take government into their own hands. By 1928, several initiatives to the people had been successful. Now grangers used the alternative, an initiative to the legislature, for the first time. They wrote up the Washington Public Utility Districts Initiative, also known as Initiative Number 1, then collected 60,000 signatures to put the proposal before legislators in 1929. It was informally known as the Grange Power Act, which shows how important the granges were in the effort.

State legislators had considered the creation of PUDs as early as 1924, but those efforts were unsuccessful. This time, when lawmakers again failed to act, the initiative moved onto the 1930 fall ballot. If it passed, it would give rural residents the right to form PUDs with the authority to source, generate, and distribute electrical power and water for all or part of a county. Owned by the citizens, these PUDs would have the same kinds of authority that public utilities in cities already had. As nonprofit organizations, they would be working not to make money but to serve the needs of their communities.

This idea was fought fiercely by investor-owned utility companies; other private firms or landowners who feared that a tax might result; individuals who could barely cope, in that Depression era, with taxes they already owed; and politicians who had an interest in maintaining the status quo. In Mason County, one outspoken opponent was A. Edward Hillier, general manager of Phoenix Logging Company. Phoenix, an important affiliate of Simpson Logging Company, had been started by Alfred Anderson, a frequent partner of Sol Simpson, and Simpson’s son-in-law, Mark Reed. Because they owned large tracts of timberland, these forest products leaders were concerned about the impact of any PUD tax. It was not a coincidence that Reed, also a longtime owner and leader of Simpson, had been a member of the state legislature since 1915 and was elected Speaker of the House in 1923. Though Reed did a great deal for Shelton, including a stint as its mayor, he could also be a formidable foe. He was quite influential in legislative opposition to public power, along with the presidents of the state’s two largest private power companies. Hillier, a Simpson Logging Company vice president, was also heavily involved in the Hood Canal Mutual electrical system, so he had multiple reasons to oppose the formation of public utility districts. He spearheaded the organized battle against it. Despite this potent opposition, on November 4, 1930, state residents passed what would become known as the 1930 Grange Power Bill, or Revised Code of Washington (RCW) 54. It earned 54 percent of the vote: 152,487 for it, 130,901 against.
Granges made things happen

The national grange movement had begun in 1867 as a collaboration among farmers to spread understanding about agriculture and wield collective power when dealing with railroads, grain elevators, governments, and other entities. As the organization—formally known as the National Grange of the Order of Patrons of Husbandry—spread, it broadened its mission to bring farming families together to talk shop, socialize, and work on community and political projects that would benefit members. An independent Washington State grange organization was founded in 1889, and by 1925, the state had more than 275 local chapters. The members tackled issues ranging from farm children’s education to tax reforms and women’s right to vote. The grange is notable in that it always welcomed women as full members and potential officers.

Mason County alone had, at one time, more than a dozen local granges. They worked together through what was known as the Pomona Grange, the organizational lead for the county. The most active grangers also tended to get involved in local politics, and many were elected as county and PUD commissioners and state legislators. For instance, Earl Carr, a master of the Pomona Grange from 1945 to 1946, also would serve as a PUD 3 commissioner. The Agate Grange helped cover some of the initial court costs for establishing PUD 3, and grangers sometimes held their meetings in the PUD auditorium.

Today, Washington State still has 50,000 grange members, making it the largest state grange in the country. Four granges remain active in Mason County. PUD 3 has continued to work closely with the granges on issues related to federal power in the Northwest. In fact, the PUD and grange organization share lobbying facilities at the state capitol.
Fresh off that victory, the Mason County Pomona Grange set up a committee headed by Shelton’s Charles Savage. Charles Collins, also a city resident, and Kamilche’s Herb Nelson joined him. They coordinated a team of nearly two dozen members from across the county to identify potential utility commissioners and prepare the necessary paperwork.

The first petition to form a PUD was filed in Mason County the following month, though not for the countywide service that Savage’s team was working toward. This PUD would take over Hood Canal Mutual, whose service area included the Hoodsport and Potlatch areas. Unfortunately, the petitioners learned that they couldn’t formally file their petitions or have them granted until the next general election, almost two years away in November 1932.

To make matters worse, Phoenix obtained a temporary injunction to further delay the formation of PUDs in the county until just before the 1934 general election. Once that restraint was lifted, PUD 1 refiled its petition, and two more county groups followed. A group of residents in the Agate area received the designation of PUD 2. Quickly, however, they withdrew their petition and joined forces with the remainder of Mason County, which had filed to become a countywide PUD 3.

Although it can be a bit confusing, PUD 1 and PUD 3 have always been completely separate organizations.
The PUD effort continued to be fought by local businessmen, including Hillier and other leaders at Simpson. These opposition leaders set up a formal office and hired staff for the battle. Furthermore, Hillier and the forces behind PUD 1 sued to keep PUD 3 from being included on the same ballot. Among other motivations, they feared that voters might become confused or mistake the ballot for a choice between one or the other. Less than a month before the election, a judge agreed. Fortunately, a quick appeal reversed the decision and the ballot included PUD 3 as planned.

Powerful private interests locally and across the nation argued that a public utility was the next thing to communism, threatening the country’s economy if not its entire existence. The scare tactics ranged from Seattle billboards that warned, “Beware of PUDs” to newspaper editorials suggesting that private enterprise would be killed by these “red” influences. Though it may be apocryphal, several people in this era, including U.S. Postmaster General James Farley and journalist Mary McCarthy, were said to have called the state “Soviet Washington.” This description most likely entered the political lexicon from a remark by Congressman Ben Jensen of Iowa.7

The Great Depression, however, had soured public attitudes toward corporations, industry barons, and the negative pricing and service effects of monopolies. It didn’t hurt that West Coast Power, then serving Shelton, was under a state investigation that found evidence of rate manipulation just before the election. Citizens were ready for public power.

If the source of the power and the power itself were government owned, why not its delivery too?

What about PUD 2?

*Mason County has never had more than two operating PUDs. The backers of PUD 1 expected to take over the Hood Canal Mutual system, which had been incorporated in 1929 and was owned by community shareholders. Once the Grange Power Act of 1930 became effective, supporters of PUD 1 were the first to petition the county board of commissioners, in 1932. Their proposal had to be withdrawn for legal and technical reasons, but the PUD 1 designation stuck. In 1934, once legal barriers had been cleared away, the final filing was made and approved, along with petitions for a PUD 2 in the Agate area and a PUD 3 service territory for the rest of the county. Residents who’d supported the Agate application realized right away that a countywide PUD would be better, so they withdrew the proposal for PUD 2 to support what was already being called PUD 3. PUD 2 has never existed except as an idea on paper.*
It made particular sense for electricity, since the federal government had just embarked on a large effort to build hydroelectric dams on the Columbia and other key Northwest rivers. If the source of the power and the power itself were government owned, why not its delivery too? Times were still hard financially, and electrical service from private companies was neither reliable nor inexpensive. More plentiful, affordable electricity, especially for the many people who had none, was worthwhile.

Mason County voters overwhelmingly approved PUD 3 in November 1934. The vote was 346 for, 69 against. PUD 1 was approved at the same time (and fortunately, relations between the two PUDs would improve). As a result of leading this movement, Mason is the only county in the state with two county-based PUDs. PUD 1 was the state’s first to begin providing service, and PUD 3 was among the first few. Private power interests and Hillier would continue to fight PUDs, but the state Supreme Court upheld the PUD law in 1936, and voter initiatives to cripple PUDs failed. Citizens who wanted power ultimately won.

When voters approved PUD 3, they also elected its first three commissioners. Jack F. Bichsel represented Shelton, which was designated District 1. He became president of the commission. Enoch Nelson of
Union represented District 2, and Ronald R. McDonald from Kamilche served as the District 3 commissioner and the board’s secretary. They named Elmo C. Lord as the PUD’s manager and only employee. He started later that November.

The first task was organization. Over the next year, Lord and the commissioners met in a Shelton city office to appoint Charles D. Davis as the first engineer, create a budget, raise funds, and begin planning how to provide service, including the first 58 miles of power lines to be laid. They planned a small local tax to raise $2,500 for operating expenses and applied for a federal loan of $54,400 through the Rural Electrification Act. They also began working with the Depression-era Works Progress Administration for donated labor to erect poles and lines.

A few taxpayers protested, and in 1935 the county Superior Court issued an injunction to stop the tax, until allowing it to proceed in late 1936. Hillier hadn’t given up, either. He sued PUD 3 late that same year, claiming that the district had been illegally formed. Fortunately, the court dismissed his case.

Preparations had been underway that whole time. By 1937, the annual budget was $11,475.17—the precision of which indicated how closely they were examining every expense. Lord’s salary accounted for $100 a month. In 1938, the PUD hired clerk Jean McDonald, Commissioner McDonald’s daughter, and bought a desk, a table, chairs, and a typewriter. The team rented an office on Grove Street for “not to exceed” $20 a month and bought a truck from a local dealer for $886.70.

Until then, the PUD’s expenses had been paid by what amounted to loans from the state, but finally the district could fund its own treasury by issuing $35,000 in general obligation bonds, essentially getting credit backed by the promise of future revenues. This gave the PUD the money it needed to build. Still, the budget was tight; the commissioners received a mileage reimbursement but no pay until 1940.

Still, the budget was tight; the commissioners received a mileage reimbursement but no pay until 1940.
The next task was finding a power source. Initially, PUD 3 tried to buy the Joint Power Plant on the waterfront. Lord worked out an agreement with its owners, but the deal was rejected by the City Council. Brief negotiations to buy power from PUD 1 failed. So Lord turned to Tacoma City Light, buying power from that utility’s Cushman power plant near Potlatch.

Two Cushman dams had been built in 1926 and 1930. Tacoma City Light manager Ira Davidson knew that Mason County residents resented how the Tacoma utility had condemned land and ignored local opposition when it came to take power from the Skokomish River. So he was eager to mend fences by offering power. The Cushman plant already supplied the Hood Canal Mutual system, which would be purchased by PUD 1. Without other good options, PUD 3 followed suit. The Cushman power plant

Cushman powerhouse substation construction and excavation site on September 3, 1925.
would supply PUD 3 for almost a decade, solidifying its identity as a utility that distributed power but did not generate it.

Work had been proceeding with PUD 1 on poles and lines along a stretch of today’s Highway 101 southeast of Lake Cushman, which was then known as State Highway 9. This line would connect with Tacoma City Light’s power right-of-way from the Cushman plant. First-class linemen on this effort received $1 an hour, with second-class linemen getting 75 cents. The pace of work increased in early 1939, and in May, a 12,500-volt line from Cushman was energized. PUD 3 began serving eight customers in Shelton, in competition with West Coast Power Company, which was based in Portland.

The Dayton, Agate, and Capitol Hill communities near Shelton were the first outlying areas to benefit. Poles went up, a total of 58 miles of lines were strung, and by December 1940, 310 rural customers had been added, including parts of Matlock, for a total of 318. One of the first was the Agate Grange on May 4, where grangers celebrated with a party under their new electric lights. The hall had been prioritized because its members had helped slash the right-of-way for the lines.

Ed Blakemore, PUD manager from 1986 to early 2004, later told the Mason County Journal, “When electricity first came to Shelton, people were so eager for the service that volunteers brought cookies and refreshments to the workers. Others donated trees to make into poles.”

The district planned to reach Deckerville and Pickering next, and more bonds were issued to finance the work. For the first time, the 1941 bonds were revenue bonds, which meant they’d be paid back with money coming in from the sale of electricity.

Where’s Elmo?

Just as it really got going, PUD 3 lost its manager in a mysterious fashion. Elmo Lord disappeared without a trace. In September 1939, the commissioners admitted, “It appearing that E. C. Lord, who had been manager of the District since its inception, had left Shelton without any word to the district and had not been heard from for several weeks, upon motion duly made and seconded, Resolution No. 33 was unanimously adopted.” Resolution 33 named E. W. Johnson as Lord’s replacement.

Townspeople speculated: Had Lord drowned in the bay? Fled a gambling debt? Later PUD employees, curious about this item in the minutes, tried to trace him, without success. Even Google and modern genealogy sites haven’t helped, though they’ve revealed intriguing clues (or red herrings). Two things are certain, however: an immediate inventory showed that he hadn’t made off with any PUD money or equipment, and the pace of electrification didn’t slow.
The 1941 distribution map of PUD 3.
At that point, residential rates were 4 cents each for the first 30 kilowatt hours (kWh), 2 cents each for the next 120 kWh, and 1 cent each over that. The average worked out to 2.31 cents per kWh. Rural customers paid somewhat more: 5 cents per kWh to start. Lord had offered Shelton residents, many of whom were being served by the Joint Power Plant or West Coast Power, a bargain if they wanted to switch: 1.5 cents for the first 120 kWh. He liked to point out how much lower PUD 3 rates were compared to those of a private utility—generally between about one-fifth and one-third less.

Notably, initial rates were structured backward from typical rate structures today (which get more expensive, not less, as you use more) because then, every effort promoted more use of power. More customers using more power meant more money for the system to expand as well as greater efficiency in delivering it. This would remain true for several decades.

In 1941, after negotiations that had taken a year, the PUD bought the facilities of West Coast Power for $275,000 and a $10,000 adjustment for accounts receivable. Most of the PUDs in the state got started not by building from scratch but by negotiating to buy a private utility’s facilities in the area—or by having a court set the price in a condemnation, which is the right of a public agency to take, and pay for, private property for public use, even if the owner doesn’t want to sell. Purchasing was far more efficient than building a new,
redundant system where even a partial one existed. Condemnation, among other things, prevented private power companies from making it impossible for a PUD established by the vote of the people to get off the ground—though in places, private companies did their best, and the courts and legislature were both heavily involved for decades.

PUD 3 decided to use this fast-growth approach too, when it could, though it usually negotiated rather than resorting to condemnation. For the West Coast Power sale, 30-year bonds were issued for the sale price plus another $100,000 for system improvements and expenses. The purchase included a warehouse and trucks as well as some power from the Joint Power Plant and the lines serving Shelton’s streetlights, which had been installed in 1936. Linemen and meter readers also made the transition. Almost 2,000 former West Coast customers became PUD 3 customers, bringing the total to 2,227. Jointly, these customers owned more than $600,000 worth of utility assets and more than 200 miles of lines—a big gain in just a few years of operations. Needing more space, Johnson moved the office to Shelton’s Angle Building and bought the PUD’s first neon sign. The Mason substation also went into service that year.

Growth was about to slow, however. The onset of U.S. involvement in World War II in late 1941 significantly hindered PUD 3’s ability to obtain copper wire and other materials, including truck tires and the voltage regulators that helped fix flickering lights on some rural lines. By 1943, customers in outlying areas were routinely requesting service and being told, with regret, that their wait could be long.

In 1942, customers contended with “dim-out” regulations put into place by a government worried about a Japanese aerial attack on the West Coast.
Electric ranges and hot water heaters were only two of the new household appliances prompting customers to want more power just as it became harder to supply.

Meanwhile, starting in 1942, customers contended with “dim-out” regulations put into place by a government worried about a Japanese aerial attack on the West Coast. Nonessential lights had to be turned off at night, lower-wattage bulbs used when feasible, and other lighting shielded. This meant that even existing customers used less power. Since lower power volumes reduced the efficiency of supply, PUD 3 was forced to slightly raise rates.

Still, expansion continued, with about 100 new connections a year. The board had begun meeting weekly, not just as needed, and Johnson was handling everything from employee rumblings about unionization to routine state safety inspections. More than 200 new incandescent street lights were turned on in Shelton, while the airport and parts of Kamilche Point also received power. By the end of the war in 1945, the PUD was planning extensions to Cloquallum and Harstine Island. The PUD’s first printed report, addressing the years from 1934 to 1944, was distributed with April meter-reading results. And for the first time, the PUD had surplus cash, which it invested in government bonds.
Puget Sound Power and Light rejected several offers. In mid-1945, PUD 3 teamed up with other PUDs in a complicated effort to buy a variety of Puget Sound Power and Light assets. The coalition was managed through the Puget Sound Utility Commissioners’ Association. The purchase, which ultimately involved court battles, the state legislature, and questionable actions by the federal Securities and Exchange Commission, would drag on until after the end of the war.

In the meantime, in 1944, the commissioners also briefly explored acquiring or merging with PUD 1. People between Jorsted Creek and the Mason/Jefferson county line were asking for power, and though they were technically in PUD 3 territory, they were physically closer to PUD 1 lines. The difficulty of sourcing wire made the shorter distance an issue. This probably wasn’t the first time the idea of a merger had been floated, and it wouldn’t be the last, but the PUDs remained separate.

“We always have had a lot of PUD 1 customers who would prefer to be in our system,” said Wyla Wood, who managed PUD 3 from 2004 to 2013. But even if the logistical issues could be worked out, a merger would require a countywide vote. Instead, the two districts have collaborated when they could. For instance, to help take care of potential customers near the Jefferson County line, in 1945 PUD 3 agreed that it would be more efficient for PUD 1 to serve them. The families involved had petitioned for that option, and everyone agreed that was then the fastest and most practical solution.

Wartime concerns such as wire shortages wouldn’t last for much longer, however. As the nation celebrated the end of the war, PUD 3 looked forward to a new era of maturation and growth.
Allies and adversaries

The Puget Sound Utility Commissioners’ Association was hardly the only alliance that commissioners and employees formed in the district’s earliest years. Indeed, the partnership between the PUD and the federal Works Progress Administration, which provided labor to erect poles and string lines as well as other construction that benefited the public, was instrumental in some of the PUD’s earliest efforts to provide service. From the very beginning, commissioners also joined industry organizations to learn more about power, share best practices, gain negotiating insight and leverage with the Bonneville Power Administration (BPA) and emerging labor unions, and lobby regulatory agencies for policies that would keep public power alive. In particular, they joined the Washington Public Utility Commissioners’ Association the year it formed, 1936. The association would be renamed the Washington Public Utility Districts Association (WPUDA) in 1952.

This group was particularly important, since private power companies had spent more than a decade trying to introduce legislation that would make it difficult, if not impossible, for PUDs to operate. One example is a state initiative in 1946 that would have required a public vote every time a PUD needed to issue bonds for expansion—a routine funding activity that could happen multiple times a year. Fortunately, that initiative and most similar efforts failed, thanks in part to the educational and lobbying efforts of the state’s public utility association. By 1945, PUD 3, or its commissioners, also participated in the Puget Sound Utilities Council, the Southwest Washington Public Utility District Association, and the Northwest Public Power Association. Other associations would follow.
Once World War II ended in 1945, it took manufacturers several years to catch up with the pent-up demand for materials such as copper wire. So although PUD 3 managed to connect about 250 more customers in the year after the war ended, it couldn’t immediately expand service to all who clamored for it. To help speed the process, would-be customers often donated poles, labor, and, when they had it, wire. Other hopeful parties, who sometimes attended numerous commission meetings to plead their cases, included small groups in neighboring counties who were closer to Mason County’s existing service areas than to the utility provider in their own county.

During the war years, PUD 3 employees had continued to plan expansion and strategize where future power would come from. They’d been watching the development of federal hydropower in the Pacific Northwest. A number of dams were constructed on the Columbia River and its largest tributary, the Snake River, during the 1930s and 1940s. In addition to benefits for flood control, irrigation, river navigation and shipping, and recreation, most of them generated electricity.

In particular, Congress had created the Bonneville Power Administration (BPA) in 1937, with the Bonneville Dam dedicated that same year. The Grand Coulee Dam became operational in 1942, just in time to direct power to the war effort, notably aluminum manufacture. BPA also kicked off the Columbia Basin Project, a system that would eventually grow to more than 150 hydroelectric facilities.
The Bonneville Power Administration (BPA)

From its headquarters in Portland, Oregon, BPA distributes the electrical power generated by all federally owned hydropower facilities in the Pacific Northwest—more than 30 dams and generating stations. It transmits more than 25,000 megawatts of power annually, on average, from all regional sources, including combustion plants and facilities owned by others. (This “rental” of transmission lines, known as wheeling, enables power swapping, among other things.) About a third of the total power is from federal sources. With more than 15,000 miles of transmission lines, BPA also supplies power to parts of California, Nevada, Wyoming, and Canada. It connects with other high-voltage systems, including the California/Oregon Intertie, the Pacific DC Intertie, and the Northern Intertie, crossing the U.S./Canada border.

When the Columbia Basin System was created, many expected it to be managed by a federal “Columbia Valley Authority” like the Tennessee Valley Authority. After World War II, however, this idea sounded too much like communism; Northwest consumers and public utilities had their hands full simply fighting efforts by others to break up and sell off the system. Today, the Bonneville Power Administration—originally established as a nonprofit, temporary marketing agency—has become a permanent governmental authority under the U.S. Department of Energy. It manages the Northwest hydropower system in cooperation with customers, nonfederal hydropower facilities in the region, and other regional power systems it interconnects with. As a result, the Pacific Northwest in general and Washington State in particular enjoy some of the cleanest energy in the world. Much of this power relies on the Columbia
The Pacific Northwest: A Hotbed of Hydro

Today, the Bonneville Power Administration markets electricity to 143 public power utilities in the Northwest. These utilities are provided with nearly all their electricity by 30 federally operated dams and one nuclear power plant. Combined, this package of power is known as the Federal Base System. At full generation, the power plants can produce 21,629 megawatts of electricity—enough to power 7 million homes.

Twenty-one of the dams are maintained and operated by the U.S. Army Corps of Engineers. Nine are managed by the U.S. Bureau of Reclamation. The granddaddy of them all is Grand Coulee Dam, with Lake Roosevelt behind it as its primary reservoir. At 6,809 megawatts, Grand Coulee is the largest generator of hydropower in the United States. As a multiple-use project, the dam also stores water in nearby Banks Lake for agricultural irrigation in the Columbia River Basin. This water reaches 670,000 acres of farmland for a multitude of crops worth an estimated $8 billion.

Energy Northwest, a joint effort of numerous public utilities (including PUD 3), also operates a nuclear power plant near Richland, Washington, as part of the Federal Base System. To bring all this energy home, BPA maintains and operates a high-voltage highway, 15,000 miles of transmission lines that bring electricity from the system’s 31 power plants to communities throughout the region.

River, which is 1,240 miles long and drains nearly 260,000 square miles in seven states and Canada.

Immediately after the BPA was created, federal power supplies began ramping up fast, and the dams had been justified with the assumption that their costs would be repaid when their power was sold. So the agency had begun stringing transmission lines to help distribute that power. The agency’s founding principles included what are known as “postage-stamp” rates, meaning that customers pay the same price regardless of how far they are from the power source—just as the postal service then charged the same price to send a letter anywhere in the country.
Since the BPA is fully funded by electricity sales (not taxes), it had an incentive to reach new customers, no matter how far away. This effort to extend BPA transmission lines accelerated in 1942, when the War Production Board ordered all U.S. power generators to interconnect to help pool sufficient power for the war effort.

Investor-owned power interests in the Northwest had started interconnecting as far back as 1917 to help balance electrical loads and allow pool members to draw emergency power from each other. During World War II, such alliances became mandatory to help ensure sufficient power for the manufacturers of goods needed for the war. Interconnection sped the construction of long-distance transmission lines, including a high-voltage BPA line from Olympia that would pass through Shelton.
Public Power and the “Preference Principle”

The idea that public power utilities should have access to low-cost electricity from government-operated dams had its origins at the turn of the 19th century. Gifford Pinchot was the first chief of the U.S. Forest Service and an advisor to President Teddy Roosevelt. With what he called his “conservation principle,” Pinchot was a strong advocate for the management of public lands and resources for multiple uses to benefit as many people as possible.

A twin to Pinchot’s conservation principle was his “preference principle”—that the public should have first preference to the benefits of public lands. This idea influenced President Roosevelt in that he also noted that the nation’s water supply belonged to all and should be used to benefit as many people as possible.

The preference principle for federally generated and transmitted electricity was put into practice in the Tennessee Valley Authority Act of 1933. Congress ordered that public power should have the first claim to the electric output of that system’s hydroelectric dams.

Then came the BPA. The preference principle was key to public power efforts in the Pacific Northwest. Accordingly, when Congress approved the Bonneville Project Act in 1937, the law required the BPA to give preference and priority to public power utilities in the region when selling and transmitting electricity from the federal projects under its authority.

Preference power lives on today. As in the last century, access to preference power from federal dams has helped public power entities truly deliver on the promise of providing the greatest benefit to as many people as possible. Nearly half of the electricity customers in Washington State are served by public power utilities. Most of that power comes from dams in the Columbia River Basin. Clean, renewable, and cost-based power is one of the Northwest’s greatest competitive advantages.

Nearly half of the electricity customers in Washington State are served by public power utilities. Most of that power comes from dams in the Columbia River Basin.
As a result, the leaders of PUD 3 had long been anticipating a switch in supply. Instead of buying most of its power from Tacoma City Light, the district could soon access the seemingly unlimited BPA power. BPA encouraged this idea as war-related aluminum production, and thus power use, subsided. By 1946, PUD 3 commissioners were reviewing draft BPA contracts and watching the construction of the BPA substation on Mountain View in Shelton. The new BPA line from Olympia would bring 115,000 volts into town. Though the substation was delayed by slow congressional funding, PUD 3 finally connected to the BPA system in September 1947. The following summer, the Tacoma City Light contract was terminated, and PUD 3 became supplied 100 percent by BPA. This single-supplier relationship would last nearly 50 years. The final connections came just in time; Danielson had worried that the PUD might not otherwise be able to handle the demand that coming winter.

The 1957 BPA transmission map.
Substations are interchanges

Substations are places where electrical power is converted to a lower voltage or boosted to a higher one, transferred to a local distribution system, directed through switches to various circuits, buffered by circuit breakers to prevent overloads, or a combination of those activities. The BPA likens them to an exit ramp or interchange from one power “highway” to another.

Initially, BPA built and owned both high-voltage transmission lines and the substations that delivered that power to Mason County (and beyond). The substations reduced the 115,000-volt electricity to 12,500 volts so the PUD’s lines could handle it; transformers in the field then reduced that voltage to the 240/120 household voltage. Thus contracts with BPA included charges for both the power supplied and the distribution system used to supply it. Later, PUD 3 would save money by buying some of those substations from BPA or building its own, sometimes side-by-side with BPA substations. In those cases, the BPA substation delivered the power and the PUD 3 substation converted and routed it as needed.

Mason County’s service load had been growing. By 1948, the PUD had finally managed to take over Puget Sound Power and Light properties in the county, paying nearly $205,500 for them and gaining 1,031 customers. This represented nearly a 25 percent jump to more than 4,000 accounts. That same year, the Joint Power Plant stopped supplying power to anyone other than the local mills. PUD 3 bought the lines the plant had been using and took on its individual accounts, too.

Amid this infrastructure growth, the Kamilche Point and Harstine Island extensions, delayed for so long because of wire shortages, were finally completed. The island extension in particular had been challenging.
Island resident Helen Wingert later recalled, “We often dreamed of electricity on the Island so we could have a refrigerator and have ice cream on hand, but hardly expected it.” The islanders had been told they needed 70 homeowners to commit to service for a minimum of five dollars a month, for five years, before the work could be started. This seemed formidable, since there were only 45 permanent homes on the island. But residents all signed up, as did most of the nonresident homeowners.

“The ferry to Harstine in 1947, the year the residents of the island learned they’d finally be getting power.”

“Then just before Christmas in 1947 our dreams came true. . . .” Wingert said. “When news of the laying of cable across Pickering Passage [in November] spread around the Island, blood pressures rose dangerously and the people drove wildly to Shelton, Olympia, Tacoma, or anywhere in search of meter bases, entrance cables, and all the various thingamabobs it took to get hooked up. Whenever these sources failed we beseeched Sears, Roebuck catalogue to do its best for us, and Sears came through nobly, as our weary mail carrier, Horace Crary, can testify.

“We felt a great thing had come to the Island when [the] PUD furnished power and we began to be modern in every way. No more all-day wash days, starting early in the morning, rubbing clothes on a washboard and boiling white clothes in a boiler on a wood stove. No more sweeping the whole house with a broom and dust pan. No more going outside and pumping a bucket of water and carrying it inside for household use. No more trips to the outhouse all hours of the day and night—rain or shine.”

Not long before Harstine Island was electrified, families in Cloquallum, who’d waited somewhat impatiently during the war, finally got service too. Resident Ernie Loertscher later recalled, “The people met with the PUD commissioners and were told that there was not enough money to put in the power lines; but if they would slash the right-of-way, dig the holes, and get the poles, the PUD would put them up and run the line out.” When the residents decided to go ahead, he noted, “Jerry
power cost of 2.31 cents per kilowatt hour would be nearly halved over the next couple of decades as electricity consumption grew. In 1944, the average electricity use for a Mason County home was 1,308 kWh a year. (That’s less than the state average per month in 2014.) Over the next decade, that average more than tripled to 4,700 kWh.

Once the right-of-way was slashed, the PUD crew stayed at Loertscher’s home on Highland Road to complete the work. “My mother . . . would come home at night and cook dinner for about 15 to 20 workers on a Flamo Stove, using kerosene lights. The next morning she would be up before the birds and make breakfast and lunch for the crew before she left. . . . When the power line was completed and there was electricity in the community hall, the community gave a dance for the crew to show their appreciation. . . . We had a mill on Buck’s Prairie and powered it with gas motors, later a diesel electric plant, until the PUD installed three-phase power. It was like going from a Model-T Ford to a Cadillac.”

The purchase of new electric appliances boomed after the war too, once manufacturers had materials and families had more money to spend. BPA and PUD 3 both actively promoted electricity use. At least until the Columbia Basin System reached maximum capacity, economies of scale meant that increasing loads drove down the costs while providing more funds for system maintenance and improvement. In Mason County, the average 1941
Indoor plumbing, water heaters, refrigerators, ranges and ovens, washing machines, electric milking machines and other farm equipment, and the relatively new innovation of electric space heaters sold like hotcakes. With some nudging by manufacturers, the PUD erected displays in its lobby, hosted educational events sponsored by manufacturers, and provided customers with lists of local appliance dealers. Westinghouse representatives lobbied for the PUD to sell appliances directly, but local retailers objected, and the PUD decided to simply offer information.

Eventually, growth in service and the number of PUD employees who provided it necessitated more office space. In 1948, seven years after its last move, PUD 3 stopped renting. It paid $49,990 to buy what was then a relatively new building at 227 West Cota Street. About the same time, they bought a house in Belfair and turned it into an office to make bill payment more convenient. They also built a garage nearby to support area service calls. Five years later, as growth continued, the commissioners considered adding a second story to the main Shelton building, referred to as Third and Cota, but decided that idea wasn’t cost-effective. For a while, they made do.

All this growth demanded considerable work by the commissioners, who received no salary, other than a small per-diem, until 1969. It was truly a public service, but also perhaps a taxing one, and the board entered a period of frequent membership turnover. Enoch Nelson had retired in 1942, to be replaced for District 2 by T. W. (Tom) Webb—one of the members of the county commission that had originally approved the PUD’s formation. Two years later, Jack Bichsel decided not to run for reelection, and Vincent Paul succeeded him. Just four years later,
in 1948, the remaining original commissioner, Ron McDonald, passed away, with David Roy Carr (who went by Roy) appointed to fill the vacancy. That fall, Carr decided to run for (and was elected) county commissioner instead. (Sadly, he died the following November in a flood after ensuring the safety of three other people.) Earl A. Carr (no relation), who had previously run against McDonald, was elected in Roy Carr’s place.

The changes continued: Ralph N. Howard replaced Paul, after six years of service, in 1950. Howard only lasted for five months. He’d won the election by fewer than 150 votes, and in confirming the count, Paul discovered that five precincts of District 1 voters either didn’t get ballots that included their race or didn’t distribute them correctly. (This apparently resulted from confusion about exactly who was eligible to vote for PUD 3 commissioners, not any nefarious plot.) The ballot irregularities prompted the county Superior Court to set aside the election and return the seat to the previous office holder until the next regular election could be held. Paul resumed his seat as commissioner until late 1952, when Jack Cole was elected for that District 1 seat. Six years later, Edwin Taylor was appointed after Earl Carr’s death, and the commission grew stable again. There wouldn’t be another change for an additional eight years, when Webb ended his 24-year tenure and was replaced by Harold W. Parker in 1966.
Fortunately, manager Claude Danielson provided continuity during the changes and growth. Lines were upgraded to carry more power and deliver three-phase, rather than two-phase, service to more customers; equipment and substations were added to improve reliability; district warehouses, garages, and fleets were expanded or replaced; and the lights went on from Satsop to Panther and Wooten Lakes, and from U.S. Forest Service lookout stations to fish hatcheries. As the utility enjoyed the stability of peacetime, it extended its planning horizon.

One consideration was whether to develop its own ability to generate power. For instance, studies were conducted on the viability of a hydroelectric plant on the Hamma Hamma River. The Satsop River and Kennedy Creek were two others studied for potential dams. These ideas would be shelved and taken up again numerous times over several decades, but PUD 3 always decided the time was not right. Certainly in the 1940s and 1950s, the government was still building dams, BPA had the lowest-cost power in the country, and most of the time, there was plenty of it.

Still, near the end of the 1940s, concerns about sufficient supply briefly pushed the district to tell customers it wouldn’t connect new space heating systems because it might not be able to handle the additional demand. Years of electricity promotion had been too successful, and hydropower generation is inherently cyclical, although not always predictably. Generation is affected by river volumes, so drought years typically mean that less power is available. In addition, when a new dam or other generation facility came on line, as they frequently did until the late 1960s, it brought a large incremental increase in available power. So over the decades, oversupply prompted everyone to promote electrical use, until insufficient supply drove efforts to promote conservation instead. Accordingly, the commission approved the district’s first formal conservation program in late 1948.

The prohibition on space heaters would prove temporary, and within a few years, the district was hooking up electric heaters again, as well as new electric clothes dryers and, soon, televisions. Stereo systems, hair dryers, dishwashers, and air conditioners were a few other appliances in increasingly electrified
homes, which continued to drive PUD growth. By 1954, PUD 3 had more than 5,000 customers, about half in Shelton. More than 1,000 had been added in the six years since the Puget Sound Power and Light acquisition. These customers jointly owned nearly $2 million in district assets, including over 600 miles of power lines. Another 100 miles of lines were added in the next three years—and almost 2,500 more customers.

Then, for a few years, growth slowed, thanks in part to economic recessions in the late 1950s and early 1960s. A new state correctional facility under construction in the early 1960s required significant power, however. Plus as technology accelerated, there seemed to be no end to new electrical devices, and the Northwest had only so many rivers. The early murmurings of an environmental movement were starting to question dams. So even in years with plentiful power, concerns about future electricity supply—not to mention the 1965 East Coast blackout—drove ongoing consideration of where the county’s power should come from.

By then, PUD 3 managers and commissioners were working with a large variety of power-related organizations on regional and national, as well as state, levels. The Public Power League, the Northwest Public Power Association, the Pacific Northwest Utilities Conference Committee, and the American Public Power Association served as important resources and partners. In addition to battling misinformation about the federal power system, they helped PUD 3 stay informed about legislative efforts that could affect the district. They also led efforts to lobby against anything that could harm district customers, including continued efforts by private power companies to restrict PUD operations. Association memberships also allowed the utility to share information about new equipment and technologies, bond markets and funding options, BPA contract provisions, and employee wages and benefits.

Conservative estimates suggested that Mason County’s electricity requirements might triple or more over the next 20 or 25 years.

One of the more important benefits of association membership is collaborative, long-term planning regarding regional power supply and demand. Conservative estimates suggested that Mason County’s electricity requirements might triple or more over the next 20 or 25 years. So in 1956, PUD 3 had made a decision that would eventually disrupt its operations:
It joined 16 other public or municipal utilities in forming the Washington Public Power Supply System (WPPSS). WPPSS was a joint operating agency created to build power-generation capacity, as well as to combat increasing political hostility to federal power systems—or at least react effectively if BPA was broken up or sold. Both ideas had been floated in the U.S. Congress; the nation was in the grip of McCarthyism and the Cold War with the Soviet Union, and to some, a federal power system, and even a local PUD, sounded dangerously communist.

The WPPSS partnership got started simply enough with the construction of the Packwood Lake Dam, which began operating in 1964. A larger WPPSS project required congressional authorization to add a steam plant to the existing Hanford nuclear reactor, which had been built to make military plutonium. This new power-generating facility started up in 1966 and became known as the Columbia Generating Station. Through these successes, PUD 3 became a generator of electrical power—if only as a WPPSS partner and stakeholder.

By 1966, PUD 3 had come full circle: Its first conservation program had been replaced by new power promotions, and it was offering incentives to customers switching from gas to electric heating. Although BPA’s power prices had recently risen for the first time in more than a decade, increased efficiency had allowed PUD 3 to actually reduce rates to customers starting in 1962. In fact, a 1966 study indicated that PUD 3 directly benefited the county—in taxes and in electrical rates below private rates—by more than $55,000 annually.

To continue this service as the county grew, the district made several more system additions, including buying a Tacoma City Light circuit near the growing Lake Cushman Resort in 1967. More significantly, it acquired properties of Peninsula Light Company in Mason County, though it wasn’t easy. The effort began when Lakeland Village was built in Allyn and new residents asked for service from PUD 3. The commissioners suggested to Peninsula’s board of directors that the line between Mason and Pierce Counties would be a logical place to separate systems, but Peninsula did
not want to sell. PUD 3 was forced to use the condemnation process. The courts mandated a price of $335,000. By the time the deal was closed in 1968, PUD 3 customers owned nearly $5 million in assets. (Buying power from a private utility is like renting an apartment in that the person paying never gains any equity value. Public power works more like buying a home, with customers eventually owning the system.) More than 60 percent of those assets was debt-free equity.

Over the decades, the nature of those assets was changing. All along, PUD 3 had been improving its system with new regulators and switching equipment, additional substations, and other electricity-distribution technologies. As the complexity grew, extension work began increasingly being performed by contractors so employees could focus on managing the system. The PUD also invested in items such as truck-mounted hoists, chippers for the tree-trimming crews, and the aerial lifts known in the early 1950s as “industrial monkeys.” The Harstine Island extension may have been the district’s first use of special cable for underwater applications. Later, the 1962 Columbus Day storm left some customers without power for a week. (See the following chapter for details.) This catastrophic outage, caused largely by dozens of downed trees and branches, prompted PUD 3 to look more closely at underground cables, which it began installing in 1965. Though this decision would later cause grief when the cables began deteriorating after just a few years, PUD managers generally tried to stay abreast of new technology and keep the district, and Mason County, moving forward.

This progressive philosophy applied as much to the district’s many partnerships as it did to technology. Accordingly, the growth and optimism of PUD 3’s first several decades was reflected in mutually rewarding relationships with customers, other community organizations, and a rapidly growing family of employees.
People and Partnerships

Claude Danielson, manager of PUD 3 since early 1943, retired as 1962 ended after reaching mandatory retirement age. During the two decades of his tenure, the district had grown from fewer than 3,000 customer accounts to more than 7,300, while the amount of electricity consumed by the average home had more than quadrupled. Operations required an annual budget of nearly $1 million. The PUD was in great financial shape too, with an excellent credit rating and the second-least debt of any in the state. In a *Mason County Journal* article about his retirement, Danielson credited the growth to “an uninterrupted succession of excellent PUD 3 commissioners who followed sound business policies, and an especially fine and loyal staff of fellow employees.”

The number of employees had grown dramatically too. When longtime employee Gerald D. Samples, known to all as Jerry, stepped into Danielson’s shoes, what had started as a handful of people had grown to about 50. Employee salaries, which had originally been under a dollar an hour for all but the most experienced linemen, had grown with changes in economic conditions. By 1954, linemen were earning an average of $2.70 an hour, and by 1960, that rate had risen to what at least one commissioner described as a “ridiculous” $3.37. By the end of the decade, that pay would rise to $5.25.

In addition to years with significant economic inflation, another factor in the increasing wages was the introduction of the union. Labor unions had had a long, highly politicized, and sometimes violent history in the Pacific Northwest since before the first World War, but almost a decade would pass after the PUD’s organization before its employees became organized.
For many years, it seemed unnecessary; the organization was small, and employees and their managers generally had strong and often personal relationships. In addition, labor unions, like granges, had supported the creation of PUDs, so relationships between the unions and PUD leaders were generally friendly. As a result, when employees began considering organization, PUD commissioners were likely to be more receptive to them than the managers of private companies were.\textsuperscript{11}

By 1945, murmurs about starting a union were growing louder in PUDs across the state. The International Brotherhood of Electrical Workers—both the Shelton Local 882, which eventually was subsumed into Tacoma’s Local 76 and 77, based in Seattle—lobbied for consideration in Mason County, along with the Carpenters and Joiners union. PUD 3 commissioners were quick to point out, “The district has never discriminated against union men and at the present time all outside employees are union men.”

Still, the leaders of state PUDs were involved in many industry associations where prevailing wages were frequent topics. Employees needed a similar means of sharing information and generating solidarity. In February 1946, the commissioners consented to the standard working agreement in use by many other state PUDs and presented to them

![Arcadia Switching Station upgrading facilities in 1962. Manager Claude Danielson and Superintendent Jerry Samples (soon to be manager).](image1)

![Linemen circa 1950.](image2)
by an agent of IBEW 77. Each year after that, contract negotiations raised various requests and concerns, from increases in medical benefits to paid time off the Friday after Thanksgiving. Although the commissioners sometimes grumbled about these requests, there were few years in which negotiations were contentious. Wages typically went up every year, and in a number of years, they rose by as much as 6 or 7 percent.

The number of employees grew consistently too. A superintendent’s job was created in 1953 to help manage the growing workforce. In the following decade, the PUD created its first organization chart.

A superintendent’s job was created in 1953 to help manage the growing workforce.
The customer service staff would not join the union until 1972, when the seven women working in the office voted to petition Local 77 for membership. Although a federal mediator had to help work out the details, these office employees did join the union, becoming known as the “B” group for contract negotiations.

As public employees, those at the PUD typically received benefits mandated by Washington State, including unemployment compensation and a new state retirement system that went into effect in 1949. Similarly, Social Security benefits, also known as old age and survivors’ benefits, were adopted in 1955, as soon as the state authorized them. State law also began setting standard commissioner salaries based on PUD size in 1969.

Otherwise, when employees asked for a benefit or wage increase, the commissioners checked to see what was happening around the state and, when the request was common, granted it. For instance, the PUD began providing group life insurance in 1951, adding group health and accident insurance in 1954. The amounts of these benefits indicate how much times, and costs, have changed. For example, in 1968 the medical benefit to cover a doctor’s office call was increased from $3 to $5.

Employee safety is one area that the PUD has always taken very seriously. Electrical shocks and burns were the number-three cause of work-related fatalities in Washington in 1947.
fatalities in Washington in 1947, so it was an early area of emphasis for the state’s labor authorities. Electrical power line installation and repair is still among the nation’s top 10 most dangerous industries as measured by workplace fatalities. By 1943, the district was participating in, and passing, regular safety inspections by the state Labor & Industries board.

Unfortunately, a few incidents provided tragic reminders about why caution was needed. In 1945, a pole fell while two linemen were replacing lines that had been knocked down in a storm. The heavy weather had also weakened the ground around the pole, and it toppled with both men aloft. The pole fell against the crew’s truck, probably helping to reduce the impact for Jay Umphenour, who’d been climbing the pole with a second downed line. He was critically injured but returned to his PUD 3 career. But George Lee Cunningham, who’d been near the top of the pole, probably hit the ground with even more of a whiplash impact and was killed instantly. Just three years later, Lyle R. Bassett, who’d been with the PUD as a meter reader and technician since it first began providing service, contacted a high-tension wire near Lake Nahwatzel. He was electrocuted, leaving behind a wife and young son.

These were the PUD’s first recorded fatalities, two of only three known. Serious accidents were similarly rare, but they did happen. For instance, lineman Glen Miller was badly burned in 1951 when he accidentally contacted a 7,200-volt wire. He recovered and returned to work. A more drastic injury occurred in 1972, not to a PUD employee but to a telephone lineman. He lost both arms below the elbow when a series of events and equipment failures caused a conductor to fall across his ladder truck. This accident resulted in a $2.25 million lawsuit that was eventually worked out with the district’s insurance company.

Top: 1958 office staff. Left to right: Gladys Benson; Arlene Doak; Martha Taylor; Dorothy “Dottie” Brickert; Esther Anderson; Maxine O’Neil.

Bottom: 1951 Belfair staff. Left to right: Robert Nelson, agent; Barbara Nelson, clerk; Glen Miller, lineman; Lloyd Suhr, apprentice lineman.
Overall, however, firm policies, training, well-respected procedures and gear, and careful work kept serious accidents relatively rare, even as the district grew. In fact, vehicles more routinely caused safety incidents, with a number of early PUD employees involved in traffic accidents while driving for work. Fortunately, those caused more insurance hassles and the need for new trucks than injuries.

Safe work and driving probably came easier than in some organizations simply because the PUD serves small, close-knit communities, and its mostly local workforce feels like a family. Employees looked out for each other. They did more than work together too. In 1956, for instance, they formed the PUD Employees’ Association (PUEA), which sponsored safety contests against other districts, raised money for food drives, and took part in other charitable activities for the community.

Throughout PUD 3’s history, in fact, being a community-owned utility meant that boundaries between the PUD organization, its customers, and the community were fuzzy. Nearly every employee is a customer too, and every community member is an owner. This entangled relationship has mostly kept relations between the district and customers friendly and supportive.

For instance, in 1950, when PUD 3 first bought radio equipment for outage repair crews to save them unnecessary driving, employees also started using their new radios to make calls for stranded motorists or address the emergency needs of remote families. Maintaining an office in Belfair helped make it easier for customers far from Shelton to pay bills and ask questions.

**Prize-winning safety**

Serious safety incidents were the rare exception. Most years, the PUD’s emphasis on safety paid off with admirable safety rates. In 1963, PUD 3 achieved third place in the American Public Power Association’s annual safety contest, which was based on safe work rates relative to utility size and total number of hours worked. It moved up to second place in 1967, and earned an honorable mention in 1971. PUD 3 has won the award multiple times since then.

1971 APPA Safety Award. Left to right: Richard Thompson; Bill Hulbert (Snohomish PUD).

Nearly every employee is a customer too, and every community member is an owner.
It played fair with customers too, trying hard to respond to their concerns and keeping costs as low as possible. Though the prices of everything else kept going up, electricity rates dropped over the years to a low of 1.20 cents per kWh in 1968. That was possible partly because consumption kept growing and providing economies of scale; by the end of 1965, average residential consumption was just under 10,000 kWh per year, nearly double the usage of the mid-1950s. In 1951, the district switched from monthly to bimonthly billing after calculating that it would save $450 per month in administrative costs. This change would be reversed decades later, as usage continued to grow and customers wanted to pay smaller bills more often.

There were frictions, of course, usually related to charges. When the district faced some unplanned construction costs and the emergency fund had run low, a $2 charge was added to bills in 1970 to rebuild the fund. This small charge drew complaints at nearly every commissioners’ meeting until it was rescinded later that year. Similarly, individual customers complained when their new appliances increased bills, rates changed, or power was shut off for delinquent accounts. A few customers made claims or sued for damages after being involved in traffic accidents with employees in PUD vehicles. Sometimes these claims were justified and the district’s insurance paid them,
but often they were denied because the customer was at fault. One memorable customer tried to claim money for auto damages when she backed so hard into a PUD pole that the pole then fell on her car. Such isolated incidents amounted to only a handful a year, however, out of thousands of happy customers. For the most part, relations were tranquil.

Outages caused by storms were a more common cause of concern, but when it came to speedy repairs, the district got more compliments than complaints. Over the decades, a period of epic storms caused significant outages and damage in the heavily wooded county. Bad weather had hit Mason County before, of course,

but previously there was less infrastructure to damage and fewer people depending on it. The district had begun tree trimming in the early 1940s, but the crews couldn’t clear-cut. So strong winds, such as those of the 1962 Columbus Day windstorm, not only knocked down trees, but also turned large branches into clubs that knocked down power lines. Some customers were without power for almost a week, and the damage estimate approached $30,000.

Snow sometimes caused similar damage, or worse. Though heavy snow isn’t typical, when it does fall, it’s frequently wet, clinging, and heavy, easily pulling down lines with its weight. Years

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**Crime and punishment**

A few of the rare conflicts between the PUD and the community came in the form of crime. Especially during wartime material shortages, copper wire was stolen from district warehouses, resulting in significant financial losses. One wire thief caught in 1952 was sentenced to 15 years at the state penitentiary in Walla Walla. In 1965, several trucks were stolen, apparently for joyrides, since they were later recovered with nothing more missing than two sets of rain clothes and a lantern. Before the trucks were recovered, however, several employees volunteered to take polygraph tests, which they passed, to prove they weren’t to blame. Vandals sometimes damaged yard lights, substations, or fences, and at least one foolish fellow suffered severe electrical burns while trespassing on district equipment. Most other incidents have been minor. And criminals also became indirect customers when the state corrections center opened in 1964. The center remains one of PUD 3’s larger commercial accounts.

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“The average person spends nine minutes a year thinking about their electric company. That’s not very much; and we’re OK with that. That means we’re doing our job.”

— Justin Holzgrove
when big storms caused outages and losses included 1951, 1954, 1960, and 1964/1965—the latter big enough to warrant receiving $15,000 in federal disaster assistance. The following winter was even worse, with more than $60,000 in damages and a disaster-area declaration by Mason County.

Through all such events, repair crews stayed on the job, sometimes for 24 hours, earning time-and-a-half or taking comp time later for their overtime hours. In some outages, they helped mobilize emergency generators, provided by federal civil defense agencies, to keep businesses running and keep frozen food cold. These experiences also prompted the district to invest in “tree wire” and, by the end of the 1960s, underground lines.

As frustrating as occasional outages were, most people rarely thought about their power until it went out. As Justin Holzgrove, a department manager for PUD 3, noted in 2016, “The average person spends nine minutes a year thinking about their electric company. That’s not very much; and we’re OK with that. That means we’re doing our job: operating in the background, providing you with the comfort, security and reliability that you’ve come to expect from PUD 3.” This was as true a half-century ago as today.
A quiet and charitable neighbor

The PUD worked to be a quiet but reliable neighbor, by contributing to charitable fundraising drives, for instance. In the early 1940s, it started buying annual $25 holiday bonds from the Mason County Tuberculosis Society and donated equal cash to organizations like the Red Cross. (Those $25 donations were initially equivalent to more than $350 today.) In 1966, the PUD authorized automatic payroll deductions for employees who wanted to contribute to the county’s brand-new United Good Neighbors (now the United Way of Mason County).

And when the community gathered, the PUD often joined in. Most years, it participated in parades and displayed a booth at the county fair. It hosted a series of electric-range cooking shows popular with local women. And it held its first open house in 1948 at 227 West Cota Street to celebrate the first offices the PUD owned rather than rented.
In public meetings and letters to the *Mason County Journal* during 1957, people complained about items in the plans, from the number of restrooms and the size of the engineers’ offices to the quality of the paneling and the need for a “fancy electric sign.” The commissioners and Manager Danielson explained patiently why each feature was needed. They admitted that the district’s residential rates were somewhat higher than those of many other PUDs in the state (although still lower than private utility rates). But they explained that the district’s financial health and credit rating were sounder too as a result, so the district could borrow at lower interest rates and save money over the long run. And whether the new building got built or not, it would have no bearing on electrical rates. “Actually, the new building will cost the average PUD customer approximately 30 cents a year,” Danielson pointed out.

The 10,000-square-foot facility opened the following spring. (The old building would be sold two years later to the *Mason County Journal*, which operates there today.) Some 400 to 500 people attended the March 1958 open house. The two-story building included a large auditorium, not just for commission meetings but also for community meetings, classes, programs, rummage sales, and just about any other public event that needed the space. Once the community realized the value of that auditorium, complaints fell away. This practice of providing a public meeting space has continued ever since, and each time the district has outgrown its space, such an auditorium has been included in the plans for a new one.

*Once the community realized the value of that auditorium, complaints fell away.*
While the utility’s office space grew only every decade or so, employees were getting more efficient all the time, thanks to improvements in work technologies. From the start, the district had a typewriter, and it added a steady stream of trucks, hydraulic lifts, aerial ladders, hole-diggers, tree-trimming equipment, and other equipment needed for service and growth.

For many decades, some of the most important office tools were calculating machines, which were key to customer billing. In 1952, the district traded in two old adding machines for a bigger Model 10 EFA Automatic Calculator worth $629.75—the equivalent of nearly $6,000 today. The PUD’s 3M Thermo-Fax copy machine—a desktop device like a fax machine that could do one hand-fed copy at a time, but that was better than rolling carbon paper into a typewriter—was traded in for new technology from Xerox in 1964. The new machine was huge, weighing over 600 pounds, but used plain office paper and could make seven copies per minute!

The first computer

In the mid-1960s, PUD 3 began following the development of business computing. In 1969, the commissioners began leasing time on Centralia Junior College’s new data-processing system, adjusting district billing procedures to fit and sending a few employees through key-punch training. Two years later, PUD 3 bought its own IBM System/3, a punch-card system that was so large the district’s meter room had to be remodeled to accommodate it and it had to be separated into two pieces to get it through doorways. This computer was the size of a large chest freezer, weighed 1,300 pounds, and had a whopping 16 kb of core memory, plus removable disks the size of dinner plates. Buying rather than renting saved the district about $1,000 a month. It began calculating customer bills in 1972.
Once wartime materials shortages had ended, PUD 3 no longer needed customers to donate poles or labor to continue expanding service. It did, however, continue to work closely with others, taking on partnerships ranging from the City of Shelton and other PUDs to private companies with compatible goals. For instance, in 1949 it began sharing poles with Pacific Telephone and Telegraph, working together to replace, maintain, and improve infrastructure where it made sense to share. PUD 3 routinely coordinated with the county, the state department of transportation, and private individuals regarding rights-of-way for poles and overhead or underground lines relative to roads, driveways, and private property. Community development projects also became part of the district’s business, such as in 1960, when the City of Shelton asked the district to pay for paving the alley behind the building as part of a broader city initiative. The commissioners agreed, paving the office parking lot while they were at it.

Thirty years after its formation, PUD 3 was also still working with grange members on lobbying efforts that were in the best interests of both the community and utility customers. These ranged from legislative threats to the federal BPA system to the identification of where future power might come from and what technologies might generate it.

PUD 3 also cooperated with PUD 1 on several projects. Once it began buying power from BPA, for instance, the original line to the Cushman power plant became less important and was sold to PUD 1 in 1962.

Roy Gifford, bookkeeper, was in charge of the office machines, including this Multigraph Multilith Duplicator, which was pretty advanced for 1958 but weighed over 850 pounds.

A Grange teamwork poster: “Progress through abundant power at low cost.”
A longer-term negotiation involved water. In 1964, experts realized that surface pollution was contaminating many wells in the area between Belfair and Alderbrook, and it became a struggle for residents to get clean water. At one point, the state health department labeled Belfair Elementary School’s water unfit for human consumption.

The PUD 3 office in Belfair, however, had a well that supplied the building, and it continued to test as safe. Unlike PUD 1, PUD 3 has never supplied water, but county authorities suggested that perhaps PUD 3 could begin doing so from that well. The commissioners were reluctant to take on a new business they knew nothing about, but they offered to sell the well to the community. By 1966, Belfair residents were working to form their own water district, which would replace the town’s five private systems, which all drew on above-ground sources. PUD 3 agreed to sell the well and relevant parts of the building for just $5,000 and a few expenses to this new Belfair Water District. But the agreement depended on the passage of a community levy for funds, and that levy failed three times, so the deal couldn’t go through. Efforts to fix the problem continued for several more years until the sale could be completed in 1970, when PUD 3 deeded its well to the Belfair Water District.

This wasn’t the last time PUD 3 considered its customers’ need for water as well as electric service, but the issue was resolved permanently many years later. In 1994, PUD 3 and PUD 1 decided that the latter, which had nearly a half-century of experience with water, would operate water systems in a variety of PUD 3 electrical service areas. Similarly, PUD 3 provides telecommunications service in PUD 1 service areas. These unique cooperative arrangements are temporary, 25-year agreements, though they could be renewed. They work well because both utilities put customer needs over politics, and neither must generate a profit.

Relationships with other PUDs in the state were an ongoing focus, in this era as throughout the district’s history. Joint activities ranged from borrowing a pole hole digger from Lewis County PUD in 1954 to working with other districts on state and federal lobbying efforts that would affect utility customers. For instance, during the mid-1960s, PUD 3

The PUD sometimes assisted with community water issues.
was active with others in protesting a proposed BPA rate increase. This effort was partly successful, and the district signed a new 20-year contract for power in 1969. The district’s membership in industry associations also helped it participate in, or provide funds for, power-related research performed by state universities—such as a 1970 study by Washington State University addressing the effect of ground currents on dairy cows.

Relationships with some suppliers, however, were rockier in this period. The district filed its first lawsuit in 1962, joining the state and several of the large PUDs. They accused five makers of electrical equipment, including Westinghouse, General Electric, and McGraw-Edison, of price fixing that resulted in overcharging and violated antitrust laws. The defendants eventually settled, paying PUD 3 $18,000 in compensation, minus about $4,000 in attorney’s fees, in 1965. Emboldened, the district considered taking part in a similar case against companies that made aluminum conductors, but eventually decided the damages weren’t worth the likely legal fees.

Nonetheless, the decade had given the district more experience with legal battles. It had long retained attorneys for various needs, from navigating state paperwork to providing advice relative to minor lawsuits. Its relationships with other PUDs—and then other attorneys—would prove invaluable soon. Because PUD 3 was about to enter two decades of intense turmoil and a huge legal battle that would put the entire operation at risk.

The PUD 3 fleet in 1964 at the warehouse on Olympic Highway and K Street.
During the 1950s and 1960s, Mason County PUD 3 grew from a small operation delivering a luxury—electrical power—into a much larger, professional organization. By 1970, it had nearly $5 million in assets and served about 11,200 customer accounts, providing a basic service that people had begun to take for granted. “As long as the lights stayed on, nobody cared about the electric company,” recalled Jay Himlie, who began a long career at PUD 3 in 1974. The organization’s maturation probably came just in time. Starting in the 1970s, external pressures and social changes would bring major conflict to the utility and its community.

The economic conditions of the 1970s were one factor. The post-World War II boom was over. Price inflation reached double digits in what economists would later call The Great Inflation. In Mason County, unemployment rates would exceed 15 percent by the early 1980s. Finally, the war in Vietnam was unpopular and society was newly concerned about the environment.

So people were struggling. This struggle was reflected in PUD 3’s relationships with employees. The union’s requests for contract changes in 1971 were, in the commissioners’ words, “the most lengthy the District has ever received from IBEW 77.” But an agreement was reached. By the middle of the decade, tempers flared higher, more grievances were filed, and communication began to break down over issues ranging from medical benefits to coffee breaks. As one commissioner noted, “management decisions are constantly challenged,” and contract negotiations became more difficult for many state PUDs.
In Mason County, it didn’t help that the utility’s resources were being seriously squeezed. The prices of everything kept going up, but the commissioners were always reluctant to raise rates or take on too much debt. Plus rapid growth in the county meant that during the 1970s, service lead times sometimes grew long. District managers had trouble finding enough qualified employees, or even contract crews, to replace those retiring and accommodate the workload. And enough time had passed that major systems needed to be replaced, upgraded, or expanded. For instance, the district connected to new BPA substations in Mountain View, Kamilche, and Bayshore that had been necessitated by growth, and rebuilt its Belfair office and warehouse. Even the commission underwent change; M. D. “Polly” Parrett succeeded Jack Cole in early 1974, and Lloyd Suhr, a retired PUD employee, was appointed to the commission after Harold Parker’s death in 1975. Another former employee, Phillip W. Durand, would take Parrett’s seat in January 1981.

Along with these changes, advancing science led to both new tools and more work. For example, new awareness of the hazards of polychlorinated biphenyls (PCBs) in the early 1980s meant transformers that contained them had to be removed and replaced. “Typically, because we’ve had very few transformer failures, we hadn’t bought transformers with the high-temperature oil that contains PCBs,” noted Himlie. Only a small percentage of the district’s transformers were found to contain that oil, but they all had to be
tested, and some had to be replaced. That added to a workload that was already too heavy. The commission declared several service emergencies to focus constrained financial and human resources where they seemed to be needed the most.

Other issues were more specific to Mason County. For instance, overhead lines that crossed water were being removed because of the hazards to the region’s increasing boat traffic. (At least one sailboat mast struck and pulled down a line in the Grapeview area; fortunately, the PUD’s records don’t indicate that any injuries resulted.) And standards for everything from equipment box construction to line clearances that had been adequate in the 1940s no longer met codes.

“I don’t want to say that when I came here the system was held together by baling wire,” recalled Ed Blakemore, who joined the district in 1977. “The people who were here had built as good a system as technology had allowed. But they were pretty simple systems, so the upgrades were a huge change.”

Also, despite ongoing trimming efforts, trees and branches routinely caused headaches. A major snowstorm in November 1978 knocked out power for days. Crews from other counties helped repair more than $100,000 in damage. Even worse, the district had to replace underground lines that should have lasted decades but instead were decaying after a half-dozen years. As soil moistures changed with the seasons, poorly made insulation around those cables corroded and cracked and caused faults. Such problems caused repeated outages in places like Allyn.

By 1974, a single underground circuit had gone out five times, until district managers gave up on repairs and plowed in a new one. In another neighborhood, the underground faults were so bad that crews erected temporary overhead lines until more reliable underground cable could be obtained.
Russ Baskin and Carl Bernert won first place in the pole-top resuscitation contest in 1975.

Lineman Don Liles competes in the pole-top rescue contest.

It was over contract language regarding the structure of underground line crews that employees staged a walkout in October 1977. A few similar conflicts would continue into the 1980s.

“We try to take really good care of our employees, but early in my career, relationships were not that good,” recalled Wyla Wood, who joined PUD 3 in 1981 and would eventually manage it. “But over time the general culture of the union has changed, and they recognize more of what the realities of operating a utility are.”

“We always got back to the table and got things going,” noted Blakemore. “Sometimes you butt heads, and you don’t always get what you want, and I say it works best when it’s an adversarial relationship. You go in and negotiate as hard as you can, managers for the ratepayers and the utility, and the union representing the covered employees.”

Despite conflicts like these, which were usually short, the utility’s roughly 80 employees continued to develop as a team in this era, with new supervisor training, a new employee handbook, an internal newsletter called “Hi-Lites,” and monthly safety meetings. Despite a 1975 accident in which a journeyman lineman broke both his legs, employees more typically worked with award-winning safety. Linemen Carl Bernert and John Warren took first place in the pole-top rescue competition during the 1974 Governor’s Safety Conference, for instance, and Bernert repeated the following year, taking another first place with Russ Baskin.
Manager Jerry Samples, who received a Distinguished Service Award from the Northwest Public Power Association (NWPPA) in 1975, retired the following January. He was replaced by auditor Richard D. Holland, who soon earned the NWPPA’s George F. Childs Award from the organization’s accounting and finance committee. Holland retired less than five years later, and Dennis E. Rohr, director of engineering and operations, was named district manager. “He came in and said, ‘Okay, we’re going to have a five-year plan. We’re going to have a 10-year plan,’” recalled Himlie. “He was the first manager I was aware of who came in with an actual plan to manage the utility.”

In the meantime, one significant social change in the 1970s that PUD 3 absorbed relatively easily was the increase of women in the workforce. A few women had been on the payroll almost from the start, although often they were the spouses of more highly placed employees. (One example was Barbara Nelson and her husband, Bob, who served as Belfair’s clerk and agent, respectively, until 1966. They were replaced by Jeanne Peterson and her husband, Harry, a line foreman who was promoted to Belfair area manager.) Still, the default was male, so much so that in the late 1960s, a first-aid course was announced with the comment “All employees and their wives are urged to attend,” without considering that some employees had husbands.

“All the years I was manager, I was one of the few female managers of PUDs in the Northwest.”

— Wyla Wood
Nonetheless, the utility was a welcoming place for women somewhat before its time. Jean McDonald, the PUD’s original clerk, later served as auditor prior to 1943. Longtime purchasing agent Arlene Doak, who’d joined the district as a clerk in 1957, was named chief accountant and deputy auditor in 1977, putting her into the utility’s management ranks. Similarly, engineering department secretary Ruby West created a new salaried role when she was named service coordinator in 1976. Barbara LaBissoniere was named deputy treasurer in 1980, followed by Judy Siegel in 1982. And Wyla Wood, who joined the Belfair office as a part-time customer service clerk in 1981, eventually became the PUD manager.

“I used to tell new employees, ‘Anything is possible. Look at what I did. It’s entirely up to you what you make of yourself here,’” Wood recalled. To help, a formal sexual-harassment policy was created in 1988. Wood added, “I was given a lot of opportunity even though the utility business is generally considered a man’s business. All the years I was manager, I was one of the few female managers of PUDs in the Northwest.”

Blakemore, who preceded Wood, noted, “The women at the PUD started going to college, getting their degrees, and advancing. It wasn’t any of my doing, but when I retired in 2004, most of the department heads were women.”

“PUD 3 was a great place to work,” Wood concluded. “It’s pretty open to change.”
Relationships with customers and the community, though generally good, also suffered strain during the 1970s. After trying to work it out, the district had to send overdue accounts—often totaling more than $10,000 a month—to collections to protect the interests of customers as a whole. Customers routinely questioned even small charges, particularly the monthly service fee. The county, with its scores of lakes, is unusual in that roughly 20 percent of customers are seasonal residents. PUD 3 established its monthly service fee to help ensure that seasonal residents paid their fair share of system and overhead costs. As the commissioners and employees frequently explained, the monthly fee ensured that full-time residents weren’t subsidizing the cost of providing power to properties that might not use any at all in some months.

In the turbulent times, crime and other disputes also seemed to rise. For instance, vandals damaged the new Belfair office before it could open, delaying its occupancy, and it suffered repeated break-ins and thefts until the district hired a security patrol. Employees increasingly discovered power theft, sometimes with unsafe, jury-rigged connections. In 1983, PUD 3 created a new program to battle this practice, but it became a perennial issue.

Winter storms in these decades were not historic, but they still caused outages occasionally. A handful of cows and at least one dog died when they came into contact with lines felled by snow, and their owners sometimes took their claims to court, along with customers unhappy about other issues such as rights-of-way. For the most part, however, frictions with customers, though they took time for the commissioners, self-insurance fund manager, and lawyer, were mostly a function of a growing community. It’s not easy to keep most of a county happy, and by 1975, Mason County was home to roughly 25,000 people.

“This 1976 letter to the public on vandalism at Bayshore substation let customers know the impact it was having on costs.”
Ultimately, customers and the utility felt the pressure of this era most in long-term planning. Forecasting power demand requires educated guesses, but building a new dam or generating facility can involve up to 20 years of advance planning. In 1956, PUD 3 had joined with more than a dozen other public utilities to form the Washington Public Power Supply System (WPPSS). Commissioner Edwin Taylor would eventually serve as the district’s primary representative to WPPSS. A joint agency, WPPSS addressed how to supply the Northwest with electricity into the 1990s. As a member, PUD 3 had been one of a dozen utilities that collaborated to build a small hydroelectric plant near Packwood, which opened in 1964. The Packwood Lake project contributes power to the Bonneville Power Administration. Since it was a low-impact project, its energy can be sold as green energy, and 10 percent of its revenues go to PUD 3.
By 1970, most everyone in the industry expected power demand to continue doubling every 10 years. With new inventions from personal computers to video games, there was no sign that electricity demand would slow. The district routinely hired consultants to assess supply and demand and help plan rates and growth. These studies helped form the foundation of the district’s forecasts, which BPA rolled into longer-range, regional plans. But this process was as much guesswork as science, performed mostly without computers or sophisticated data. One flaw was that forecasts often assumed that people would keep using more electricity regardless of how much it cost.

At the same time, growing awareness of environmental degradation had fostered a new social movement. The first Earth Day was celebrated in 1970. The U.S. Clean Air Act passed the same year, followed shortly by the Clean Water Act of 1972. This new environmental focus brought a more critical eye to how dams hinder spawning salmon. Although the threats to migratory fish included overfishing and other habitat loss, concern about dwindling populations of salmon and other fish began making it much harder to build hydroelectric facilities. At the same time, new regulations made it more costly to produce electricity by burning coal (or anything else).

*By 1970, most everyone in the industry expected power demand to continue doubling every 10 years.*
The iconic Northwest fish

Perhaps no other creature in the Pacific Northwest is as iconic as the salmon. Historically, it sustained Native Americans for centuries. Commercial fishermen also prize the fish, and sport fishermen delight in the chase for the ultimate brag-worthy salmon.

But a darker side tinges the story of Columbia River salmon. In the early 1900s, salmon runs were nearly driven to extinction as canneries along the river clamored for fish. At their peak, the canneries were churning out over 26 million pounds of canned salmon each year.

Loss of habitat through logging, mining, and other activities further pressured salmon stocks. As some of the first steps taken to aid salmon, fish ladders were included in the construction of the Bonneville Dam. These ladders aided passage of salmon and steelhead to their upstream spawning grounds. Over the years, fish ladders were included in many of the hydropower dams constructed on the Columbia River and its tributaries.
PUD 3 had been exploring other options, including geothermal and wind generation. But by the late 1960s, the best answer for the future seemed to be nuclear energy. A new reactor, known as the N Reactor, had been built at the Hanford Reservation in Eastern Washington. Though it was intended first for plutonium production, more than 75 utilities, including PUD 3, participated in building additional facilities so it could generate electricity too. It began doing so, under budget, in 1966.

The success of this project encouraged WPPSS. In 1968, the collaborative announced Phase 1 of a project that was intended to fill members’ power needs until 1982. Phase 1 was three nuclear plants: Washington Nuclear Plants (WNPs) 1 and 2 would also be built at Hanford, with WNP 3 eventually designated for Grays Harbor County near Satsop. The WPPSS financing and ownership arrangements with BPA and the utilities were complicated, but PUD 3 signed on from the start, committing to WNP-2 in 1970 and WNP-3 slightly later. Other utilities began planning at least eight other nuclear plants in the state.

At a 1971 meeting, PUD 3 commissioners spent time deciding what color the district’s new shop and warehouse should be painted. Their deliberation—deciding on beige because the antique white would cost more—seems innocent next to the multimillion-dollar decisions and firestorm of public opinion they’d soon face as part of participation in WPPSS. Unfortunately, the projects struggled almost from the start. WNP-1, which broke ground in 1972, was overrunning its cost estimates by 1973 and was soon nearly a year behind schedule. No one became alarmed. Given the rate of inflation, the youth of nuclear plant engineering, and a government that kept changing the relevant regulations, such difficulties seemed unavoidable.

Then, during the 1973 Arab/Israeli war, Arab countries of the Organization of the Petroleum Exporting Countries (OPEC) embargoed oil against the United States (and others) for supporting Israel. U.S. oil prices more than quadrupled, and cars lined up for gas at stations that sometimes ran out. Energy markets reeled from the sudden constraints and high costs of heating oil, gasoline, and natural gas. Oregon banned Christmas lights as a luxury its citizens couldn’t afford.

By the late 1960s, the best answer for the future seemed to be nuclear energy.
Power supply planners, already nervous, went into overdrive. The WPPSS member utilities, along with the Public Power Council and others, began discussing Phase 2 nuclear plants. Everyone felt they had to keep pushing for more capacity to increase the nation’s energy independence. In a 1975 speech, BPA administrator Donald P. Hodel warned, “Either homes will be cold and dark or factories will close or both because the [electricity] deficits are no longer manageable.” The urgency grew in 1976, when BPA issued a formal notice of insufficiency. This officially warned that, by 1983, BPA did not expect to be able to satisfy the region’s full demand for electricity. It applied significant pressure on the utilities and WPPSS to keep building new sources, since it didn’t have the authority to do so itself.

WPPSS and PUD 3 had also continued to explore hydroelectric facilities, including one known as the Nez Perce Project on Idaho’s Snake River. “The total reliance on Bonneville just made everybody a little bit nervous, and that has proven over time to be warranted,” noted Wood. Although Nez Perce Project efforts continued for nearly two decades, by 1975 environmental and legal decisions had made it impossible. So WPPSS members, including PUD 3, committed in 1976 to two more nuclear plants, WNP-4 and WNP-5. Experts believed that the most cost-efficient approach was to build two similar plants side by side. WNP-4 was paired with WNP-1 at Hanford, and WNP-5 was paired with WNP-3 at Satsop. WNP-4 and WNP-5 were originally expected to go on line in 1982 and 1984. Even if their power wasn’t needed right away, California was interested in buying any excess.
From promotion to conservation

Over its history, PUD 3 had frequently promoted electrical use because economies of scale made electricity cheaper. In 1977, as it faced power shortages that the WPPSS nuclear projects were intended to alleviate, the district abandoned such promotions and kicked off a new conservation effort. The program was designed by Blakemore, who would eventually become the PUD manager.

“A good part of our job was to get the message across that we’ve been very fortunate in the Northwest with cheap hydroelectric power, but the cost of electricity is going to go up,” recalled Blakemore. He started with newspaper ads and public talks. “But most people don’t think about the electric utility until the lights go out or the bill rises,” he added. “And Americans were in the habit of using electricity very inefficiently. Trying to get them to insulate houses, buy energy-efficient appliances . . . People’s eyes glazed over.”

By 1980, the conservation program included home energy audits. In 1981, the district bought a new computer to help with the calculations. In early 1982, the PUD also began wrapping hot water heaters and supporting conservation measures such as shower flow restrictors. And although some customers were just learning about conservation, others pushed the PUD to do even more. In 1979, a change in state laws allowed utilities to offer loans for measures such as improved home insulation. A Shelton citizens’ education and activism group asked, sometimes weekly, for these loans. Patience was surely tried on all sides after several years of being told that a loan program was being studied. The real problem was that BPA was developing a conservation loan program, and PUD 3 didn’t want to set up another that might conflict (for instance, by requiring a different R-rating standard for insulation). And BPA was taking its time. But the increased interest in conservation as a more cost-effective way to meet demand growth was clear. In 1982, the district adopted a formal conservation policy, and its program later became an entire department. The district viewed conservation as a resource that, over time, could reduce energy loads and thus serve as a lower-cost alternative to finding new power sources. One of the district’s first goals thereafter was to reduce annual electrical consumption by 10.96 megawatts by the year 2000.
In hindsight, the decision to support WNP-4 and WNP-5 was ill-advised. First, for complex legal and tax reasons, the utilities themselves, rather than BPA, had to guarantee and pay off the construction bonds, regardless of whether the plants got built (or so everyone thought). Second, public opposition had grown. In 1976, Washington citizens filed Initiative 325, which would have required nuclear facilities to be approved by two-thirds of voters. The initiative failed, but the problems had only begun. WNP-1 and WNP-3 were becoming money pits—and it wasn’t just them. *U.S. News & World Report* noted in 1978 that “the cost of nuclear energy is far outpacing the general rate of inflation.

. . . Between 1973 and 1976 the cost of generating nuclear power shot up by 600 percent.”\(^{15}\) Similarly, the budget for WNP-4 and WNP-5 jumped by a billion dollars before a year had elapsed. Despite these shocks, there seemed to be no choice. Nearly every utility manager believed they had to get those plants operational or leave customers cold, in the dark, in just a few years. They kept going.

By 1977, WNP-2 at Hanford was supposed to start operating, and its bonds became due. But the construction schedule had been pushed out by years, so money for the other plants paid off WNP-2’s bonds. To catch up, BPA increased its wholesale rates as soon as contracts allowed, in 1979. Some 70 percent of the increase was needed simply to pay interest on the nuclear project debts. And BPA rates would keep going up. In 1983, they were more than five times those in 1979.

Although Mason County rates didn’t go up that much, they did have to start rising in 1978. Only one person attended the PUD’s public hearing about it that year, but soon more ratepayers began to object. Inflation, unemployment, outrageous gas prices—and now this. Ratepayers would have owed perhaps $8.21 more each per month—the equivalent of an extra $20 a month today—but the end seemed nowhere in sight.\(^{16}\) Mason County resident Robert C. (Bob) Olsen, who would shortly become a new PUD 3 commissioner, was quoted as saying, “There are people out there . . . it isn’t just that they don’t want to pay their electric bill—they can’t.”\(^{17}\)
The rate increases, combined with incidents such as heavy rains in 1976 that had turned much of the WNP-5 construction site into a mudslide, finally caught the attention of the public and reporters. Management and construction problems prompted investigations at the state and federal level. The 1979 nuclear meltdown at Three Mile Island in Pennsylvania was probably among the last straws.

“A lot of people legitimately feared nuclear power,” recalled Blakemore. “My perspective was always it was unfortunate that we were exposed to the destructive aspects of atomic power rather than the constructive.” France, Japan, South Korea, and Canada were having solid successes with low-cost nuclear power. In the U.S., however, ordinary people had begun paying attention, and were worried. Olsen later said, “Every time I would see an article in a newspaper or magazine relating to nuclear power, I would read it. I didn’t read anything good. . . . We heard a good many stories from people who worked [at the Satsop site] . . . from people who were reliable.” Many of those stories detailed confusion, inefficiencies, and outright graft by contractors.

In response to such stories and warnings about another rate increase in 1980, in early 1979, a customer attended a PUD 3 commissioners’ meeting to represent a group called the Mason County Energy Education Group. He suggested the district put more emphasis on conservation. Group representatives, notably William (Bill) Shanahan, attended virtually every commission meeting thereafter for years, mostly to lobby for conservation, discounted rates for low-income seniors, and moving the meetings from midday to evenings so more people could attend. The commissioners welcomed these customers and answered their questions but perhaps should have listened more seriously or worked harder to educate customers on the legal and operational constraints that prevented the PUD from providing everything requested. Nonetheless, the exchanges helped more customers learn how the PUD worked and realize that the commissioners were trying to act in everybody’s best interests.

The commissioners postponed a February 1980 rate increase until April. Although this meant a loss of more than half a million dollars, it softened the impact on customers during unusually cold weather. By then, it was clear that the Northwest had enough power for the time being, but shortages were still predicted for later that decade.
Congress passed the Pacific Northwest Electric Power Planning and Conservation Act, known informally as the Northwest Power Act. The act changed the power supply system to address the rate increases, ensure that power from federal projects in the Northwest benefited the region, better protect fish, and increase conservation efforts. PUD 3 renewed efforts to explore other power sources, from cogeneration with a Simpson mill to hydroelectric facilities on a half-dozen local waterways. Solar and steam plant options, though less likely, were also studied.

“There were constant talks about cogeneration with both Simpson and the Washington Corrections Center,” noted Pat McGary, who would join the district in 1986 to manage power supply. “None of them ever came to fruition.” And once the initial concern about rate increases had eased, the WPPSS nuclear projects came up relatively infrequently at commission meetings.

But those projects continued to struggle, and PUD 3 had to raise rates again in 1981 to cover another 60 percent increase in costs from BPA. Voters tried again to gain control with Initiative 394, and this time it passed, though it would later be overturned by the courts. Olsen said, “The cost situation and the mismanagement of the projects became apparent to everyone. I decided, well, I ought to go into the PUD and attend their meetings.” He began attending in February 1982. “I didn’t feel I was opposed to nuclear power per se, but the facts are that right [then,] it [was] an economic disaster.”

As if these difficulties weren’t enough, PUD 3 suffered its third and only other known fatality in early 1980 with the electrocution of journeyman lineman Bill C. “Duke” Riggin. He’d come to the district from Arkansas Power and Light when a number of retirements had left the district shorthanded.

“That was a really bad time for us,” recalled Ed Blakemore, the PUD’s director of administration at the time. On a rainy, windy Saturday, washed-out mud had exposed a broken underground line near the Union River. “The energized end of it was feeding right into the mud,” Blakemore explained. “It hadn’t opened the cutout.” A line crew of Riggin and Lenny Whitman went out, with another crew from Belfair going to the nearest transformer to check the cutout and communicate by radio with the crew on the scene. “They were supposed to ground the wire, but for whatever reason Duke went on down to where the line was exposed, and he hit the water and mud where it was energized. There was nothing Lenny could do. [Riggin] was probably killed instantly.”

The tragedy struck the community deeply. “Everybody was upset and crying,” Blakemore recalled. The loss of life ensured that the district’s WPPSS difficulties didn’t balloon out of proportion to what was truly important.

“I didn’t feel I was opposed to nuclear power per se, but the facts are that right [then,] it [was] an economic disaster.”

— Bob Olsen
**WPPSS: What happened?**

It would be faster to answer, “What didn’t?” Inflation made costs and financing rates explode. Nuclear energy was new, so federal regulators were still figuring out how to make it safe, and frequent rule changes meant constant rework. Too many WPPSS contractors looked on the projects as cash cows, and the construction-quality issues that would eventually be revealed included cardboard glued and painted to look like riveted steel. The plants were being built using a “fast-track” approach in which design was only barely ahead of construction, which was supposed to boost speed and efficiency. Instead, builders got ahead of designers and each other. Crews would arrive to find that another contractor had removed needed scaffolding, torn down the previous day’s work, or built something else in the way; one notorious pipe hanger was installed and reinstalled 17 times. Change orders were constant, with one submitted for more than $96 million.

Legislative, staff, and management changes intended to get things on track often made matters worse. Plus, since the applicable state bidding law meant that WPPSS managers had to coordinate more than 400 general contractors, the projects grew far beyond the abilities of those managing them. There were other problems too, from supply shortages and union turf wars to lawsuits by contractors who’d been fired for shoddy work.

“The PUDs were way ahead of the private utilities in terms of developing nuclear power,” said McGary. “They had done their homework and worked hard. But they got caught in this situation where they were punished for all that hard work. Who could have predicted 20 percent interest rates?”

Several books have been written about the fiasco, but in short: It was all just too much. WPPSS became widely known as “Whoops.”
Those difficulties continued to deepen, however. By 1982, it was thought that WNP-4 and WNP-5 would cost more than five times the initial estimate, and completing all five plants would total almost $24 billion—again nearly five times the plan. Plus new, dramatically lower demand forecasts suggested they wouldn’t be needed anytime soon.

**Within six weeks, there were Irate Ratepayer groups in every Washington county.**

Across the country, plans for more than 100 nuclear reactors had been or were eventually shelved. Plants 4 and 5 were also canceled, only 25 percent complete, early in 1982. That meant defaulting on $2.25 billion in construction bonds, then the largest municipal bond default in U.S. history, and still the second largest.

The utilities—and their customers—were terrified, since they were jointly obligated to pay the debt. Activists estimated that individual ratepayers would owe, through their utilities, anywhere from a few dollars to thousands of dollars a month each, for 30 years, depending on what portions of the debt became due, and when. Yet by 1982, unemployment in Mason County had hit 16.9 percent. Electrical rates that had averaged 1.2 cents per kWh in 1968 and 1.7 cents in 1979 were on their way to 3.9 cents in 1983, more than doubling in four years, and no one had the cash or willingness to pay more.

The Irate Ratepayer movement, also known as the Ratepayer Rebellion, began in Grays Harbor. Within six weeks, there were Irate Ratepayer groups in every Washington county. In February 1982, hundreds of customers packed a PUD 3 commissioners’ meeting to push for some way to escape the debt.

“The commission meetings up to that point were pretty much just staff reports,” noted Himlie. “There were probably 10 people in the room. Now there’s 300, standing room only, and they are royally pissed off.”

The next week, more than 1,500 people attended a meeting at Shelton High School that was organized by a newly formed PUD 3 Owners’ Association. Only one commissioner, Phil Durand, braved the hostile crowd with Rohr and Blakemore.

“People ranted and yelled at us and screamed,” Blakemore recalled. “It went on for a couple hours. We made the front page of the newspaper.” The crowd demanded to know their salaries
and accused staff, incorrectly, of having a personal financial interest in WPPSS bonds. Attendees collected 600 signatures demanding the recall of Ed Taylor, the commission’s primary representative to WPPSS. Taylor resigned with regret a month later, saying, “I find myself unable to compromise my position on the responsibilities of the district and what I feel is in the best interest of the customers of Mason County PUD #3.” Olsen, who’d been vocal at the meeting, was appointed in his place.

It wasn’t a pleasant time to be a PUD 3 employee. “People would actually walk around inside the building, lean over your desk, shake their fingers in your face, and say, ‘When we get our people elected, you’re all out of here,’” Himlie recalled.

“The WPPSS projects were mismanaged, but there was a lot said that was absolutely untrue too,” remembered Wood. “I’d spend all day at work just getting yelled at. And I got accosted in the parking lot at Safeway more than once.”

Conditions were tumultuous for a while. Every district action and its competence were questioned. A new mission statement was developed. Commission meetings were held around the county to ensure that many could attend. The merits of various rate structures were debated with help from a newly created rate task force. This Citizens’ Advisory Committee was asked to study and provide recommendations on various hydroelectric projects and a proposed BPA contract, but several members, including chairman Burke Long and Bill Shanahan, were then dismissed for “disruptive tactics” and “ulterior motives” to make the district look bad. They were reinstated several weeks later. There was talk of becoming independent from BPA, which was about as realistic as the suggestions that the PUD switch to 100 percent solar energy or install a woodstove in every home.

The role of PUD commissioner, which then paid less than $500 a month plus a travel per diem, had always been a public service. This was even more true during the early 1980s, when meetings sometimes lasted five hours, ended at midnight, and involved shouting.

The commission voted two to one to make payments required to mothball WNP-4 and WNP-5, with Olsen as the dissenter. But the district’s share of the costs would be approximately $1.2 million, which might necessitate another rate increase. Indignant customers held a recall election the following spring and replaced commissioners (and former employees) Phil Durand and Lloyd Suhr with Harvey Warnaca (who defeated Bill Shanahan) and John Whalen.  

Left to right: Commissioners Whalen, Warnaca, Olsen, and Manager Rohr, in 1984.
PUD 3 wasn’t alone in the turmoil. Of 24 state PUD commissioners whose terms ended in 1982, only six were reelected. The others retired or lost. The new commissioners soon realized, however, how little control the utilities or even the WPPSS board had over the WNP projects. “I have more sympathy for the people who were involved now than I did at the beginning,” Olsen explained. “These people thought they were being advised by the experts.”

So the new PUD 3 commission refused to make termination payments. They opted instead for a court battle, rededicated themselves to conservation, reluctantly raised rates another 24 percent in 1983 to cover costs, and withdrew from WPPSS membership in 1984. That year, WNP-2, later renamed the Columbia Generating Station, began producing electricity, seven years late and $2 billion over budget. It was the only one of the five to come on line, but it has since produced significant energy, and related benefits, for the region. With demand forecasts drastically lower by 1983, and amid the havoc of the default, WNP-1 and WNP-3 were put on hold, the latter three-quarters complete. They wouldn’t be officially canceled until 1994. PUD 3 paid its share of the $11.7 billion debt for the first three plants through its power purchases.

After the default, the state Supreme Court surprised most observers, saying that the utilities were not obligated to pay for WNP-4 and WNP-5 termination costs because they’d never had the legal authority to commit to doing so in the first place. Chemical Bank of New York, the trustee for the bondholders, filed a lawsuit. It would be combined with many others as multidistrict litigation case 551, or MDL-551. This six-year, $7 billion suit would involve more than 200 lawyers and 140 million pages of documents.

“PUD 3 was not a very demanding client in 1977,” recalled attorney Ben Settle, who served PUD 3 for three decades before becoming a U.S. District Court judge. “And then the Ratepayer Rebellion surfaced, and MDL-551, and that changed everything, really.” Settle suddenly needed to be involved weekly, if not daily, to defend the district against its likely share of the liability—potentially $66 million, including interest. “[The district] was one of my most important and most enjoyable clients to serve. It’s a very complex
industry, and I enjoyed that complexity, the interplay with the Bonneville Power Administration and its relationship with other utilities in the state.”

The new commissioners vowed not to settle the case if it would require a rate increase. But that wasn’t the only threat. “What was so important was to protect the utility’s creditworthiness for the future,” explained Settle. “They have to be able to go out every two or three years and issue new bonds to be able to upgrade equipment or expand.” Many in the financial markets threatened to downgrade PUD credit ratings if they didn’t pay everything owed.

The commissioners also frequently clashed with manager Dennis Rohr. “Before the recall, the commissioners were pretty low-key and laid back,” said Blakemore. “So the board was not that involved in day-to-day operations. The new board members indicated right away that they wanted to be more active and more involved.” By law, however, the commissioners’ role is to set policy but not to manage daily operations. This created conflicts.

Himlie added, “We had three brand-new commissioners who thought there was some skullduggery going on. So it was an antagonistic relationship, and they kept trying to micromanage things.” Eventually, the friction peaked, and Rohr was replaced in 1986 by Blakemore.

**Spreading out in Shelton**

*Throughout this period, PUD 3 continued to grow steadily in customers served and employees, who now numbered more than 75. By Fall 1979, the district badly needed more office space and considered remodeling the building next to its main Shelton office. (Over the years, it had routinely purchased adjacent properties when it had funds to spare and the prices were right.) Managers decided it would be less costly to convert part of the auditorium into office space as a temporary solution. A few years later, the district remodeled another downtown building, the creamery building, to house its engineering and conservation staff and the Citizens’ Advisory Committee.*

![The Creamery Association building, shown here in 1940, became part of PUD 3 in the early 1980s (see map on page 97).](image)

*Left: Ed Blakemore replaced Dennis Rohr as manager in 1986.*
“Ed managed to turn that relationship around,” Himlie said. “They’d gone from a complete distrust of staff to complete trust of staff. He deserved some kind of an award for that.”

Blakemore focused on efficiency, cutting costs in every possible way, including a hiring freeze. “I got real popular right off with the staff,” he joked. “We had to cut back a lot of ways. That wasn’t easy, but we gradually started building up our reserves to pay off in case the lawsuit was settled.”

In 1985, the district generated a financial surplus and used it to reduce rates. Two years later, the commissioners set a goal of not increasing rates before 1993, extending the period without an increase to 10 years. “I was very proud of that,” noted Blakemore. “If we wanted to really improve our customer relations, we had to show them that we could go a period of time with rate stability. We had to show them we were concerned.”

“The PUD did need to respond to some issues that customers had concerns about,” noted Joel Myer, PUD 3’s current public information manager, who during the 1980s was a member of the Shelton media. “And the PUD did. Maybe not as fast as some people wanted, but you know, there’s a reason why PUD commissioners are elected to six-year terms. They’re supposed to think long-term when making decisions on capital projects and financial planning.”

The commissioners also got customers involved. The PUD 3 Owners’ Association had dissolved shortly after electing Whalen and Warnaca, and interest in the Citizens’ Advisory Committee flagged by 1986. But in 1987, the PUD rallied customers to protest another BPA rate increase, and Mason County residents sent more letters than any other county, swaying the results and saving themselves $750,000 annually.

Still, the long-term commitment to rate stability meant extreme penny-pinching for employees. The annual budget hit $20 million in 1986 and didn’t rise at all for several years. Himlie recalled, “Towards the end of that 10 years, our mechanic would steal parts off the old hulks in our boneyard to try to keep vehicles running because he couldn’t buy parts.” Other drawbacks of a decade without a rate increase would become more apparent later, most notably as a costly backlog of maintenance and infrastructure needs.

Fortunately, conservation was well-funded by BPA in that era, and the district took advantage of the support.
A low-income senior discount had been established in 1982, along with a conservation loan program. Soon the builders or owners of homes that met Super Good Cents energy standards could receive a large rebate. Rebates were also available for everything from insulation and storm windows to high-efficiency lighting. A new district newsletter kept customers informed and promoted conservation opportunities. PUD 3 threw itself into community events such as the county fair, the Forest Festival, and OysterFest. Providing useful information to customers has always been an important challenge, according to McGary, who has managed consumer services as well as power supply. “Getting information out to people is hard, because electricity is not easy to understand,” he explained.

“Getting information out to people is hard, because electricity is not easy to understand.”

— Pat McGary

Community collaboration

As in the district’s earliest days, citizens sometimes helped expand electrical service in the 1980s. Property owners in a new development called Belfair View Estates formed their own Local Utility District (LUD) as the best way to address the cost of adding service, since not all owners expected to build right away and it wasn’t financially feasible for the district to extend service to those few who did. Instead, PUD 3 determined the cost for the whole development, and then each owner contributed roughly $1,000 up front or by contract over time. This got the job done, but it’s the only LUD in the district’s history.

Similar collaboration helped electricity reach Dewatto, one of the last areas of the county with a maintained road but no electrical service, in 1989 and 1990. “That was a big deal for us,” recalled Blakemore. As in the past, substantial line-clearing work, this time by Manke Lumber Company, made it a collaborative effort.
Although the WPPSS lawsuit still loomed in the courts, by the late 1980s, business had mostly gone back to normal.

In addition to increased communication, the district focused more heavily on customer service. For instance, the cooperative Project Share program began in 1983 to help more low-income residents afford power. It continues today, annually crediting hundreds of accounts with thousands of donated dollars. Starting in 1984, customers also managed their bills through a new Average Payment Plan (now known as Budget Billing), which allowed them to level out large fluctuations between winter and summer bills.

Although the WPPSS lawsuit still loomed in the courts, by the late 1980s, business had mostly gone back to normal. In 1985, the district upgraded the Mason and Mountain View substations and built a new one at Collins Lake. The seventh in its system, Collins Lake was the first built and owned by the district rather than BPA. The idea had come from a new chief engineer.

“He came in and said, ‘Why don’t you just build your own substation?’” recalled Himlie. “We were like, ‘We can’t do that, Bonneville always builds,’ and he said, ‘Of course you can build your own substation.’ It’s actually less expensive, and then we have control.”

After the PUDs received help from protective state legislation that Settle had been involved with, the MDL-551 lawsuit went to trial in late 1988. The utility defendants, including PUD 3, were represented by a team led by attorney Albert Malanca.

“He was a consummate trial lawyer, truly dynamic, but he also had a gift for persuasion,” noted Settle. “He’s simply the best trial lawyer I’ve ever been exposed to.”

Blakemore and Settle went to Arizona. The case was being tried there because all Northwest judges, as ratepayers, had to recuse themselves. Testimony had barely begun when the case was settled. PUD 3’s share was $3.7 million.
“It could have been much worse,” noted Blakemore, referencing the district’s original $66 million liability. PUD 3 made the required payments by reducing reserves and continuing to economize, and the amount was ultimately reimbursed by the district’s insurance. Everyone was glad to put the matter behind them.

“The commissioners did a tremendous job of fulfilling their responsibilities, as stewards to the ratepayers and the utility, by getting the best legal help they could,” Settle said. “And they never did have the bond rating downgraded.” In recognition of Settle’s contribution to this outcome and other service, in 2008 the Washington PUD Association gave him a Lifetime Achievement Award.

By 1990, the county population had nearly doubled since 1970, and PUD 3’s customer base had similarly almost doubled, to more than 20,000 customers. Service expansions were slowing, and although the district was still exploring small hydroelectric projects, environmental opposition and other issues made them impractical. Besides, in some years BPA had surplus electricity. A few months before the 1980s ended, the district made a conservation decision that was meant well but caused a lawsuit discussed in the next chapter. For the most part, however, conflict had died down. As it entered the 1990s, PUD 3 focused heavily on conservation and on customer service. As Himlie noted, “All we have to sell is service.” That attitude would carry PUD 3 into a new millennium.
Moving Forward and Maturing

As the 20th century came to a close, PUD 3 was happy to put the conflict of the 1980s behind it and focus on serving its customers. “Who you’re serving and what they think and what they pay means everything,” explained Pat McGary, who spent nearly a decade as assistant manager of PUD 3. “That was Ed Blakemore’s theme for the utility.” Blakemore managed the utility for most of this era, and his definition of service continued to emphasize conservation, which had become a critical way to stretch existing supply.

“We knew if we weren’t going to have that nuclear power, we had to develop some very good conservation plans,” explained Blakemore. “Because a kilowatt hour from conservation is as good as a kilowatt hour from new generation. That was difficult, because everybody thinks they’re using electricity wisely; it’s their neighbor who isn’t.” But PUD 3 employees were up to the challenge.

“PUD 3 was always among the most progressive in the state when it came to conservation as an equivalent of power supply,” recalled Ben Settle, the district’s attorney. By the early 1990s, the conservation department had grown to 11 employees and several million dollars in annual funding from BPA. Energy audits and weatherization support had become routine. The PUD also promoted conservation with efforts ranging from an annual high school essay contest to providing conservation information at community fairs and events.

“We knew if we weren’t going to have that nuclear power, we had to develop some very good conservation plans.”

— Ed Blakemore
Conservation sometimes generated conflict, however. In 1985, PUD 3 had begun providing rebates, with BPA help, to encourage the adoption of Super Good Cents energy-efficiency standards. In late 1989, the district went a step farther. After discussing the idea at a public forum, it began charging $2,000 to connect new service to homes with electrical heat. This “facilities charge” was refundable for homes that met the standards, and depending on the circumstances, homeowners could get additional rebates to help pay for any needed weatherization. The PUD 3 newsletter featured photos of new homeowners proudly receiving their rebates in front of their well-insulated houses. Any fees not refunded helped support other conservation in the county. Blakemore explained that the surcharge was supported by customers who worried that homes using a lot of power increased the costs for everyone else because the more power the county required, the more expensive that incremental power would be. The program was estimated to save more than 700,000 kWh, or about $27,000, annually. Changes in state law and BPA programs altered the details over time, but the purpose remained consistent.

Jay Himlie, who managed the program, spoke with builders to address any concerns. “A lot of them started to catch on that having a better-insulated home makes sense. It helps sell the homes. So what about this is not a good thing?”

PUD 3 also encouraged and supported conservation by commercial and industrial customers in the 1990s. In its early days, the utility had sometimes struggled to maintain consistent voltages for all customers when, for instance, a big motor at a mill switched on. In the mid-1970s, this problem had nearly led to the shutdown of the Matlock shake mill, though cooperative scheduling efforts and equipment upgrades eventually resolved the problem to everyone’s satisfaction. By the 1990s, the district’s modernized system and new substations had largely eliminated such issues, but PUD 3 still wanted to help industrial customers minimize power use. “There were people with hugely inefficient lights and things like that,” Himlie recalled. With the PUD’s help, commercial and industrial customers were soon conserving power and saving money.

Sally Smith, owner of the first Super Good Cents home built in PUD 3’s service area, as she receives a plaque from Commissioners Olsen, Whalen, and Warnaca.
Manufactured and mobile homes were another matter. Mason County has a high percentage of mobile homes—about 40 percent. Since mobile homes also qualified for the Super Good Cents program, the $2,000 facilities charge was applied to those too, later in 1990. Unfortunately, mobile homes could be harder to sufficiently insulate, especially if they weren’t new. “Heating them was like trying to blow up a balloon with a leak,” recalled Blakemore. In addition, their manufacture is regulated by the federal government rather than state and local building codes. Finally, the fee also applied for existing mobile homes moved from one place to another. That meant old, virtually uninsulated mobile homes were faced with a big fee if they moved—which they often did.

“That was kind of the big ‘oops,'” said Himlie. “But that wound up being the impetus for Bonneville to develop their manufactured home weatherization program.” PUD 3 helped pilot that program, also working with the Washington State Energy Office to assess, weatherize, and monitor newly insulated mobile homes. That meant sealing holes and ductworks and blowing in insulation. “It made an amazing difference,” he noted. “We would actually save more energy sometimes on a 1,000-square-foot manufactured home than we would on a 2,000-square-foot house.”

Including manufactured homes in this program helped the PUD 3 commissioners earn recognition from BPA in 1990 for “exemplary regional leadership.” Similarly, the Northwest Conservation Act Coalition gave PUD 3 its annual Eagle Award in 1991. By then, however, the manufactured homes association had filed a lawsuit.

“The commissioners wanted to use this rate decision as the catalyst for promoting an increase in the federal standards,” explained Settle, who defended the district. “That was not incompatible with what the manufacturers wanted; they generally wanted to increase their efficiency too. But the manufacturers claimed this rate essentially set efficiency standards that weren’t the utility’s to set.

“We said we’re not regulating your industry, and we’re not telling you we won’t provide power to a modular home; we’re just saying you’ll pay a higher rate. So the legal argument was whether the local PUDs have the right to set rates.” When viewed in that light, the answer seemed clear—the PUD must have the power to set rates to cover its costs. But the lawsuit wouldn’t be settled until 1994 by the state Supreme Court.
Over the decades, the number of PUD 3 employees has generally grown at a much slower rate than the customer base or the annual budget. “We figured out different ways of handling the labor and helping the crew structures without needing many more people,” explained Nancy Bolender, who joined the district in 1982 and now serves as contracts and purchasing manager. For instance, the utility helped local students while accomplishing basic clerical tasks by offering part-time paid work to young people, who also gained valuable job experience.

Still, by 1992, the utility had grown to about 100 full-time employees in three buildings, reaching 109 employees before the end of the decade. The district started exploring the idea of a new office in 1992. In 1995, it bought the rest of the city block so it owned everything from Third to Fourth Streets between Cota and Grove. The only work it did right away was expand parking space and remove some old buildings that would’ve been too costly to renovate. But the purchase added options for the future. In 1997, PUD 3 landscaped part of this expansion as a beautification project for the City of Shelton.

In 2000, PUD 3 added a second floor over its auditorium. Two years later, it bought the former city hall building at 310 West Cota (which was across the street and had once been a bank) with the idea of turning it into an IT and telecommunications center. The same year, PUD 3 bought its current property on Johns Prairie Road, but the long-term plan for a new building there wouldn’t be acted upon for years.
1. Approximate location of the first PUD office at 212 Grove Street, rented in 1938.

2. By 1941, the PUD needed a larger rental office in Shelton’s Angle Building.

3. 227 West Cota, purchased by the PUD in 1948 and currently home to the *Shelton-Mason County Journal*.

4. The PUD bought the property at 307 West Cota in 1955 and built a new home that opened in 1958.

5. Additional space, known as the shoe repair and creamery buildings, was purchased over time from the Shelton Binder Company.

6. The PUD bought the remainder of the block between Third and Fourth in 1995.

7. A final downtown expansion came in 2002 with the purchase of 310 West Cota, Shelton’s former city hall.
“Of course the court found in our favor,” Settle said. Before then, Washington State had produced a new building code nearly equivalent to the Super Good Cents Standard, so PUD 3 could eliminate its facilities fee for new construction in 1992. Eventually, the U.S. Department of Housing and Urban Development (HUD) upgraded the standard for manufactured homes too. Given these new standards, PUD 3 dropped its facilities fee for mobile homes in 1995, though it continued to offer weatherization support. “And why would anybody not want to weatherize their home?” Himlie asked. The last remaining facilities fees for structures that didn’t meet standards were abolished in early 1996.

In 1993, the district completed its promised decade without a rate increase.

One byproduct of the facilities fees was increased attention to PUD 3’s rate structure. In 1993, the district completed its promised decade without a rate increase, despite higher costs from BPA. The Shelton/Mason County Chamber of Commerce had given the PUD its 1992 Business of the Year Award, in part for this effort, and customer relations had improved—so it wasn’t the amount but the logic behind rates that was at issue. Throughout the WPPSS era, as rates had risen sharply, customers had questioned the logic behind them. The Citizens’ Advisory Committee that operated for a few years in the early 1980s had suggested higher rates for electricity use over certain thresholds to discourage high energy use. Thus prompted, in early 1994 the district implemented new, tiered rates. Unfortunately, the consequences weren’t what anyone had hoped for.

The tiers included a low rate for the first 600 kWh so customers would be able to fulfill basic needs, plus two more tiers with rates a half-cent and one cent per kWh higher, on the assumption that energy use at the top level was more optional and could be curtailed. Unfortunately, PUD 3 realized fairly quickly that older, rental, and mobile homes, which were more likely to be occupied by lower-income families, used the most energy, often due to inefficient appliances and insulation. “The low-income customers got whacked by that top tier, which was not what we expected at all,” noted Himlie. Very quickly, the tiered rates were replaced with a flat rate of 4.49 cents per kWh.

Meanwhile, the county was navigating a growth surge. PUD 3 had served about 21,000 customers in 1990; that number would jump one-third to nearly 28,000 by 2000. These residential customers were using an average of 13,000 kWh annually—10 times what a local family had used 50 years back, but still less than the average at most Northwest utilities because of Mason County’s many seasonal customers. The utility’s revenues and annual budget grew by $10 million in just a few years, topping $30
Sixty years of service

PUD 3 celebrated its 60th anniversary in 1999. In addition to creating a time capsule that awaits opening in the future, PUD employees hosted an office reception and picnics for more than 600 people. Attendees could also enjoy a four-panel mural adorning the side of the main building; it was painted in 1998 by Shelton’s Robert Chamberlain. The tribute to public power included images honoring granges, Northwest dams and fish, and volunteer labor.

Not to be left out, customers near the Belfair office enjoyed a 14-foot sculpture of a lineman created in 1998 by “Chainsaw” Charlie Hubbard of Shelton. The figure honored employees over the years, who had also been recognized with a 1995 safety award from the Northwest Public Power Association.

PUD 3’s power supply before becoming its manager in 2004. “One of our concentrated efforts was making sure we had backup for every substation, so if one went down we were able to pick up that load someplace else.”

million in 1993. Before the decade ended, PUD 3 also had more than $10 million in reserves and an excellent credit rating.

This growth, plus a continued focus on reliability, led PUD 3 to build five new substations. Dayton was added in 1992, Union River in 1994, Benson in 1995, and Skookum in 1997, with a new Pioneer substation taking the place of BPA’s old Bayshore substation in 1999.

“We spent a lot of time and effort and expense on our electrical system to make sure it’s as robust as it needs to be,” explained Wyla Wood, who managed PUD 3’s Belfair linemen (left to right) Wayne Farr, John Donovan, and Tom Burch pose with “Chainsaw” Charlie Hubbard’s lineman sculpture, 1998.

Facilities employees Randy Howard and Sam Pettis mount Robert Chamberlain’s mural in 1998.
PUD 3 also bought the Mason, Mountain View, and Belfair substations from BPA in 1997 for $962,000. By doing so, it gained full control over the equipment and avoided spending nearly $2 million over the next five years for BPA delivery fees. The district also continued to replace underground lines. By the 1990s, underground cable failures were still causing more outages than bad weather, and employees worked to replace up to 10 miles of underground cable a month. With more than a thousand miles underground, it was a never-ending task, though the pace would slow as better cable became available.

Yet storms reminded everyone that overhead lines had drawbacks too. The 1993 Inauguration Day Storm hit Western Washington with winds gusting over 80 miles per hour. The strongest in 30 years, they uprooted trees, ripped off countless branches, took down 93 poles, and wreaked more than a half million dollars in damage.

“That was a really big eye-opener about how vulnerable the system was to winds,” recalled McGary. But worse weather followed nearly four years later. An ice storm hit the day after Christmas 1996, followed by a heavy snow storm, high winds on New Year’s Eve, and then a “Pineapple Express” warming that turned the snow into floods. This storm...
The 1996/1997 winter: A true test

The 1996/1997 storm outages were a true test for PUD 3. “The crews would get something fixed, and more bad weather would come and undo it,” McGary recalled. “It was so frustrating.” As many as 30 line crews, including teams from all over the Northwest, were involved around the clock, many working 30 or more hours without sleep. Half-a-dozen tree-trimming crews joined them.

“We had to hire a helicopter to even understand the damage in places crews couldn’t get into because of downed trees,” McGary said.

Himlie recalled that helicopter ride. “When we flew over Harstine Island, there was not one stitch of wire in the air. Not one stitch anywhere we could see.”

The damage included 82 poles, 68 transformers, 168 miles of primary lines, and thousands of individual service lines. Repairs continued into the summer. “That ’96-’97 storm took a lot out of me,” recalled McGary. “It was a monumental task. So much pressure. I remember somebody coming into our office from a Mini Mart store that had been out of power for a week, and they started dumping thawed frozen food in our office. It was completely out of hand.”

caused what is still the worst damage in PUD 3’s history. Every customer lost power, and some were in the dark for up to two weeks.

“Bonneville Power lost some of its transmission lines, so we didn’t even have power coming into the county at some points,” recalled Blakemore. “That was one of the worst times I can remember.”

“We had to hire a helicopter to even understand the damage in places crews couldn’t get into because of downed trees.”

— Pat McGary
By the time the recovery was over, the damages added up to $3.7 million. Aid from the state and Federal Emergency Management Agency (FEMA) helped cover about two-thirds of the cost. “Thank God for FEMA,” said Blakemore. “Storms like that can ruin a budget.”

The district increased its tree-trimming efforts afterward. “Mother Nature did a lot of tree trimming for us,” said Himlie. By then, PUD 3 had employed contracted tree-trimming crews for a half-century, and it added its own full-time crew in 1991. It had also replaced older lines with special wire more resistant to failure because of fallen trees or branches. It wasn’t enough.

“After that we tried to get our trimming turnaround to be less time from one end of the county to the other—closer to a three- or five-year cycle, when we’d probably been on more than seven-year cycles.” This, with better underground lines, would eventually reduce outages from around 1,000 a year in the mid-1990s to less than half that in 1999. The district currently clears its 700 miles of overhead lines on a roughly five-year rotation.

Disasters of a more personal nature also struck PUD 3 in the mid-1990s in the form of accidents. In 1994, journeyman lineman Lenny Knudson was performing maintenance at the Kamilche substation along with several other district and BPA employees when he was hit by an arc from a cabinet that apparently had not been correctly isolated and grounded. He suffered severe burns on his right leg and arm, and lost his right arm below the elbow. Nonetheless, he eventually returned to work at the PUD.

Five years later, journeyman lineman John Donovan received less drastic burns to his hands, knees, and one shoulder. He’d been up on a pole in the Grapeview area, replacing indoor stress cones where underground lines connected to overhead lines. Mistakes in tagging, isolating, and grounding the lines involved led to energy flowing to the one he was working on. Fortunately, he was quickly rescued from the pole, recovered well, and was able to return to work relatively quickly.
Despite such occasional disasters, in general daily PUD 3 operations proceeded smoothly during the 1990s. This included periodic leadership changes. Commissioner Bob Olsen retired at the end of 1994, and Bruce Jorgenson won his place. Harvey Warnaca retired four years later, and Linda Gott was elected as the first woman to serve as a PUD 3 commissioner. Blakemore, as manager, would provide continuity through another kind of change: technologies. Typewriters and adding machines became obsolete, engineering staff no longer had to share a single computer terminal, and innovations such as email were slowly adopted. Meter readers got their first computerized, hand-held devices in 1992, though they were almost as big as today’s laptops. At that point, nobody saw the need for a website or even knew what one was, but by 1996, the utility had created its own site, laying the groundwork for the day in 2000 when customers could begin paying online. In preparation, it began taking credit cards as payment in 1999. The credit card fees raised some concerns, but PUD managers recognized that consumers were increasingly relying on plastic for most transactions.

A drawback to the new computer technology became apparent as 2000 approached: fear of the Y2K bug. Experts warned about computer software that recorded years using only two digits, such as 99, rather than four (1999). Such a system might fail at midnight at the end of 1999. PUD 3 had prepared, buying new phone and computer systems a few years before, but the larger concern was the automated systems managing the BPA electrical grid. And BPA had discovered that those systems included 8 million lines of code needing updates.
“That was a big one,” recalled Blakemore. “We couldn’t do a thing until Bonneville had done all their work.” The updates were done by early 1999, and that fall, PUD 3 verified its Y2K readiness. Many staff members gathered at the PUD 3 outage center on December 31 for the New Year’s Eve on-call countdown.

“I wasn’t worried at all,” said Himlie. “There were legitimate concerns—I don’t want to make light of that—but everybody was so paranoid.” He went to help run a fireworks show that evening.

“Y2K hit the East Coast, and so far every utility had managed to continue services,” recalled Blakemore. “We thought, Oh God, please don’t let Mason 3 be the only utility that fails at midnight.” At the stroke of midnight, employee Sam Pettis hit the light switch, but Blakemore said the joke didn’t work. “We could see the lights in the other room, but he was trying to scare us.”

By the 1990s, however, deregulation advocates had grown louder.

Y2K would not be the last technology concern. From how best to use Twitter and mobile texts for outage alerts—a practice that started in the mid-2000s—to what Internet access employees need for their jobs, the questions raised by advancing technology had barely begun.

Concerns over power supplies loomed larger in the early 2000s, however. Efforts to deregulate the industry had been simmering at least since the OPEC oil crisis in the 1970s. Many energy companies were essentially monopolies because having just one utility in most service areas eliminated duplication and thus helped keep rates low. In the 1970s, however, large investor-owned utilities began lobbying to remove utility regulations and allow competition so they could expand. Other interest groups wanted energy regulation by the states, rather than the federal government. Nonprofit public utilities like PUD 3 typically opposed such deregulation, but over time, rules were whittled away.

Then the 1990-91 Gulf War increased attention on U.S. reliance on oil. In the Northwest, the energy surplus that had contributed to the WPPSS failures was gone, and BPA rates were once more on the rise. Deregulation advocates believe competition can lower prices, while opponents, including PUD 3, point out that public power is already the low-cost option and that public resources should be protected for the public good, not commandeered for private benefit. PUD 3’s educational outreach aimed partly at helping customers understand the related political and social issues, including how industry regulations or deregulation could affect BPA and consumers.

By the 1990s, however, deregulation advocates had grown louder. Congress passed the Energy Policy Act in 1992, allowing power producers to compete more to sell their electricity to utilities. A few years later, utilities were required to
open their transmission lines to competitors. This meant that BPA had to allow other producers—a private coal-burning plant, for instance—to use BPA transmission lines and compete with BPA for a utility’s business.

These changes had many effects. First, BPA eliminated most of its conservation funding in 1995. It didn’t make sense to pay for conservation measures by consumers who might buy someone else’s electricity anyhow. As a result, PUD 3 had to trim back its conservation department, renaming it Energy Services. By then, fortunately, the district’s conservation support had become routine, and it would continue to perform energy audits, help customers find weatherization funds and places to recycle compact fluorescent light bulbs, and offer support ranging from appliance rebates to low-cost surge protectors.

Other effects of deregulation would be more harmful. California became one of the first states to deregulate statewide in the late 1990s, but prices didn’t drop as hoped. Instead, multiple energy companies, including Enron, began taking advantage. They created an artificial shortage, manipulating fees and shutting down generating facilities specifically to drive up wholesale prices and profits. In the summer of 2000, those prices jumped up to 10 times the previous year’s rates. But the state had capped most retail prices, so consumers had little incentive to conserve and the utilities were caught in a major price crunch. Several went bankrupt. The market manipulations—legal and illegal—and the resulting shortages caused blackouts across the state. It became known as the California energy crisis.

The problem grew worse that winter, with the Pacific Northwest dragged into the crisis because California had routinely bought excess BPA power at a premium price. But a dry year had reduced Northwest river flows, so BPA had little power to spare. Wholesale prices spiked across the West, so it is sometimes known as the Western energy crisis. “All of Bonneville’s CRACs triggered at the same time, and the rates started going up extremely fast,” recalled McGary. (CRAC stands for Cost Recovery Adjustment Clause, a contract provision that allows BPA to add surcharges to its electricity fees when water conditions or market volatility threaten its ability to meet its power commitments or keep operating.)

State and federal investigations ensued. More than $4 billion in fines and settlements followed for the energy companies involved, along with some criminal prosecutions. Enron soon went bankrupt, and its CEO was convicted of multiple criminal charges. The longer-term impacts include continued arguments about deregulation and how BPA power should be allocated. In this uncertain environment, PUD 3 made the decision

In the summer of 2000, those prices jumped up to 10 times the previous year’s rates.
The partial industry deregulation of the 1990s encouraged PUD 3 to once more consider other sources of power, including burning methane from the county landfill and sewage treatment plant in 1991. In 1997, for the first time in nearly 50 years, the district began buying up to 15 percent of its power on the open market, usually through a broker. BPA was no longer PUD 3’s sole supplier. Later, the utility would once more sign a full-requirements BPA contract.

Nonetheless, in 2001 PUD 3 broke ground for its own Olympic View Generating Station as part of a long-term strategy to increase flexibility. This natural-gas facility near the state Corrections Center could produce 5.4 megawatts hourly, about 7 percent of the district’s average demand. It started up in 2002 but shut down again, unneeded, less than two years later. Its cost-efficiency is sensitive to natural gas prices, but it continues to provide an option for Mason County. In recent years, it has been operated to sell power to PUD 1 and in a pilot project related to outage support. The construction bond was paid off by 2011, so it’s an asset that can continue to contribute value later.

PUD 3 also invested in wind power, taking a megawatt of power from the Nine Canyon Wind Project near Kennewick. This effort of the Washington Public Power Supply System—renamed Energy Northwest—included 37 turbines that began operations in late 2002. Then the nation’s largest publicly owned wind project, it allowed PUD 3 to offer customers green power, known as Mason Evergreen Power, at a slightly higher cost. A few dozen customers began participating in 2003, their funds supporting additional green power research and generation. PUD 3 later bought into the project’s second and third phases, which added turbines and increased the district’s share to three megawatts total. “We are the only public utility that belongs to all three phases of Nine Canyon,” noted Himlie.
to rejoin the organization once known as WPPSS, which had been renamed Energy Northwest. The need to diversify power sources and generation options made collaboration with other regional utilities imperative. In particular, Energy Northwest was building a wind power project, and PUD 3 wanted to be involved.

As part of perennial energy battles, the public increasingly clamored for more renewable or “green” energy. Hydropower is a leading renewable energy source, of course, but in 2006, Washington voters passed Initiative 937, which requires utilities serving more than 25,000 customers to obtain 15 percent of their energy from renewable sources other than hydropower—such as solar or wind power—by 2020. McGary was cynical about this requirement. “Supposedly it was about renewables, but it was about big wind, big, profit-making wind,” he said.

BPA power supply contracts were modified to be load-following, allowing the utilities to source renewable energy elsewhere, with BPA supplying the rest. The state had recently begun requiring utilities to disclose sources to customers. PUD 3’s fuel mix, which appears regularly in its newsletter, at that time typically included about 80 percent hydropower, 10 percent nuclear power from the Columbia Generating Station (WNP-2), 4 to 8 percent coal (via the BPA network), and various fractions that have included natural gas, biomass, and even geothermal generation. The Nine Canyon Wind Project started contributing up to about 1 percent of the total.

**Energy Northwest was building a wind power project, and PUD 3 wanted to be involved.**

“I think it’s the right thing to have some [non-hydro renewable sources],” noted Wood. “But it never can be the same as generation that you can bring up instantaneously. Renewables really need to be looked at as a way to reduce dependence on Bonneville instead of as a base.”

In addition to the impossibility of drawing power from turbines when the wind isn’t blowing, Wood said wind farms are hard to site. “We did try to put a wind farm in with several other PUDs down in Pacific County, and we just couldn’t do it.” A key issue was the site’s proximity to a nesting area for marbled murrelets, a bird species listed as threatened under the U.S. Endangered Species Act. Both habitat loss and direct mortality from striking the wind turbines were cited as concerns.

Another significant change of this era was PUD 3’s foray into telecommunications infrastructure. This joint effort by PUDs began in the late 1990s on behalf of rural communities, who were often stuck with slow dial-up service even as Internet access became important to daily life. “Remember dial-up? Eeeeeee . . .” asked McGary, mimicking the squeal of a modem. “That was awful.” But as with electricity 60 years prior, rural areas often didn’t have the population density sufficient to attract commercial broadband providers.
Responding to environmental concerns

The public concern for the environment that began in the 1970s continued to develop in this era. PUD 3’s PCB identification and replacement efforts that had begun in the 1980s continue today as transformers are maintained and replaced. The district also responded to environmental concerns by reducing its use of herbicides around substations, looking for less hazardous pole preservatives, creating an office paper recycling program, and committing in 1990 to helping plant two new seedlings for every pole. This latter effort often involved providing seedlings to schoolchildren and students.

But the most significant and costly environmental issue for the district continues to be healthy populations of Northwest salmon species, most of which are listed under the federal Endangered Species Act. Although protecting salmon had long been part of BPA management of the dams, 1995 salmon runs hit a historic low. Activists renewed calls to remove dams on the lower Snake River. These calls were resisted as impractical, given the region’s dependence on those facilities for power. Instead, agencies and stakeholders, including BPA, increased efforts to improve fish passage and habitat.

Fortunately the enhanced efforts seemed to work. In the early 2000s, returning salmon counts hit high levels unseen since the dams were constructed. Although the rates have fluctuated since, they haven’t again dropped to 1995 levels. Since salmon populations are also impacted by other factors including predation, harvest, and rising ocean temperatures, the protective efforts funded by hydropower ratepayers represent a significant success.
“In the late 1990s, Douglas County PUD, Chelan County PUD, and Grant County PUD decided they could build a large double-loop fiber optic system on Bonneville’s towers, light it up, hook up to it, and get faster and better Internet service on a wholesale basis,” recalled McGary. Since the PUDs already had plenty of right-of-way access, it made sense for them to be involved in installing local fiber networks. Moreover, broadband Internet access would allow utilities to monitor and manage their systems remotely and almost instantaneously. PUD 3’s newest Pioneer substation had technology known as supervisory control and data acquisition, or SCADA, which allowed it to be monitored from the operations center. That ability was needed for the entire system, and fiber optics could make it possible.

Blakemore had his staff begin investigating, and Commissioners Gott and Whalen, in particular, agreed. “They had a vision, and I think they saw that the future of Mason County was going to depend on getting us broadband,” recalled Blakemore. “But we didn’t have the authority. At that time, PUDs had only three authorities: electricity, water, and if you had a water system, sewer. So it was going to take a legislative effort to allow PUDs to get into the telecommunication business.”

PUD 3 joined 15 other members of the Washington PUD Association in a collaboration known as WPUDA-Net, which began laying the groundwork for providing wholesale broadband service. This group later formed a new entity called the Northwest Open Access Network (NoaNet). After a strong lobbying effort, the state law governing PUDs was amended in 2000 to allow utilities to offer wholesale (but not consumer) broadband services. The PUD had long contracted with various cable television providers that used district poles, so working with companies that could offer retail Internet access using the district’s fiber network would not be so different. PUD 3 hired Dale Knutson, among others, to manage the effort, which began in early 2001.

Another significant change of this era was PUD 3’s foray into telecommunications infrastructure.
Knutson called it a challenge. “We had 10 substations at the time, and they were using phone lines for reading, metering,  

“Most of the time we know an outage has occurred before customers even start calling.”

— Wyla Wood

and just communicating to them,” he explained. “The use of copper in a phone line inside a substation is not preferred. Copper and electricity—that doesn’t work. Fiber optic cable and technology was the way to go. But the PUDs had never done this before. So when I first started, we didn’t have the skills, and one or two of us were trying to do everything.”

In addition, he noted, they were breaking new ground. “Back in 2001, 2002, we were one of 10 communities in the United States doing fiber to the home. It had never been done before. There weren’t a lot of equipment and parts to make it work, so we were trying to find out what works and what doesn’t.”

PUD 3 substations were connected to NoaNet’s fiber system in the summer of 2001. “I’m proud to say I was part of bringing telecom on board here,” said Wood, who succeeded Blakemore upon his retirement in 2004. “That was a good thing for Mason County, plus it gave us more options for managing our electrical system.” Specifically, the fiber network provides a foundation for automated meter reading and speeds outage response. “Most of the time we know an outage has occurred before customers even start calling,” noted Wood. (This capability would be put to the test during heavy 2006/2007 winter storms that caused enough damage for PUD 3 to again apply for FEMA support.)

Additional electrical equipment such as reclosers would continue to be hooked into the system, but once the basic connections were complete for the utility’s needs, the next step was connecting the rest of the community to enable Internet access. This work started in 2002. “We found out all the trials and tribulations of trying to get fiber to the home,” McGary said. For starters, the team had to develop policies plus service and billing standards. Then PUD 3 had to gain the trust of service providers who wondered what an electricity company knew about telecommunications. “There was pushback, and there were growing pains at first,” noted Knutson.
“And the incumbents—the cable companies, the phone companies—because we were bringing competition, hated us.” But PUD 3 worked hard to become experts and communicate its vision. To help with the latter task, it hired Joel Myer in 2002 as its first public information and government relations manager. Word got out and demand built rapidly.

“We got in our stride somewhere between 2005 and 2010, where we became efficient and cost effective for services such as Netflix and Hulu. Then everybody wanted it,” said Knutson. That necessitated a logical plan for proceeding. “People have all got their hands up. We have to start someplace, but where do we start?” At first, PUD 3 focused on connecting community organizations. “Because our fiber pipes were so big, we had the ability to connect state agencies, schools, to each other with capacity that phone or cable companies could never do,” explained Knutson. Then attention turned to leveraging that capacity for homes through neighborhood commitments. This approach evolved into the district’s “Fiberhood” concept today. In the meantime, the fiber system enables the PUD to manage its electricity delivery more efficiently, saving millions of dollars in communications, monitoring, and management costs over time.

Another recent innovation began in 2004, when PUD 3 started offering net metering to customers. Those who generated part of their own power through small solar or wind projects received a credit and could sell any excess back to the district. Bill Gruver became the first participant in 2006 with a small solar installation and hot water heater.

Before the end of the decade, PUD 3 was well poised for the future. Blakemore had retired in early 2004, turning management over to Wood. Commissioner Whalen also retired in late 2008 after 25 years, and Tom Farmer took his seat for District 2. The PUD’s annual budget had topped $54 million, nearly doubling over the decade, and it was routinely receiving Certificates of Achievement for Excellence in Financial Reporting from North America’s Government Finance Officers Association (GFOA). PUD 3 power is delivered from 11 modern substations, with the district owning 10 of them as well as operating BPA’s Potlatch substation. Major upgrades were made to the old Belfair station in 2007, and the newest, Johns Prairie, was built the same year. Following the West Coast energy crisis, BPA increased wholesale rates many times, but by operating efficiently and delaying some capital costs, PUD 3 managed to avoid increasing its own rates as often. By 2006, its residential rate of 5.56 cents per kWh was less than two-thirds the national average. Employees were busily implementing exciting new technologies to serve customers and the community better than ever. And more innovations were coming.
CHAPTER SIX

Anticipating the Future

Having spent the first decade of the century focused on a new broadband fiber system as well as its mainstay electrical service, PUD 3 added a challenge in 2010: a major relocation. After more than a decade of planning, construction began on the Johns Prairie Operations Center, northeast of Shelton. Although PUD 3 kept a payment center in Shelton as a convenience for customers, manager Wyla Wood wanted to bring employees who had been scattered over several buildings into a single, more suitable place for greater efficiency.

“Wyla was very focused on getting this building,” noted Nancy Bolender. “We were running out of room, and as a manager she definitely had a focus on improving our system and the environment for the crews.”

As in the past, customers questioned this investment, and a couple even ran for commissioner to oppose it. Although the project would have no impact on electrical rates, the objections were similar to those made in the 1950s about the existing building: the planned facility was unnecessary and would be too lavish and expensive in the midst of a recession.

“We had letters to the editor and two or three folks who regularly came to commission meetings to speak on how they thought the money was better spent elsewhere,” said Joel Myer, public information and government affairs officer. “We responded to every one with the facts: That [downtown] building had been constructed to have a 50-year life.

The Nine Canyon Wind Project near Kennewick, Washington.
Guess what? It had a 50-year life and it served the PUD and the community well. But things changed, and we needed more space and a better facility for customers and employees.”

Moreover, the timing for the investment was good. “Contractor prices were down, and the financing was priced right,” pointed out Annette Creekpaum, who had joined PUD 3 in 1998 as its auditor and CFO.

The PUD held a half-dozen public workshops to explain. “It would have cost a lot more to upgrade the old buildings, for less benefit,” noted Myer. “Our operations folks literally had no place to park their trucks and no place to put transformers except out in the weather. Our old warehouse had problems.” It was time, and most customers approved. In fact, in 2011, in the midst of the project, Gott and Wood both were honored with high placement in the Mason County Journal’s “Reader’s Choice” awards in the categories for elected officials and civic workers.

Like the old building, the new one was designed for at least a 50-year life and included meeting space for use by community groups. But the plans also included sustainable development measures that hadn’t existed a half-century before. Energy-efficient lights, heating, insulation, and materials were no-brainers. Others were less obvious but just as carefully thought out.

For instance, the salmon-bearing stream that meanders along the property’s edge, Johns Creek, has an annual return of chum salmon that are important to the local Squaxin Island Tribe. PUD 3 worked with tribal representatives and ecologists to ensure that neither the new building’s well nor its surface runoff would harm that stream, the water table, or the fish.

“The best solution was not to draw water out of the aquifer, but to bring water to it,” Myer said. “So we worked with the City of Shelton and the Port of Shelton to extend the water main from the city to this location. That took care of our fire flow needs and the withdrawal of water from the aquifer—not just for this building but for future development in the Johns Prairie area.” The joint effort was recognized with an award from the county’s Economic Development Council.
The site runoff issue was complicated by the number and size of PUD 3 trucks stored on the grounds and the pavement required to support them. One solution was the PUD’s seven “rain gardens” that capture runoff. Native plants in the gardens naturally filter out any toxins. They’re also attractive and filled with wildlife, from frogs to a red-tailed hawk that employees have dubbed JP. Meanwhile, rainwater collected from the roofs is held in tanks and used for irrigation and flushing toilets. These and dozens of other sustainable-development practices earned Leadership in Energy and Environmental Design (LEED) Gold certification for the building, opened in Spring 2012.

“The building was a huge accomplishment,” noted Creekpaum.

One feature that’s easy to overlook is the solar arrays. According to Myer, the decision to add them was made during the building’s construction. “The general contractor came to us and said, ‘You know, we do solar projects. Would you be interested in leasing your roof space?’” The answer was easy, since the resulting array gives the contractor a tax benefit and supplies PUD 3 with solar energy and an option to buy the equipment. These solar panels produce 225 kilowatts of power. The annual output has been more than originally expected, initially providing (and thus saving) more than 240,000 kWh annually—about one-quarter of the facility’s needs.

“Good neighbors”

“In the process of putting this building together, we tried to find partnerships that either saved us money or made us more efficient,” noted Myer, pointing to teamwork with the Squaxin tribe, the city, and the Port of Shelton as examples. Another collaboration was work with the Mason Conservation District to ensure the rain gardens didn’t require summertime watering or other care. “It’s a demonstration of what people can do in their gardens to be more native plant aware,” Myer added. The conservation district subsequently named PUD 3 its Conservation Steward of the Year for 2012.

Regional contractors and materials were used for most of the work, which had a $34.5 million design, site preparation, and construction budget. The use of federal “Build America Bonds” reduced financing costs by nearly $1 million annually. Once the building was completed, works by local artists complemented public areas.

The new building earned LEED Gold certification.
In addition, a smaller, 75-kilowatt array was created in 2015 as a community solar project that customers could purchase a share of. There was more interest than PUD 3 could accommodate, but about 100 customers invested. They receive billing credits for the energy it produces, plus a state energy incentive and federal tax credit.

“Some of these folks recouped their investment within a couple of years,” noted Myer. “We would like to build more, but the state’s new incentive program really doesn’t make it cost-effective right now.”

With the office relocation completed, Wood retired in 2013 after 32 years, turning the district’s management over to Creekpaum. “Annette is very focused on bringing the utility into the new world of the utility markets, with the grid modernization and the diversification of power supply, which is very necessary,” noted Nancy Bolender. “A lot of things have changed in just the last five years, so her focus has been keeping up with the changes.”

Creekpaum wasted no time. Because the new facility had been completed under budget, the bonds sold to fund it also helped pay for PUD 3’s next project: grid modernization. The district again upgraded its Mason substation, finishing that work in 2014, but more significantly, the

“Social media has also been useful for building relationships and trust with our customers.”

— Joel Myer
ongoing buildout of the broadband fiber system was coming to fruition. With nearly as many miles of fiber as overhead electrical lines, it enables PUD 3 communication with new equipment: automated meters.

When he retired in 2008, Commissioner Whalen had predicted that in the next 50 years, a host of new technologies would affect everyday operations. Whalen’s prediction has already proven true. One example is the use of an infrared camera, which senses heat, to identify power line connections or equipment in substations that might be hot—an indication of potential trouble or failure. Crews scan equipment on cold nights to confirm safe operations or identify repair needs before they become problems.

Technology helped the district in a very different way starting in late 2012, when PUD 3 began using Facebook as another way to communicate with customers. “We now have more than 10,000 followers—one of the highest ratios of followers to customers in the country,” explained Myer. “It’s turned into a major outage communication tool, because even when the power is out, most people have mobile phones. But social media has also been useful for building relationships and trust with our customers.”

More significantly, Whalen’s foresight about new technologies had specifically mentioned remote meter reading. Less than a decade later, in 2016 PUD 3 began installing new meters that automatically reported to the operations center, reducing the need for human meter readers to brave weather, locked gates, or aggressive dogs.

Myer called this part of an ongoing communications revolution. “You can access information almost instantly from anywhere and disseminate it instantly from everywhere.” A few customers opted out, electing to pay for manual meter reading instead, despite the district’s best efforts to explain the benefits and proven safety of the devices. But almost all of the PUD’s 33,500 customers are taking part in the modernization.

**A PUD 3 mascot?**

*In late 2015, an orphaned bear cub took refuge in one of the district’s BPA substations. The frightened cub narrowly avoided electrocution, and state wildlife experts eventually lured it out with doughnuts. They took the cub, quickly dubbed Sparky, to an Idaho black bear rehabilitation facility. “Folks really took to the little fellow,” noted Myer. Sparky was returned to the wilds of the Olympic Peninsula the following spring.*
Two years later, all of the old meters had been replaced, along with new routers and data collectors. Already, automated meters are making outages faster to pinpoint, diagnose, and correct, since they give operations teams instant feedback about the scope and potential source of an outage. In most situations, customers no longer need to call or even report through their mobile devices.

The grid modernization makes the system more reliable too, by pushing capabilities that used to be in substations farther downstream. “It recognizes when we send electricity out to a home or a neighborhood, so we know: Is it getting there? Is it at the right voltage? Is it working correctly?” explained Dale Knutson, director of engineering and utility services.

“Folks are really hungry for broadband.”
— Joel Myer

“That’s the big difference—getting feedback from all the endpoints back here.”

Even before this new system’s completion, PUD 3 had a sterling reputation for reliability. In 2014, it was one of only 29 PUDs in the nation—and the only one in Washington State—to receive the American Public Power Association’s diamond level reliability designation. This three-year designation was renewed in 2017.

Meanwhile, the expanding fiber network is enabling an increasing number of county residents to get broadband services from third-party providers. “About 10 years into it, we figured out how to best serve the residential areas,” noted Knutson. Today, approximately 2,000 connections have been made to the PUD 3 network, and the trick has become how to add more, and quickly.

“Folks are really hungry for broadband,” noted Myer. “I think we have about 4,000 people who have contacted us and said, ‘You’re not getting it to us fast enough.’”

The difficulty isn’t all logistics. By law, PUD 3 can’t provide the service itself, only the wholesale access to the network. A service provider must be involved, and the district has no control over that. But the other problem is funding prioritization.

“In 2017 our telecom manager, Justin Holzgrove, came up with an idea,” explained Myer. “If you want broadband service in your community and you’re near our distribution system, would you be willing, over 12 years, to pay a little extra for the construction costs for us to bring it to you?”
A great place to work

PUD 3 employees—about 130 people today—work hard to keep their sometimes dangerous jobs safe. This is evidenced by frequent safety awards from the Northwest Public Power Association and the American Public Power Association. The work, by most accounts, is satisfying too. Employees frequently praise their workplace. “There is room to grow your career,” pointed out Bolender. “It’s a great place to work,” agreed Knutson. “The technical people love the challenge.”

Creekpaum noted that employees are also typically, and appropriately, proud of their work. “We employ a highly skilled staff here at the PUD—we think they’re the best staff around—who work to ensure we are able to provide 24/7 service to our customers,” she said. “Our employees take pride in serving our local community while having the opportunity to work in an exciting and changing industry.”

The utility has relatively low employee turnover, proof the majority of employees agree with that assessment. And though they’re not exactly employees, PUD 3 commissioners typically have long tenures too. “You can see it from that very small wall of commissioners’ portraits,” pointed out McGary. “It doesn’t matter whether there was strife or problems, those long terms indicate relative stability compared to other utilities.”

Both commissioners and employees take their responsibilities seriously. “We work for the public,” noted Bolender. At the same time, Creekpaum pointed out, PUD 3 helps to keep those good jobs local. “If this was a private utility, most of the jobs wouldn’t be in the county.”

“If you can get enough commitment in that community, we will set aside dollars to build into that area,” added Knutson. This ensures that the PUD will recover its costs as required by law. PUD 3 surveyed customers to identify about 2,200 customers in 32 neighborhoods who prequalified. These communities, dubbed Fiberhoods, are competing to go to the head of the list.
Preventing and repairing tree damage to lines are ongoing priorities. Shown is tree trimmer foreman Tyson Latham.
In addition, as PUD 3’s fiber network continues to expand in the coming years, its capabilities are likely to expand with it. “You’re going to see more things in the home that are power consumers, like electric cars, or power producers, like solar or wind systems or battery storage,” predicted Knutson. “You’re going to see more energy-smart homes that the consumer wants to be able to control, and you’re going to see telemedicine. I think that’s going to be the biggest benefit.” With telemedicine, fast Internet connections can allow families to consult with doctors, monitor health metrics such as blood sugar or pressure, and even participate in medical tests from their homes. “That’s going to be huge for a rural community.” He also pointed out that broadband service can attract new businesses. “It’s now enabling economic development. It’s an investment in the community.”

In 2014, PUD 3 celebrated its 75th anniversary. Looking forward from its 80th anniversary today, PUD 3 has three priorities: continuing the great service that customers have come to expect, while protecting the utility’s financial standing and managing evolving power supplies.

“You have to have good service, first and foremost, because that’s what people remember,” said Creekpaum. “But protecting the assets of the utility so it’s there for the future is important.” District finances are sound thanks to long-term planning, strategic thinking by a knowledgeable board of commissioners, and professional procedures and policies put into place by Creekpaum and others in the early 2000s.

“The financial management of this utility is regarded by its peers as among the best of its class,” noted Wood in 2010 after PUD 3’s 2008 annual report took second place in its size class in the NWPPA’s Excellence in Communication awards. The district earned more NWPPA awards for 2010 and 2013 communication efforts.
These awards were just the latest in a string of accolades that continue. The state has always audited PUD 3’s books annually and for decades has approved them without concerns and often with compliments. PUD 3 also earns recognition from the international Government Finance Officers Association (GFOA) nearly every year. The utility has millions of dollars in reserve to help weather storms or unexpected demands and buffer customers from sometimes unpredictable wholesale price increases. And although the district has an excellent credit rating, the commissioners are always cautious about adding to debt.

Creekpaum gave an example: “We didn’t buy bonds for telecom.” Instead, the district is building out that system as cash reserves are available. “We take a slow and sure method to all these things.”

Though it’s accustomed to planning in 20- to 50-year intervals, the district frequently analyzes rates and the components of service so that, regardless of power supply or demand changes, rates continue to cover costs and fairly reflect what it takes to serve diverse residential, commercial, and industrial customers. Seasonal customers, at about 25 percent of the total, still represent a significant share of the customer base. Having the appropriate daily system charge helps to ensure that full-time residents aren’t subsidizing the cost of lines, poles, and transformers that provide service to others.

Another complexity may be an increasing number of customers interested in generating their own energy and perhaps selling some back to the district. In addition, the county will likely continue to grow with relatively new industries such as indoor farmers growing marijuana or cryptocurrency development. Such new businesses may have power uses and needs that differ from those of Sierra Pacific, the one industrial customer currently served by PUD 3, or large commercial customers such as Taylor Shellfish and the Little Creek Resort and Casino owned by the Squaxin Island Tribe. Finally, relatively recent consumer innovations such as electric vehicles
and other emerging technologies require constant reassessment to be sure that rates remain sufficient and fair.

In 2018, PUD 3’s approximately 31,000 residential customers paid rates that were about 80 percent of national averages. By the end of 2017, the district also had about 2,500 commercial or industrial accounts reaping the benefits of the Northwest’s renewable hydropower, which still typically represents between about 80 and 90 percent of PUD 3’s purchases. On a 2013 visit, outgoing BPA administrator Steve Wright said, “Mason County PUD 3 is one of our favorite customers.” But all of BPA’s capacity is currently spoken for. If Mason County’s energy demand were to grow significantly, PUD 3 would need to find some other source, and its memberships in associations and Energy Northwest help it stay abreast of the alternatives.

In addition, the state’s Initiative 937 requires that by 2020, 15 percent of the utility’s power come from renewable sources, and despite efforts to make legislative changes to the rules, hydropower doesn’t count. PUD 3 successfully met a 2016 interim goal of 9 percent renewable—mostly wind power from the Nine Canyon project and purchased renewable energy credits (RECs) from other utilities with surplus renewable energy. The district is on track to meet its 2020 goal. These requirements are just one reason power supply will continue to be a major topic of study, collaboration, and lobbying.
With big dams comes great responsibility (and cost)

With 12 Columbia River Basin steelhead and salmon species listed under the Endangered Species Act, the impact of dams on salmon runs remains controversial. Salmon advocates claim the dams are major impediments to salmon migration, despite fish ladders and other modifications to aid fish passage. To complicate matters, revenue from the sale of electricity from federal dams is a primary source of funding for salmon recovery efforts. Regional dam operators have stepped up this funding for habitat restoration and better fish passage.

The Pacific Northwest effort is unique as the only U.S. Endangered Species Act program paid for by the region. Since 2005, the average cost of restoration efforts has been about $735 million per year. Almost exclusively, public power customers have funded this work, paying almost $16.4 billion since 1978. The Northwest Power and Conservation Council estimates that at least 14 percent of a typical residential family’s electric bill goes to federal fish and wildlife costs.

This investment is bringing results. Some people contend that salmon runs in the Columbia River have dropped to the lowest levels in history, but scientific data counters that claim. Adult salmon returns have been counted at Bonneville Dam since 1938, when just under 500,000 salmon and steelhead were tallied. Since 1994, the trend has been upward. In 2014, about 2.7 million returning salmon and steelhead adults were counted at the dam.

Improvements made at Columbia River dams to aid young salmon and steelhead on their trip to the Pacific Ocean are also showing results. On average, about 97 percent of these youngsters survive their passage over each dam.

In addition to hydropower, other factors affecting salmon populations—harvest, habitat, and hatcheries—also deserve closer scrutiny. Of these “four H” factors, the current Columbia River management plan covers all but harvests. But the science of each continues to evolve. Mysterious ocean conditions and water temperature may play a role in salmon survival and return, as do food, predators, and other environmental factors. Such influences can outweigh improvements in habitat, hatchery production, and hydropower operations.

Regardless, PUD 3 is proud of the investments made to improve salmon runs in the Columbia River and its tributaries. We will continue to work with partners on cost-effective and productive activities to ensure that Pacific Northwest salmon are here for generations to come.
“Power supply has always been a challenge,” noted McGary. Fortunately, conservation, renewable energy purchases, and the district’s own generation projects are sufficient for now, and Creekpaum isn’t concerned about supply in the near term. Regardless, conservation will continue to play a key role. “Saving energy is the cheapest way of generating electricity,” declared Myer. “It’s the greenest way, and the best one for us.”

PUD 3 will have help with these issues. It continues to prioritize membership in industry associations, which provide education, opportunities to invest in research and generation options, political leverage, and negotiating power. There are many organizations because they specialize: by geography, by utility ownership type, and by members with generation capacity and those without. For instance, PUD 3 belongs to a technical organization called Northwest Requirements Utilities (NRU) that is only for utilities that get all of their power from BPA. “You can push Bonneville as a block,” explained Creekpaum. “It seemed to have the most influence.”

For similar reasons, Gott has held a number of leadership roles for Energy Northwest and continues to do so. “Membership gives a small utility the opportunity to participate in projects they could not do on their own,” she noted.

One example of advocacy by such associations is targeted legal action. For instance, the 1980 Northwest Power Act had created a residential exchange program related to the preference that public utilities receive in BPA power allotments and prices. The program’s administration affected electricity prices. To make a complicated story short, in 2000 a number of public utilities sued BPA for improperly crediting private utilities, essentially making PUD ratepayers subsidize the private utilities’ profits. The courts repeatedly found BPA’s actions illegal, with final settlements in 2011 and 2012. The result is a small credit on most PUD 3 bills from BPA.

“Saving energy is the cheapest way of generating electricity.”

— Joel Myer
Top: Justin Holzgrove (a.k.a. Professor Energy) demonstrates the efficiency of LED light bulbs for Public Power Week.

Bottom: New digital meters allow customers to monitor their energy consumption using real-time data.

Industry association membership also supports PUD 3’s efforts to educate consumers. For instance, the district routinely participates in Public Power Week. This annual event is sponsored by the American Public Power Association the first full week of every October. It involves events, communication, and local activities that help public power customers across the country understand, collaborate with, and benefit from community-owned power systems such as those in Mason County.

As technology advances and opportunities change into the future, PUD 3 will strive to be a consistent and reliable source of power service. “We feel a responsibility to the community to provide the best, most reliable service we can,” noted Myer. “Imagine Mason County if public utility districts had never been formed here. Would people in the far-flung areas have had electricity as soon as they did? If they hadn’t, would we have 60,000 residents here? Would we have industries like Taylor Shellfish, Hiawatha, and now Sierra Pacific?”

“This utility is an asset for the ratepayers in Mason County, and they need to value that asset,” concluded Creekpaum. “We’re the power behind Mason County.”
Power developments to watch

Another example of how associations help PUD 3 relates to state and federal legislation. McGary predicted that future challenges are likely to include regulations or policy by lawmakers who don’t really understand the power industry, and two regional issues to watch are the impact of bitcoin mining and a potential new international treaty.

In 2017 and 2018, the cryptocurrency boom came to Washington State when bitcoin miners and other sophisticated technology users became aware of the Northwest’s inexpensive electricity. The emerging cryptocurrency markets allow people with the right technical know-how and specialized computer equipment to gamble on those markets by, essentially, solving complex computational problems faster than competitors. But the computers involved need huge supplies of electricity—megawatts, not just kilowatts—to process continuously, so even slight differences in power costs are important. Thus far, PUDs in Eastern Washington have been affected the most, with new and often unpermitted connections making massive power demands known as high-density loads. Unreported connections and power demands beyond what customers tell their PUDs to expect have caused equipment fires and damage. They also bring other fallout, including higher prices for ordinary ratepayers. In Spring 2018, PUD 3 put a moratorium on high-density loads until it can study this new power issue and strategize a response that will serve potential new customers while still accurately placing the costs of service on such connections.

A second regional concern is the renegotiation of the Columbia River Treaty between the United States and Canada. Since 1964, this agreement has helped manage how much water flows from the Columbia’s headwaters and how much is held by Canadian dams so it can be released to generate power downriver when most needed. For holding water, rather than generating power itself, Canada receives funds and a BPA electricity allotment. Most of the treaty’s provisions are in effect through 2024, but renegotiations began in 2018, and the terms are likely to change. If so, it may affect all BPA customers, including PUD 3.

“I thought [Commissioner] Bruce Jorgenson was pretty perceptive when he said, ‘You know, this industry goes from one crisis to another.’ There’s always a crisis out there,” remarked retired manager Ed Blakemore. Given ongoing regulatory uncertainty and the unpredictability of rainfall and river levels each year, it’s probably true. But PUD 3 staff do their best to stay ahead of such crises, keep power flowing, and minimize any impact on customers.
People and power link our past with our future. PUD 3 linemen John Clements and Scott Miller.
Timeline

1930  Grange Power Bill passed
1934  PUD 1 and PUD 3 approved by voters
1936  State Supreme Court upheld the PUD law, enabling PUDs to proceed
1939  Energized to serve 8 customers
1940  Serving 318 customers by year-end
1941  Bought West Coast Power equipment and accounts, bringing customer total to 2,227
      Mason substation built
      **U.S. joined World War II, causing materials shortages**
1946  IBEW #77 agreement accepted
      Kamilche Point extension completed
1947  Cloquallum and Harstine Island extensions completed
1948  Opened newly purchased office at 227 West Cota
      100% sourcing from BPA began
      Acquired Puget Sound Power and Light facilities
1950  **Korean War began, causing materials shortages**
1954  Serving 5,340 customers on more than 600 miles of line
1956  WPPSS formed and joined
1958  307 West Cota building built and opened
1962  Columbus Day storm knocked out power for days
      50 employees serving 7,300 customers
1964  Packwood Lake hydro facility went on line
1965  Lawsuit against electrical equipment manufacturers settled in PUD 3’s favor
1968  Peninsula Light facility acquisition finalized
      Serving more than 8,500 customers
1970  **First Earth Day celebrated in United States**
      North Shore undersea cable energized
      Belfair well sold to Belfair Water District
1971  Joined WPPSS plans for WNP-1, -2, and -3
      First IBM computer purchased
1972  Customer-service employees join IBEW #77 as Group B
1973  **OPEC Arab oil embargo**
1976  BPA sent notice of insufficiency; PUD 3 joined plans for WNP-4 and -5
1977  Formal conservation program created
1978  Mountain View substation built
1979  **Three Mile Island nuclear incident**

1980  Northwest Power Act
       Serving 17,763 customers

1982  WNP-4 and -5 construction canceled
       Irate Ratepayer Rebellion prompted commissioner resignation

1983  WPPSS default; WNP-1 and -3 put on hold
       Two remaining commissioners recalled
       Project Share program began

1984  End of WPPSS membership until 2001
       WNP-2 went on line

1985  Collins Lake substation built

1988  WPPSS MDL-551 lawsuit settlement reached

1990  Dewatto extension completed

1991  Serving more than 20,000 customers

1992  Dayton substation built

1994  Union River substation completed and energized
       Manufactured homes lawsuit settled in PUD 3’s favor

1995  Benson substation built
       Reached 25,000 customers in June

1997  Winter storm damage totaled $3.7 million
       Three substations purchased from BPA
       Skookum substation built

1999  Pioneer substation built to replace BPA Bayshore substation
       60th-anniversary festivities
       Y2K preparations completed

2000  **West Coast energy crisis began**
       Serving 27,778 customers
       Telecommunications Bill (SSB 6675) passed by Washington legislature
       Broadband fiber project began

2001  Joined Energy Northwest

2002  Olympic View Generating Station completed
       Nine Canyon Wind Project went on line

2006  Initiative 937 passed, mandating additional clean energy sourcing

2012  New operations center completed
       Grid modernization begun

2014  Mason substation rebuild complete
       75th anniversary celebrated

2016  New meter installation began as part of grid modernization
       Community Solar Project (75 kV) goes on line

2018  Grid modernization completed

2019  80-year anniversary celebrated with 130 employees and 33,500 customers
Key Leaders

Commissioners

**District One**
Nov. 1934 – Nov. 1944:
  Jack F. Bichsel (10 years)
Dec. 1944 – Dec. 1950:
  Vincent Paul (6 years)
Dec. 1950 – May 1951:
  Ralph N. Howard (5 months)
May 1951 – Nov. 1952:
  Vincent Paul (18 months)
Dec. 1952 – Dec. 1973:
  Jack Cole (21 years)
  M. D. “Polly” Parrett (6 years)
  Phillip W. Durand (1.5 years)
July 1983 – Dec. 1998:
  Harvey Warnaca (15 years)
Jan. 1999 – present:
  Linda Gott (20 years)

**District Two**
Nov. 1934 – Dec. 1942:
  Enoch Nelson (8 years)
Jan. 1943 – Nov. 1966:
  T. W. (Tom) Webb (23 years)
Dec. 1966 – June 1975:
  Harold W. Parker (8+ years)
July 1975 – July 1983:
  Lloyd Suhr (8 years)
July 1983 – Nov. 2008:
  John Whalen (25 years)
Jan. 2009 – present:
  Tom Farmer (10 years)

**District Three**
Nov. 1934 – May 1948:
  Ronald R. McDonald (14 years)
May 1948 – Nov. 1948:
  David Roy Carr (6 months)
Dec. 1948 – Nov. 1958:
  Earl A. Carr (10 years)
Dec. 1958 – March 1982:
  Edwin Taylor (23+ years)
March 1982 – Dec. 1994:
  Robert C. Olsen (12 years)
Jan. 1995 – present:
  Bruce E. Jorgenson (24 years)

Managers

Nov. 21, 1934 – Sept. 1, 1939:
  Elmo C. Lord
Oct. 1, 1939 – Jan. 15, 1943:
  E. W. Johnson
Jan. 15, 1943 – Dec. 31, 1962:
  C. M. Danielson
  Gerald D. Samples
Jan. 16, 1976 – July 31, 1980:
  Richard D. Holland
Aug. 1, 1980 – Jan. 28, 1986:
  Dennis E. Rohr
  Ed Blakemore
Feb. 1, 2004 – March 31, 2013:
  Wyla Wood
April 1, 2013 - Present:
  Annette Creekpaum


Mason County Journal. Shelton, WA. Various undated clippings from files.


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“What was Mason County life like before electrical age?” Mason County Journal, March 30, 1989.

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5 Wilma, pp. 7-15.
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8 PUD records and Billington, pp. 46-51.
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12 Washington State Labor & Industries data.
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15 Plumer.
16 Chasan, p. 65.
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20 Billington, p. 376.
21 Plumer.
22 Freddie Mac Primary Mortgage Market Survey (PMMS) data.
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The residents and businesses of Mason County, Washington, enjoy electrical power from two of the state’s earliest public power districts. The largest, Mason PUD 3, has achieved eight decades of expansion and reliable service, thanks to dedicated public commissioners, hundreds of hard-working employees, engaged customers, and a community spirit that encouraged civic participation and mutual growth.

From its earliest days stringing wire to illuminate farmhouses and granges to the technological and safety innovations of today, PUD 3 has successfully adapted to change. It weathered political, economic, and environmental challenges; dealt with issues of power supply, including controversies and outages; and embraced political and social changes with ramifications for its teams, its customers, and hydropower in the Pacific Northwest.

Through the years, the district has remained dedicated to continuously improving the service that provides its neighbors with ready warmth, light, conveniences, and opportunities. This book tells the story of the people and events that have shaped PUD 3, made it successful, and prepared it to power Mason County for decades to come.

Joni Sensel has written for some of America’s most noted companies, including Microsoft, F5 Networks, REI, and Weyerhaeuser, as well as many smaller but distinguished organizations. The author of more than a dozen books and countless smaller publications, she works and plays near Mt. Rainier in the Pacific Northwest.
MASON COUNTY
PUBLIC UTILITY DISTRICT

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